

Hearts and Minds Investments Limited (HM1)

ABN 61 628 753 220

Financial Report

Results for Announcement to the Market for the Year ended 30 June 2022

	Change	30 Jun 2022	30 Jun 2021
		\$'000	\$'000
Total Net Investment Income	-2,194%	(122,588)	(5,343)
Profit/(Loss) from ordinary activities after tax	-661%	(94,837)	(12,464)
Other Comprehensive Income net of tax	-173%	(124,752)	170,413
Total Comprehensive Income net of tax	-239%	(219,589)	157,948

Net Tangible Assets (NTA) Per Ordinary Share

	30 Jun 2022	30 Jun 2021
Pre-tax NTA per ordinary share	\$2.58	\$4.33
Net tax benefit/(liability) per ordinary share	\$0.23	(\$0.41)
Post-tax NTA per ordinary share	\$2.81	\$3.92

Dividends

HM1 paid a fully franked dividend of 13.5 cents per share amounting to a total dividend payment of \$30.5 million in April 2022. HM1 aims to pay a fully franked annual dividend to its shareholders in April each year following the realisation of the previous year's Conference Portfolio, subject to sufficient cash reserves, available franking credits and prudent business practice.

Brief Explanation of results:

For the year ended 30 June 2022, HM1 recorded a total comprehensive loss after tax of \$219.6 million (2021: total comprehensive income after tax of \$157.9 million). The result was driven by net unrealised losses from the Core Portfolio and the current Conference Portfolio partially offset by net realised gains from both the Core Portfolio and the previous Conference Portfolio.

HM1's post-tax net tangible assets decreased by 27.6% over the year from \$886.0 million on 30 June 2021 to \$641.1 million as of 30 June 2022. Since the inception of the Company in November 2018, HM1 has generated a compound annual pre-tax investment return of 7.1% compared to the MSCI World Net Total Return (AUD) Index increase of 9.8% per annum over the same period.



Appendix 4E

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations 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 forego any investment fees and instead donate an amount equivalent to 1.5% of net tangible assets per annum to designated medical research organisations. During the year ended 30 June 2022, HM1 paid \$12.6 million to its designated medical research organisations and provided a further \$5.9m, bringing the total funding to medical research to \$33.9m since inception. Further details on the results are included in the Annual Report.

This report is based on the Annual Report which has been audited by Pitcher Partners. The audit report is included in the Annual Report which accompanies this Appendix 4E. All the documents comprise the information required by Listing Rule 4.3A.

Annual General Meeting

HM1 advises that its Annual General Meeting will be held on or around Monday, 28 November 2022. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch. In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00 pm (AEST) on Monday, 3 October 2022.

**Hearts and Minds
Investments Limited**

Annual Report

**For the year ended
30 June 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
Company Secretary <i>(Pro bono)</i>	Tom Bloomfield	
Investment Committee <i>(Pro bono)</i>	David Wright Christopher Cuffe AO Lorraine Berends Brett Paton Paul Rayson	Chairman
Core Fund Managers <i>(Pro bono)</i>	Caledonia (Private) Investments Cooper Investors Magellan Asset Management Paradice Investment Management Regal Funds Management TDM Growth Partners	
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)
Registered Office	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000	
Auditor	Pitcher Partners Level 16, Tower 2 Darling Park 201 Sussex Street, NSW 2000 Telephone: (02) 9221 2099	
Administrator	Citco Fund Services (Australia) Pty Limited Level 22, 45 Clarence Street Sydney NSW 2000 Telephone: (02) 9005 0400	
Share Registrar	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600	
Stock Exchange	Australian Securities Exchange The home exchange is Sydney ASX code: HM1 Ordinary Shares	

Chairman and Chief Executive Officer's Letter

On behalf of the Board and management we would like to thank you for your support of Hearts and Minds Investments Limited (hereafter referred to as 'HM1' or the 'Company') as we share the Annual Report for the year ended 30 June 2022.

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

One of the many risks of investing in a concentrated portfolio of high conviction stocks is the risk of large drawdowns during the period of investment. This financial year that risk has eventuated, with the portfolio incurring significant unrealised losses in its holdings. The Core Portfolio mostly comprises high conviction growth stocks which over the long term are expected to deliver capital appreciation. This was the case for the first three years since the inception of HM1 and shareholders enjoyed healthy returns. In the second half of this financial year global markets fell dramatically and the market values of our Core holdings have given up much of their previous gains. Our Conference Portfolio, which invests in short-term recommendations by selected fund managers, was refreshed in December 2021 and has also been severely impacted by the market turmoil given we had a concentration in technology stocks which bore the brunt of the market sell off.

The HM1 portfolio declined on a pre-tax basis by 33.6% for the year ended 30 June 2022 compared to the MSCI World Net Total Return (AUD) Index, which declined 6.5%, and the Nasdaq Composite index which declined 24.0% over the same period. Since the inception of the Company in November 2018, HM1 has generated a compound annual pre-tax investment return of 7.1% compared to the MSCI World Net Total Return (AUD) Index increase of 9.8% per annum over the same period.

This is a very unsatisfactory result. As a result, we have made some changes to the construction and management of the HM1 portfolio and the selection process for fund managers. We believe the changes we have made will better balance the risks in the portfolio but retain the essence of a high conviction growth mandate.

For the year ended 30 June 2022, HM1 recorded a total comprehensive loss after tax of \$219.6 million (2021: total comprehensive income after tax of \$157.9 million). The result was driven by net unrealised losses from the Core Portfolio and the current Conference Portfolio, partially offset by net realised gains from both the Core Portfolio and the previous Conference Portfolio. Further details of the performance of the investment portfolio can be found in the Investment Committee Report. HM1's post-tax net tangible assets decreased by 27.6% over the year from \$886.0 million on 30 June 2021 to \$641.1 million as of 30 June 2022.

In April 2022 HM1 paid its second annual dividend to shareholders. A fully franked dividend of 13.5 cents per ordinary share amounting to a total dividend of \$30.5 million was paid on 12 April 2022. Our dividend reinvestment plan was operational and many shareholders reinvested their dividend in HM1 shares at the prevailing market price. The Board is targeting the payment of a fully franked annual dividend in April each year following the realisation of the previous year's Conference Portfolio, subject to sufficient cash reserves, available franking credits and prudent business practice.

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

The current designated medical research organisations are Victor Chang Cardiac Research Institute, Baker Heart and Diabetes Institute, Black Dog Institute, Cerebral Palsy Alliance Research Foundation, Charlie Teo Foundation, The Children's Hospital at Westmead – Kids Critical Care Research, The Florey Institute of Neuroscience and Mental Health, Orygen, Pain Management Research Institute, RPA Green Light Institute and the Walter and Eliza Hall Institute. More information on the wonderful work of these organisations can be found in the Medical Research Report.

During the year ended 30 June 2022, HM1 paid \$12.6 million to its designated medical research organisations and made provision for a further \$5.9 million. These donated monies will be used by those organisations to fund important research into the prevention and treatment of chronic diseases and mental health disorders. The ongoing pandemic highlights the critical importance of medical research to global health outcomes and economic prosperity.

HM1’s Investment Approach

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

- HM1 has invested approximately 35% of its investment portfolio based on the annual recommendations of fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference (known as the Conference Fund Managers).
- HM1 has invested approximately 65% of its investment portfolio based on the highest conviction ideas of six respected fund managers (known as the Core Fund Managers). These fund managers are Caledonia (Private) Investments, Cooper Investors, Magellan Asset Management, Paradise Investment Management, Regal Funds Management and TDM Growth Partners.

The Board’s view is that the investment strategy offers investors an opportunity to:

- gain exposure to the highest conviction ideas, investment approach and expertise of each fund manager, a number of whom are not otherwise readily accessible to retail investors;
- benefit from having a portfolio that is not concentrated on the philosophy or investment style of just one fund manager; and
- access a concentrated portfolio of Australian and international listed securities which are expected to provide attractive shareholder returns over the long term (being five years or more).

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. An 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 is a post-tax measure and 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 is 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 set out below.

1. Investment Portfolio Performance

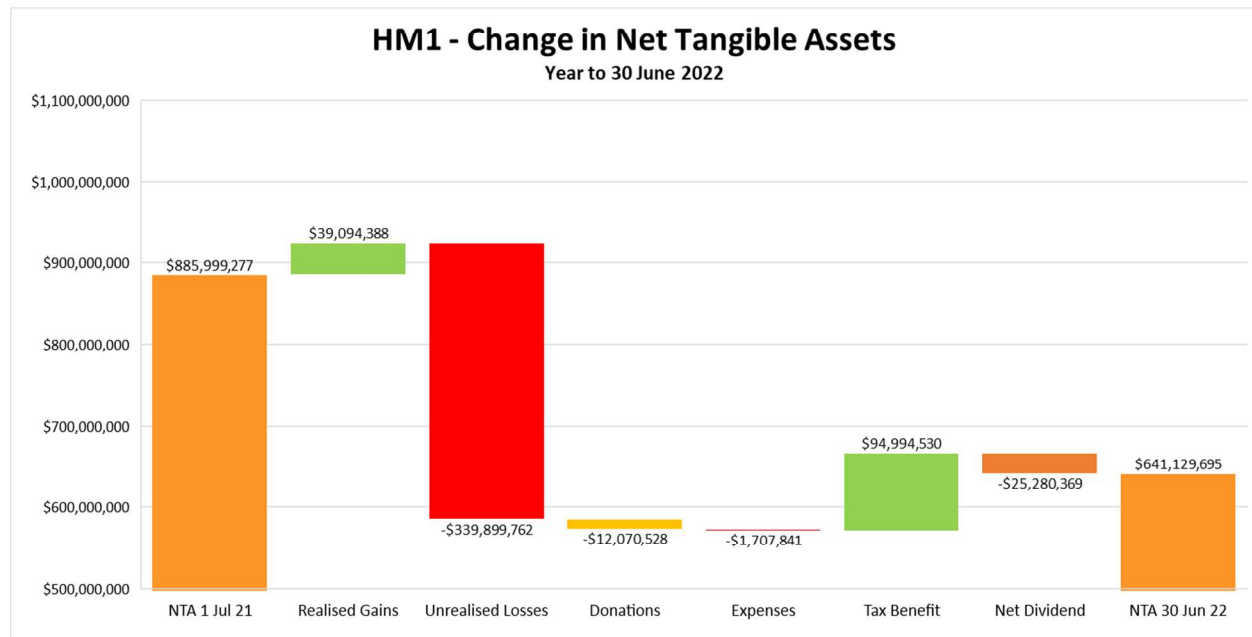
Performance to 30 June 2022	1 year	3 year	Since inception ¹
HM1 investment portfolio performance	-33.6%	2.3% p.a.	7.1% p.a.
MSCI World Net Total Return (AUD) Index	-6.5%	7.7% p.a.	9.8% p.a.

¹. Inception 14 November 2018

2. NTA Growth

HM1's post-tax NTA decreased 27.6% over the year from \$886.0 million on 30 June 2021 to \$641.1 million as of 30 June 2022. The following chart shows the components of the change in post-tax NTA over this period. The major decrease in post-tax NTA came from unrealised losses from the investment portfolio, partially offset by realised gains on the portfolio and the tax benefit of the total net losses. HM1 also paid a fully franked dividend of 13.5 cents per share amounting to a total dividend payment of \$30.5 million. An amount of \$5.2 million was reinvested by shareholders in additional HM1 shares via the dividend reinvestment plan. On a per share basis, HM1's post-tax NTA per share has decreased from \$3.92 on 30 June 2021 to \$2.81 on 30 June 2022. The pre-tax NTA per share on 30 June 2022 was \$2.58.

HM1 NTA Performance



3. Total Shareholder Return

Total shareholder return measures the change in the HM1 share price plus dividends paid. HM1's share price has decreased from \$2.50 at listing on 14 November 2018 to \$2.02 on 30 June 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 investment in HM1 shares from the date of listing, assuming the reinvestment of dividends would be \$8,914 on 30 June 2022, a fall of 10.9%. The share price of \$2.02 on 30 June 2022 represented a 22% discount to the pre-tax NTA per share of HM1 of \$2.58.

Fund Managers and Service Providers

Through their investment in HM1, shareholders gain exposure to the highest conviction ideas, investment approach and expertise of respected fund managers, and make a significant contribution to advancing medical research in Australia. This is made possible by all of our participating fund managers foregoing investment management and performance fees. The Board of Directors, the Investment Committee and many of our service providers also work on a pro bono basis.

We sincerely thank our fund managers and service providers for their ongoing involvement and generosity in supporting the operations and objectives of HM1. The notional value of the investment and performance fees foregone by the participating fund managers totalled \$12.6 million for the year. The notional value of the service providers and the Board and Investment Committee working on a pro bono basis totalled \$0.7 million for the year.

Finally, we would particularly like to thank you, our shareholders, for continuing to support HM1 in what has been a disappointing year for performance, and thereby supporting its objective of furthering the advancement of medical research in Australia.



Christopher Cuffe AO
Chairman



Paul Rayson
Chief Executive Officer

Sydney
24 August 2022

Investment Committee Report

The Investment Committee of HM1, in conjunction with the Chief Investment Officer (CIO) Rory Lucas, is responsible for implementing the Company’s investment strategy, including the selection of fund managers, managing the investment portfolio, and reviewing fund manager performance. The Company’s Investment Committee consists of David Wright (Chairman), Christopher Cuffe, Lorraine Berends, Matthew Grounds, Paul Rayson and Brett Paton. The Investment Committee’s experience and qualifications are provided in the Directors Report.

HM1 Investment Strategy

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

- 65% of the investment portfolio is held in up to 18 securities based on the highest conviction ideas of our Core Fund Managers. On a quarterly basis, the Core Fund Managers provide or confirm with HM1 their top three security holding recommendations and a weighting for each security.
- 35% of the investment portfolio is held in 10 to 15 securities based on the annual investment recommendations of our Conference Fund Managers. HM1 generally allocates an equal weight investment to each of these recommendations. These securities are expected to be held in the portfolio for a period of up to 12 months. After this period the securities are expected to be sold in order to invest in the recommendations of the selected Conference Fund Managers who present at the next Conference.

HM1 may vary the holding period for Conference Portfolio securities in certain circumstances. This may include if the original investment thesis of the fund manager has played out, or if factors have changed such that the original investment thesis no longer applies. Where a security is held for a shorter period, HM1 may hold cash until the end of the annual period or reinvest in the remaining securities based on updated recommendations from Conference Fund Managers. The holding period of a security may be extended if the original investment thesis of the fund manager remains in place but the potential value is not yet reflected in the security price.

HM1 aims to be fully invested subject to an appropriate cash buffer to meet tax liabilities, dividend payments, donation payments and general expenses.

HM1 Portfolio Performance

As noted in the Chairman and Chief Executive Officer’s Letter, the HM1 portfolio declined on a pre-tax basis by 33.6% for the year ended 30 June 2022 compared to the MSCI World Net Total Return (AUD) Index, which declined 6.5%, and the Nasdaq Composite index which declined 24% over the same period. Since the inception of the Company in November 2018, HM1 has generated a compound annual pre-tax investment return of 7.1% compared to the MSCI World Net Total Return (AUD) Index increase of 9.8% per annum over the same period.

Performance to 30 June 2022	6 months	1 year	3 year	Since inception ¹
HM1 investment portfolio performance	-31.1%	-33.6%	2.3% p.a.	7.1% p.a.
MSCI World Net Total Return (AUD) Index	-16.0%	-6.5%	7.7% p.a.	9.8% p.a.

1. Inception 14 November 2018

HM1 Portfolio Performance (continued)

The Nasdaq Composite peaked in late November 2021 and fell over 30% to June 2022, interspersed by rallies in January, April, and June. The S&P followed a similar trajectory, falling 20% from its peak, reflecting some rotation from growth back to value stocks. Market falls were triggered by rising inflation, tightening of monetary policy (after a long period of loose monetary policy which had inflated asset values), and the Russian invasion of Ukraine which exacerbated supply driven inflation. The worst hit sectors were technology and consumer discretionary sectors which had been buoyed by pandemic and monetary stimulus and undisciplined capital allocation. Emerging companies in the technology sector were worst hit. Our Conference Portfolio, based on recommendations by the Conference Fund Managers, was concentrated in these sectors, and was impacted accordingly.

The 2020 Conference Portfolio was sold in November 2021 realising a pre-tax gain of 23% for the 12 month holding period. The major contributors in this financial year were Bill com. (BILL), HelloFresh SE (HFG.DE), Target Corporation (TGT) and Treasury Wine Estates (TWE.AX). Under performers in the Conference Portfolio were Yext Inc. (YEXT), Ping An Healthcare and Technology (1833.HK), Teladoc Health Inc. (TDOC) and Twitter Inc. (TWTR). Note that roughly two fifths of the market gains from the 2020 Conference Portfolio were reported in the financial year ended 30 June 2021.

The 2021 Conference Portfolio has performed very poorly. At 30 June 2022, the 2021 Conference Portfolio had lost roughly 50% of its value in realised and unrealised losses over the 7 month holding period. All Conference stocks are down significantly with only OnSemi (ON) falling less than market indices. This result reflects our significantly overweight position in mid and small cap technology stocks which were hardest hit in the market falls. This result is very unsatisfactory and for future Conference Portfolios we have made changes to both the selection criteria for fund managers and the risk parameters for the Conference Portfolio construction. The unrealised losses in the current Conference Portfolio represent roughly half the total unrealised losses in the portfolio this financial year.

The Core Portfolio has also been impacted by market falls in the second half and has given up much of the unrealised gains generated in prior years. The few positive contributors during the financial year were Formula 1 (FWONK), Mineral Resources (MIN) and Orica (ORI). The major detractors, many of which reversed prior year unrealised gains, were Just Eat Takeaway (TKWY), Zillow Group (Z), Spotify (SPOT), Block (SQ) and Tyro (TYR). A number of changes were made to the Core Portfolio during the year. Alibaba (BABA), AIA (1299), HDFC (HDB), Tyro (TYR) and Netflix (NFLX) were sold. Visa (V), Champion Iron (CIA), De Grey Mining (DEG) and Brookfield Asset Management (BAM) were added.

Set out on the next page is a table of the portfolio holdings of HM1 on 30 June 2022 ranked by the market value of HM1's holdings.

HM1 Portfolio Holdings on 30 June 2022

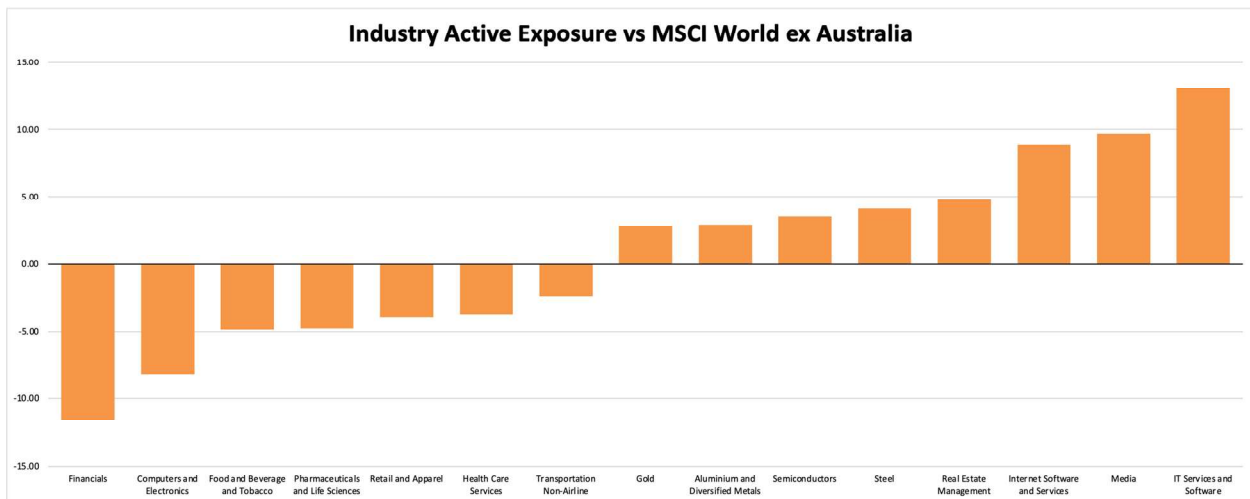
Company Name	Exchange Listing	Market Value of Securities Held 30 June 2022	Percentage of Portfolio
Alphabet, Inc. Class C	Nasdaq	\$52,595,119	11.14%
Formula One Group	Nasdaq	\$43,667,801	9.25%
Microsoft Corporation	Nasdaq	\$31,620,148	6.70%
Zillow Group, Inc. - C	Nasdaq	\$23,453,795	4.97%
IDP Education Ltd	ASX	\$23,255,204	4.93%
ON Semiconductor Corporation	Nasdaq	\$20,039,470	4.25%
CSL Ltd	ASX	\$19,213,575	4.07%
Spotify Technology S.A	NYSE	\$19,026,941	4.03%
Danaher Corporation	NYSE	\$18,360,371	3.89%
Orica Ltd	ASX	\$18,135,500	3.84%
Brookfield Asset Management Inc.	Toronto	\$17,394,054	3.69%
Visa Inc.	NYSE	\$17,110,950	3.63%
Block, Inc.	NYSE	\$15,578,650	3.30%
Gitlab Inc.	Nasdaq	\$15,393,975	3.26%
Opthea Ltd	ASX	\$14,850,000	3.15%
Champion Iron Ltd	ASX	\$14,553,000	3.08%
Mineral Resources Ltd	ASX	\$14,481,000	3.07%
The Beauty Health Company	Nasdaq	\$13,970,162	2.96%
Avalara Inc.	NYSE	\$12,782,445	2.71%
Techtronic Industries Company Ltd	HKSE	\$12,087,681	2.56%
De Grey Mining Ltd	ASX	\$12,075,000	2.56%
Pinnacle Investment Management Group Ltd	ASX	\$10,545,000	2.23%
Bengo4.com, Inc.	Tokyo	\$10,151,215	2.15%
Delivery Hero SE	XETRA	\$8,147,726	1.73%
Wise plc	LSE	\$7,868,780	1.67%
Just Eat Takeaway.com N.V.	Amsterdam	\$5,603,245	1.19%
Total Equity Securities		\$471,960,806	100.00%

Risk Analysis

The following information summarises the risk metrics of the security holdings in the HM1 portfolio on 30 June 2022 based on analysis prepared by Zenith Investment Partners. The analysis is a snapshot of the portfolio structure and biases at that point in time and does not reflect any future biases within the portfolio.

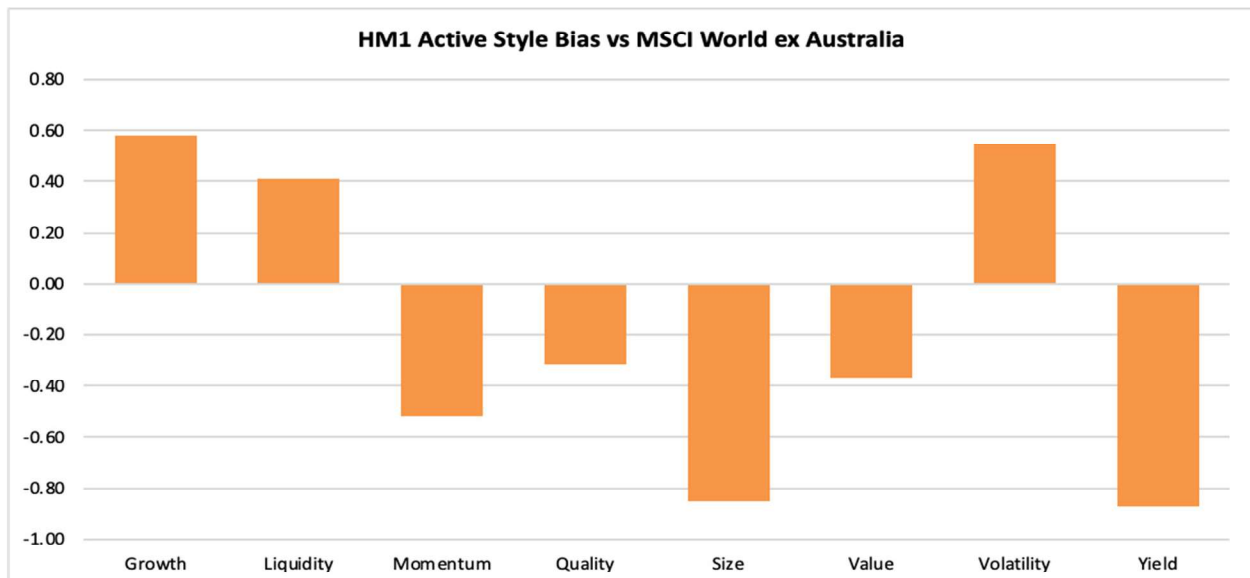
1. Industry Exposure Biases

The portfolio is concentrated in a relatively small number of securities and sector exposure is clearly weighted to certain industry sectors. Compared to the broad MSCI World Index ex Australia the HM1 portfolio exhibits positive biases to IT and Internet Software and Services, Media, Real Estate Management, Semiconductors, Steel, Diversified Metals and Gold. The portfolio has negative (underweight) biases to the Financial, Computers and Electronics, Food and Beverage and Tobacco, Pharmaceuticals and Life Sciences, Retail and Apparel, Health Care Services, Transportation Non-Airline sectors. The chart below shows the differences in sector exposure of the portfolio compared to the broad MSCI World Index ex Australia on 30 June 2022. Note, industry sectors where there is not a major difference in exposure are not shown in the chart.



2. Active Style Biases

The chart below illustrates the style tilts exhibited in the portfolio based on the securities in the portfolio on 30 June 2022.



2. Active Style Biases (continued)

Consistent with HM1’s capital growth objective, the portfolio exhibits a strong factor bias to securities categorised as growth securities with consequent higher volatility. Other significant style biases include a negative bias to size (meaning a smaller companies bias than the benchmark), dividend yielding securities and value categorised securities. Despite strong liquidity in the portfolio holdings, the negative size factor indicates a bias to mid capitalisation securities in the portfolio compared to that of the comparative benchmark, the MSCI World Index (AUD). Six of the companies in the portfolio have a market capitalisation of over US\$50 billion. The smallest security is capitalised at A\$460 million.

3. Risk Metrics

The following table provides a number of risk measures associated with the blend of securities that form the HM1 portfolio on 30 June 2022 compared to the MSCI World Index (AUD). As these risk measures are taken at a specific point in time, these factors are not predictive of the risk characteristics of the HM1 portfolio going forward. The portfolio displays a very high active share measure which indicates the portfolio is a concentrated high conviction portfolio, is actively managed and does not closely track either the composition or performance of the MSCI World Index (AUD). The portfolio carries a commensurate level of risk which is indicated by the low Sharpe ratio and downside capture metrics.

HM1 Portfolio Risk Metrics (current portfolio since inception to 30 June 2022)

Portfolio Beta	1.34
Tracking Error	22.7%
Active Share	93.5%
Portfolio Volatility	27.7%
Correlation (with Benchmark)	0.59
Sharpe Ratio	-0.14
Upside Capture	89.7%
Downside Capture	176.4%



David Wright
Chairman



Rory Lucas
Chief Investment Officer

Our Fund Managers

We sincerely thank our participating fund managers that provide their time, expertise, and highest conviction investment ideas on a pro bono basis. The notional value to HM1 of the investment management fees and performance fees foregone is equivalent to \$12.6m.

Core Fund Managers

Six Core Fund Managers each provide their three highest conviction investment ideas which are reviewed quarterly. These securities represent 65% of the total investment portfolio.

Core Fund Managers

CALEDONIA

Caledonia (Private) Investments Pty Limited is a global investment management firm with offices in Sydney and New York. With over 25 years' investment experience, Caledonia's goal is to achieve high absolute returns for their clients over a long-term time horizon. The firm manages a long short equity strategy with a focus on deep fundamental research and high conviction long-term investing.



Cooper Investors Pty Limited is a specialist equities fund manager. Cooper Investors commenced operations in 2001 and manages money for a range of clients, including large pension and superannuation funds, religious institutions, Australian State Government agencies, school endowments, charities, high net worth families and retail clients. Cooper Investors is 100% owned by its employees. Cooper Investors seeks to invest in quality companies with a strong value proposition.



Magellan Asset Management Limited is an Australian-based asset manager that is a wholly-owned subsidiary of Magellan Financial Group Limited, an ASX top-100 company that was formed by Hamish Douglass and Chris Mackay in Sydney in 2006. Magellan manages investments across its global equities, global listed infrastructure and Australian equities strategies for retail, high net worth and institutional investors.



Paradice Investment Management Pty Limited is a privately-owned Australian boutique funds management business established in 1999 by David Paradice. Paradice currently manages assets across five distinct investment strategies including Australian small cap, mid cap and large cap equities, global small cap equities and emerging market equities. Paradice has offices in Sydney, Denver, and San Francisco.



Regal Funds Management Pty Limited is a specialist alternatives investment manager and business of Regal Partners Limited (ASX:RPL). Founded in 2004, Regal has grown to become one of Australia's most recognised alternative investment managers. Regal manages capital for a broad range of institutional investors and high net worth individuals. The investment team has extensive investment experience through many market cycles and a long track record of delivering superior returns for investors. Regal offers a range of products to suit different investment objectives.



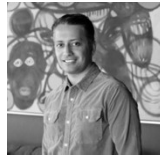
TDM Growth Partners Pty Limited is a global investment firm with offices in Sydney and New York. TDM invests in fast growing companies run by passionate management teams. Their unique and flexible mandate allows them to invest in public and private companies globally. They operate on long-term time horizons, fully aligned incentives, and a commitment to help scale businesses they are proud of. TDM has a highly focused approach to investing, with a portfolio of no more than 15 investments globally.

Conference Fund Managers

The remaining 35% of the investment portfolio is invested in 10 to 15 recommendations from the fund managers who present at the annual Sohn Hearts & Minds Investment Leaders Conference. Each year this group of fund managers will change based on the program of speakers and their eligible recommendations. The speakers are invited onto the program following a rigorous six-month selection process by the HM1 Board and Investment Committee. The 2021 Conference Fund Managers are set out below.



Babak Poushanchi
Cota Capital (USA)



Beeneet Kothari
Tekne Capital Management (USA)



David Allingham
Eley Griffiths Group (AUS)



Eleanor Swanson
Firetrail Investments (AUS)



Gavin Baker
Atreides Management (USA)



Hamish Corlett
TDM Growth Partners (AUS)



Jay Kahn
Flight Deck Capital (USA)



Joyce Meng
FACT Capital (USA)



Markus Bihler
Builders Union (UK)



Nick Griffin
Munro Partners (AUS)



Qiao Ma
Cooper Investors (AUS)



Yen Liow
Aravt Capital (USA)

Baker Heart and Diabetes Institute

Baker Heart and Diabetes Institute is Australia's only multidisciplinary organisation dedicated to tackling cardiovascular disease, diabetes, and obesity. Founded on philanthropy, the Baker Institute has been responsible for ground-breaking developments for more than 95 years. These developments have changed the course of disease and saved the lives of millions of people in Australia and around the world. Under four pillars of research:

1. Save Young Hearts
2. Keep Hearts Healthy
3. Prevent Failing Hearts
4. Beat Diabetes

The Baker Institute is taking a personalised approach in its mission to help Australians to live longer, healthier lives. By creating a personalised health signature, the Institute aims to predict disease risk long before symptoms develop. The Baker Institute is firmly committed to equity and diversity, and to going where the need is. This includes helping to improve the health of people in lower socioeconomic groups and those in remote communities. The Institute is launching an Indigenous Diabetes Clinical Trial, a major study which will provide a national coordinated approach to explore the use of a once-weekly injection and intensive lifestyle support to improve outcomes for aboriginal people living in remote communities. Indigenous Australians are almost four times more likely to develop diabetes than non-indigenous Australians. Debilitating complications due to diabetes (heart and kidney disease, blindness, and amputations) are prevalent in 20% of Indigenous patients, and death rates due to diabetes are ten times higher. These chronic conditions contribute to a gap in life expectancy of approximately ten years. Baker Heart and Diabetes Institute want to help change that, and this is the first step.

<https://baker.edu.au/>



Between 2000 and 2020 1.3 million Australians received a diabetes diagnosis.

The Black Dog Institute

Black Dog Institute is celebrating 20 years of impact in mental health research, and it is the only Medical Research Institute in Australia to investigate mental health across the lifespan. Since 2002, it has expanded from treating and researching mood disorders to being leaders in suicide prevention, digital mental health, workplace mental health, new treatments, and early intervention for young people. It aims to connect research, expert knowledge, and the voices of people with lived experience to deliver solutions that work across the health care system for patients and practitioners. The Institute partners with governments, universities, health services, clinicians, industry, workplaces, schools, and philanthropists to shape the future of mental health science.



Highlights for FY21/22 include:

- **Vibe Up Study**. A world first study investigating how a novel AI-based trial method can reduce psychological distress and improve mental well-being in university students via a smartphone app.
- **BrighterSide App**. Commenced clinical trials for a self-guided mobile app for adults experiencing suicidal ideation to help users develop strategies to manage suicidal thoughts.
- **The Essential Network for Health Professionals (TEN)**. Delivered vital mental health support to health professionals during the pandemic, offering a range of care options to match their needs and removing barriers to access.
- **Developed an online conference for school counsellors and youth psychologists**. More than 500 school counsellors and teachers joined the Black Dog Institute team for the inaugural conference co-hosted with the Australian Psychological Society's psychology in schools special interest group.
- **Advocacy at the Black Dog Institute**. Successfully advocated to extend funding for telehealth appointments to be continued beyond pandemic lockdowns and advocated for and succeeded in having TMS treatments added to the Medicare Benefits Schedule, so it was more affordable and accessible to those who need it.

1 in 5 Australians will experience a mental illness within the year.

<https://www.blackdoginstitute.org.au/>

Cerebral Palsy Alliance Research Foundation

In Australia a child is born with cerebral palsy (CP) every 20 hours. It is the most common physical disability in childhood, affecting the movement, posture, and speech of 40,000 Australians and 17 million people globally. Cerebral Palsy Alliance (CPA) supports over 6,500 Australian's living with CP to reach their potential. The Research Foundation is dedicated to driving major achievements in prevention, treatment, and cure. Working towards a global research roadmap, CPA leads a grants program which funds the world's best CP research. Since inception they have funded 716 grants, invested across 43 countries, and have accordingly seen the rate of CP in Australia drop by 30%.

With Hearts & Minds support, CPA is undertaking research aiming to reduce the risk of death and permanent neurological injury and disability in critically ill newborns. Through this research, babies at risk of brain injury and CP are identified earlier using innovative artificial intelligence modelling systems to predict impending clinical deterioration, utilising advanced bio signal analysis with collected clinical data. A further part of the study is trialling targeted brain oxygenation in extremely preterm infants to improve neuro-developmental outcomes. 1 in 10 babies are born prematurely and one million babies die of complications of prematurity with many others developing lifelong brain injury and disability. Targeting brain oxygenation aims to improve survival and neuro-developmental outcomes.

Recent developments from funded research:

- 1.9 million patient hours and over 18 million heartbeat data patterns captured
- Waveform data extraction methods and issues exhaustively examined
- Physiological data analysed and linked to the database of the unit's outcome data
- Artificial intelligence and machine learning algorithms analysed enabling medical staff to recognise hidden patterns of illness
- Staged expansion of the project at Westmead Hospital, with later stage expansion across NSW neonatal intensive care units. This will include the development of open access software to share with newborn intensive care units across Australia
- Pilot controlled trial determining the feasibility, safety and compliance of a clinical guideline to target brain oxygenation and provide data required for a multi-site randomised controlled trial. Trial has obtained ethical approval and commenced recruitment of patients
- Trial proving to have a direct impact upon the incidence and severity on the fluctuations in the brain oxygen levels in fragile and vulnerable premature babies

<https://cerebralpalsy.org.au>

Charlie Teo Foundation

The Charlie Teo Foundation's goal is to develop better treatments and tools for brain cancer to extend life and ultimately find a cure. Brain cancer survival has not improved in over 35 years, so research is vital. Charlie Teo Foundation's key brain cancer research goals are to produce and share more high-quality, well-annotated, biological, and clinical data; create better analytical, methodological, and clinical tools; and to empower 'out of the box' thinkers to pursue creative and unusual scientific ideas, challenging the orthodox way of thinking. Recent developments from funded research:

More Data: Single-cell (RNA and DNA) sequencing and spatial transcriptomics have been generated on over 100 brain cancer samples. Local bioinformatics experts analyse the data to detect patterns and trends. This important and unique dataset generated in Australia will now be shared with brain cancer researchers worldwide.

Better Tools: One of the most promising recent treatment advancements has been a helmet device, however the existing approved treatment can be invasive for patients. An expert with 25 years' experience in plasma-based nanotechnology, cold plasma physics and applications in biotechnology is working to significantly improve the existing treatment. The aim is to target high frequency electromagnetic waves to brain cancer cells only, leaving the healthy brain intact; and to significantly reduce the amount of time the helmet device needs to be worn by the patient.

Teo Research Rebels: Unique technology has been recently developed to live image brain cancer in preclinical models in real-time. The team are looking directly inside the tumour itself to study how brain cancer develops and is altered by exposure to different treatments over time. This strategy is a first in the cancer field.

<https://www.charlieteofoundation.org.au/>



Every 20 hours a child is born with cerebral palsy in Australia. It is the most common lifelong disability in Australia.



Brain cancer kills more children in Australia than any other disease.

The Florey Institute of Neuroscience and Mental Health

The Florey (The Florey Institute of Neuroscience and Mental Health) is the only brain-focused Medical Research Institute in the Melbourne Biomedical Precinct and the largest of its kind in the Southern Hemisphere. The Florey conducts research on over 20 diseases including Alzheimer's and Parkinson's disease, Motor Neurone Disease, Stroke, Epilepsy, Multiple Sclerosis (MS), Depression, and other Mental Health disorders. The Florey Institute continues to achieve groundbreaking discoveries and is proud of its 600 neuroscientists and professional workforce. It is grooming the brightest students as Australia's future medical researchers in collaboration with the nation's top University - The University of Melbourne.



Research milestones in 2021 include:

- Zinc as a possible drug to treat cardiovascular and cerebrovascular diseases, including hypertension and stroke.
- Developed a world-first research model to uncover the underlying mechanism for children born with genetic epilepsies.
- Florey's researchers were published in over 195 scientific peer-reviewed journals.
- Conducted 62 clinical studies to investigate novel ways to prevent and treat a range of neurological conditions.
- Over 550 new stories featuring Florey's work and experts were published worldwide, including Canada, France, Germany, Italy, Netherlands, Spain, Sweden UK, and the USA
- 29 students published their first scientific paper marking just the beginning of their contributions to global scientific knowledge.
- Hosted a Brain Symposium which brought together over 140 neuroscientists from various institutes to push the frontiers in neurogenomics.

Every year over 5 million Australians are directly affected by one of the twenty illnesses that the Florey researches.

<https://www.florey.edu.au/>

Kids Critical Care Research at Westmead Children's Hospital

Kids Critical Care Research (KCCR) at The Children's Hospital at Westmead coordinates and conducts research to improve short- and long-term outcomes in babies and children with life-threatening critical illness. Their vision is to deliver highly responsive, research-informed personalised care that enables best outcomes and positive patient experiences. KCCR aims to acquire and rapidly translate new knowledge to practices that improve immediate and longer-term outcomes for critically ill children and their families.



This year, KCCR added a fifth major stream of research to underpin their existing program:

- Data Science and Paediatric Critical Care Trial Design
- Genomics, Transcriptomics and Metabolomics in Paediatric Critical Illness
- Red cell and Microvascular adaption to Paediatric Critical Illness
- Brain and Nervous System health and recovery from Paediatric Critical Illness
- Human Factors and Social Science of Paediatric Critical Care

Planning is underway to establish key enablers for future research including:

- "Big Data in Little People" project which will capture and analyse high frequency physiological data during critical phases of care to identify new patterns that predict short and long-term outcomes.
- An on-site sample processing and research laboratory within the new paediatric intensive care unit planned for 2025 to enable biobanking in metabolomic, transcriptomic and genomic research.
- Support for social determinants of health and long-term outcomes research in survivors of childhood critical illness.
- Development of a Discrete Event Simulation (DES) model to provide a low-risk way of testing alternative system choices and configurations for paediatric critical care services.

More than 12,000 children require admission to intensive care in Australia and New Zealand every year for potentially life-threatening conditions.

<http://www.kidsresearch.org.au/research/kids-critical-care-research>

Orygen

Orygen is the world's leading youth mental health organisation for young people aged 12-25. Working directly with young people, their families and friends to combine evidenced-based research, innovative clinical programs, advocate policy changes, and develop training programs to pioneer positive approaches to the prevention and treatment of mental disorders. With thanks to Cooper Investors and HM1, Orygen has been able to trial innovative models of care for young people with Bipolar Disorders (BLEND) and conduct a systematic review of the Sudarshan Kriya Yoga (SKY) program.



2021/22 highlights include:

- Orygen Digital's MOST – Moderated Online Social Therapy. MOST integrates digital mental health technology with clinical services to address gaps in existing care models, provide on-demand support and sustain real life recovery for young people. Rolled out in Victoria, NSW, ACT and QLD
- Opened Youth Prevention and Recovery Care (YPARC) – 20-bed facility, designed to provide recovery-focused treatment and around-the clock clinical care for young people
- Launched Orygen Institute – translate evidence-based and innovative approaches to mental health care into policy change, and influence broader social, environmental and economic policies that are impacting the wellbeing of young people
- Launched Orygen Global – help communities design, implement and evaluate youth mental health services that make sense in their contexts; and to elevate the importance of youth mental health on national, regional and global agendas
- Produced a range of COVID-19 resources for mental health professionals, young people and carers, and undertook research on how young people responded to change to telehealth services
- Released a guide for families and communities to support young First Nations people who self-harm
- The #chatsafe for parents and carers guide is now available in 11 languages

One in five young people will have experienced a depressive episode by the time they turn 18.

<https://www.orygen.org.au/>

Pain Management Research Institute

A national consortium, led by Professor Michael Nicholas at the Pain Management Research Institute, University of Sydney is developing interdisciplinary digital pain education to support the emerging, current and future health workforce and improve the lives of patients with chronic pain.

The purpose of the digital education platform is to develop interdisciplinary health professional pain management programs that promote a nationally consistent and integrated approach to the management of people with chronic pain. A digital platform is being developed that is fit for purpose, flexible and has great user experience. Key to the digital pain education training is its focus on patient stories and creating a patient centred approach which will help increase learner engagement in the training.

The digital pain education training will have two tiers. Tier 1 will focus on essential knowledge, a foundational level training; and Tier 2 will focus on building core skills with a core theme being teaching patients about self-management. Following a workshop in May 2022 to discuss the program architecture, the consortium members have been developing the educational modules and a digital education expert, a graphic designer, and an evaluation consultant have been engaged to assist them. The aim is to develop the digital pain education training by early 2023 and to pilot it with a range of health professionals.



Chronic pain is a major and increasing public health issue that affects one in five people in Australia with more than 68% of people living with chronic pain of working age.

<https://painfoundation.org.au/>

RPA Green Light Institute

The RPA Green Light Institute is a unique research service embedded wholly within a clinical service, with researchers from the Institute working clinically in co-located emergency departments. This provides increased ability to access and engage clinicians and patients, translate research findings directly into clinical practice, and tailor approaches to clinical realities and constraints in busy and often overcrowded emergency departments.



While the RPA Green Light Institute remains acutely focused on emergency presentations and improving the emergency service experienced by patients, they are currently leading and supporting research projects ranging from improving cardiac arrest and sepsis, injury and trauma care, management of patients at risk of human trafficking and slavery, as well as studies looking at improving patient flow, reducing waiting times and enhancing patient experience. Of note, the Institute is currently supporting important research on:

COVID-19:

- Analysis of the experience and outcomes of patients quarantining in Special Health Hotels who required hospitalisation or Emergency Department care.
- The RPA Green Light Institute helped shape and enhance the impact of RPA Virtual, the virtual hospital and new model of care, which integrates hospital and community care with the latest digital solutions.
- Clinical trial to determine the efficacy of oral Dexamethasone for Emergency and Life-Threatening Admissions due to COVID-19, in a Virtual Hospital environment.

Musculoskeletal Health: The RPA Green Light Institute is collaborating with the University of Sydney and Institute of Musculoskeletal health to improve musculoskeletal health by investigating better pathways of care for people with low back pain, neck pain, whiplash and knee osteoarthritis.

Mental Health: The RPA Green Light Institute is conducting a multisite analysis of adolescent mental health as well as a Mental Health Liaison Nurse Model of Care in Emergency Departments in collaboration with mental health clinicians. The aim is to improve access to specialist care for acute mental health problems and rural clinicians.

One in five
Australians present
to an Emergency
Department for health
care each year.

https://www.slhd.nsw.gov.au/research/department_details.html?research=emergencydept

Victor Chang Cardiac Research Institute

The Victor Chang Cardiac Research Institute is renowned for the quality of its scientific discoveries and is dedicated to finding cures for cardiovascular disease through world-class and cutting-edge medical research. The team at the Institute is working to discover better ways of understanding, diagnosing, treating, and preventing the onset of heart disease and is committed to ensuring its research breakthroughs are translated into advances in clinical care.



2021/2022 Highlights

- The Institute expanded its national footprint by establishing a new heart disease research hub at the University of Western Australia. This will allow researchers and scientists to accelerate life-saving discoveries that will benefit all Australians and deliver international impact.
- Scientists at the Institute and the University of Queensland discovered a potentially new life-saving treatment for heart attack victims from a very unlikely source – the venom of one of the world’s deadliest spiders. It’s hoped the research will prevent the damage caused by a heart attack, it will also extend the life of donor hearts used for organ transplants.
- The Institute’s Professor Jason Kovacic was part of a global team that identified the key genetic drivers of fibromuscular dysplasia - a vascular disease that in severe cases can cause heart attack, kidney complications, stroke, and aneurysm. Now that these key genes have been identified, it’s hoped it will lead to opportunities for better diagnosis and new treatments for a disease thought to affect one in 20 women.
- Researchers uncovered a critical new gene that could help repair damaged heart muscle after a heart attack. A genetic switch was identified in zebrafish that turns on cells allowing them to divide and multiply after a heart attack, resulting in the complete regeneration and healing of damaged heart muscle in these fish.

Heart attacks claim
the lives of 21
Australians each day.

<https://www.victorchang.edu.au/>

WEHI - Walter & Eliza Hall Institute for Medical Research

WEHI (Walter and Eliza Hall Institute of Medical Research) is where the world's brightest minds collaborate and innovate to make discoveries that will help people in Australia and around the world live healthier, longer lives. The Institute has been serving the community for 107 years, bringing together multidisciplinary research teams - people with different skills and experience who are committed to long-term scientific discovery, balanced by a sense of urgency to provide hope to people now.



WEHI's research areas address the biggest health problems facing our community today. They include devastating diseases like incurable cancers, dementia, immune diseases and infectious diseases. The development and application of new medicines, of new technology and sophisticated bioinformatics keep WEHI at the forefront of medical discovery in Australia.

A passion for improving lives drives WEHI forward, even when breakthroughs are decades in the making. Highlights from the last financial year include:

- The Call Laboratory, proudly supported by HM1 and the TDM Foundation, is investigating how to improve targeted cancer treatments. They successfully transitioned their new CAR T-cell design platform into human donor T cells. This is a crucial first step towards evaluating their clinical potential. Testing is now underway for two promising brain cancer immunotherapies.
- WEHI, with a foundational gift from Carrie's Beansies 4 Brain Cancer and support from the Victorian government, established the Brain Cancer Centre - a collaborative centre that aims to bring together the brightest minds in medical research to end brain cancer as a terminal illness.
- In collaboration with CSL, WEHI established the Centre for Biologic Therapies, aimed at discovering and developing new biologic drugs.
- WEHI continued contributing to the global effort to combat COVID-19, investigating immunity to the virus, developing better treatments and conducting wastewater testing for early population health measures.
- PINK1, a protein directly linked to the early onset of Parkinson's disease, was identified as a druggable target that could slow down or even stop the progression of the disease.

Over 30 million
patients world-wide
have benefited from
WEHI research.

Directors' Report to Shareholders

The Directors of Hearts and Minds Investments Limited (hereafter referred to as 'HM1' or the 'Company') present their report together with the annual report of the Company (Annual Report) for the year ended 30 June 2022.

Investment Objectives and Principal Activity

HM1 was established in 2018 with the combined objective of providing a concentrated investment portfolio of the highest conviction ideas from respected fund managers, while also supporting Australian medical research organisations.

HM1 seeks to provide shareholders with a compelling investment proposition by creating a concentrated investment portfolio of long positions in 25 to 30 Australian and international listed securities based on the highest conviction ideas from two groups:

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

No change in this activity took place during the period or is likely in the future.

Review of Operations

The HM1 portfolio declined on a pre-tax basis by 33.6% for the year ended 30 June 2022 compared to the MSCI World Net Total Return (AUD) Index, which declined 6.5%, and the Nasdaq Composite index which declined 24.0% over the same period. Since the inception of the Company in November 2018, HM1 has generated a compound annual pre-tax investment return of 7.1% compared to the MSCI World Net Total Return (AUD) Index increase of 9.8% per annum over the same period.

For the year ended 30 June 2022, HM1 recorded a total comprehensive loss after tax of \$219.6 million (2021: total comprehensive income after tax of \$157.9 million). The result was driven by net unrealised losses from the Core Portfolio and the current Conference Portfolio partially offset by net realised gains from both the Core Portfolio and the previous Conference Portfolio. Further details of the performance of the investment portfolio can be found in the Investment Committee Report.

In line with its philanthropic objective, HM1 provides financial support to leading Australian medical research organisations 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 forego any investment fees and instead donate an amount equivalent to 1.5% of net tangible assets per annum to designated medical research organisations.

During the year ended 30 June 2022, HM1 paid \$12.6 million to its designated medical research organisations and provided a further \$5.9m which will be paid at the end of August 2022. These donated monies will be used by the medical research organisations to fund important research into the prevention and treatment of chronic diseases and mental health disorders. The ongoing pandemic highlights the critical importance of medical research to global health outcomes and economic prosperity.

Financial Position

HM1's post-tax net tangible assets decreased by 27.6% over the year from \$886.0 million on 30 June 2021 to \$641.1 million as of 30 June 2022. In April 2022, HM1 paid a fully franked dividend of 13.5 cents per share amounting to a total dividend of \$30.5 million paid to shareholders. Shareholders electing to participate in the dividend reinvestment plan reinvested \$5.2 million of the dividend payment in the share capital of the Company resulting in the issue of 1,817,031 new HM1 shares.

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.

HM1 aims to pay a fully franked annual dividend to its shareholders in April each year following the realisation of the previous year's Conference Portfolio. In April 2022, the Company paid a fully franked dividend of 13.5 cents per share. The Directors will consider the next annual dividend payment after the half year ending 31 December 2022, following the disposal of the 2021 Conference Portfolio.

Directors

The following persons held office as Directors during the period or since the end of the period 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

Information of Directors

Christopher Cuffe AO (Chairman and Independent Director)

Experience and expertise

Commencing his career as a chartered accountant, Christopher Cuffe entered the fund management industry in 1985. In 1988, he joined Colonial First State where he was CEO from 1990 until 2003. In 2003, he became CEO of the listed Challenger Group.

He holds a Bachelor of Commerce from the University of New South Wales and a Diploma from the Securities Institute of Australia. He is a Fellow of the Chartered Accountants in Australia and New Zealand, a Fellow of the Institute of Company Directors, and an Associate of the Financial Services Institute of Australasia. In October 2007 Chris was inducted into the Australian Fund Manager's RBS Hall of Fame for services to the investment industry.

Christopher Cuffe has been Chairman of the Company since 12 September 2018, the date of incorporation.

Information of Directors (continued)**Christopher Cuffe AO (Chairman and Independent Director) (continued)***Other current directorships*

Christopher Cuffe is currently involved in a portfolio of activities in the investment and non-profit sectors which include: member of the investment committee of UniSuper (a \$95 billion profit-for-members superannuation fund); member of the investment committee of the Paul Ramsay Foundation (Australia's largest charitable foundation); Chairman of Australian Philanthropic Services (a not for profit organisation assisting individuals, families and professional advisers with effective philanthropy); Director of listed companies Global Value Fund Limited and Argo Investments Limited; and founder, director and manager of Third Link Growth Fund.

Former directorship in the last 3 years

Christopher Cuffe was a non-executive director of Class Limited from October 2017 to January 2020 and a non-executive director of Antipodes Global Investment Company Limited from July 2016 to December 2021.

Special responsibilities

Chairman of the Board and member of the Investment Committee.

Interests in shares of the Company

Details of Christopher Cuffe's interests in shares of the Company are included later in this report.

Interests in contracts

Christopher Cuffe has no interest in contracts of the Company.

Lorraine Berends (Independent Director)*Experience and expertise*

Lorraine Berends has worked in the financial services industry for 40 years and possesses extensive experience in both investment management and superannuation. Before moving to a non-executive career in 2014, she worked for 15 years with US based investment manager Marvin & Palmer Associates. She contributed extensively to industry associations throughout her executive career, serving on the boards of the Investment Management Consultants Association (now the CIMA Society of Australia) for 13 years (7 years as Chair) and the Association of Superannuation Funds Australia (ASFA) for 12 years (3 years as Chair). She has been awarded life membership of both the CIMA Society and ASFA. She holds a Bachelor of Science from Monash University, is a fellow of the Actuaries Institute and a fellow of ASFA.

Other current directorships

Lorraine Berends is an independent non-executive director of ASX listed Pinnacle Investment Management Group Limited and of listed investment companies Plato Income Maximiser Limited and Spheria Emerging Companies Limited. She is also a company appointed director of Qantas Superannuation Limited.

Former directorships in the last 3 years

Lorraine Berends was a non-executive director of Antipodes Global Investment Company Limited from July 2016 to December 2021.

Special responsibilities

Member of the Investment Committee.

Information of Directors (continued)**Lorraine Berends (Independent Director) (continued)***Interests in shares of the Company*

Details of Lorraine Berends' interests in shares of the Company are included later in this report.

Interests in contracts

Lorraine Berends has no interest in contracts of the Company.

Guy Fowler (Independent Director)*Experience and expertise*

Guy Fowler is a co-founder of the Hearts and Minds Investment Leaders Conference. Guy is also the founder and Co-Executive Chairman of Barrenjoey Capital Partners Pty Ltd. He worked in a range of senior positions at UBS Australia for over 25 years including as the Head of Capital Markets and as the Head of the Corporate Advisory business. In these roles he has advised on many of the largest and most complex equity capital markets and corporate transactions completed in Australia. He is a qualified Chartered Accountant.

Other current directorships

None.

Special responsibilities

None.

Interests in shares of the Company

Details of Guy Fowler's interests in shares of the Company are included later in this report.

Interests in contracts

Guy Fowler has no interest in contracts of the Company.

Matthew Grounds AM (Independent Director)*Experience and expertise*

Matthew Grounds is a co-founder of the Hearts and Minds Investment Leaders Conference. Matthew is also the Co-Executive Chairman of Barrenjoey Capital Partners Pty Ltd. Over the past 25 years, he held a variety of senior roles at UBS including CEO and Country Head, Joint Global Head of the Investment Banking business, Head of Capital Markets and Head of the Corporate Advisory business. In these roles, he has advised on many of the largest and most complex equity capital markets and corporate transactions completed in Australia. He is also a Council Member of the University of NSW, Chairman of Victor Chang Cardiac Research Institute, and a Director of the Financial Markets Foundation for Children. He holds a Bachelor of Commerce (Finance major) and a Bachelor of Laws from the University of New South Wales.

Other current directorships

None.

Special responsibilities

None.

Information of Directors (continued)**Matthew Grounds AM (Independent Director) (continued)***Interests in shares of the Company*

Details of Matthew Grounds' interests in shares of the Company are included later in this report.

Interests in contracts

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated charitable beneficiary of Hearts and Minds Investments Limited.

Michael Traill AM (Independent Director)*Experience and expertise*

Michael Traill founded Social Ventures Australia in 2002, after 15 years as a co-founder and Executive Director of Macquarie Group's private equity arm, Macquarie Direct Investment. He is the author of "Jumping Ship – From the world of corporate Australia to the heart of social investment" which won the prestigious Ashurst Business Literature Prize. In 2010, he was made a member of the Order of Australia in recognition of his services to non-profit organisations. He holds a BA (Hons) from the University of Melbourne and an MBA from Harvard University. He is also an Adjunct Professor for the Centre for Social Impact (UNSW) and Chair of the Federal Government Task Force on Social Impact Investing.

Other current directorships

Michael Traill currently has a range of primarily social purpose Chair and board roles including Chair of the Paul Ramsay Foundation, Executive Director of For Purpose Investments, a Director of M H Carnegie & Co, Non-Executive Director of Catalyst Education, Sunsuper (and Chair of the Investment Committee), and Australian Philanthropic Services.

Special responsibilities

None.

Interests in shares of the Company

Details of Michael Traill's interests in shares of the Company are included later in this report.

Interests in contracts

Michael Traill has no interest in contracts of the Company.

Gary Weiss AM (Independent Director)*Experience and expertise*

Gary Weiss is a co-founder of the Sohn Hearts & Minds Investment Leaders Conference. Gary was formerly Chairman of Clearview Wealth Limited and Coats PLC, is a former Non-Executive Director of Premier Investments Limited and Pro-Pac Packaging Limited, a former Executive Director of Whitlam, Turnbull & Co and Guinness Peat Group PLC and sat on the board of Westfield Holdings Limited and many other public companies. He has also been involved in overseeing large businesses with operations in many regions including Europe, China and India and is familiar with investments across a wide range of industries, corporate finance, and private equity type deals. He holds an LLB (Hons) and LLM from Victoria University of Wellington and a Doctor of the Science of Law (JSD) from Cornell University. He was admitted as a Barrister and Solicitor of the Supreme Court of New Zealand, a Barrister and Solicitor of the Supreme Court of Victoria and as a Solicitor of the Supreme Court of New South Wales. He is also a Commissioner of the Australian Rugby League Commission.

Information of Directors (continued)**Gary Weiss AM (Independent Director) (continued)***Other current directorships*

Gary Weiss is currently the Executive Director of Ariadne Australia Limited. He is Chairman of Ardent Leisure Group, Cromwell Property Group and Estia Health Limited, and a Non-Executive Director of Victor Chang Cardiac Research Institute, Thorney Opportunities Limited.

Special responsibilities

None.

Interests in shares of the Company

Details of Gary Weiss' interests in shares of the Company are included later in this report.

Interests in contracts

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated charitable beneficiary of Hearts and Minds Investments Limited.

Geoffrey Wilson AO (Independent Director)*Experience and expertise*

Geoffrey Wilson has over 42 years direct experience in investment markets having held a variety of senior investment roles in Australia, the UK, and the US. He founded Wilson Asset Management in 1997 and created Australia's first listed philanthropic wealth creation vehicles, the Future Generation companies. He holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors.

Other current directorships

Geoffrey Wilson is currently Chairman of WAM Capital Limited, WAM Leaders Limited, WAM Research Limited, WAM Active Limited, WAM Microcap Limited, WAM Global Limited and WAM Strategic Value Limited. He is the Founder and a Director of Future Generation Global Investment Company Limited, Future Generation Investment Company Limited and a Director of WAM Alternative Assets Limited, Global Value Fund Limited, Wollongong 2021 Limited, Incubator Capital Limited, Sporting Chance Cancer Foundation, the Australian Stockbrokers Foundation, the Australian Fund Managers Foundation and the Australian Children's Music Foundation. He is a member of the Second Bite NSW Advisory Committee.

Special responsibilities

None.

Interests in shares of the Company

Details of Geoffrey Wilson's interests in shares of the Company are included later in this report.

Interests in contracts

Geoffrey Wilson has no interest in contracts of the Company.

Information of Directors (continued)**David Wright (Independent Director)***Experience and expertise*

David is the CEO and joint founder of Zenith Investment Partners ('Zenith'), which was established in October 2002. He has overall responsibility for the management of the Zenith Group but also remains closely involved in servicing the company's investment consulting clients with portfolio construction, management, and monitoring advice.

He has a wealth of investment industry experience acquired over his extensive career. Prior to establishing Zenith, David held senior positions within the financial services industry including IWL Limited (Head of Research), an ASX listed company in which he was also a significant equity holder. Past roles included Associate Director and Head of Managed Funds research at Lonsdale Limited and an analyst with the Advisor Group, a national financial planning group.

Other current directorships

David Wright is currently a director of Zenith Investment Partners Pty Ltd, Zenith Investment Partners NZ Limited, Zenith CW Pty Ltd, ZIP Holdco Pty Ltd, Zenith Employee Benefits Pty Ltd, FE Fund Info (Australia) Pty Ltd and FE Money Management Pty Ltd.

Special responsibilities

Chair of the Investment Committee.

Interests in shares of the Company

Details of David Wright's interests in shares of the Company are included later in this report.

Interests in contracts

David Wright has no interest in contracts of the Company.

Chief Executive Officer**Paul Rayson**

Paul Rayson is a Chartered Accountant and has worked in the financial services industry for over 20 years and has extensive experience in investment markets, technology, retail banking, risk management and insurance.

He is the former Managing Director of CommSec, Australia's leading online broker and former Managing Director of Australian Investment Exchange Limited and Colonial Mutual Life Assurance Society Limited. He has also held a number of CFO and governance positions across large financial services businesses. Prior to financial services, he held senior roles in Chartered Accounting and Consulting firms specialising in corporate advisory, risk management and strategy.

He holds a Commerce degree from Swinburne University and is a Fellow of the Institute of Chartered Accountants.

Chief Investment Officer**Rory Lucas**

Rory Lucas has worked in the Australian and global equity markets for nearly 30 years. Whilst having worked in a variety of roles, his specialty is in trade execution as well as portfolio construction and risk management.

He has had previous roles with Rothschild Australia Asset Management in managing a fund of funds. His specific responsibility was to source and vet potential managers as well as to determine the allocation of capital between them and manage the consolidated risk of the portfolio.

In 2006, he took up a senior Equity Facilitation role at UBS Australia. As part of this role, he oversaw the management of a high conviction portfolio of UBS Equity Research ideas known as alpha preferences. He was responsible for portfolio execution, re-weighting, and all aspects of the portfolio trading strategy. More recently, he held trading and execution roles at Commonwealth Bank of Australia, prior to their exit from the institutional equities business.

Company Secretary**Tom Bloomfield**

Tom Bloomfield held the position of Company Secretary during the financial period. Tom has over fifteen years of international Corporate Secretarial experience working for global organisations, both 'in-house' and for corporate services providers. He has experience working with and consulting to a range of international and domestic clients. He acts as Company Secretary to a number of ASX listed, unlisted and private companies in Australia in numerous industry sectors. Tom is a Chartered Company Secretary, Fellow of ICOSA (Institute of Chartered Secretaries and Administrators) and Member of the Australian Institute of Company Directors. He holds a Law degree with Honours and a Graduate Diploma in Applied Corporate Governance.

Members of the Investment Committee

The experience and qualifications of the members of the Investment Committee at the end of the financial period, up to the date of this report are set out below:

Brett Paton

Brett Paton is currently Chairman of the management company of Escala Partners, an Australian wealth management advisory group, and Chairman of Pointsbet Holdings Limited. He has worked in a range of senior positions including Vice Chairman at UBS Australia where he spent 23 years. He also spent 5 years at Citi serving as Vice Chairman Australia, Institutional Clients Group. He has served as a Non-Executive Director of Tabcorp and Chair of Audit and Risk for its demerged entity, Echo Entertainment, giving him valuable insights into the functions expected of ASX 100 boards.

He was previously a Council Member at RMIT University and Chair of the Risk and Audit Committee. He was previously Chairman of PLC VC, a global venture capital investment organisation. He is a qualified Chartered Accountant.

Christopher Cuffe AO

Christopher Cuffe is also a Director. Please refer to the Directors' Report to Shareholders for details of Christopher Cuffe's experience and qualifications.

Lorraine Berends

Lorraine Berends is also a Director. Please refer to the Directors' Report to Shareholders for details of Lorraine Berends' experience and qualifications.

Matthew Grounds

Matthew Grounds is also a Director. Please refer to the Directors' Report to Shareholders for details of Matthew Ground's experience and qualifications.

Members of the Investment Committee (continued)

David Wright

David Wright is also a Director. Please refer to the Directors' Report to Shareholders for details of David Wright's experience and qualifications.

Paul Rayson

Paul Rayson is also Chief Executive Officer. Please refer to the Directors' Report to Shareholders for details of Paul Rayson's experience and qualifications.

Remuneration Report (Audited)

The responsibility for the Company's remuneration policy rests with the Board of Directors. Given the size of the Company, its charitable nature, that the Company has only three employees and that Directors have agreed to waive directors' fees on an ongoing basis, the Company has not formed a separate remuneration committee.

a) Remuneration of Directors and Other Key Management Personnel

Key management personnel (KMP) include the Directors, the Chief Executive Officer, and the Chief Investment Officer. Directors have agreed to waive their directors' fees on an ongoing basis. For the year ended 30 June 2022, no directors' fees were paid by the Company. The remuneration of the Chief Executive Officer and the Chief Investment Officer is set out below. The Chief Executive Officer and the Chief Investment Officer are employed under standard employment contracts with a three month notice period. The remuneration of the Chief Executive Officer and the Chief Investment Officer is salary based and does not include securities or options in the Company and no element of the remuneration is tied to Company performance. The Chief Executive Officer and the Chief Investment Officer are not provided with retirement benefits apart from statutory superannuation.

	Short-term	Post-employment	Total
	benefits	benefits	
Year ended 30 June 2022	Salary	Superannuation	Remuneration
	\$	\$	\$
Paul Rayson	218,216	19,784	238,000
Rory Lucas	243,216	19,784	263,000

	Short-term	Post-employment	Total
	benefits	benefits	
Year ended 30 June 2021	Salary	Superannuation	Remuneration
	\$	\$	\$
Paul Rayson	169,909	15,992	185,901
Rory Lucas	180,688	16,586	197,274

Company performance measures and total KMP remuneration	Year ended 30 June 2022	Year ended 30 June 2021	Year ended 30 June 2020	Year ended 30 June 2019
	\$	\$	\$	\$
Net profit/(loss)	(94,837,235)	(12,464,141)	(2,684,949)	(746,300)
Total Comprehensive Income	(219,589,213)	157,948,475	117,553,802	70,453,027
Net Tangible Assets (at balance date)	641,129,695	885,999,277	750,506,830	570,453,028
Net Tangible Asset backing per share (at balance date)	2.81	3.92	3.34	2.85
Share Price (at balance date)	2.02	4.32	3.11	2.95
Total KMP remuneration	501,000	383,175	355,095	180,219

b) Other KMP Related Transactions

The Company Secretary has waived his right to receive fees. The Company holds professional indemnity insurance to his benefit. He receives an indemnity as an officer of the Company to the maximum extent permitted by law and is entitled to be reimbursed for any external costs and expenses he incurs. The Company Secretary is a General Manager of Boardroom Pty Limited. Boardroom Pty Limited provide company secretarial services to the Company.

Remuneration Report (Audited) (continued)

b) Other KMP Related Transactions (continued)

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. Hearts and Minds Investments Limited donated \$6,298,991 to Victor Chang Cardiac Research Institute for the year ended 30 June 2022 (2021: \$4,518,246).

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. Hearts and Minds Investments Limited donated \$6,298,991 to Victor Chang Cardiac Research Institute for the year ended 30 June 2022 (2021: \$4,518,246).

Michael Traill is a Director of Paul Ramsay Foundation. Paul Ramsay Foundation held 4,270,106 shares in HM1 on 30 June 2022.

Michael Traill is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms.

Chris Cuffe is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms.

c) Equity Instruments Disclosures of Directors, Other Key Management Personnel and Related Parties

As the date of this report, the Directors, other key management personnel and their related parties held the following interest in the Company:

Ordinary shares held	Balance at beginning of the period	Acquisitions	Disposals	As at the date of this report
Christopher Cuffe AO	1,100,000	53,300	–	1,153,300
Lorraine Berends	45,000	–	–	45,000
Guy Fowler	1,258,042	–	–	1,258,042
Matthew Grounds AM	1,201,397	–	–	1,201,397
Michael Traill AM	1,172,281	–	–	1,172,281
Gary Weiss AM	495,002	–	–	495,002
Geoffrey Wilson AO	1,687,500	–	–	1,687,500
David Wright	95,000	–	–	95,000
Paul Rayson	149,907	–	–	149,907
Rory Lucas	116,041	35,330	(20,000)	131,371

Directors, other key management personnel and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of financial period, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

For further details, please refer to the key management personnel compensation note in the financial statements.

- End of remuneration report -

Directors' Meetings

Director	No. of eligible to attend	Attended
Christopher Cuffe AO	4	4
Lorraine Berends	4	4
Guy Fowler	4	4
Matthew Grounds AM	4	4
Michael Traill AM	4	4
Gary Weiss AM	4	4
Geoffrey Wilson AO	4	4
David Wright	4	4

Investment Committee Meetings

Member	No. of eligible to attend	Attended
Christopher Cuffe AO	4	4
Lorraine Berends	4	4
Brett Paton	4	2
David Wright	4	4
Paul Rayson	4	4

Events Occurring After the Reporting Period

The Directors are not aware of any events subsequent to 30 June 2022 that would materially affect the operations of the Company, the results of those operations, or the state of affairs of the Company.

Future Developments

HM1's future performance is dependent on the performance of the HM1's investment portfolio, which in turn, is impacted by investee company-specific factors and prevailing industry conditions. In addition, a range of external factors including economic growth rates, interest rates, exchange rates and macro-economic conditions impact the overall equity market. Accordingly, it is not possible or appropriate to accurately predict the future performance of HM1's investment portfolio and HM1's performance.

Environmental Regulation

The Company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Risk Management Philosophy and Approach

The Board of Directors' risk policies and controls are designed to be robust and relevant to the investment objectives and investment strategy. The Board of Directors is committed to robust corporate governance practices to create value and provide accountability and a control system commensurate with the risk involved. The Board of Directors will monitor the investment portfolio to ensure compliance with the investment strategy and the investment guidelines.

The Investment Committee, in conjunction with the Chief Investment Officer, is responsible for managing the investment portfolio. The Investment Committee meets quarterly, and more frequently as required, to review the investment portfolio and ensure that HM1 continues to deliver on its investment objective and investment strategy.

Indemnification and Insurance of Officers and Directors

The Company has entered into director protection deeds with each Director. Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of the Company. The Company has also agreed to maintain in favour of each officer of the Company, a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers.

Indemnification and Insurance of Officers and Directors (continued)

No indemnities have been given or insurance premiums paid during or since the end of the financial period, for any person who is or has been an auditor of the Company.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-Audit Services

During the year, Pitcher Partners, the Company's auditor, did not perform any non-assurance services in addition to their statutory duties for the Company. Related entities of Pitcher Partners perform certain taxation services for the Company. Details of the amounts paid to the auditors are disclosed in Note 5 to the financial statements.

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 6 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with the APES 110: *Code of Ethics for Professional Accountants including Independence Standards* set by the Accounting Professional and Ethical Standards Board.

Rounding of Amounts

In accordance with the ASIC Corporations (rounding in Financial/Directors) Instrument 2016/191, the amounts in the Directors' Report to Shareholders and Annual Report have been rounded off in accordance with that Class Order to the nearest dollar or unless otherwise indicated.

Corporate Governance Statement

The Company's Corporate Governance Statement for the year ended 30 June 2022 is provided on the Company website at heartsandmindsinvestments.com.au

Auditor's Independence Declaration

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
24 August 2022

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

In relation to the independent audit of Hearts and Minds Investments Limited for the year ended 30 June 2022, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor 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

24 August 2022

	Notes	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Investment loss from ordinary activities			
Net realised losses on financial assets at fair value through profit or loss		(21,713,890)	–
Net unrealised losses on financial assets at fair value through profit or loss		(115,972,088)	–
Net realised gains/(losses) on foreign exchange transactions		2,546,575	(13,125,427)
Net unrealised gains on foreign exchange transactions		8,485,843	2,509,954
Interest income		47	608
Dividend income, net of withholding tax of \$126,426 (30 June 2021: \$136,237)	4	4,051,590	5,258,123
Sundry income		13,663	13,514
Total investment loss		(122,588,260)	(5,343,228)
Expenses			
Donations	7	(12,070,528)	(12,567,003)
Interest expense		(52,429)	(5,493)
Employee costs		(777,069)	(541,098)
Other expenses		(878,344)	(639,286)
Total expenses		(13,778,370)	(13,752,880)
Loss before income tax		(136,366,630)	(19,096,108)
Income tax benefit	3	41,529,395	6,631,967
Net loss for the year		(94,837,235)	(12,464,141)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Net realised gains on investments taken to equity, net of tax	9	37,862,682	136,100,038
Net unrealised (losses)/gains on investments taken to equity, net of tax	9	(162,614,660)	34,312,578
Net realised and unrealised (losses)/gains on investments taken to equity, net of tax		(124,751,978)	170,412,616
Other comprehensive (loss)/income for the year, net of tax		(124,751,978)	170,412,616
Total comprehensive (loss)/income for the year		(219,589,213)	157,948,475
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share	12	(41.88)	(5.53)

The accompanying notes form part of these financial statements.

	Notes	30 June 2022 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents	10	122,026,366	123,588,147
Financial assets at fair value through profit or loss	14	187,553,443	–
Current tax asset	3	14,825,917	–
Other receivables	6	165,227	275,326
Total current assets		324,570,953	123,863,473
Non-current assets			
Financial assets at fair value through other comprehensive income	14	284,407,363	861,436,973
Deferred tax assets	3	38,114,298	1,752,506
Total non-current assets		322,521,661	863,189,479
Total assets		647,092,614	987,052,952
Liabilities			
Current liabilities			
Donation provision	7	5,875,169	6,375,278
Current tax liability	3	–	29,337,532
Other payables		87,750	–
Total current liabilities		5,962,919	35,712,810
Non-current liabilities			
Deferred tax liabilities	3	–	65,340,865
Total non-current liabilities		–	65,340,865
Total liabilities		5,962,919	101,053,675
Net assets		641,129,695	885,999,277
Equity			
Share capital	8	572,278,169	567,043,973
Reserves	9	163,688,761	318,955,304
Accumulated losses	9	(94,837,235)	–
Total equity		641,129,695	885,999,277

The accompanying notes form part of these financial statements.

	Notes	Share capital \$	Investment portfolio revaluation reserve \$	Profits reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2020	8	562,500,001	117,959,797	70,047,032	–	750,506,830
Net loss for the year	9	–	–	–	(12,464,141)	(12,464,141)
Other comprehensive income, net of tax	9	–	170,412,616	–	–	170,412,616
Transfer to profits reserve	9	–	(136,100,038)	136,100,038	–	–
Transfer from profits reserve	9	–	–	(12,464,141)	12,464,141	–
Transactions with equity holders in their capacity as owners:						
Shares issued	8	4,543,972	–	–	–	4,543,972
Dividends	9	–	–	(27,000,000)	–	(27,000,000)
Balance at 30 June 2021		567,043,973	152,272,375	166,682,929	–	885,999,277
Balance at 1 July 2021	8	567,043,973	152,272,375	166,682,929	–	885,999,277
Net loss for the year	9	–	–	–	(94,837,235)	(94,837,235)
Other comprehensive loss, net of tax	9	–	(124,751,978)	–	–	(124,751,978)
Transfer to profits reserve	9	–	(37,862,682)	37,862,682	–	–
Transactions with equity holders in their capacity as owners:						
Shares issued	8	5,234,196	–	–	–	5,234,196
Dividends	9	–	–	(30,514,565)	–	(30,514,565)
Balance at 30 June 2022		572,278,169	(10,342,285)	174,031,046	(94,837,235)	641,129,695

The accompanying notes form part of these financial statements.

	Notes	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Cash flows from operating activities			
Interest received		47	608
Dividends received		4,157,618	5,378,652
Other income received		17,734	19,336
Interest paid		(52,429)	(5,493)
Donations paid		(12,570,637)	(11,320,615)
Payments for other expenses		(1,567,663)	(951,313)
Income tax paid		(50,871,576)	(50,034,601)
Net cash used in operating activities	11	(60,886,906)	(56,913,426)
Cash flows from investing activities			
Proceeds from sales of investments		466,054,222	674,467,408
Payments for purchases of investments		(392,481,146)	(513,149,638)
Net cash provided by investing activities		73,573,076	161,317,770
Cash flows from financing activities			
Dividend paid	8, 9	(25,280,369)	(22,456,028)
Net cash used in financing activities		(25,280,369)	(22,456,028)
Net (decrease)/increase in cash and cash equivalents		(12,594,199)	81,948,316
Cash and cash equivalents at the beginning of the year		123,588,147	52,255,304
Effect of foreign currency exchange rate changes on cash and cash equivalents		11,032,418	(10,615,473)
Cash and cash equivalents at the end of the year	10	122,026,366	123,588,147

The accompanying notes form part of these financial statements.

1 General information

Hearts and Minds Investments Limited (the “Company”) is a company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The registered office is Level 12, 225 George Street, Sydney NSW 2000.

The Company was incorporated on 12 September 2018. Its shares were admitted for quotation on the Official List of ASX Limited (“ASX”) on 9 November 2018 and commenced operations on 14 November 2018. The financial statements of the Company are for the year ended 30 June 2022.

The financial statements were authorised for issue on 24 August 2022 by the Board of Directors.

2 Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”) and the *Corporations Act 2001*. The financial statements of the Company also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for the purpose of preparing the financial statements. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

These financial statements have been prepared on an accruals basis, and are based on historical cost convention except for the revaluation of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and cash flow information.

In accordance with ASIC Corporations Instrument 2016/191, the amounts in the 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 year and there was no material impact on adoption.

(b) Investment income

(i) Dividends

Dividends are recognised as revenue in the Statement of Comprehensive Income when the right to receive payment is established.

(ii) Interest income

Interest income is recognised using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(c) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

At initial recognition, the Company measures a financial asset at its fair value in the Statement of Financial Position. Transaction costs for financial assets carried at fair value through other comprehensive income are included as part of the initial measurement.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

Classification of financial assets

Financial assets recognised by the Company are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the Company irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (“FVTOCI”) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVTOCI are classified as ‘Fair Value through Profit or Loss’ (“FVTPL”).

For all investments in equity instruments (financial assets) made between 12 September 2018 and 11 October 2021 the Company made an irrevocable election to present subsequent changes in the fair value of these investments (and the related tax thereon) in other comprehensive income. Such financial assets were classified at FVTOCI and were considered long-term in nature and not held for trading. Some financial assets are still classified in this way at balance date.

From 12 October 2021, the Company classifies new investments in equity instruments (financial assets) at FVTPL in accordance with the entity’s business model test and cash flow characteristics. Gains and losses arising from changes in fair value (and the related tax thereon) are included in the net income for the period and the corresponding basic and diluted earnings per share in the period in which they arise.

Classification of financial liabilities

Financial liabilities recognised by the Company are subsequently measured at amortised cost.

Measurement

The fair value of financial assets is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Usually, the quoted market prices on a recognised exchange or, in its absence, the most advantageous market to which the Company has access at that date. The Company’s accounting policy on fair value is disclosed in Note 14.

Changes in the fair value for financial assets at fair value through other comprehensive income are recognised through the investment portfolio revaluation reserve after deducting a provision for the potential deferred tax liability.

Other receivables

Other receivables are non-derivative assets and are stated at their amortised cost less any provision for impairment.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has substantially transferred all the risks and rewards of ownership.

When a financial asset held at fair value through other comprehensive income is disposed, the cumulative gain or loss, net of tax thereon, is transferred from the investment portfolio revaluation reserve to the profits reserve.

2 Summary of significant accounting policies (continued)**(d) Donation provision**

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 of the previous half-year. The donation provision represents the amount provided for donations at the reporting date.

(e) Foreign currency translation*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars ("AUD" or "\$") which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of fair value gain or loss.

(f) Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and deferred tax liabilities attributable to temporary differences and unused tax losses, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amounts of recognised and unrecognised deferred tax assets are reviewed at each reporting date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the Company has a legally enforceable right to offset and intends to settle on a net basis.

Current and deferred tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity as appropriate.

2 Summary of significant accounting policies (continued)**(g) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST, unless GST incurred is not recoverable from the Australian Taxation Office. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

(h) Cash and cash equivalents

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

(i) Issued capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares have been recognised in the Statement of Comprehensive Income, net of any tax effects.

(j) Profits reserve

A profits reserve is made up of amounts transferred from current and retained earnings and realised gains on disposal of financial assets that are preserved for future dividend payments.

(k) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(l) Earnings/(loss) per share

(i) *Basic earnings/(loss) per share is calculated by dividing:*

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted earnings/(loss) per share*

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 Summary of significant accounting policies (continued)

(m) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

The investments of the Company are recommended by fund managers who provide their expertise and stock recommendations to the Company on a pro bono basis. Therefore, the investment portfolio of the Company does not incur any fund management fees. It is estimated that the investments fees forgone by the fund managers based on normal commercial terms for the year ended 30 June 2022 equates to \$12,580,000 (2021: \$12,700,000). This notional benefit to the Company is not included in the financial statements of the Company. Other than this estimate, there are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2022 (2021: None).

(n) New standards and interpretations applicable and not yet adopted

There are no new standards or interpretations applicable and not yet adopted that would have a material impact for the Company.

3 Income tax

(a) Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Prima facie income tax expense on the net profit at 30%	(40,909,988)	(5,728,832)
Imputation credits and foreign tax credits claimed at 100%	(884,867)	(1,388,365)
Imputation credits gross up on dividends received	227,532	375,638
Reversal of prepayments not claimed in 2020 tax return	–	68,721
Foreign tax credits gross up dividends received	37,928	40,871
Income tax benefit recognised in profit or loss	(41,529,395)	(6,631,967)
Deferred tax on net unrealised gains on investments	(69,691,998)	14,705,391
Income tax on net realised gains on investments	16,226,863	58,328,588
Income tax expense recognised in other comprehensive income	(53,465,135)	73,033,979
Total income tax expense	(94,994,530)	66,402,012

3 Income tax (continued)

(b) Total income tax expense results in a:

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Current income tax benefit	(9,518,736)	(7,327,335)
Deferred tax assets	298,260	731,527
Deferred tax liabilities	(32,308,919)	(36,159)
Income tax benefit recognised in profit or loss	(41,529,395)	(6,631,967)
Deferred tax liability on net unrealised gains on investments	(69,691,998)	14,705,391
Current income tax liability on net realised gains on investments	16,226,863	58,328,588
Income tax expense recognised in other comprehensive income	(53,465,135)	73,033,979
Total income tax expense	(94,994,530)	66,402,012

(c) Deferred tax assets relate to the following:

	30 June 2022 \$	30 June 2021 \$
Opening balance	1,752,506	2,484,033
Net unrealised losses on foreign exchange transactions	–	(808,989)
Donation accrual not deductible	(150,033)	373,917
Costs associated with the issue of shares	(148,227)	(296,455)
Re-allocation from deferred tax liabilities	36,660,052	–
Deferred tax assets	38,114,298	1,752,506

(d) Deferred tax liabilities relate to the following:

	30 June 2022 \$	30 June 2021 \$
Opening balance	65,340,865	50,671,633
Net unrealised losses on foreign exchange transactions	(32,277,931)	–
Net unrealised (losses)/gains on investments	(69,691,998)	14,705,391
Dividend receivable on shares	(30,988)	(36,159)
Re-allocation to deferred tax assets	36,660,052	–
Deferred tax liabilities	–	65,340,865

3 Income tax (continued)

(e) Movement in deferred tax assets relate to the following:

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Opening balance	1,752,506	2,484,033
Charged to profit or loss	36,361,792	(731,527)
Closing balance	38,114,298	1,752,506

(f) Movement in deferred tax liabilities relate to the following:

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Opening balance	65,340,865	50,671,633
Charged to profit or loss	(30,988)	(36,159)
Charged to other comprehensive income	(101,969,929)	14,705,391
Re-allocation to deferred tax assets	36,660,052	-
Closing balance	-	65,340,865

(g) Dividend franking account

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Opening balance	43,321,479	3,606,179
Franking credits on dividends received	758,442	1,252,128
Franking credits on dividends paid	(13,077,671)	(11,571,429)
Tax paid during the year	50,871,576	50,034,601
Closing balance of franking account	81,873,826	43,321,479
Tax payable in respect of period profit	-	29,337,532
Franking credits available for use in subsequent reporting periods	81,873,826	72,659,011

4 Dividend income

Dividend income from financial assets at fair value

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Dividend income from financial assets at fair value - Investments sold during the year	1,504,974	1,270,993
Dividend income from financial assets at fair value - Investments held at year end	2,673,042	4,123,367
Dividend income from financial assets at fair value	4,178,016	5,394,360
Withholding tax on dividends	(126,426)	(136,237)
Dividend income from financial assets at fair value	4,051,590	5,258,123

5 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Audit and review of financial statements	52,279	51,207
Other services provided by related practice of the auditor		
Taxation services	8,525	5,830
Total remuneration for audit and other assurance services	60,804	57,037

6 Other receivables

	30 June 2022 \$	30 June 2021 \$
Dividend receivable	164,890	270,918
Other receivables	337	4,408
Total other receivables	165,227	275,326

7 Donation provision

	30 June 2022 \$	30 June 2021 \$
Donation provision	5,875,169	6,375,278
Total donation provision	5,875,169	6,375,278

For the year ended 30 June 2022, the amount recognised in the Statement of Comprehensive Income as an expense was \$12,070,528 (2021: \$12,567,003). This amount represents donations paid or payable to medical research beneficiaries to advance medical research in Australia. As at 30 June 2022, the amount recorded as a donation provision in the Statement of Financial Position of \$5,875,169 (30 June 2021: \$6,375,278) represents a provision for donations payable to medical research beneficiaries at balance date.

8 Share capital

(a) Issued capital

	30 June 2022 No. of shares	30 June 2021 \$
Ordinary shares	227,850,849	572,278,169

	30 June 2021 No. of shares	30 June 2021 \$
Ordinary shares	226,033,818	567,043,973

(b) Movements in share capital

	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
Closing balance	227,850,849	572,278,169

8 Share capital (continued)

(b) Movements in share capital (continued)

	For the year ended 30 June 2021 No. of shares	For the year ended 30 June 2021 \$
Opening balance	225,000,001	562,500,001
Shares issued at \$4.39 per share	1,033,817	4,543,972
Closing balance	226,033,818	567,043,973

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.

9 Reserves and accumulated losses

(a) Reserves

	30 June 2022 \$	30 June 2021 \$
Investment portfolio revaluation reserve	(10,342,285)	152,272,375
Profits reserve	174,031,046	166,682,929
Accumulated losses	(94,837,235)	–
Total reserves	68,851,526	318,955,304

(b) Investment portfolio revaluation reserve

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Opening balance	152,272,375	117,959,797
Net realised gains on investments	54,089,546	194,428,626
Income tax on net realised gains on investments	(16,226,864)	(58,328,588)
Net unrealised gains on investments	(232,306,657)	49,017,969
Deferred income tax on unrealised gains on investments	69,691,997	(14,705,391)
Transfer to profits reserve	(37,862,682)	(136,100,038)
Closing balance	(10,342,285)	152,272,375

9 Reserves and accumulated losses (continued)

(c) Net realised gains on investments

During the year a number of investments held at fair value 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 year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Proceeds from sale of investments	466,054,222	674,467,408
Original cost of investments sold	(433,678,566)	(480,038,782)
	32,375,656	194,428,626

(d) Profits reserve

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Opening balance	166,682,929	70,047,032
Transfer from investment portfolio revaluation reserve	37,862,682	136,100,038
Transfer to profits reserve	–	(12,464,141)
Dividends	(30,514,565)	(27,000,000)
	174,031,046	166,682,929

During the year, 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. In the prior year, the Company paid a fully franked dividend of \$0.12 per share to shareholders amounting to a total dividend payment of \$27,000,000.

(e) Accumulated losses

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Opening balance	–	–
Net loss for the year	(94,837,235)	(12,464,141)
Transfer from profits reserve	–	12,464,141
	(94,837,235)	–

10 Cash and cash equivalents

Cash at the end of the reporting year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2022 \$	30 June 2021 \$
Cash at bank	3,086,828	6,367,406
Cash at custodian	118,939,538	117,220,741
Total cash and cash equivalents	122,026,366	123,588,147

The cash at bank is denominated in AUD, is at call and is earning interest at a fixed rate of 0.01% (30 June 2021: 0.01%). The cash at custodian is at call and denominated in AUD, United States Dollars ("USD"), Japanese Yen ("JPY"), Hong Kong Dollars ("HKD"), Canadian Dollars ("CAD"), Euros ("EUR") and British Pound Sterling ("GBP") and is non-interest bearing.

Risk exposure

The Company's exposure to interest rate risk is discussed in Note 13. The maximum exposure to credit risk in relation to cash at the end of the reporting year is the carrying amount of cash in bank and cash at custodian.

Cash in bank is with Commonwealth Bank of Australia that has a Standard and Poor's short-term rating of A-1+ (30 June 2021: A-1+) and long-term rating of AA- (30 June 2021: AA-). Cash at custodian is with JP Morgan Chase Bank that has a short-term rating of A-1 (30 June 2021: A-1) and a long-term rating of A+ (30 June 2021: A+).

11 Reconciliation of net loss for the year to net cash provided by/(used in) operating activities

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Net loss for the period	(94,837,235)	(12,464,141)
Fair value losses and movements in financial assets at fair value through profit or loss	137,685,978	-
Effects of foreign currency exchange rate changes on cash and cash equivalents	(11,032,418)	10,615,473
Change in operating assets and liabilities:		
Decrease in prepayments	-	229,071
Decrease in other receivables	110,099	126,351
(Increase)/decrease in deferred tax assets	(36,361,792)	731,527
Decrease in current tax liability	(60,390,312)	(57,361,936)
(Decrease)/increase in donation provision	(500,109)	1,246,388
Increase/(decrease) in deferred tax liabilities	4,351,133	(36,159)
Increase in other payables	87,750	-
Net cash used in operating activities	(60,886,906)	(56,913,426)

12 Basic and diluted loss per share

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Net loss for the year used in the calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company	(94,837,235)	(12,464,141)

	For the year ended 30 June 2022 \$	For the year ended 30 June 2021 \$
Basic and diluted loss per share attributable to the ordinary equity holders of the Company	(41.88)	(5.53)

Weighted average number of shares used as denominator

	For the year ended 30 June 2022 No. of shares	For the year ended 30 June 2021 No. of shares
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share attributable to the ordinary equity holders of the Company	226,428,174	225,203,932

At the end of the year, there were no outstanding securities that are potentially dilutive in nature for the Company (30 June 2021: None).

13 Financial risk management

The Company's financial instruments consist mainly of cash and cash equivalents, other receivables, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk, and equity price risk), credit risk, liquidity risk and other risks. The Board of the Company have implemented a risk management framework to mitigate these risks.

Risks are managed in the context of the Company's strategic objectives, the size and complexity of its operations, and the Board's expectations and attitude to risk. The Company has implemented a risk management framework based on the Australian New Zealand International Standard Organisation 31000:2009 *Risk management – Principles and guidelines*. Details of the Company's risk management framework are available on the Company's website.

13 Financial risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The investment portfolio is exposed to market risk. The market risk of securities in the Company's investment portfolio can fluctuate as a result of market conditions. The value of the investment portfolio may be impacted by factors such as economic conditions, interest rates, currency exchange rates, regulations, sentiment and geopolitical events as well as environmental, social and technological changes. In addition, as the Company is listed on the ASX, its securities are exposed to market risks. As a result, the security price may trade at a discount or a premium to its net tangible assets.

Currency risk

The Company holds monetary assets denominated in currencies other than the Australian dollar. The Company monitors the exposure on all foreign currency denominated assets and liabilities.

The Company does not hedge against its foreign exchange exposure, and consequently, the impact of foreign exchange movements is directly reflected in the Statement of Comprehensive Income.

While the Company has direct exposure to foreign exchange rate changes on the price of non-Australian dollar denominated investments, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain investments in which the Company invests, even if those investments are denominated in Australian dollars. For that reason, the sensitivity analysis below may not necessarily indicate the total effect on the Company's equity of future movements in foreign exchange rates.

The table below summarises the Company's monetary assets exposed to foreign currency risk at 30 June 2022 and 30 June 2021:

	30 June 2022 Net currency exposure* %	30 June 2021 Net currency exposure* %
United States Dollar	60	58
Canadian Dollar	4	–
Hong Kong Dollar	3	8
Euro	3	4
Japanese Yen	2	1
Pound Sterling	1	–
Total	73	71

* As percentage of investment portfolio exposure.

13 Financial risk management (continued)

Market risk (continued)

Sensitivity

The following tables illustrate the sensitivities of the Company's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the AUD weakened/strengthened by 10% against the other currencies.

30 June 2022	USD impact AUD	HKD impact AUD	EUR impact AUD	JPY impact AUD	CAD impact AUD	GBP impact AUD
Impact on total comprehensive income	+/- 24,878,177	+/- 856,475	+/- 392,231	+/- 710,585	+/- 1,226,689	+/- 550,815
30 June 2021			USD impact AUD	HKD impact AUD	EUR impact AUD	JPY impact AUD
Impact on total comprehensive income			+/- 39,285,122	+/- 4,931,157	+/- 2,495,447	+/- 1,383,867

Equity price risk

The Company is exposed to price risk on its financial assets classified in the Statement of Financial Position as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. There is a risk that securities will fall in value over short or extended periods of time. Equity markets tend to move in cycles, and individual share prices may fluctuate and underperform other asset classes over extended periods of time. The Company's typical investment portfolio is expected to hold 25 to 30 securities, which represents a high level of investment concentration. The lower the number of investments, the higher the concentration and, in turn, the higher the potential volatility. The Company seeks to manage and constrain market risk by diversification of the investment portfolio across a number of fund managers.

Sensitivity

The following table illustrates the effect on the Company's equity from possible changes in the fair value of financial assets that were reasonably possible based on the market risk that the Company was exposed to at reporting date, assuming a tax rate of 30%.

	30 June 2022 \$	30 June 2021 \$
Impacts on total profit and loss		
MSCI World Index (AUD)		
Change in variable +/- 5%	6,564,370	-
Change in variable +/- 10%	13,128,741	-
Impacts on total comprehensive income		
MSCI World Index (AUD)		
Change in variable +/- 5%	16,518,628	30,150,294
Change in variable +/- 10%	33,037,256	60,300,588

13 Financial risk management (continued)
Market risk (continued)
Cash flow and interest rate risk

The Company's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The tables below summarise the Company's exposure to interest rate risks:

30 June 2022	Interest bearing \$	Non-interest bearing \$	Total \$
Financial assets			
Cash and cash equivalents	3,086,828	118,939,538	122,026,366
Financial assets at fair value through profit or loss	–	187,553,443	187,553,443
Financial assets at fair value through other comprehensive income	–	284,407,363	284,407,363
Other receivables	–	165,227	165,227
Total financial assets	3,086,828	591,065,571	594,152,399
Financial liabilities			
Donation provision	–	5,875,169	5,875,169
Other payables	–	87,750	87,750
Total financial liabilities	–	5,962,919	5,962,919
30 June 2021			
	Interest bearing \$	Non-interest bearing \$	Total \$
Financial assets			
Cash and cash equivalents	6,367,406	117,220,741	123,588,147
Financial assets at fair value through other comprehensive income	–	861,436,973	861,436,973
Other receivables	–	275,326	275,326
Total financial assets	6,367,406	978,933,040	985,300,446
Financial liabilities			
Donation provision	–	6,375,278	6,375,278
Total financial liabilities	–	6,375,278	6,375,278

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. At 30 June 2022, if interest rates had increased by 200 basis points (bps) or decreased by 200 bps from the year end rates with all other variables held constant, post tax profit for the year would have been \$1,719,302 (2021: \$615,452) higher or \$1,719,302 (2021: \$615,452) lower, as a result of higher or lower interest income from cash and cash equivalents.

Interest rate risk also arises from the effects of fluctuations in the prevailing levels of market interest rates on the Company's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The sensitivity to changes in the value of financial assets at fair value through other comprehensive income is set out in the price risk and currency risk sensitivity tables. The Directors do not consider it meaningful to provide a separate analysis of the sensitivity of the investment portfolio to changes in interest rates.

13 Financial risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from cash and cash equivalents, deposits with banks and other financial institutions and other receivables.

The maximum exposure to credit risk at balance sheet date of recognised financial assets is the carrying amount, net of any provisions for expected credit losses of those assets, as disclosed in the Statement of Financial Position and Note 10 to the financial statements.

The Company held no collateral as security or any other credit enhancements. None of the assets exposed to a credit risk are overdue or considered to be impaired.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board and Investment Committee monitor the Company's cash flow requirements in relation to the investment portfolio taking into account dividends, tax payments and investing activity.

The Company's inward cash flows depend on the level of dividend and interest revenue received, investment disposals and capital raising initiatives from time to time. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. The major cash outflows are investments, donations, general expenditure and future dividends paid to shareholders and the level of these outflows is managed by the Board and Investment Committee. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. A sufficient level of the Company's cash is held at call to meet cash outflows and mitigate liquidity risk.

The tables below summarise the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted cash flows:

30 June 2022	On demand	1 to 3 months	3 to 12 months	More than 12 months	No fixed maturity	Total
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	122,026,366	–	–	–	–	122,026,366
Financial assets at fair value through profit or loss	–	–	–	–	187,553,443	187,553,443
Financial assets at fair value through other comprehensive income	–	–	–	–	284,407,363	284,407,363
Other receivables	165,227	–	–	–	–	165,227
Total financial assets	122,191,593	–	–	–	471,960,806	594,152,399
Financial liabilities						
Donation provision	–	5,875,169	–	–	–	5,875,169
Other payables	87,750	–	–	–	–	87,750
Total financial liabilities	87,750	5,875,169	–	–	–	5,962,919

13 Financial risk management (continued)

Liquidity risk (continued)

30 June 2021	On demand \$	1 to 3 months \$	3 to 12 months \$	More than 12 months \$	No fixed maturity \$	Total \$
Financial assets						
Cash and cash equivalents	123,588,147	–	–	–	–	123,588,147
Financial assets at fair value through other comprehensive income	–	–	–	–	861,436,973	861,436,973
Other receivables	275,326	–	–	–	–	275,326
Total financial assets	123,863,473	–	–	–	861,436,973	985,300,446
Financial liabilities						
Donation provision	–	6,375,278	–	–	–	6,375,278
Total financial liabilities	–	6,375,278	–	–	–	6,375,278

14 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.

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).

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 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 year.

14 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 present the Company's assets and liabilities measured and recognised at fair value at:

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
30 June 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	861,436,973	–	–	861,436,973
Total financial assets at fair value	861,436,973	–	–	861,436,973

There were no transfers between levels for recurring fair value measurements during the year (2021: None).

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

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

15 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.

	30 June 2022	30 June 2021
	Country of Listing	Country of Listing
	%	%
United States	60	58
Australia	27	29
Canada	4	–
Hong Kong	3	8
Germany	3	4
Japan	2	1
United Kingdom	1	–
	100	100

16 Key management personnel compensation

The names and positions held of the Company's key management personnel (KMP) (including Directors in office at any time during the year ended 30 June 2022) are:

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
Paul Rayson	Chief Executive Officer
Rory Lucas	Chief Investment Officer

(a) Remuneration

KMP include the Directors, the Chief Executive Officer and the Chief Investment Officer. Directors have agreed to waive their directors' fees on an ongoing basis. For the year ended 30 June 2022, no directors' fees were paid by the Company. The remuneration of the Chief Executive Officer and the Chief Investment Officer are set out below. The Chief Executive Officer and the Chief Investment Officer are employed under standard employment contracts with a three month notice period. The remuneration of the Chief Executive Officer and the Chief Investment Officer is salary based and does not include securities or options in the Company and no element of the remuneration is tied to Company performance. The Chief Executive Officer and the Chief Investment Officer are not provided with retirement benefits apart from statutory superannuation.

	Short-term benefits	Post- employment benefits	Total Remuneration
Year ended 30 June 2022	Salary	Superannuation	
	\$	\$	\$
Paul Rayson	218,216	19,784	238,000
Rory Lucas	243,216	19,784	263,000

16 Key management personnel compensation (continued)

(a) Remuneration (continued)

Year ended 30 June 2021	Short-term benefits Salary \$	Post- employment benefits Superannuation \$	Total Remuneration \$
Paul Rayson	169,909	15,992	185,901
Rory Lucas	180,688	16,586	197,274

(b) Shareholdings

The Company's KMP and their related parties held the following interests in the Company:

30 June 2022 Directors and Key Management	Opening balance	Acquisitions	Disposals	Closing balance
Christopher Cuffe AO	1,100,000	53,300	–	1,153,300
Lorraine Berends	45,000	–	–	45,000
Guy Fowler	1,258,042	–	–	1,258,042
Matthew Grounds AM	1,201,397	–	–	1,201,397
Michael Traill AM	1,172,281	–	–	1,172,281
Gary Weiss AM	495,002	–	–	495,002
Geoffrey Wilson AO	1,687,500	–	–	1,687,500
David Wright	95,000	–	–	95,000
Paul Rayson	149,907	–	–	149,907
Rory Lucas	116,041	35,330	(20,000)	131,371
30 June 2021 Directors and Key Management	Opening balance	Acquisitions	Disposals	Closing balance
Christopher Cuffe AO	1,475,000	–	(375,000)	1,100,000
Lorraine Berends	45,000	–	–	45,000
Guy Fowler	1,258,042	–	–	1,258,042
Matthew Grounds AM	1,201,397	–	–	1,201,397
Michael Traill AM	1,422,281	–	(250,000)	1,172,281
Gary Weiss AM	495,002	–	–	495,002
Geoffrey Wilson AO	1,687,500	–	–	1,687,500
David Wright	45,000	50,000	–	95,000
Paul Rayson	149,907	–	–	149,907
Rory Lucas	113,984	15,650	(13,593)	116,041

Directors, other KMP and Director related entities disposed of and acquired ordinary shares in the Company on the same terms and conditions available to other shareholders. The Directors have not, during or since the end of financial year, been granted options over unissued shares or interests in shares of the Company as part of their remuneration.

17 Related party transactions

All transactions with related entities were made on normal commercial terms and at market rates, except as noted below.

Investment and management fees

The Company will forego any investment and management fees associated with implementing and managing the investment strategy. Instead, donations will be paid by the Company to the designated charities every six months.

Matthew Grounds is Chairman of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. The Company donated \$6,298,991 to Victor Chang Cardiac Research Institute for the year ended 30 June 2022 (2021: \$4,518,246).

Gary Weiss is a Non-Executive Director of Victor Chang Cardiac Research Institute which is a designated medical research beneficiary of Hearts and Minds Investments Limited. The Company donated \$6,298,991 to Victor Chang Cardiac Research Institute for the year ended 30 June 2022 (2021: \$4,518,246).

Michael Traill is a Director of Paul Ramsay Foundation. Paul Ramsay Foundation holds 4,270,106 shares in HM1 on 30 June 2022 (2021: 4,009,419).

Michael Traill is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms.

Chris Cuffe is a Director of Australian Philanthropic Services. Australian Philanthropic Services provides due diligence services on HM1's medical research beneficiaries on normal commercial terms.

Directors' fees

The Directors have agreed to waive any right to be paid director fees (see Note 16).

18 Commitments and contingencies

The Company had no material contingent liabilities or commitments as at 30 June 2022 (30 June 2021: Nil).

19 Events occurring after the reporting year

No matter or circumstance has occurred subsequent to year 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 years.

Directors' Declaration

In accordance with a resolution of the Directors of Hearts and Minds Investments Limited (the "Company"), the Directors of the Company declare that:

- (a) The financial report as set out in pages 33 to 58 and the additional disclosures included in the Directors' Report designated as 'Remuneration Report', as set out on pages 27 to 28, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, which, as stated in Note 2 to the financial statements, constitutes compliance with International Financial Reporting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company as at 30 June 2022 and of its performance, as represented by the results of the operations and the cash flows, for the 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.
- (c) The Directors have been given the declaration required by section 295A of the *Corporations Act 2001* from the person who performs the Chief Executive Officer and Chief Financial Officer functions, for the purpose of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.



Christopher Cuffe AO
Chairman and Independent Director

Sydney
24 August 2022

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**Independent Auditor's Report
To the Members of Hearts and Minds Investments Limited
ABN 61 628 753 220**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hearts and Minds Investments Limited ("the Company"), which comprises the statement of financial position as at 30 June 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 30 June 2022, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Hearts and Minds Investments Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p>Existence and Valuation of Financial Assets Refer to Note 14: Financial Assets</p>	
<p>We focused our audit effort on the existence and valuation of the Company's financial assets as they are the most significant driver of the Company's Net Tangible Assets and profits.</p> <p>Investments consist of listed Australian and global securities and are considered to be non-complex in nature with fair value based on readily observable market data. Consequently, these investments are classified under Australian Accounting Standards as "Level 1" (i.e. where the valuation is based on quoted prices in the market). All foreign investments are valued in presentation currency (Australian dollars) utilising the year end rates.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Obtaining an understanding of the investment management process and controls; ▪ Reviewing and evaluating the independent audit reports on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian; ▪ Reviewing and evaluating the independent auditor's report on internal controls (ASAE 3402 Assurance Report on Controls at a Service Organisation) for the Administrator; ▪ Making enquiries and obtaining a bridging letter as to whether there have been any changes to these controls or their effectiveness. ▪ Obtaining confirmation of the investment holdings directly from the Custodian; ▪ Recalculating and assessing the Company's valuation of individual investment holdings to independent pricing sources; ▪ Evaluating the accounting treatment of revaluations of financial assets for current/deferred tax and unrealised gains or losses; and ▪ Assessing the adequacy of disclosures in the financial statements.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the financial year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 28 of the Directors' Report for the financial year ended 30 June 2022. In our opinion, the Remuneration Report of Hearts and Minds Investments Limited, for the financial year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



S M Whiddett
Partner

24 August 2022



Pitcher Partners
Sydney

Additional Securities Exchange Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information is current as of 29 July 2022 (Reporting Date).

Corporate Governance Statement

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on HM1's website (www.heartsandmindsinvestments.com.au) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

Number of Holdings of Equity Securities

As at the Reporting Date, the number of holders in each class of equity securities on issue in HM1 is as follows:

Security type	No. of securities	No. of shareholders
Fully Paid Ordinary Shares	227,850,849	9,152

Voting Rights of Equity Securities

The only class of equity securities on issue in the Company which carry voting rights is ordinary shares. At a general meeting of the Company, every holder of ordinary shares present in person or by proxy has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member, or his or her proxy, is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

Distribution of Holders of Ordinary Shares

	Class of Ordinary Shares		
	Total holders	Units	% Units
1-1,000	1,507	702,584	0.310
1,001-5,000	3,044	8,252,428	3.620
5,001-10,000	1,686	12,993,162	5.700
10,001-100,000	2,731	70,472,605	30.930
100,001-9,999,999,999	184	135,430,070	59.440
Totals:	9,152	227,850,849	100.000

Unmarketable Parcels

The number of holders of less than a marketable parcel of ordinary shares as at the Reporting Date is as follows:

Unmarketable Parcels as Reporting Date	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$2.38 per unit	210	327	35,425

Substantial Holders

There are no substantial holders (voting interest greater than 5%) in Hearts and Minds Investments Limited as of 29 July 2022 (2021: Nil).

Twenty Largest Holders of Quoted Equity Securities

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, the number of ordinary shares and the percentage of capital held by each holder as at the Reporting Date, is as follows:

Shareholder name	Shares held	% Held
HSBC Custody Nominees (Australia) Limited	38,858,917	17.055%
National Nominees Limited	14,852,283	6.518%
Netwealth Investments Limited <Wrap Services A/C>	7,027,169	3.084%
Koll Pty Ltd <No 1 Account>	4,443,750	1.950%
HSBC Custody Nominees (Australia) Limited - A/C 2	3,167,905	1.390%
Beta Gamma Pty Ltd <Walsh Street Super Fund A/C>	2,796,209	1.227%
Navigator Australia Ltd <MLC Investment Sett A/C>	2,524,688	1.108%
Associated World Investments Pty Ltd	2,250,000	0.987%
Skip Enterprises Pty Limited <Farquhar A/C>	2,250,000	0.987%
Jane Hansen Super Pty Ltd <Jane Hansen Super Fund A/C>	2,200,228	0.966%
Charles & Cornelia Goode Foundation Pty Ltd <CCG Foundation A/C>	1,935,837	0.850%
Wroxby Pty Limited	1,805,525	0.792%
The Ian Potter Foundation Ltd <No 1 A/C>	1,800,000	0.790%
John Shearer (Holdings) Pty Limited	1,722,283	0.756%
Wilson Foundation Pty Ltd <Wilson Foundation A/C>	1,687,500	0.741%
Midas Touch Investments P/L	1,451,878	0.637%
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd <DRP A/C>	1,415,556	0.621%
Ravenscourt Proprietary Limited	1,398,104	0.614%
Kennbros Pty Limited	1,209,898	0.531%
Bridgestar Pty Ltd	1,150,000	0.505%
Total number of shares of Top 20 Holders:	95,947,730	42.110%
Total Securities:	227,850,849	100.000%

Stock Exchange Listing

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: HM1). There are no unquoted equity securities.

Other Information

There are no issues of securities approved for the purpose of Item 7 of Section 611 of the Corporations Act which have not yet been completed. No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.