

Appendix 4D



Hearts and Minds Investments Limited

ABN 61 628 753 220

Interim Financial Report

Results for Announcement to the Market for the Half-Year ended 31 December 2020

	Change	31 Dec 2020 \$'000	31 Dec 2019 \$'000
Total Net Investment Income	-340%	(9,979)	4,156
Profit/(Loss) from ordinary activities after tax	-3,501%	(11,223)	330
Other Comprehensive Income net of tax	174%	102,545	37,463
Total Comprehensive Income net of tax	142%	91,322	37,793

Net Tangible Assets (NTA) Per Ordinary Share

	31 Dec 2020	30 Jun 2020
Pre-Tax NTA per ordinary share	\$4.13	\$3.68
Net tax (liability) per ordinary share	(\$0.39)	(\$0.34)
Post-tax NTA per ordinary share	\$3.74	\$3.34

Dividends

	Cents per ordinary share	Franking %
Dividend per ordinary share	12.0	100%
Dividend dates:		
Ex-dividend date:		7 April 2021
Record date:		8 April 2021
DRP election date:		12 April 2021
Payment date:		20 April 2021

Brief Explanation of results:

The Company recorded total comprehensive income net of tax of \$91,322,000 for the half-year to 31 December 2020 (Dec 2019 \$37,793,000). The Company's post-tax NTA increased to \$3.74 at 31 December 2020 (Dec 2019 \$3.34). The Company has declared its first dividend of 12 cents per share, fully franked, which will be paid on 20 April 2021. The Dividend Reinvestment Plan ("DRP") will operate in respect of the dividend and a 2.5% discount will apply to shares purchased under the DRP.

Further details on the results are included in the Interim Financial Report. This report is based on the 31 December 2020 Interim Financial Report which has been subject to independent review by Pitcher Partners. All the documents comprise the information required by Listing Rule 4.2A. The information should be read in conjunction with the 30 June 2020 Annual Financial Report.

**Hearts and Minds
Investments Limited**

Interim Financial Report

**For the half-year ended
31 December 2020**

ACN 628 753 220



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Corporate Directory
Directors
(Pro bono)

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
(Pro bono)

Tom Bloomfield

Investment Committee
(Pro bono)

David Wright
 Christopher Cuffe AO
 Lorraine Berends
 Brett Paton
 Paul Rayson

Chairman

Core Fund Managers
(Pro bono)

Caledonia (Private) Investments Pty Limited
 Cooper Investors Pty Limited
 Magellan Asset Management Limited
 Paradise Investment Management Pty Limited
 Regal Funds Management Pty Limited
 TDM Growth Partners Pty Limited

2019 Conference Fund Managers
(Pro bono)

Builders Union (UK)
 TDM Growth Partners Pty Limited
 Oasis Management (HK)
 Airlie Funds Management
 Cooper Investors Pty Limited
 Munro Partners

Regal Funds Management Pty Limited
 Tekne Capital Management (USA)
 Tribeca Investment Partners (USA)
 Montaka Global Investments
 Cota Capital (USA)
 ARK Invest (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
(Pro bono)

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

Directors' Report to Shareholders

The Directors present their report together with the financial report of Hearts and Minds Investments Limited ("HM1" or "the Company") for the half-year ended 31 December 2020. Comparative figures shown below are for the half-year ended 31 December 2019.

Directors

The following persons were Directors of the Company during the financial 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

Investment Objective and Principal Activity

HM1 was established with the combined objective of providing a concentrated investment portfolio of the highest conviction stock recommendations from leading fund managers, whilst also supporting Australian medical research institutes.

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

- a) HM1 has allocated 35% of its investment portfolio based on the annual recommendations of fund managers who present at the Sohn Hearts & Minds Investment Leaders Conference (known as the Conference Fund Managers).
- b) HM1 has allocated 65% of its investment portfolio based on the highest conviction ideas of six leading fund managers (known as the Core Fund Managers). These 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.

Operating and Financial Review

For the half-year ended 31 December 2020, the Company reported total comprehensive income after tax of \$91,321,630 (2019: \$37,792,917). The half-year result comprises a net loss after tax from ordinary activities of \$11,223,379 (2019: net income after tax from ordinary activities of \$330,141) and other comprehensive income after tax of \$102,545,009 (2019: \$37,462,776). The result reflects very strong returns from the investment portfolio over the half-year to 31 December 2020. The investment portfolio returned 15.8% for the half-year net of expenses. This investment return was achieved despite the dampening impact of a strengthening Australian dollar which increased from US\$0.69 cents to US\$0.77 over the half-year. Over the same period the MSCI World Net TR (AUD) index, a global equity investment benchmark, increased 9.7%.

The result for the half-year was primarily driven by significant net realised gains from the disposal of our 2019 Conference Portfolio. Realised gains and net unrealised movements in the market value of our Core Portfolio and new 2020 Conference Portfolio also contributed positively to the result for the half-year. The financial result for each financial period is reflective of the performance of our investment portfolio over that period and may be volatile over any financial period.

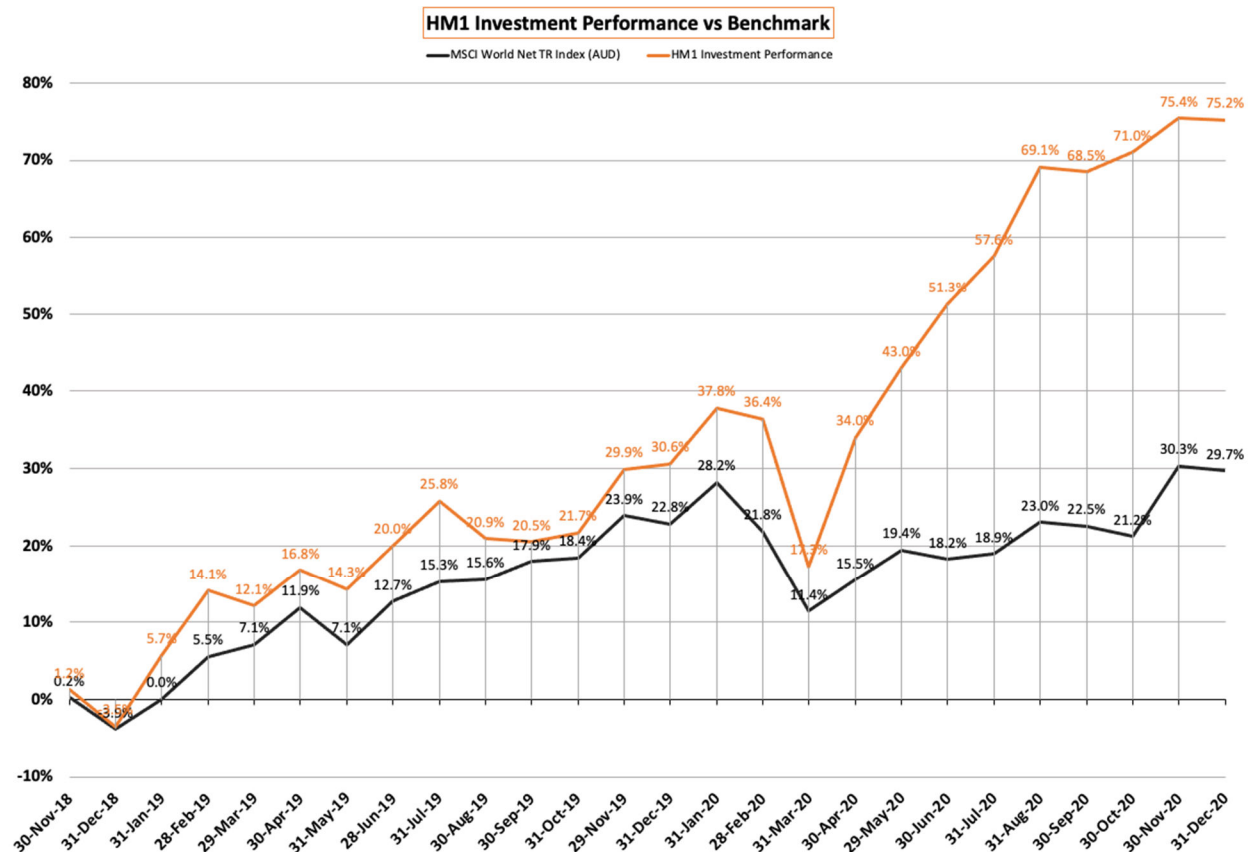
Our investment portfolio performance since inception on 14 November 2018 is set out below.

Investment Portfolio Performance

Investment Performance as of 31 December 2020	Six Months	1 Year	Since inception (14 Nov 2018)
HM1 Investment Portfolio Performance	15.8%	34.2%	75.2%
MSCI World Net TR (AUD) Index	9.7%	5.6%	29.7%
Out/(Under) performance	6.1%	28.6%	45.5%

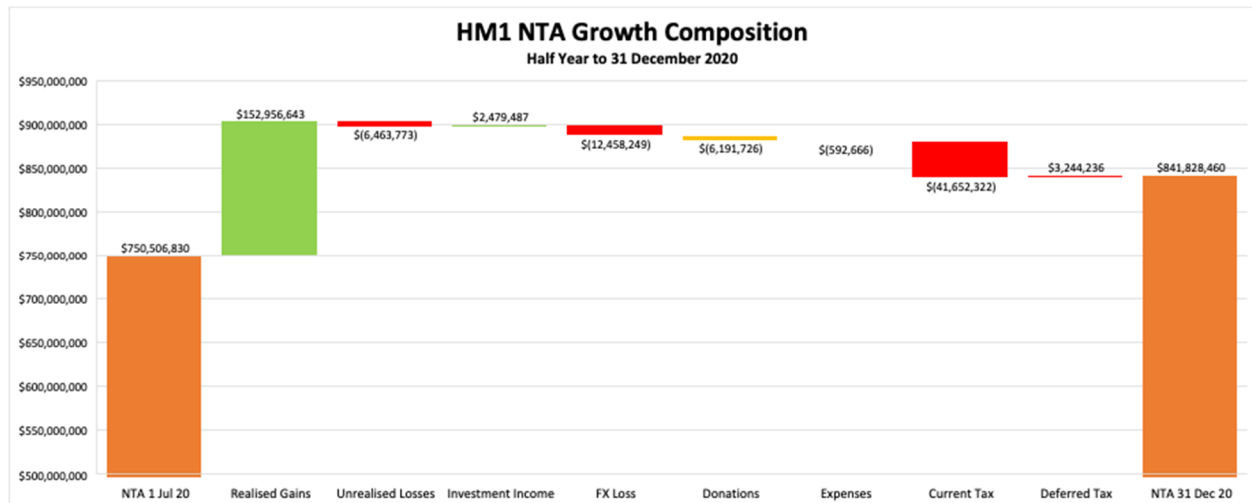
HM1 investment portfolio performance is calculated based on a before tax basis and after all expenses. Index returns are before expenses and before tax.

Since inception on 14 November 2018, HM1's investment portfolio has delivered a return of 75.2%, which is well in excess of the benchmark performance of 29.7%. The strong investment performance is partly attributable to favourable global markets, offset by an increase in the Australian dollar over the period. However, the outperformance to the index is largely due to the stock selection of our participating fund managers and the concentrated nature of the portfolio. It is notable in the chart below that HM1's investment performance accelerated significantly versus the benchmark since the pandemic induced market fall in March 2020.



Change in Net Tangible Assets (NTA)

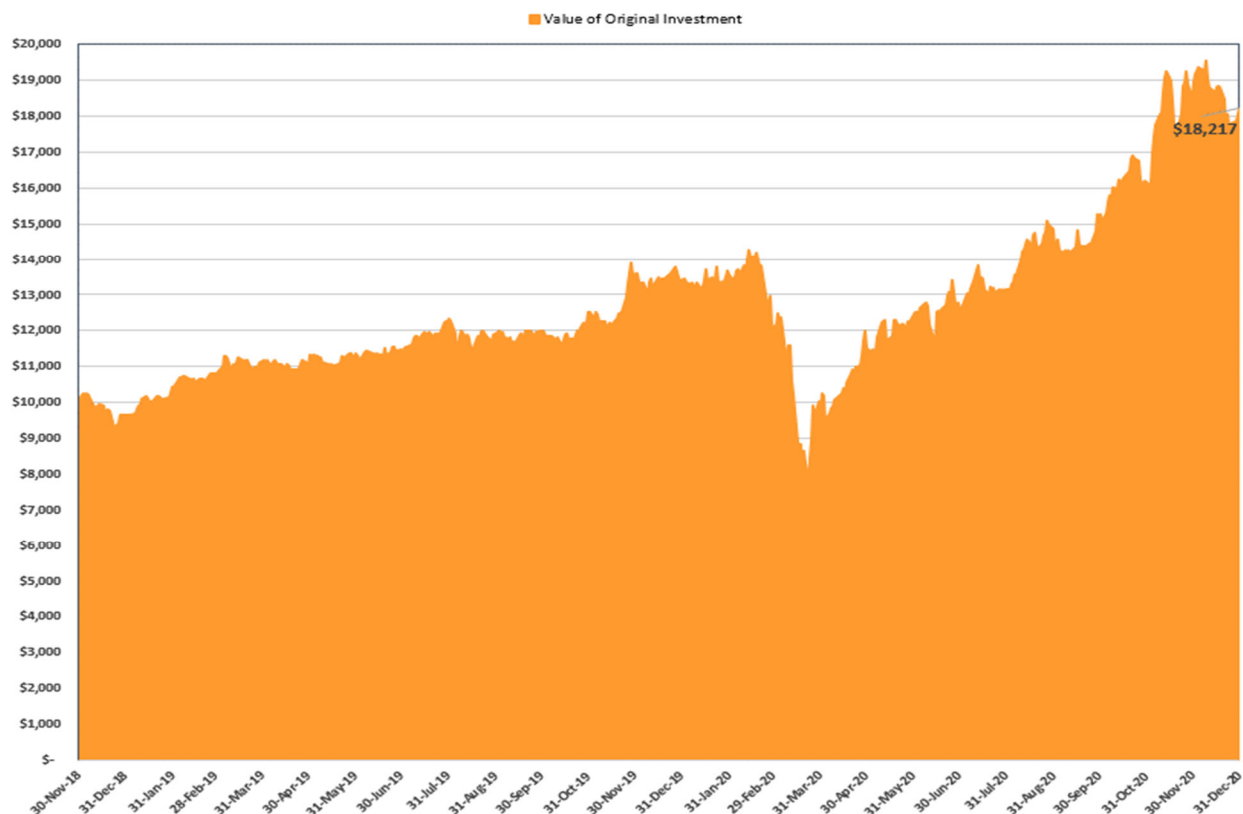
The Net Tangible Assets (NTA) of the Company increased from \$750,506,830 on 30 June 2020 to \$841,828,460 on 31 December 2020. This equates to a post-tax NTA per share of \$3.74 on 31 December 2020. The chart below shows the components of the change in NTA over this period. Pre-tax investment returns net of foreign exchange losses added \$136,514,108 in value over the half-year. After expenses and tax, NTA increased 12.2% for the half-year. The provision for tax liabilities is the primary difference between the investment performance of 15.8% and the NTA performance of 12.2% over the half-year. Payment of tax liabilities will generate franking credits that will be available for future distribution to shareholders.



Total Shareholder Return

Total Shareholder Return (TSR) measures the change in share price plus dividends/distributions paid (if any). HM1's share price increased 43% over the half-year from \$3.11 on 30 June 2020 to \$4.44 on 31 December 2020. The chart below shows the value of \$10,000 invested in HM1 shares since it began on 14 November 2018 through to 31 December 2020. Any dividends/distributions during the period are assumed to be reinvested in HM1 shares at the market price at the date of dividends/distributions. The value of an investment of \$10,000 in HM1 shares on 14 November 2018 has increased 82% to \$18,217 on 31 December 2020.

Value of \$10,000 invested in HM1 at IPO (November 2018)



Medical Research

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

The current designated charities are Victor Chang Cardiac Research Institute, Black Dog Institute, Charlie Teo Foundation, The Children's Hospital at Westmead – Paediatric Intensive Care Unit, The Florey Institute of Neuroscience and Mental Health, Multiple Sclerosis Research Australia Limited, Orygen, Centre of Human Psychopharmacology at Swinburne University and Royal Prince Alfred Hospital Emergency Research.

In the half-year to 31 December 2020 the Company has paid \$5.2m in donations and accrued a further \$6.2m as at 31 December 2020. This accrued donation amount will be paid to the abovenamed charities during March 2021 to fund medical research.

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

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. The Board is committed to paying fully franked dividends to shareholders provided the Company has sufficient profit reserves and franking credits and it is within prudent business practice.

The Directors are pleased to declare the Company's first fully franked dividend of 12 cents per share payable on 20 April 2021. The Dividend Reinvestment Plan (DRP) will be in operation and participating shareholders can reinvest their cash dividend in new HM1 shares at the relevant DRP issue price. The relevant DRP issue price will be at a 2.5% discount to the volume weighted average price (VWAP) on the four trading days following the dividend record date.

Since inception, HM1's investment performance has been very strong, and this performance has included significant realised profits. During 2020, HM1 commenced paying company tax and is building up significant franking credits. At the end of this full financial year ending 30 June 2021, the Board will consider opportunities to distribute excess franking credits (in full or in part) to shareholders.

Significant Changes in State of Affairs

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

Subsequent Events

In the latest release to the ASX on 22 February 2021, the Company reported a NTA per share as of 19 February 2021, as follows:

Net Tangible Assets per Share	19 Feb 2021	31 Dec 2020
Pre-tax NTA per ordinary share	\$4.58	\$4.13
Post-tax NTA per ordinary share	\$4.05	\$3.74

Auditors Independence Declaration

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

Rounding of Amounts to Nearest Dollar

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

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



Christopher Cuffe AO
Chairman and Independent Director

Sydney
24 February 2021

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

In relation to the independent auditor's review of Hearts and Minds Investments Limited for the half-year ended 31 December 2020, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor's independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.



S M Whiddett
Partner

Pitcher Partners
Sydney

24 February 2021

		For the half-year ended 31 December 2020 \$	For the half-year ended 31 December 2019 \$
	Notes		
Investment income from ordinary activities			
Net realised and unrealised (losses)/gains on foreign exchange transactions		(12,458,249)	233,197
Interest income		203	36,648
Dividend income, net of withholding tax of \$48,425 (31 December 2019: \$298,073)	4	2,467,409	3,869,771
Sundry income		11,875	16,862
Total investment (loss)/income		(9,978,762)	4,156,478
Expenses			
Donations	3	(6,191,726)	(4,100,000)
Interest expense		(58)	(4,094)
Employee costs		(294,723)	(202,020)
Other expenses		(297,885)	(297,823)
Total expenses		(6,784,392)	(4,603,937)
Loss before income tax		(16,763,154)	(447,459)
Income tax benefit		5,539,775	777,600
Net (loss)/income for the period		(11,223,379)	330,141
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Net realised gains on investments, net of tax	6	107,069,650	46,736,392
Net unrealised losses on investments, net of tax	6	(4,524,641)	(9,273,616)
Net realised and unrealised gains on investments taken to equity, net of tax		102,545,009	37,462,776
Other comprehensive income for the period, net of tax		102,545,009	37,462,776
Total comprehensive income for the period		91,321,630	37,792,917
		Cents	Cents
(Loss)/earnings per share attributable to the ordinary equity holders of the Company:			
Basic and diluted (loss)/earnings per share		(4.99)	0.16

The accompanying notes form part of these interim financial statements.

	Notes	31 December 2020 \$	30 June 2020 \$
Assets			
Current assets			
Cash and cash equivalents		135,281,332	52,255,304
Prepayments		133,926	229,071
Other receivables		213,175	401,677
Total current assets		135,628,433	52,886,052
Non-current assets			
Financial assets at fair value through other comprehensive income	8	800,460,479	779,308,148
Deferred tax assets		3,733,248	2,484,033
Total non-current assets		804,193,727	781,792,181
Total assets		939,822,160	834,678,233
Liabilities			
Current liabilities			
Current tax liability		43,101,136	28,370,880
Donation provision		6,166,726	5,128,890
Other payables		49,226	–
Total current liabilities		49,317,088	33,499,770
Non-current liabilities			
Deferred tax liabilities		48,676,612	50,671,633
Total non-current liabilities		48,676,612	50,671,633
Total liabilities		97,993,700	84,171,403
Net assets		841,828,460	750,506,830
Equity			
Share capital	5	562,500,001	562,500,001
Reserves	6	279,328,459	188,006,829
Total equity		841,828,460	750,506,830

The accompanying notes form part of these interim financial statements.

	Notes	Share capital \$	Investment portfolio revaluation reserve \$	Profits reserve \$	Retained earnings/ accumulated losses \$	Total \$
Balance at 30 June 2020		562,500,001	117,959,797	70,047,032	–	750,506,830
Net loss for the period	6	–	–	–	(11,223,379)	(11,223,379)
Other comprehensive income, net of tax		–	102,545,009	–	–	102,545,009
Transfer to profits reserve	6	–	(107,069,650)	107,069,650	–	–
Transfer from profits reserve		–	–	(11,223,379)	11,223,379	–
Balance at 31 December 2020		562,500,001	113,435,156	165,893,303	–	841,828,460
Balance at 30 June 2019		500,000,001	67,020,422	4,178,905	(746,300)	570,453,028
Net income for the period	6	–	–	–	330,141	330,141
Other comprehensive income, net of tax		–	37,462,776	–	–	37,462,776
Transfer to profits reserve	6	–	(46,736,392)	46,736,392	–	–
Transfer from profits reserve		–	–	(416,159)	416,159	–
Transactions with equity holders in their capacity as owners:						
Shares issued	5	62,500,000	–	–	–	62,500,000
Balance at 31 December 2019		562,500,001	57,746,806	50,499,138	–	670,745,945

The accompanying notes form part of these interim financial statements.

		For the half-year ended 31 December 2020 \$	For the half-year ended 31 December 2019 \$
	Note		
Cash flows from operating activities			
Interest received		203	36,648
Dividends received		2,653,899	3,922,131
Other income received		13,887	11,482
Interest paid		(58)	(3,939)
Offer costs paid		–	(280,908)
Donations paid		(5,153,890)	–
Payments for other expenses		(448,237)	(588,753)
Income tax paid		(26,922,066)	–
Net cash (used in)/provided by operating activities	7	(29,856,262)	3,096,661
Cash flows from investing activities			
Proceeds from sales of investments		477,300,934	300,195,198
Payments for purchases of investments		(351,960,395)	(310,624,401)
Net cash provided by/(used in) investing activities		125,340,539	(10,429,203)
Cash flows from financing activities			
Proceeds from issuance of shares		–	62,500,000
Net cash provided by financing activities		–	62,500,000
Net increase in cash and cash equivalents		95,484,277	55,167,458
Cash and cash equivalents at the beginning of the period		52,255,304	7,052,020
Effect of foreign currency exchange rate changes on cash and cash equivalents		(12,458,249)	233,197
Cash and cash equivalents at the end of the period		135,281,332	62,452,675

The accompanying notes form part of these interim 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 interim financial statements of the Company are for the half-year ended 31 December 2020.

The interim financial statements were authorised for issue on 24 February 2021 by the Board of Directors.

2 Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements for the half-year ended 31 December 2020 have been prepared in accordance with Australian Accounting Standards Board (“AASB”) 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

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

(b) New standards and interpretations not yet adopted

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

3 Donations

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

4 Dividends

Dividend franking account

	For the half-year ended 31 December 2020 \$	30 June 2020 \$
Opening balance	3,606,179	619,398
Franking credits on dividends received	681,330	1,133,477
Tax paid during the period	26,922,066	1,853,304
Closing balance of franking account	31,209,575	3,606,179

Dividend income

	For the half-year ended 31 December 2020 \$	For the half-year ended 31 December 2019 \$
Dividend income - Investments sold during the year	958,781	1,089,395
Dividend income - Investments held at year end	1,557,053	3,078,449
Dividend income	2,515,834	4,167,844
Withholding tax on dividends	(48,425)	(298,073)
Dividend income, net of withholding tax	2,467,409	3,869,771

5 Share capital

(a) Issued capital

	31 December 2020 No. of shares	31 December 2020 \$
Ordinary shares	225,000,001	562,500,001
	30 June 2020 No. of shares	30 June 2020 \$
Ordinary shares	225,000,001	562,500,001

5 Share capital (continued)
(b) Movements in share capital

	For the half-year ended 31 December 2020 No. of shares	For the half-year ended 31 December 2020 \$
Opening and closing balance	225,000,001	562,500,001
	For the year ended 30 June 2020 No. of shares	For the year ended 30 June 2020 \$
Opening balance	200,000,001	500,000,001
Shares issued at \$2.50 per share	25,000,000	62,500,000
Closing balance	225,000,001	562,500,001

On 27 December 2019, the Company issued 25,000,000 fully paid ordinary shares at \$2.50 per share pursuant to a fully renounceable rights issue to existing shareholders.

6 Reserves and accumulated losses
(a) Reserves

	31 December 2020 \$	30 June 2020 \$
Investment portfolio revaluation reserve	113,435,156	117,959,797
Profits reserve	165,893,303	70,047,032
Total reserves	279,328,459	188,006,829

6 Reserves and accumulated losses (continued)
(a) Reserves (continued)

	For the half-year ended 31 December 2020 \$	For the year ended 30 June 2020 \$
Investment portfolio revaluation reserve		
Opening balance	117,959,797	67,020,422
Net realised gains on investments	152,956,643	98,999,109
Income tax on net realised gains on investments	(45,886,993)	(29,699,733)
Net unrealised (losses)/gains on investments	(6,463,773)	72,770,536
Deferred income tax on unrealised losses/(gains) on investments	1,939,132	(21,831,161)
Transfer to profits reserve	(107,069,650)	(69,299,376)
Closing balance	113,435,156	117,959,797
	For the half-year ended 31 December 2020 \$	For the year ended 30 June 2020 \$
Profits reserve		
Opening balance	70,047,032	4,178,905
Transfer from investment portfolio revaluation reserve	107,069,650	69,299,376
Transfer to accumulated losses	(11,223,379)	(3,431,249)
Closing balance	165,893,303	70,047,032

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

	For the half-year ended 31 December 2020 \$	For the year ended 30 June 2020 \$
Proceeds from sale of investments	477,300,934	501,356,938
Original cost of investments sold	(324,344,291)	(402,357,829)
Net realised gains on investments before tax	152,956,643	98,999,109

6 Reserves and accumulated losses (continued)
(b) Accumulated losses

	For the half-year ended 31 December 2020 \$	For the year ended 30 June 2020 \$
Opening balance	–	(746,300)
Net loss for the period/year	(11,223,379)	(2,684,949)
Transfer from profits reserve	11,223,379	3,431,249
Closing balance	–	–

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

	For the half-year ended 31 December 2020 \$	For the half-year ended 31 December 2019 \$
Net (loss)/income for the period	(11,223,379)	330,141
Effects of foreign currency exchange rate changes on cash and cash equivalents	12,458,249	(233,197)
Change in operating assets and liabilities:		
Decrease in prepayments	95,145	–
Decrease in other receivables	188,502	40,211
Increase in deferred tax assets	(1,249,215)	–
Increase in amounts due to brokers	–	182,318
Decrease in current tax liability	(31,156,737)	(944,210)
Increase in Donation provision	1,037,836	4,100,000
Increase/(decrease) in other payables	49,226	(362,895)
Decrease in deferred tax liabilities	(55,889)	(15,707)
Net cash (used in)/provided by operating activities	(29,856,262)	3,096,661

8 Financial Assets
Fair value measurements
(a) Fair value estimation

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

8 Financial Assets (continued)

Fair value measurements (continued)

(a) Fair value estimation (continued)

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

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

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

(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 measured and recognised at fair value:

31 December 2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	800,460,479	—	—	800,460,479
Total financial assets at fair value through other comprehensive income	800,460,479	—	—	800,460,479
30 June 2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Listed equity securities on major exchanges	779,308,148	—	—	779,308,148
Total financial assets at fair value through other comprehensive income	779,308,148	—	—	779,308,148

There were no transfers between levels for recurring fair value measurements during the half-year ended 31 December 2020 and for the year ended 30 June 2020.

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

8 Financial Assets (continued)

Fair value measurements (continued)

(b) Fair value hierarchy (continued)

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

9 Segment information

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

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

	31 December 2020	30 June 2020
	Country of Listing	Country of Listing
	%	%
United States	52	62
Australia	32	33
Hong Kong	10	3
Germany	3	–
Japan	3	1
United Kingdom	–	1
	100	100

10 Commitments

The Company had no material contingent liabilities or commitments as at 31 December 2020 (2019: \$4,100,000).

11 Events occurring after the reporting period

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

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 statements and notes as set out in pages 8 to 18, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting*, which, as stated in Note 2 to the interim 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 31 December 2020 and of its performance, as represented by the results of the operations and the cash flows, for the interim period ended on that date.
- (b) At the date of this declaration, in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Christopher Cuffe AO
Chairman and Independent Director

Sydney
24 February 2021

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Hearts and Minds Investments Limited ("the Company") which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (a) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

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

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

Responsibility of the Directors for the Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



S M Whiddett
Partner



Pitcher Partners
Sydney

24 February 2021