Happy Valley
Nutrition Limited

15 September 2022

Annual Report

Happy Valley Nutrition Limited (ASX: HVM; Happy Valley or **Company)** is pleased to release its Annual Report for the year ended 30 June 2022

Approved for release by the Board of Happy Valley Nutrition Limited.

<u>For further information, please contact:</u>

Kevin Bush, Executive Chairman: +61 (0) 422 048 496

Happy Valley Nutrition Limited

Annual Report

Company Number: 5952532
NZBN:9429042287346

For The Year Ended 30 June 2022

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Our Vision

Happy Valley Nutrition Limited's (ASX:HVM) vision is to become a preferred business-to-business supplier of specialty nutritional products and formulaic products, derived from A2 and other milk types

The Business

The Facility

The Group is planning to develop a nutritional grade milk spray drying and AMF processing plant for specialty nutritional products and formulaic products.

The Group's site is strategically located in the heart of the Waikato region. The largest milk producing region in New Zealand, with proximity to major logics hubs, ports and New Zealand's largest city and main commercial centre Auckland.

The Group has successfully obtained Resource Consents, which include: land use, air discharge, stormwater discharge, waste water discharge and water take for the proposed Facility.

Progress

The Group has achieved most project milestones in the year to 30 June 2022 including,

- Signing a third conditional supply agreement with a respected European multi-national distributor of dairy products for the supply of nutritional milk powders and Anhydrous Milk Fat (AMF).
- Completion of earthworks and practical completion in February 2022. This is a significant milestone as the site is ready to commence construction once construction finance has been finalised.
- Proactively engaging with a number of financial and industry-focussed strategic investors that have expressed an interest in the Facility since New Zealand's borders open to international visitors from May 2022.

We are Happy Valley Nutrition Limited, a proudly independent, dairy and nutrition company located in the Waikato region.

NZ Dairy's Place On The Global Food Map

"New Zealand produces about 2 per cent of global milk yet is responsible for a third of what is traded (only 9 per cent of global production crosses borders).

Our expertise, therefore, is not just in production but getting products to distant markets – product stabilisation, packaging, storage, supply chains.

To put [global growth in demand] into perspective for dairy nutrients the annual increase in demand globally has been the equivalent of all of NZ's production, every year: global demand has increased by 2 per cent a year, China's demand has increased by 3.1 per cent. For NZ we have for many years supplied those countries that are not self-sufficient in the nutrients we produce and have also been able to achieve seasonal complementarity due to being southern hemisphere producers."

Nicola Shadbolt, Professor of Farm and Agribusiness Management Massey University; Chair, Plant & Food Research; Climate Change Commissioner; and International Food & Agribusiness Management Association (IFAMA) board member, NZ Herald, 31 August 2022

Strategy

The Group's growth strategy can be summarized under four pillars:

1) **Partners / Customers and Products**
Happy Valley Nutrition Limited is pursuing a B2B strategy focused on a range of nutritional ingredient products, strategic partners, and customers. The facility design enables a flexible product mix capability to deliver high-quality, specialty dairy powder ingredients including differentiated milk products to meet customised dairy nutritional needs.

2) **Milk Pool**
Happy Valley Nutrition Limited recognises that the success of its business is dependent on reliable milk supply, which stems from great relationships with farmers, sustainable environmental practices and being situated in a large milk catchment.

3) **Construction**
The spray dryer for the Facility is anticipated to have a capacity of 35,000 metric tonnes per annum, which will include state-of-the-art technology that has capability to produce a wide range of nutritional powders efficiently. The Facility design includes a pathway to zero fossil fuel and water use, through employing technologies for the manufacturing process via the use of solar arrays to produce electricity, and reverse osmosis for water recycling.

4) **Quality**
Quality and regulatory requirements are fundamental to Happy Valley Nutrition Limited's ability to export products and is planning to implement leading edge traceability and hygiene standards that drive product quality, production flexibility and efficiency. The facility will be compliant with stringent regulatory requirements to meet IMF exports standards globally and in particular, China.

Directors' report

For year ended 30 June 2022

The board of directors of Happy Valley Nutrition Limited (HVM) and its subsidiary (together, the Group) present their report, together with the consolidated financial statements, on the Group for the year ended 30 June 2022.

Directors

The following persons held office as directors of HVM during the year ended 30 June 2022.

Kevin Bush	Director (appointed: 14 October 2021) and Chairman (appointed: 20th January 2022)
Ivan Hammerschlag	Chairman (resigned: 20th January 2022 and remained Non-Executive Director until 28th February 2022)
David McCann	Director
Randolph van der Burgh	Director
Anthony Kahn	Director (resigned: 17 November 2021)
Greg Wood	Director (resigned: 17 December 2021) and Chief Executive Officer (resigned: 20 December 2021 and served 3 months notice period from date of resignation)

Review of operations

The Group has achieved most project milestones in the year to 30 June 2022; including, completion of earthworks. These milestones satisfy the key pillars of the Group's growth plan, allowing the Group to focus on the main capital raise to construct and commission its state-of-the-art nutritional grade dairy processing facility in Otorohanga. This as we know has been hampered by the prolonged border closures. The macro environment for the facility has only improved. The company and their advisors have maintained consistent contact with potential interested parties (all based in Northern hemisphere or Asia). When a framework for commercial terms is established, we expect to schedule site visits. The Board is encouraged by the interest in the Facility from strategic industry investors and global financiers. Happy Valley is well-placed to capitalise on the interest from these potential investors.

Some key highlights for the year include:

- On 21 September 2021, the Group announced the signing of a third conditional supply agreement with a respected European multi-national distributor of dairy products for the supply of nutritional milk powders and anhydrous milk fat (AMF). As a result, 34% of the spray drying plant's production total capacity and 50% of AMF production capacity has now been committed, subject to meeting operational and quality conditions. The Company is continuously pursuing further opportunities with potential customers on capacity commitments including non-bovine nutritional powders.
- The Group has achieved the completion of earthworks and practical completion in February 2022. In accordance with our debt facility, the Company's interest will be capitalised moving forward. This is a significant milestone as the site is ready to commence construction once construction finance has been finalised.
- The Group has undergone some changes at the Board and Management level in the preceding months. These changes reflect the progress the Company has made in its journey to date and it now transitions to the construction phase.
- The Group continues to proactively engage with a number of financial and industry-focussed strategic investors that have expressed an interest in the facility since New Zealand's borders opened to international visitors from May 2022.
- The Company is adequately funded to ensure operations can continue through to late 2023.

The Board is currently pursuing other financial opportunities to deliver further certainty. Managing the cost base is also a focus with the three directors all currently undertaking key executive duties during this current phase of activity. Key executives in New Zealand remain fully engaged in day-to-day operations and have been instrumental in continuing to advance the facility's development and supporting negotiations with financiers and potential project partners.

Significant capital has been deployed to establish a fully permitted, construction-ready site approved for investment from domestic and more likely international investors. Happy Valley is in good shape, and we have worked hard to position the business for the next phase of investment and development.

Kevin Bush
Chairman
15 September 2022

Our Board

Kevin Bush
Executive Chairman

Mr Bush is a highly experienced nutritional and dairy executive and Chartered Accountant having worked across a variety of industries and organisations including professional practice, ASX listed companies and multinationals. He brings over 25 years in various Executive Leadership roles where he has overseen substantial growth in business performance and people development.

Now based in Sydney, Mr Bush has spent the past 12 years working in the infant nutrition sector, including senior positions with Danone. He led Danone's business units in China and Hong Kong for seven years and brings an extensive skillset across sales, and marketing to the Board at a critical time in Happy Valley's development.

Prior to this, Mr Bush was both Chief Executive Officer and Chief Financial Officer of Sydney Attractions Group, the owners of one of Sydney's largest tourist and entertainment venues, the Sydney Aquarium.

Mr Bush brings complementary skills and experience to Happy Valley's Board and senior management.

Randolph van der Burgh
Non-Executive Director

Randolph is a founding shareholder in Happy Valley Nutrition Limited has more than 30 years' experience in managing and advising businesses. Randolph built infant milk formula brand A+Puro from the ground up in Hong Kong and China with operations in New Zealand. Randolph is also a founding shareholder in VCFO Group and Rockburgh Fund Services and was a former partner at Ernst & Young, New Zealand and Australia, specialising in financial services and international tax. Randolph is a member of Chartered Accountants Australia and New Zealand.

Committees:
Chair, Audit and Risk Management Committee

David McCann
Non-Executive Director

David is a founding shareholder in Happy Valley Nutrition Limited and brings more than 25 years' experience in managing and operating businesses. David built infant milk formula brand A+Puro from the ground up in Hong Kong and China with operations in New Zealand. He has served on both public and private company Boards and has been involved in food and FMCG distribution businesses in the United States, Australia, and Asia. David is Principal of AOP Capital Limited a Hong Kong SFC regulated Asset and Wealth Manager.

Board and Committee Attendance

The ultimate responsibility for the oversight of the operations of the Company rests with the board. The board may discharge any of its responsibilities through committees of the board. The board has established the following standing committees, to assist it with the execution of its responsibilities. The composition and effectiveness of the committees are reviewed on an annual basis:

- Audit and Risk Management Committee; and
- Remuneration and Nomination Committee.

Each of these committees operate in accordance with specific charters approved by the board which can be found on the Company's website. The number of scheduled board and committee meetings held during the period ending 30 June 2022 and the number of meetings attended by each of the directors is set out in Table 1.

Table 1

HAPPY VALLEY NUTRITION LIMITED BOARD MEETING ATTENDANCE 2021-2022

	Total	
Director	# Meetings eligible to attend	# Meetings attended
Ivan Hammerschlag	9	9
David McCann	13	13
Randolph van der Burgh	13	13
Anthony Kahn	5	5
Greg Wood	7	7
Kevin Bush	9	9

HAPPY VALLEY NUTRITION LIMITED AUDIT AND RISK MANAGEMENT COMMITTEE MEETING ATTENDANCE 2021-2022

	Total	
Member	# Meetings eligible to attend	# Meetings attended
Randolph van der Burgh	9	9
Anthony Kahn	4	4
Greg Wood	5	5
Kevin Bush	6	6

There was no Remuneration and Nomination Committee meeting during the financial year to 30 June 2022.

The Directors' shareholding details are outlined in note 10.1.6 of the consolidated financial statements.

Our Management Team

Richard Chew
CFO

Richard is a Chartered Accountant qualified from PwC. He is a member of the Chartered Accountants of Australia and New Zealand (CAANZ) and holds a Bachelor of Commerce from Auckland University.

Richard has over 20 years' experience in mergers and acquisition, venture capital and international expansion gained during his time based at London, Auckland and Singapore as CFO, Board advisor, investor, and Director of several private and listed companies.

Grant Horan
Project Manager

Grant is a founding shareholder in Happy Valley Nutrition Limited. Accomplished Executive with domestic and international experience in operations, P&L oversight, multi-channel product distribution.

Luke Reeves
Capital Projects Manager

Luke joined Happy Valley Nutrition Limited in March 2020 from Westland Milk Products. Experienced and successful civil infrastructure and dairy manufacturing project manager with proven delivery of multi-million dollar projects for clients. Luke will be responsible for the overall delivery, culture and implementation of the site development.

Leanne Ralph
Company Secretary

Leanne Ralph was appointed to the position of Company Secretary in September 2019. Leanne has over 15 years of experience in company secretarial roles and holds this position for a number of ASX-listed entities. Leanne is a Fellow of the Governance Institute of Australia and a Graduate Member of the Australian Institute of Company Directors.

Core Values

At Happy Valley Nutrition Limited we manage our business within the following core values.

- **Capability & Innovation** – We believe in manufacturing flexibility, using the latest technology, science, and innovation, and operating within recognised quality frameworks.
- **Community** – We place people at the centre of our business. This includes our employees, suppliers, business partners, neighbours and customers.
- **Care** – World leading animal care and sustainable farming practices are integral to us building our reputation and protecting resources for future generations.
- **Consumer Trust** – We recognise the value and trust consumers place on the source of the products they, and their dependents, consume. We will build trust through taking a staged approach to our product offerings, demonstrating our values along the journey to realise our vision.

Health, Safety, Wellbeing and Environmental Sustainability

HEALTH, SAFETY AND WELLBEING OF OUR PEOPLE

ARRIVE WELL

ACT SAFE

HOME HAPPY EVERYDAY

Happy Valley Nutrition Limited place our people at the centre of our business. To deliver on this commitment we:

- Set objectives, SMART goals and strategies to provide easily understood direction for our health, safety and wellness performance.
- Promote a fair and positive culture that recognises the work undertaken across our business.
- Review and maintain an active health, safety and wellness management system.
- Comply with all relevant health and safety legislation, compliance obligations and voluntary standards.

OUR COMMITMENT TO THE ENVIRONMENT

ZERO-WASTE

CLEAN SITE

OUR FUTURE

To deliver on our environmental commitment we will meet, or exceed, current regulatory and compliance standards by;

- Acting responsibly to implement international best practice environmental standards throughout our supply chain, which includes a focus on minimising our environmental footprint.
- Aiming for zero-waste through strategy, design, and living our core values.
- Supporting best practice dairy farming through assisting our suppliers with sustainable farming practices.

Financial Report

Year Ended 30 June 2022

Happy Valley Nutrition Limited

NZCN 5952532 (ARBN 636 597 101)

ASX Code: HVM

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General information

The Annual Consolidated Financial Statements of Happy Valley Nutrition Limited are for the year ended 30 June 2022.

The Annual Consolidated Financial Statements are presented in New Zealand dollars, which is Happy Valley Nutrition Limited's functional currency.

Happy Valley Nutrition Limited is an ASX listed public company limited by shares, incorporated and domiciled in New Zealand.

Its registered office and principal place of business are 96 St Georges Bay Road, Parnell, Auckland 1052 New Zealand

Happy Valley Nutrition Limited is in the process of developing a vertically integrated, formulaic milk processing, blending and packaging Facility (Facility) that produces infant milk formula (IMF) and other nutritional products for sale in the global export markets.

Directors' Declaration

For year ended 30 June 2022

In the opinion of the Directors of Happy Valley Nutrition Limited, the consolidated financial statements and notes, on pages 11 to 31:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of Happy Valley Nutrition Limited and its subsidiary as at 30 June 2022, the results of its operations and cash flows for the year ended on that date; and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Reporting Act 2013.

For and on behalf of the Board of Directors:

Kevin Bush
Chairman
15 September 2022

Consolidated statement of comprehensive income

For year ended 30 June 2022

	Notes	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Other income	6.1	200,000	38,333
Indirect expenses	6.2	(3,024,330)	(3,158,520)
Depreciation expenses	6.2	(6,652)	(10,758)
Share-based transactions	8.4	1,912	(2,213,975)
Net finance cost	6.2	(2,921,600)	(474,687)
Loss before income tax expense		**(5,750,670)**	**(5,819,607)**
Income tax expense	10.5	–	–
Net loss for the year after tax		**(5,750,670)**	**(5,819,607)**
Other comprehensive income		–	–
Total comprehensive loss after tax attributable to owners of the Group		**(5,750,670)**	**(5,819,607)**
Earnings per share			
Basic (NZD per share)	6.3	(0.04)	(0.03)
Diluted (NZD per share)	6.3	(0.04)	(0.03)

Consolidated statement of changes in equity

For year ended 30 June 2022

	Notes	Share capital NZD	Share option reserve NZD	Accumulated losses NZD	Total NZD
Balance at 1 July 2021		**24,956,998**	**9,933,188**	**(21,561,004)**	**13,329,182**
Loss for the period		—	—	(5,750,670)	(5,750,670)
Total comprehensive loss for the period		—	—	(5,750,670)	(5,750,670)
Transactions with owners in their capacity as owners					
Share options reserve	8.4.1	—	(1,912)	—	(1,912)
Total contributions by and distributions to owners		—	(1,912)	—	(1,912)
As at 30 June 2022		**24,956,998**	**9,931,276**	**(27,311,674)**	**7,576,600**

	Notes	Share capital NZD	Share option reserve NZD	Accumulated losses NZD	Total NZD
Balance at 1 July 2020		**24,956,998**	**7,719,213**	**(15,741,396)**	**16,934,815**
Loss for the period		—	—	(5,819,607)	(5,819,607)
Total comprehensive loss for the period		—	—	(5,819,607)	(5,819,607)
Transactions with owners in their capacity as owners					
Share options reserve		—	2,213,975	—	2,213,975
Total contributions by and distributions to owners		—	2,213,975	—	2,213,975
As at 30 June 2021		**24,956,998**	**9,933,188**	**(21,561,004)**	**13,329,182**

Consolidated statement of financial position

As at 30 June 2022

	Notes	As at 30-Jun-22 NZD	As at 30-Jun-21 NZD
Current assets			
Cash and cash equivalents		1,953,967	6,137,562
Receivables		17,352	13,298
Other current assets	7.1	234,089	594,591
Total current assets		**2,205,408**	**6,745,451**
Non-current assets			
Property, plant and equipment	7.2	25,268,017	23,738,546
Total non-current assets		**25,268,017**	**23,738,546**
TOTAL ASSETS		**27,473,425**	**30,483,998**
Current liabilities			
Trade and other payables	9.4	(267,725)	(1,032,058)
Borrowings	8.1	(9,642,007)	(7,792,973)
Total current liabilities		**(9,909,732)**	**(8,825,030)**
Non-current liabilities			
Convertible note	8.1, 8.2	(7,083,434)	(5,472,872)
Embedded derivative Liability	8.1, 8.2	(2,160,444)	(1,971,704)
Borrowings	8.1	(743,216)	(885,210)
Total non-current liabilities		**(9,987,094)**	**(8,329,786)**
TOTAL LIABILITIES		**(19,896,825)**	**(17,154,816)**
NET ASSETS		**7,576,600**	**13,329,182**
Equity			
Share capital	8.3	24,956,998	24,956,998
Share options reserve	8.4.1	9,931,276	9,933,188
Accumulated losses		(27,311,674)	(21,561,004)
TOTAL EQUITY		**7,576,600**	**13,329,182**

Consolidated statement of cash flows

For year ended 30 June 2022

Cash flows from operating activities	Notes	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Loss before tax		(5,750,670)	(5,819,607)
Tax paid		—	—
Net cashflows from operating activities		**(5,750,670)**	**(5,819,607)**
Add / (less) non-cash items			
Depreciation expense		6,652	10,758
Share based transactions (income) / expenses		(1,912)	2,213,975
Convertible note issue cost		—	96,270
Gain / (Loss) on fair value of embedded derivatives		381,674	(605,605)
Development costs disposed / written off		—	139,407
Foreign exchange movements		192,934	(12,839)
Finance costs		2,921,600	502,815
Changes in working capital			
(Increase) / decrease in debtors / receivables		(4,054)	(13,298)
Decrease / (increase) in other current assets		119,706	(317,524)
(Decrease) / increase in accounts payable		(764,332)	24,760
Net cash flows from operating activities		**(3,284,270)**	**(3,780,888)**
Cash flows from investing activities			
Payment for property, plant and equipment	7.2	(1,284,797)	(15,482,474)
Disposal of property, plant and equipment	7.2	2,335	—
Net cash flows from investing activities		**(1,282,462)**	**(15,482,474)**
Cash flows from financing activities			
Direct costs paid on borrowings		—	(639,083)
Interest paid		(467,470)	(112,551)
Interest income		607	—
Net proceeds from convertible notes and loans		—	7,681,241
Proceeds from borrowings	8.1.2	1,100,000	9,190,993
Repayment of borrowings	8.1.1	(250,000)	—
Net cash flows from financing activities		**383,137**	**16,120,600**
		—	**—**
Net decrease in cash		**(4,183,595)**	**(3,142,763)**
Foreign exchange adjustment		**—**	**—**
Net decrease in cash		**(4,183,595)**	**(3,142,763)**
Cash at beginning of the period		**6,137,562**	**9,280,325**
Cash at end of the period		**1,953,967**	**6,137,562**

Notes to the consolidated financial statements

For year ended 30 June 2022

1. Reporting entity

The consolidated financial statements for the year ended 30 June 2022 are for the consolidated group being Happy Valley Nutrition Limited (HVM or the Company) and its 100% owned subsidiary Five Redland Road Limited (FRRL) (together, the Group).

The Group is an ASX listed public company limited by shares, incorporated and domiciled in New Zealand. The Group's purpose is the development of a vertically integrated, formulaic milk processing, blending and packaging facility to produce infant milk formula and other nutritional products for sale in the global export markets.

The Group is a for profit entity and is registered in New Zealand under the Companies Act 1993.

The consolidated financial statements were authorised by the Board of Directors on 15th September 2022.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements for the year ended 30 June 2022 have been prepared in accordance with generally accepted accounting practice.

The consolidated financial statements comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain items as identified in specific accounting policies.

2.3 Foreign exchange transactions and translation

The consolidated financial statements are presented in New Zealand dollars (NZD), which is the Group's functional currency and rounded to the nearest dollar, unless otherwise indicated.

In the course of normal activities, the Group undertakes transactions in currencies other than the entity's functional currency (foreign currencies). Foreign currency transactions are recognised at the rate of exchange prevailing on the date of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period they arise.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary as at 30 June 2022.

Consolidation of a subsidiary commences on the Group obtaining control over that subsidiary and ceases when the Group loses control of the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies for the income and expenses of the subsidiary. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

3. Significant judgements and estimates

The Group makes estimates and assumptions concerning the future in establishing the value of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. Some of the estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are detailed below.

The Group has also made judgements regarding accounting policies and treatments with a significant impact on the amounts recognised in the consolidated financial statements.

3.1 Key sources of estimation (valuation)

Embedded derivatives
The fair value of the embedded derivative liabilities was determined using assumptions and inputs to a binomial option pricing valuation model, including, estimated time to expiry of convertible debt instruments, the Group's share exercise price of AUD 0.20 based on the expected capital raise price at the time of recognition, risk free interest rate of 3.5% and assuming a 62.5% volatility. This volatility was based on similar companies within the industry at the same stage in their life cycle given HVM currently does not have trading history. Some of the input used, such as expected volatility are not market observable. Using different input estimates or models could produce different valuations, which would result in the recognition of a higher or lower fair value movement.

Share-based transactions
Equity-settled share awards are recognised as an expense based on the fair value at grant date. The fair value of equity-settled shares and options is expensed over the vesting period and is estimated using the Black Scholes valuation model which required inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life.

Some of the inputs used, such as the expected volatility and expected option life, are not market observable. Using different input estimates or models could produce different option and share values, which would result in the recognition of a higher or lower expense, (refer note 8.4 for further details).

3.2 Capitalisation and recoverability of development costs and land

Management exercises judgement in determining whether costs, such as professional and consulting fees, meet the criteria to be capitalised as development costs, (refer note 7.2).

Property, Plant and Equipment is also reviewed annually for indicators of impairment. All items of Property, Plant & Equipment relating to the plant are considered collectively as a single cash generating unit for impairment considerations.

4. Significant accounting policies and new accounting standards not yet effective

The significant accounting policies adopted in the preparation of these consolidated financial statements are disclosed within each applicable note. The accounting policies have been consistently applied to all years presented. All mandatory amendments and interpretations have been adopted in the current year; none had a material impact on these consolidated financial statements.

5. Going concern

Assumption that the Group is a going concern
The financial statements have been prepared on a going concern basis which assumes that the Group will have sufficient cash to continue its operations and meet its obligations for a minimum of 12 months from the date of signing the financial statements.

The Directors believe the going concern assumption is appropriate, having reached such a conclusion with regard to the circumstances which they consider reasonably likely to affect the Group during the period of at least one year from the date the financial statements are approved. Because this view is dependent on the achievement of certain future milestones, and other assumptions that have been outlined below, there exists a material uncertainty in respect of going concern. Should all, or some, of these assumptions not be achieved, adjustments may be required to adjust the carrying amount of assets and liabilities as recognised in these financial statements.

As at 30 June 2022, the Group has external debt of NZD 19.6M in total (Note 8.1) of which $9.4 million matures on 15 December 2022. Based on management budgets and plans, the Group is budgeting for operating expenditure of NZD 1.2M (excluding interest) to 30 June 2023 and further operating expenditure of NZD 0.2M (excluding interest) to the end of September 2023. As at 30 June 2022, the Company had NZD 1.95M of cash and cash equivalents which, together with the capital raise referred to below, is sufficient to fund the budgeted operating expenditure and the budgeted capital expenditure.

Future milestones to be achieved before the first production

Milestones still to be achieved by the Group:

- Secure funding from the main capital raise (funding for the construction and commissioning of the nutritional grade dairy processing facility) or other funding, sufficient to fund working capital and complete construction of the facility;
- Secure agreements for milk supply on commercial terms;
- Complete construction of the main process plant, followed by commissioning of the Facility within estimated timeframes and budgets; and
- Continue to meet the requirements of Overseas Investment Office (OIO) approvals and regional consents, or if necessary, gain any required amendments or extensions

The Group completed validation of the business case financial model during the 2021 financial year, this included alignment of sales revenue and product formulations with signed customer offtake agreements, and production costs, capacity and project CAPEX aligned with guaranteed performance metrics obtained from the plant construction tender process. An independent multinational advisory firm was engaged to review the model's mechanical accuracy, and the Group's strategic advisor has evaluated the potential investment returns to be favourable to potential cornerstone investors. During the 2022 financial year the Group has continued to meet virtually with new offtake parties and potential cornerstone investors. With the borders opening in May 2022, negotiations can now be advanced face to face with strategic investors.

The outcome of the strategic review conducted during the 2022 financial year was that the Group was pursuing the right strategy but should be open to all forms of strategic investment including the sale of an interest in the underlying project. The Group has positioned itself during the past year to facilitate this.

The Group has the support of its senior debt provider Merricks Capital, who will assess any loan extension requests beyond the current maturity date of 15 December 2022, as and when formally requested by the Group in its capacity as secured lender to the business. All related covenant and reporting conditions were complied with during the year.

Assumptions made relating to ability to fund operations and repay debt
As a result of the revised terms of the senior loan facility (subject to further extension), combined with existing equity, and based on its cash flow modelling, with appropriate cost minimisation strategies and sensitivity considerations, the Group continues to be able to fund project operations for at least 12 months from the signing of the 30 June 2022 financial statements. However, certain assumptions have been made in reaching this conclusion.

(a) Ability to raise new capital, or extend existing debt facilities by 15 December 2022:

- The Group's senior loan facility with Merricks Capital of NZD 10.3M is repayable, based on contractual terms, on 15 December 2022. As stated above, Merricks Capital remains fully supportive of the Group, and no request for an extension has been made by the Group at the date of this report.
- As also outlined above, the Group is in active and advanced discussions with strategic investors with the intention of securing funding to enable completion of the facility and working capital.
- Other debt and equity providers have been approached to refinance the existing senior debt facility, if required.

If the Group is unable to secure funding from strategic investors by 15 December 2022 to repay at a minimum the senior loan facility of $10,3M, then the Group will be dependent on an extension of and additional funding from the existing Merrick Capital senior loan facility being requested and agreed (including the ability to capitalise related interest and fees and increase in the facility limit, if needed) or the Group securing a re-financing of the senior loan facility with another party (including additional equity). In the absence of any other cash injections, this will be necessary to enable the Group to have sufficient cash to fund operations for 12 months from the approval of the financial statements.

(b) Achieve certain assumptions in the 12-month cash flow projections:
If the Group is unable to secure the funding from the main capital raise, but is successful in requesting and agreeing an extension (including the ability to capitalise related interest and fees and increase in the facility limit, if needed) of the Merricks Capital senior loan facility, or refinancing the senior loan facility with another party (including additional equity), in the absence of any other cash injections, projections indicate that the Group's cash balance as at 30 June 2022 will be sufficient to fund operations for 12 months from the approval of the financial statements on the basis of appropriate costs minimisation strategies being in place including renegotiation of certain agreements which can result in potential cost savings of up to NZD 0.3M

The Group has tested these projections under different cost and cash-flow assumptions. Under these different scenarios the projections indicate there will be sufficient cash to fund operations for a minimum of 12 months from financial statement approval, subject to usual forecasting risks. However, if not, and the Group is unable to secure additional funding, then further actions will need to be undertaken to ensure obligations are met as and when they fall due as outlined above.

Material uncertainty
As the construction of the facility and associated activities necessary for the Group to operate as intended are dependent on a successful capital raise, or an extension or refinancing plus additional funding from the existing Merrick Capital senior loan facility by 15 December 2022, or the Group securing a re-financing of the senior loan facility with another funder including additional equity and/or debt and the achievement of certain cash flow projection assumptions, there exists a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern in its current configuration, and its ability to realise its assets and discharge its liabilities in the normal course of business. This situation may impact on the carrying value of property, plant and equipment currently recorded in the statement of financial position.

These financial statements do not include any adjustments relating to the classification and recoverability of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

6. Group performance

6.1 Other income

	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Other operating income	**200,000**	**38,333**

The Group did not receive revenue from contracts with customers during the year ended 30 June 2022; it earns rental income by leasing out properties acquired in the prior year. Rental income from the lease of the Group's farmland is recognised as revenue on a straight-line basis over the term of the lease. The Group retains substantially all the risks and rewards of ownership and accordingly, the leases of these properties are classified as operating lease.

6.2 Expenses

	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Consultancy	(376,272)	(623,083)
Convertible notes issue expenses	—	(96,270)
Directors' fees	(350,199)	(438,560)
Personnel and contractor costs	(940,437)	(1,139,505)
Gain/(Loss) on fair value of financial liability and embedded derivatives	(381,674)	605,605
Other operating costs	(855,743)	(1,233,666)
Development cost written off	—	(139,407)
Remuneration of auditor		
Statutory audit fee*	(82,993)	(59,850)
Half year account review	(37,012)	(33,784)
**Includes overruns of 2021 audit*		
Indirect expenses	**(3,024,330)**	**(3,158,520)**
Indirect expenses are not directly attributable to revenue, primarily indirect labour and costs support the business to set up operations.		
Depreciation expenses	**(6,652)**	**(10,758)**
Finance income and costs		
Interest income	607	28,128
Finance costs	(2,922,206)	(502,815)
Net finance cost	**(2,921,600)**	**(474,687)**

6.3 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Earnings		
Earnings for the purposes of basic earnings per share		
being net profit attributable to owners of the Group	(5,750,670)	(5,819,607)
Weighted average number of shares	212,529,546	212,529,546
Weighted average number of basic shares	212,529,546	212,529,546
Weighted average number of diluted shares		
Earnings per share		
Basic (cents per share)	(0.04)	(0.03)
Diluted (cents per share)	(0.04)	(0.03)

There is no difference between the basic and diluted EPS because potential ordinary shares are anti-diluted

6.4 Segment reporting

HVM is planning to operate in one industry, being the manufacture and sale of formulaic milk powder and other nutritional products. HVM operates in one geographic location, New Zealand. Accordingly, no specific operating or geographical segment reporting applies.

7. Assets

7.1 Other current assets

	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
GST receivable	2,968	144,497
Income tax receivable	—	26,196
Prepayments	231,122	421,866
Withholding tax paid	—	2,031
Total	**234,089**	**594,591**

7.2 Property, plant & equipment

Freehold land is stated at cost and is not depreciated. The Group's interest in farmland has been subleased for a term of 100 years.

Computer and office equipment is stated at cost less accumulated depreciation and accumulated impairment loss.

Development costs are those costs directly attributable to the acquisition and development of property and are stated at cost, less any recognised impairment. These include costs incurred directly attributable to bringing an asset to the location and into the condition necessary for it to be capable of operating in the manner intended by management, including professional fees. Development costs include consent and permit expenditure required to both construct and operate the facility.

In accordance with IAS 23, borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalised as part of the cost of that asset. When the Group suspends the activities necessary to prepare an asset for its intended use, the capitalisation of borrowing costs is suspended during that period.

Feasibility costs, such as those incurred in determining whether to construct an asset, are expensed; as are amounts relating to a significant modification or change to costs previously capitalised.

Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised to amortise the cost of assets (other than freehold land and development costs) less their residual values over their useful lives, using the diminishing value method.

The estimated useful lives used for each class of depreciable asset are shown below:

Fixed asset class	Useful Life
Computer and office equipment	2-5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

	Land NZD	Computer & office equipment NZD	Facility development costs NZD	TOTAL NZD
Balance at 30 June 2020	**1,354,037**	**16,691**	**6,494,393**	**7,865,121**
Additions	11,586,488	7,801	4,429,301	16,023,590
Disposals	—	—	(139,407)	(139,407)
Depreciation	—	(10,758)	—	(10,758)
Balance at 30 June 2021	**12,940,525**	**13,734**	**10,784,287**	**23,738,546**
Additions	26,997	—	1,511,461	1,538,458
Disposals	—	(2,335)	—	(2,335)
Depreciation	—	(6,652)	—	(6,652)
Balance at 30 June 2022	**12,967,522**	**4,747**	**12,295,748**	**25,268,017**

The addition to facility development costs includes an amount of NZD 258k (2021: NZD 157k) capitalised as borrowing costs, calculated using a capitalisation rate of 16.9% (2021: 16.9%). Out of the total land value of NZD 12.9m; NZD 8.6m of land has been leased out for a period of 100 years.

8. Debt and equity

8.1 Borrowings

	Notes	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Current borrowings			
Merricks Capital	8.1.2	(9,408,811)	(7,565,183)
Vendor loan	8.1.1	(233,195)	(227,610)
Total current borrowings		**(9,642,007)**	**(7,792,973)**
Non-current borrowings			
Vendor loan	8.1.1	(743,216)	(885,210)
Embedded derivative liability	8.3	(2,160,444)	(1,971,704)
Convertible note	8.3	(7,083,434)	(5,472,872)
Total non-current borrowings		**(9,987,094)**	**(8,329,786)**

For the reconciliation of movement of all liabilities to cash flows arising from financing activities, refer to the consolidated statement of cash flows.

8.1.1 Vendor loan

As part of the settlement of Waipa Meadows (dry stock farm), NZD 1,250,000 remains outstanding. The purchase price paid in cash by the Group as purchaser on the settlement date via a loan from the vendor, is repayable in five equal instalments of NZD 250,000 on each successive anniversary of the actual settlement date and otherwise on the terms and security set out below. The loan was advanced by the vendor to HVM on the settlement date and was secured by no less than a second-ranking fixed sum mortgage ADLS form ref. 8004 and memorandum no. 2015/4327.

(a)	Principal sum outstanding at balance date at 30 June 2022:	NZD 1,250,000
(b)	Lower (ordinary) interest rate	fixed at 0% per annum
(c)	Higher (penalty) interest rate:	fixed at 10% per annum
(d)	Term expiry date:	the date falling 6 years after the actual settlement date
(e)	Repayment of principal sum:	in five equal instalments of NZD 250,000 on each successive annual anniversary of the actual settlement date
(f)	Fair value measurement	an adjustment to measure the loan at its fair value at initial recognition has been made using a rate of interest considered to reflect a market rate of interest for a similar instrument with a similar credit rating
(g)	Extent of security	principal sum plus interest

8.1.2 Secured loan from Merricks Capital

NZD 10,300,000 including capitalised finance costs of up to NZD 1,300,000. As a result of reviewing updated "as if complete" valuation of the assets of the Company and its subsidiary, FRRL, the drawdown of NZD 1,100,000 was approved by the senior secured lender and fully received in the current year. Interest is capitalised with a repayment of principal and payment of interest to be made on completion of term. Required insurances to comply with its covenant have been maintained by the Group in relation to the secured property and for its business and assets with insurance companies approved by the financier against the risks and labilities.

(a)	Principal sum:	NZD 10,300,000
(b)	Interest rate:	9.75% per annum on funds drawn down
(c)	Default rate:	the rate equal to the aggregate of the interest rate and 5% per annum
(d)	Line Fee rate:	2.50% per annum plus 2.50% establishment costs plus 2.5% extension fee
(e)	Term:	15 December 2022
(f)	Security:	first ranking general security deed and registered mortgage over the assets, including land of the Group and its wholly owned subsidiary, FRRL

8.2 Convertible debt

On 18 March 2021, the Group issued 35,000,000 convertible notes at AUD 0.20 each, with a total value of AUD 7,000,000. The convertible notes are secured under a subordinated general security deed, a second ranking security over all the non-land assets of the Group and its subsidiary, FRRL, subject to a security trust deed with a security trustee (being Gleneagle Securities Nominees Pty Limited). Further specific details of the convertible notes are provided below.

As the convertible notes are issued in a currency (AUD) other than the Group's functional currency and the conversion into share capital is contingent, the notes are deemed to be a hybrid financial instrument under NZ IFRS 9. The embedded derivative element is separated from the host debt component for reporting purposes. The Group has elected, as an accounting policy choice, to recognise the embedded derivative as a separate financial instrument measured at fair value. The debt, host component is measured at amortised cost. Both elements are also remeasured into NZD from its AUD at reporting date, with resulting exchange gains or losses recognised in profit or loss. At initiation, the group recognised a debt host liability component of NZD 5,321,689 and an embedded derivative component of NZD 2,201,840. At 30 June 2022, the carrying amount of the host debt liability was NZD 7,083,434 and the embedded derivative was NZD 2,160,444.

The secured convertible loan notes were originally issued on 18 March 2021 with the following terms:

- 35,000,000 convertible notes denominated in AUD at AUD 0.20/note, or AUD 7,000,000 total value
- maturity date 18 March 2024
- fixed interest rate of 11.00% p.a., capitalised on a six-monthly basis
- mandatory redemption on maturity
- conversion anticipated to be through main capital raise (MCR) event, where the number of shares = ((AUD 7,000,000 + capitalised interest)/0.20 or x), where x = issue price of shares on the MCR date discounted by 20%
- as at 18 March 2022, the interest of AUD 751,130 has been capitalised and has resulted in change in the face value of the notes from AUD 0.20 per note to AUD 0.215 per note.
- as at 30 June 2022 no convertible notes had been converted to shares or redeemed, and 35,000,000/AUD 7,000,000 remained on issue

8.3 Share capital

Ordinary shares are classified as equity; the Group has one class of ordinary shares which carry no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and the Shareholders are also entitled to one vote per share at meetings of the Group. All shares rank equally with respect to the Group's residual assets.

Movements in contributed equity	**Number of shares**	**Share capital NZD**
Ordinary shares		
Balance at beginning of the year	212,529,546	24,956,998
Movement in the period	—	—
Balance at end of year	**212,529,546**	**24,956,998**

8.4 Share-based transactions

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value of options granted as share-based payments is determined at grant date of the equity settled share-based payments. Such fair value is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. This pricing model reflects the price volatility of the underlying shares and therefore the probability of the options being exercised on price considerations.

At the end of each reporting period, the Group assesses the probability of the specified vesting conditions being fulfilled and the consequent accounting implications. Revisions to the prior period estimates are recognised in profit or loss and equity.

Equity settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, when they are measured at the fair value of the equity instruments granted, measured at the date the entity obtained the good or the counterparty receives the services.

8.4.1 Share options

During the 30 June 2022 financial year, the material changes were as follows:

- ESOP forfeitures from existing employees where some options have lapsed following the option holders' cessation of employment.
- Predicted milestone achievement date has been extended from management's reassessment of the expected vesting date of certain ESOP tranches and Milestone Option tranches.

As a result of the changes above, the share based payment recognised in the Statement of Comprehensive income was a NZD (1,912) reversal at reporting date compared with NZD 2,213,975 expense in 30 June 2021.

IPO options
Each director received IPO options with vesting conditions requiring the Group to list on the ASX and expiry dates range from 3-5 years. Details of the options are included in the table below.

Option holder	No. options	Exercise price AUD	Expiry date range	Black Scholes option price AUD	Total value AUD	Total value NZD
Ivan Hammerschlag	21,428,571	0.06	5 years	0.17	3,733,063	3,996,856
David McCann	727,485	0.20	5 years	0.15	109,765	117,521
Anthony Kahn	5,000,000	0.20	3 years	0.13	639,121	684,284
Randolph van der Burgh	727,485	0.20	5 years	0.15	109,765	117,521
Total	**27,883,541**				**4,591,714**	**4,916,182**

The value of these options was determined using the Black-Scholes model. The price determined using this model was applied to the number of options received by each director. In addition to the above inputs, a risk-free rate of either 0.68% or 0.74% was used which is based on the 3- or 5-year Australian government bond yields respectively. A volatility of 100% was also used. This was based on similar companies within the industry at the same stage in their life cycle as HVM currently has no trading history.

The IPO Options that vested upon listing on the ASX have not been exercised in the 30 June 2022 financial year period. The options do not carry rights to dividends or voting rights.

Milestone options
Milestone options were granted to the Directors on 11 October 2019 in tranches as follows.

Tranche 1 strategic:
This tranche consists of 10,736,204 options that may be exercised three years after the specified vesting condition is met. The specified vesting condition is the Company's entry into a legally binding agreement, (or agreements), between the Company and a party or parties, including a disclosed agent, which provides for the security, placement or sale of product produced at the facility. This vesting condition was met by the signing of two binding conditional supply agreements, and all tranche 1 options vested during the 2021 financial year.

Tranche 2(a)
This tranche, granted to Ivan Hammerschlag, consists of 6,696,429 options that may be exercised during a period of five years after the specified vesting condition is met. The specified vesting condition for this tranche is any post-IPO debt or equity raising conducted by the Company. The vesting condition was met during the prior financial year and all tranche 2(a) options have been vested.

Tranche 2(b)
This tranche consists of 10,736,204 options that may be exercised in three years after the specified vesting condition is met. The specified vesting condition is the Company's entry into a legally binding agreement (or agreements) which provide for, broadly, the raising of debt and/or equity by the Company or a subsidiary of the Company of an amount sufficient to finance the design, build and commissioning of the production facility. The specified vesting condition is expected to be met in 3.2 years from the grant date. Therefore, these options have an expiry period of 6.2 years.

Tranche 3 Production
This tranche consists of 10,736,204 options that may exercised during a period of three years after the specified vesting condition is met. The vesting condition for this tranche is the achievement of the first commercial order by an independent customer of product produced at the facility following or as part of the facility's commissioning. The specified vesting condition is expected to be met in 4.9 years from the grant date. Therefore, these options have an expiry period of 7.9 years.

Option holder	Tranche 1 strategic	Tranche 2 financing*	Tranche 3 production	Exercise price	Expiry date range
Ivan Hammerschlag	—	6,696,429	—	0.06	5 years
David McCann	5,368,102	5,368,102	5,368,102	0.25	3 years
Randolph van der Burgh	5,368,102	5,368,102	5,368,102	0.25	3 years
Total	**10,736,204**	**17,432,633**	**10,736,204**		

** Options held by Ivan are under tranche 2(a) while David and Randolph are under tranche 2(b).*

The value of these options was determined using the Black-Scholes Option Pricing Model (BSOPM) based on the following parameters:
- a risk-free rate of either 0.68% or 0.74% based on the 3- or 5-year Australian government bond yields respectively on the date of granting;
- a volatility of 100%; this was based on similar companies within the industry at the same stage in their life cycle as HVM do not have a trading history.

The price determined using the BSOPM was applied to the number of options received by each director. In addition, the Company has assessed the probability of the specified vesting conditions being fulfilled in the period applicable to each tranche.

Description	Tranche 1 AUD	Tranche 2a AUD	Tranche 2b AUD	Tranche 3 AUD	Total - AUD	Total - NZD
Total estimated life (years)	3.9	6.1	6.2	7.9		
Fair value of option on grant date	0.13	0.17	0.13	0.15		
Risk-free rate of interest	0.68%	0.74%	0.74%	0.74%		
Fair value of option on grant date	1,382,975	1,189,219	1,412,837	1,601,451	5,586,482	5,981,244
Amount to be accounted for period ended 30 June 2022					107,147	114,719

New milestone options
New Milestone options granted with three tranches have been updated as below following the option holders' resignation.

Tranche 1 strategic
This tranche consists of 199,466 options that may be exercised up to a maximum of three years after the specified vesting condition is met. The specified vesting condition is the Group's entry into a legally binding agreement (or agreements) between the Group and a party or parties, including a disclosed agent, which provides for the security, placement or sale of product produced at the facility. This vesting condition was met by the signing of two binding conditional supply agreements, and all tranche 1 options vested during the 2021 financial year.

Tranche 2 funding
This tranche consists of 277,962 options that may be exercised up to a maximum of three years after the specified vesting condition is met. The specified vesting condition is the Group's entry into a legally binding agreement (or agreements) which provide for, broadly, the raising of debt and/or equity by the Group or a subsidiary of the Group of an amount sufficient to finance the design, build and commissioning of the production facility. The specified vesting condition is expected to be met in 2 years from the grant date. Therefore, these options have an expected expiry period of 5 years.

Tranche 3 production
This tranche consists of 284,952 options that may be exercised up to a maximum of three years after the specified vesting condition is met. The specified vesting condition is the achievement of the first commercial order by an independent customer of product produced at the facility following or as part of the facility's commissioning. The specified vesting condition is expected to be met in 3.7 years from the grant date. Therefore, these options have a maximum expiry period of 6.7 years.

Option holder	Tranche 1 strategic	Tranche 2 financing	Tranche 3 production	Exercise price AUD
Other employees	299,199	341,943	427,428	0.25

The value of these options was determined using the BSOPM based on the following parameters:

- a risk-free rate of either 0.24% or 0.35% based on the 2- or 5-year New Zealand government bond yields respectively on date of grant;
- a volatility of 70% or 73%. This was based on similar companies within the industry as HVM;
- a probability of meeting the vesting conditions.

The fair value determined using BSOPM was applied to the number of options received by each employee. In addition, the Group has assessed the probability of the specified vesting conditions being fulfilled in the period applicable to each tranche. At reporting date, the vesting conditions for tranche 2 funding and tranche 3 production had not been met at 30 June 2022, and the share-based payment expense was determined by apportioning the total across the expected vesting period.

Description	Tranche 1 AUD	Tranche 2 AUD	Tranche 3 AUD	Total - AUD	Total - NZD
Total estimated life (years)	3.3	5.0	6.7		
Fair value of option on grant date	0.05	0.06	0.07		
Risk - free rate of interest	0.24%	0.24%	0.35%		
Fair value of option on grant date	10,371	13,874	21,132	45,377	48,553
New milestone options to be accounted for period ended 30 June 2022				(97,116)	(103,914)*

Summary	Total - AUD	Total - NZD
Balance at 30 June 2021	**Charge/ (Credit)**	**9,933,188**
New CEO options amount to be accounted for period ended 30 June 2022	(11,885)	(12,717)
New milestone options amount to be accounted for period ended 30 June 2022	(97,116)	(103,914)
Existing IPO milestone options amount to be accounted for period ended 30 June 2022	107,147	114,719
Total amount to be accounted for period ended 30 June 2022	**(1,854)**	**(1,912)**
Balance at 30 June 2022		**9,931,276**

** Includes the impact of forfeiture of the options in the current year where the employee has left the group*

9. Capital and financial risk management

9.1 Foreign exchange risk

The Group is listed on the ASX and raised capital last year such as the convertible notes of AUD 7,000,000 and loan of NZD 10,300,000 from Merricks Capital, with the Convertible Notes entirely in Australian dollars. Most of this is converted to New Zealand dollars to cover budgeted New Zealand dollar expenses. The Group is exposed to expenses primarily relating to Directors' fees and listing costs denominated in Australian dollars. The Group maintains sufficient Australian dollar deposits to cover its budgeted Australian dollar expenses.

The Group is not a party to any direct derivative arrangements; the Group's exposure to embedded derivatives is explained in note 8.2. The Group has a Board approved treasury policy covering foreign exchange risk exposure limits.

9.2 Interest rate risk

Interest rate risk is the risk the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is not exposed to interest rate risk given interest rate on its borrowings and convertible notes are fixed.

The Group has a Board approved treasury policy covering exposure limits.

9.3 Credit risk management

The Group's exposure to credit risk for the current receivable is primarily associated with one lessee and the management considers its default risk is very minimal based on the creditworthiness of the lessee. The Group has not made loans to any party. The Group's cash is invested with reputable New Zealand banks the Group has assessed as a low credit risk. The Group continuously monitors the credit quality of its New Zealand banks and does not anticipate any non-performance in those banks.

The carrying amount of financial assets, or the cash and cash equivalent, represents the Group's maximum credit exposure.

9.4 Liquidity risk

Liquidity risk is the risk the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, it will have sufficient liquidity to meet its liabilities when they are due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation (also refer to note 5).

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable debt investments at an amount in excess of expected cash outflows on financial liabilities. Also, refer to the going concern assumption under the basis of preparation note.

The following table sets out the contractual cash flows for all financial liabilities and for derivatives settled on a gross cash flow basis.

As at 30 June 2022	Carrying amount	Contractual < 1 - 2 years	cash flows 2 - 5 years
Financial liabilities			
Trade & other payables	(267,725)	(267,725)	
Merricks	(9,408,811)	(10,017,778)	
Vendor loan	(976,411)	(250,000)	(1,000,000)
Convertible notes	(9,243,878)	(9,243,878)	

As at 30 June 2021	Carrying amount	< 1 - 2 years	2 - 5 years
Financial liabilities			
Trade & other payables	(1,032,058)	(1,032,058)	
Merricks	(7,565,183)	(8,360,796)	
Vendor loan	(1,112,820)	(250,000)	(1,250,000)
Convertible notes	(7,444,576)		(7,444,576)

9.5 Capital risk management

The Group's capital includes share capital, retained earnings and reserves.

The Group's policy is to maintain a sound capital base to maintain investor and creditor confidence and sustain the future development of the business. The Group's policies in respect of capital management and allocation are reviewed by the Board.

The Group successfully raised NZD 20,000,000 funding for the acquisition of strategic farmland in the prior year and the completion of further earthworks during the current year and have received strong interest and support from existing institutional and sophisticated investors to raise further capital. Refer to basis of conclusion for going concern assumptions.

9.6 Financial instruments

Accounting policy
NZ IFRS 9 applies to the classification, measurement and impairment of financial assets, liabilities, and the application of hedge accounting.

Classification and Measurement
Financial instruments are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A financial instrument is initially recognised at fair value and is adjusted, in the case of instruments not carried at FVTPL, for transaction costs incremental and directly attributable to the acquisition or issuance of the financial instrument. Transaction costs relating to financial instruments carried at FVTPL are expensed in the statement of comprehensive income.

Financial assets are de-recognised from the statement of financial position when the right to cash flows has expired, or the Group has transferred substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are de-recognised from the statement of financial position when the Group's obligation has been discharged, cancelled, or has expired. Gains and losses on the derecognition of non-trading related financial assets and liabilities are recognised as other income as part of other operating income and charges.

The Group's principal financial instruments comprise cash and cash equivalents, trade payables and loans. The classification of financial instruments depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Cash and cash equivalents
Cash and cash equivalents with a duration at acquisition of less than 6 months, repayable on demand or with insignificant loss, represent short-term deposits held at banks and are recognised initially at fair value.

Trade and other payables
Trade creditors and other payables are recognised at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group is obliged to make future payments in respect of the purchase of these goods and services. It has been determined these payables do not include a significant financing component.

Loans
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by considering any issue costs, and any discount or premium on settlement.

9.7 Fair value measurement

The Group measures the following assets and liabilities at fair value on a recurring basis:

Financial assets
The financial assets measured at amortised cost comprise of cash and cash equivalent, receivables and other current assets.

Financial liabilities
The financial liabilities measured at amortised cost comprise of convertible notes and trade payables.

Financial liabilities measured at fair value through profit or loss comprise the embedded derivatives.

Embedded derivatives
Derivatives are recognised initially at fair value and are subsequently remeasured to their fair value at the reporting date.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host (e.g., convertible notes). Derivatives embedded in hybrid contract are financial liabilities and treated as separate derivatives when they meet the definition of a derivative, the risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

Fair value hierarchy
NZ IFRS 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

- level 1: unadjusted quoted prices in active markets for identical assets or liabilities the entity can access at the measurement date
- level 2: inputs other than quoted pries included within level 1 observable for the asset or liability, either directly or indirectly
- level 3: unobservable inputs for the asset or liability.

The following table shows a breakdown of the liabilities recognised and measured at fair value in the financial statement in respect of level 3 fair values.

Description	Date of valuation	Total NZD	Level 1 NZD	Level 2 NZD	Level 3 NZD
Embedded derivative liability	30 June 2022	2,160,444	—	—	2,160,444
Embedded derivative liability	30 June 2021	1,971,704	—	—	1,971,704

The carrying value of cash and cash equivalents, receivables, trade and other payables approximates their fair value, given their short term nature. The carrying amount of convertible debt and vendor loan also approximates their fair value. The interest rates for convertible debt and vendor loan reflects market rates.

10. Other information

10.1 Related party transactions

10.1.1 Key management personnel compensation

The remuneration of key management personnel of the Group, is set out below in aggregate for each of the categories specified:

	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Short term employee benefits	238,719	360,545
Director and service fees	350,199	438,696
Share-based payments *Key management personnel do not receive post-employment or termination benefit (2021: nil)*	(1,912)	2,213,975

Key management personnel include the following
Chairman
CEO & directors
Non–executive directors

10.1.2 Director services agreements

Each director has entered into a director services agreement with the Company through an associated entity. The key terms of those agreements are set out in table 10.1.2 below.

Table 10.1.2 Summary of key terms of director's services agreements

Parties	Role	Remuneration up to 31-Dec-2021	Remuneration Post 01-Jan-2022
Ivan Hammerschlag Honeystone Pty Limited	Non-executive chairman	AUD 80,000 pa base director/ chairman fees	AUD 80,000 pa base director/chairman fees until 28th February 2022.
David McCann Olwyn Ventures Limited	Non-executive director	AUD 80,000 pa base director fees	AUD 80,000 pa base director fees
Randolph van der Burgh VCFO Group Limited	Non-executive director	AUD 80,000 pa base director fees	AUD 80,000 pa base director fees
Anthony Kahn Partnership Investors Pty Limited	Independent non-executive director	AUD 80,000 pa base director fees until he resigned in November 2021	N/A
Kevin Bush	Executive director and Chairman	AUD 80,000 pa base director fees	AUD 150,000 pa base director/chairman fees until 31 May 2022 and AUD 80,000 pa from 1 June 2022

10.1.3 *Summary of payments to other related parties*

	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Ivan Hammerschlag		
Honeystone Pty Limited - expenses	—	4,078
Honeystone Pty Limited - director fees	56,237	96,331
David McCann		
D McCann – expenses	621	1,628
Olwyn Ventures Limited - director and services fees	85,462	128,759
AOP Services	150,245	—
Randolph van der Burgh		
Randolph van der Burgh - expenses	321	1,089
VCFO Group Limited - director and services fees	86,940	127,600
VCFO Group Limited - professional services	80,147	160,194
Anthony Kahn		
Partnership Investor Pty Ltd - expenses	—	150
Partnership Investor Pty Ltd - director fees	29,608	85,870
Kevin Bush		
K Bush - professional services	17,603	—
K Bush - director fees	97,725	—

10.1.4 *Summary of payments to other related parties*

VCFO Group Limited provides various financial, taxation and project related services and Randolph van der Burgh is a shareholder and director of VCFO Group Limited and a shareholder and director of the Company.

AOP Capital provides advisory services relating to capital raising and David John McCann is a director of AOP Capital and AOP Services and a shareholder and director of the Company. AOP Services invoice on behalf of AOP Capital for the advisory service that provide for the capital raising.

Summary of key terms of agreement with VCFO Group Limited

Services	Fees
Taxation and other services	Hourly fees for additional services on a time engaged basis
Premises (furnished)	Monthly renewable sub-lease of ground floor of NZD 800 per month rent

Summary of key terms of agreement with AOP Services

Services	Fees
Advisory services relating to capital raising	USD 12,000 per month until April 2022 (NZD 150,245 total fee)

10.1.5 Related party outstanding payable as at 30 June 2022

	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
VCFO Group Limited	3,117	640
Total	**3,117**	**640**

10.1.6 Directors' interests in shares and other securities

Director – (including via related companies)	Ordinary shares number	2022 %	Options number	Ordinary shares number	2021 %	Options number
Ivan Hammerschlag	5,347,025	2.52	28,125,000	5,347,024	2.5	28,125,000
David McCann	8,778,031	4.1	16,831,791	8,778,031	4.1	16,831,791
Randolph van der Burgh	9,884,270	4.7	16,831,791	9,633,555	4.5	16,831,791
Anthony Kahn	625,000	0.3	5,000,000	1,625,000	0.8	5,000,000
Greg Wood	—	—	—	—	—	2,250,000
Kevin Bush	445,585	0.2	—	—	—	—
Total	**25,079,911**	**11.8**	**66,788,582**	**25,383,611**	**11.9**	**69,038,582**

**** 5,053 shares held by close family members of the directors*

10.1.7 Directors' interest in convertible notes

Director

Ivan Hammerschlag 750,000 convertible notes
Randolph van der Burgh 500,000 convertible notes
Please refer to note 8.2 for a more detailed disclosure on the convertible notes.

10.1.8 Directors' interest in companies who have shares in HVM

Director	Company
Ivan Hammerschlag	Tidereef Pty Ltd (Shareholder and Director)
David McCann	Olwyn International Limited (Shareholder and Director)
Randolph van der Burgh	Rockburgh Nominees Limited (Shareholder and Director)
Anthony Kahn	K.F. Superannuation Pty Ltd (Shareholder and Director)

10.2 Commitments

10.2.1 Capital commitments

As at 30 June 2022, details of capital commitments is as below:

Earthworks & facility design	Description	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Schick	Main Earthworks	–	600,000
Babbage and other consultants	Project management and design	–	120,000
	Site amenities	–	10,000
Total		**–**	**730,000**

10.2.2 Non-cancellable water take agreement

On 23 April 2019, HVM and Wairakei Pastoral Limited entered in a non-cancellable water take agreement with the following terms:

- 1,000m^3 per day water take licence, using Wairakei Pastoral Limited consent from the Waipa river;
- commencement date is the later of 1 November 2019 and the date on which construction of the plant commences;
- annual maximum volume of water is 365,000m^3; and
- maximum daily volume of water is 1,000m^3.

10.3 Contingent liabilities

The Group is required to pay NZD 300,000 planting reimbursement in relation to the vendor loan agreement on an as incurred basis. As at 30 June 2022, NZD 6,000 has been claimed by the vendor.

10.4 Events after reporting date

There are no known subsequent event as at 30 June 2022.

10.5 Taxation

The tax expense charged against earnings for the period is the estimated total liability including both the current period's provision and deferred tax. The current period's tax payable to Inland Revenue is recorded in income tax payable and any amounts due from Inland Revenue are recorded as income tax receivable.

Deferred income tax is provided, using the balance sheet method, on all temporary differences at the reporting date between the tax book value of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Income tax expense	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Loss before tax	(5,750,670)	(5,819,607)
Prima facie tax expense/(benefit)	(1,616,094)	(1,629,490)
Non-deductible expenses at 28%	1,452	576,600
Tax losses not recognised	1,493,003	983,680
Prior period adjustment	108,360	(1,038)
Deferred tax asset not recognised	13,279	70,248
Income tax expense	**–**	**–**

Deferred tax is recognised on the basis there is probable realisation through future profits. The future income tax benefit of tax losses and other deferred tax assets, net of deferred tax liabilities, have therefore not been recognised at 30 June 2022.

	Year ended 30-Jun-22 NZD	Year ended 30-Jun-21 NZD
Deferred tax asset not recognised in relation to short-term timing differences	(9,489)	97,432
Deferred tax asset not recognised in relation to the future benefit of income taxes	3,103,092	1,489,889
Total	**3,093,603**	**1,587,321**

Imputation credits available for use in subsequent periods are NZD 4,263, (2021: NZD 28,228).

10.6 Goods and services tax

All amounts are shown exclusive of goods and services tax (GST), except Australian GST incurred and not recoverable by the Group. Receivables and Payables are stated inclusive of GST.

Independent Auditor's Report

To the shareholders of Happy Valley Nutrition Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Happy Valley Nutrition Limited (the 'company') and its subsidiary (the 'group') on pages 11 to 31:

i. present fairly in all material respects the group's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2022;

— the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

Material uncertainty related to going concern

We draw attention to Note 5 in the consolidated financial statements, which indicates that the group is dependent on successfully raising capital to fund construction of the processing facility and associated working capital requirements, and to refinance the existing senior debt facility which matures on 15 December 2022. In addition, the group also needs to secure milk supply contracts and continue to comply with the conditions attached to the OIO approval and resource consents or, if it becomes necessary, obtain any required amendments or extensions.

These events or conditions, along with other matters as set forth in Note 5, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $280,000 determined with reference to a benchmark of group total assets. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. Except for the matter described in the material uncertainty related to going concern, we summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Valuation of convertible notes	
Refer to Note 8.2 to the consolidated financial statements. In the previous financial year (30 June 2021), the group completed the issuance of 35,000,000 secured convertible notes for a notional A$7.0 million ($7.4 million). These convertible notes contained certain conversion features which provide holders with the option to convert the notes into equity at a fixed price before maturity, into equity at a variable price at the Main Capital Raise (MCR) event or, if not converted into equity prior to the MCR, to require the notes to be repaid in cash at maturity or a 10% premium if not already converted into equity at the MCR. These conversion features, and the fact that the notes were issued in Australian dollars (which differs from the group's New Zealand dollar functional currency) mean that the notes are a hybrid financial instrument with embedded derivatives which must be separated from the underlying debt component of the issue and accounted for on an individual basis. Accounting for embedded derivatives is complex and requires the use of valuation methodologies that rely upon observable and unobservable inputs and assumptions. This creates estimation uncertainty for the amounts recognised in the financial statements. For these reasons, we consider the valuation of convertible notes to be a key audit matter.	Our audit procedures included, amongst others: — Assessing the requirements of NZ IFRS 9 *Financial Instruments* to consider the appropriateness of accounting for the hybrid instrument; — Assessing the continued appropriateness of the adopted accounting treatment at initial recognition; — Utilising an internal valuation specialist to assist with assessing the reasonableness of the valuation method and binomial option pricing model used to determine the value of the embedded derivatives, the key inputs into the model, and the resulting valuation amounts recognised by management; and — Considering the adequacy of the related disclosures in the consolidated financial statements.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Directors' Report, Corporate Governance Report, Corporate Directory, and the other information included in the Annual Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

— the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objective is:

— to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent 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 ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor’s report.

The engagement partner on the audit resulting in this independent auditor’s report is **Matt Kinraid**.

For and on behalf of

KPMG

KPMG
Christchurch
15 September 2022

Corporate Governance Report

The Board of Directors of Happy Valley Nutrition Limited is committed to ensuring its Corporate Governance framework is appropriate for the Group operations and meets the requirements set out in the ASX Corporate Governance Council's Principles and Recommendations 4th Edition (Governance Principles) where it is appropriate to do so. The Corporate Governance Statement, policies and practices are available on the Group website: https://investors.hvn.co.nz/investor-centre/?page=corporate-governance.

Statutory Information

Business Operations

Happy Valley Nutrition Limited is in the process of developing a vertically integrated, formulaic milk processing, blending and packaging facility to produce infant milk formula (IMF) and other nutritional products for sale in the global export markets.

Non-executive Director Remuneration

Non-executive Directors are remunerated by way of fees which are set with reference to the prevailing market rates. They do not participate in the schemes designed for the remuneration of executives, nor do they receive bonus payments, or any retirement benefits other than statutory superannuation.

Remuneration paid to non-executive directors during the year ended 30 June 2022 was as follows:

Director	Position	Director fees NZD	Non-director services fees NZD	Total Remuneration NZD
Ivan Hammerschlag	Non-Executive Chairman	$56,237	–	**$56,237**
David McCann	Non-Executive Director	$85,462	–	**$85,462**
Randolph van der Burgh	Non-Executive Director	$86,940	–	**$86,940**
Anthony Kahn	Non-Executive Director	$29,608	–	**$29,608**
Kevin Bush	Non-Executive Director	$38,540	$17,603	**$56,143**

Employee Remuneration

The Group remuneration policy is designed to attract, motivate and retain employees, including senior management, and ensure that the interests of the employees are aligned with those of the shareholders. In discharging its duties, the Remuneration and Nomination Committee reviews and makes recommendations to the Board on the remuneration of the CFO and other senior managers, including:

- short and long-term remuneration, including both fixed remuneration and performance-based remuneration;
- any termination payments; and
- appropriate grants of securities under the Employee Incentive Plan.

In making its recommendations the Remuneration and Nomination Committee ensures:
- remuneration is set with reference to prevailing market rates for similar positions, adjusted to account for experience, productivity and ability;
- remuneration packages are designed to motivate senior management to pursue the long-term growth and success of the Group Structure, and not reward conduct contrary to the Group values or risk appetite; and
- a clear relationship exists between performance and remuneration.

During the year ended 30 June 2022, 5 employees received remuneration and other benefits in their capacity of employees of Happy Valley Nutrition Limited, with a value of NZD 100,000 or more. The following table shows the remuneration and other benefits in brackets of NZD 25,000. Furthermore, 3 employees left during the second half of the financial year.

Remuneration range NZD			Number of employees FY2022
From		To	
$100,000	–	$124,999	–
$125,000	–	$149,999	–
$150,000	–	$174,999	3
$175,000	–	$199,999	–
$200,000	–	$224,999	–
$225,000	–	$249,999	1

Remuneration range NZD			Number of employees FY2021
From		To	
$250,000	–	$274,999	–
$275,000	–	$299,999	–
$300,000	–	$324,999	–
$325,000	–	$349,999	–
$350,000	–	$374,999	1
$375,000	–	$399,999	–

Additional information

Additional information required under ASX Listing Rule 4.10 and not shown elsewhere in this Annual Report is as follows. This information is current as at 8 August 2022.

In accordance with ASX Listing Rule 4.10.19, the Company confirms it has used cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.

Distribution of shareholders

The distribution of issued capital is as follows:

Size of Holding	Number of Shareholders	Ordinary Shares	% of Issued Capital
100,001 and Over	189	192,674,348	90.66
10,001 to 100,000	472	16,612,018	7.82
5,001 to 10,000	261	2,277,998	1.07
1,001 to 5,000	301	771,127	0.36
1 to 1,000	1,473	194,055	0.09
Total	**2,696**	**212,529,546**	**100.00**

Distribution of option holders

The distribution of unquoted Options on issue are:

Size of Holding	Number of Option holders	Unlisted Options	% of Total Options
100,001 and Over	7	67,857,152	100.00
10,001 to 100,000	0	0	0.00
5,001 to 10,000	0	0	0.00
1,001 to 5,000	0	0	0.00
1 to 1,000	0	0	0.00
Total	**7**	**67,857,152**	**100.00**

Less than marketable parcels of ordinary shares

There are 2,044 shareholders with unmarketable parcels totalling 3,335,653 shares as at 8 August 2022.

20 largest shareholders of quoted securities

The names of the twenty largest shareholders of quoted equity securities as at 8 August 2022 are as follows:

			Number of fully paid ordinary Shares	% of issued capital
1	ROCKBURGH NOMINEES LIMITED	<APLD VAN DER POEL FAMILY	19,249,287	9.06
2	BNP PARIBAS NOMS PTY LTD	<DRP>	14,880,711	7.00
3	BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT DRP>	12,520,445	5.89
4	SPINITE PTY LTD		11,771,910	5.54
5	RANDOLPH VAN DER BURGH	JAS	9,384,270	4.42
6	CITICORP NOMINEES PTY LIMITED		5,658,500	2.66
7	TIDEREEF PTY LTD	<IVAN HAMMERSCHLAG FAMILY A/C>	5,347,025	2.52
8	UBS NOMINEES PTY LTD		5,000,000	2.35
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		4,278,013	2.01
10	GLENEAGLE SECURITIES (AUST) PTY LTD		4,064,533	1.91
11	OLWYN INTERNATIONAL LIMITED		3,712,192	1.75
12	JASFORCE PTY LTD	<WAISLITZ FAMILY FOUNDATION>	3,657,341	1.72
13	CS FOURTH NOMINEES PTY LIMITED	<HSBC CUST NOM AU LTD 11 A/C>	3,500,000	1.65
14	NSK INTERNATIONAL LIMITED		3,208,214	1.51
15	NEW ZEALAND FOCUSED FUND		2,883,115	1.36
16	GF NO 1 PTY LTD	<GREEN FAMILY A/C>	2,750,000	1.29
17	GLENEAGLE SECURITIES NOMINEES PTY LIMITED		2,734,055	1.29
18	GRANT HORAN		2,566,571	1.21
19	MR ALLAN ZION		2,312,500	1.09
20	MR JAMES ALFRED JOHN COREN & MRS ANDREA GRACE COREN	<A J COREN FAMILY A/C>	2,163,432	1.02
Total Top 20 Quoted Equity Securities			**121,642,114**	**57.24**
			90,886,994	
Total Quoted Equity Securities			**212,529,546**	

Unquoted Equity Securities

The Company had the following unquoted securities on issue as at 8 August 2022:

	Number of unquoted securities on issue	Number of holders of unquoted securities
Convertible Notes	35,000,000	73
Options over ordinary shares	67,857,152	7

Holdings of Unquoted Equity Securities with Holdings of 20% or more

Ordinary Shares

Spinite Pty Ltd <Rosenberg Family Trust>	8,959,474	25.60%
Randolph van der Burgh <JAS Trust>	8,473,609	24.21%

Options

Tidereef Pty Ltd <Ivan Hammerschlag Super Fund>	28,125,000	41.45%
Olywn Ventures Limited	16,831,791	24.80%
Randolph van der Burgh <JAS Trust>	16,831,791	24.80%

Substantial shareholders

In accordance with ASX Listing Rule 4.10.1, the following are substantial shareholders listed in the Company's register as at 8 August 2022 as advised by notices lodged with ASX are as follows:

	Number of fully paid ordinary shares	% of issued capital
Rockburgh Nominees Limited <APLD van der poel Family Account>	19,249,287	9.06
Spinite Pty Ltd, Gleneagle Securities (Aust) Pty Ltd, Myra Nominees Pty Ltd, Redstar Developments Pte Ltd	17,714,037	8.33
Arwon Asia Pacific Focus Fund	11,230,870	5.28

Restricted securities

The Company had no restricted securities on issue as at 8 August 2022.

Voting rights

In accordance with the constitution each member present at a meeting whether in person, or by proxy, or by power of attorney, or in a duly authorised representative in the case of a corporate member, shall have one vote on a show of hands, and one vote for each fully paid ordinary share on a poll. This applies for quoted and unquoted ordinary shares.

Options have no voting rights.

On-market buy-backs

There is no current on-market buy-back in relation to the Company's securities.

Corporate Directory

Group structure

Happy Valley Nutrition Limited
Five Redland Road Ltd
Five Redland Road Ltd (FRRL) is a 100% subsidiary of Happy Valley Nutrition Ltd

Board of Directors

Kevin Bush – Executive Director and Chairman

David McCann – Non-Executive Director

Randolph van der Burgh – Non-Executive Director

Company Secretary

Leanne Ralph

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Auditor

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ASX code

Happy Valley Nutrition Limited shares are listed on the Australian Securities Exchange (ASX): ASX code "HVM"

Website

www.hvn.co.nz

Happy Valley
Nutrition Limited