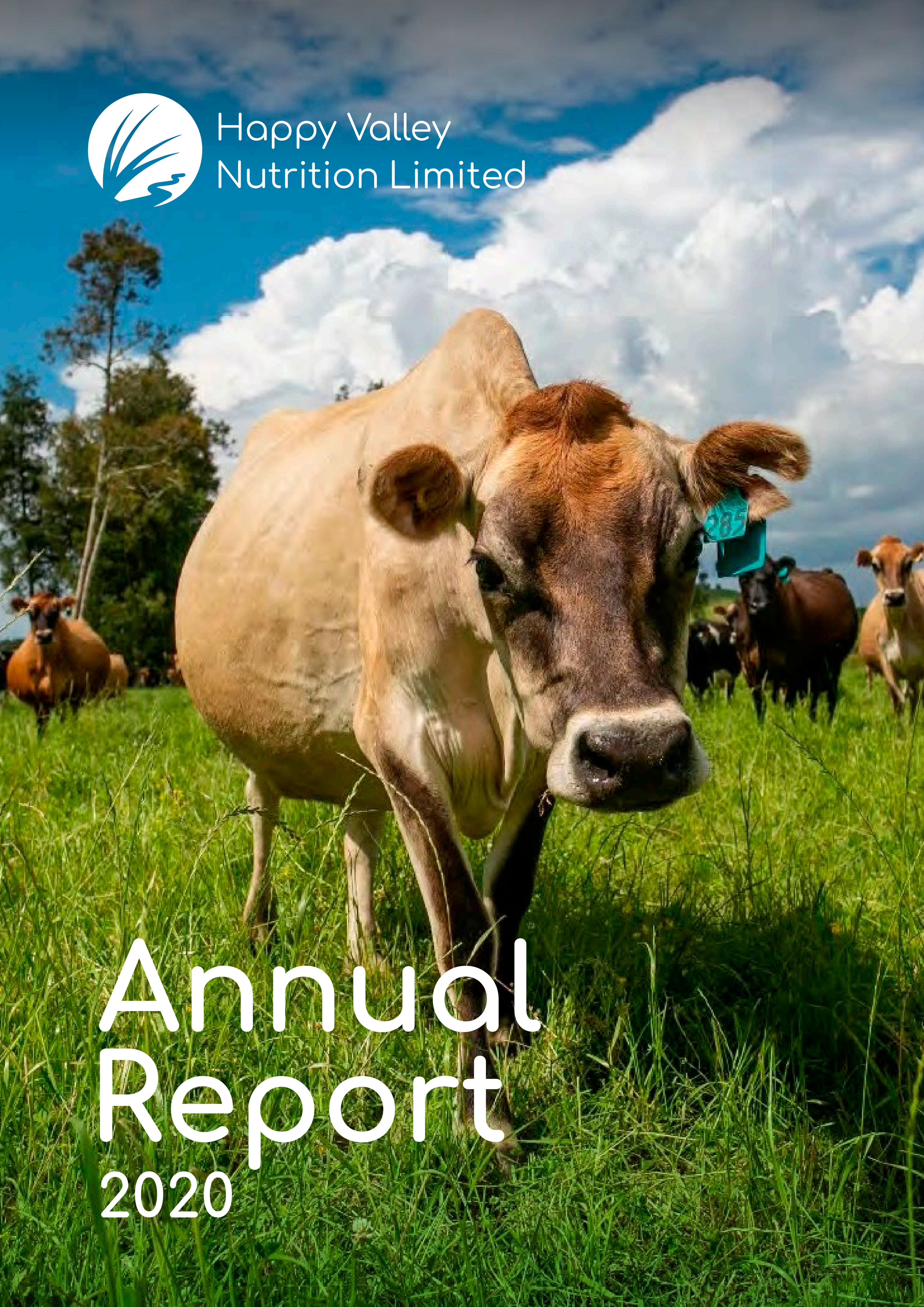
Happy Valley Nutrition Limited



Annual Report 2020

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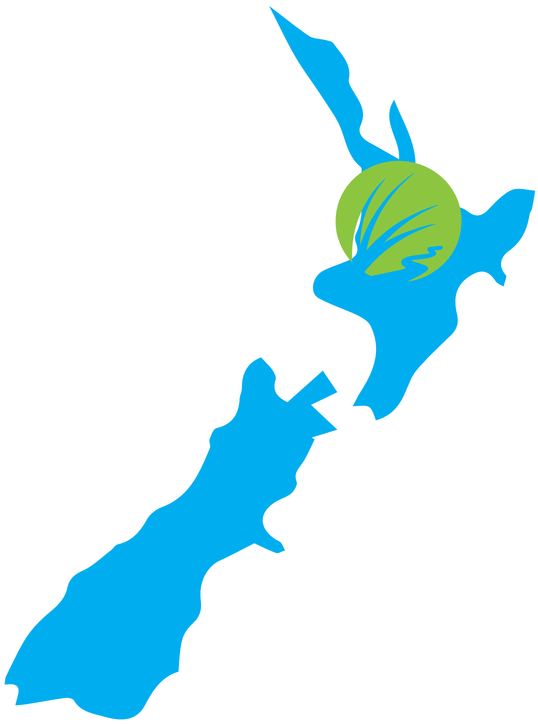
Our Vision

Our vision is to become a trusted business-to-business (**B2B**) supplier of nutritional dairy products including consumer ready Infant Milk Formula (**IMF**), IMF base powders, and other nutritional ingredients.

The Business



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

The Facility

The Company is planning to develop a nutritional grade milk processing plant for IMF and other nutritional products (Facility).

The Company's site is strategically located in the Waikato region, the largest milk producing region in New Zealand.

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

Progress since IPO

Since listing on the ASX, many pre-project milestones set out in the Prospectus have been achieved, including building our internal capability, finalising the basis of design, and conditional acquisition of the outstanding property.

Despite the challenges presented by Covid-19, the Company made significant progress with several international dairy and infant formula companies, signing four non-binding Heads of Agreement for the supply of high value nutritional ingredients.

This progression with our partners clearly highlights robust demand for the Company's product offerings and manufacturing flexibility inherent in the Facility's proposed design.

These evolving market signals have strengthened our business case to firstly focus on producing dairy nutritional ingredients and then moving toward consumer ready IMF products.

Growth Strategy

The Company's growth strategy can be summarised under four pillars:

1) **Partners / Customers and Products**
   Happy Valley Nutrition Limited is pursuing a B2B strategy that is focused on a range of nutritional ingredient products, strategic partners and customers.

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 will utilise low carbon and water use technologies for the manufacturing process via the use of solar arrays to produce electricity, and reverse osmosis for water recycling, respectively.

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, product flexibility and efficiency.

Directors' Report

For year ended 30 June 2020

The board of directors of Happy Valley Nutrition Limited ("HVM" or "the Company") present their report, together with the financial statements, on the Company for the year ended 30 June 2020.

Directors

The following persons held office as directors of Happy Valley Nutrition Limited during the year ended 30 June 2020. The names and details of the directors are:

Ivan Hammerschlag	Chairman
David McCann	Director
Randolph van der Burgh	Director
Anthony Kahn	Director (appointed 22 January 2020)
Gregory Wood	Director and CEO (appointed 10 March 2020)

Review of Operations

The Company set a series of objectives at the start of the financial year, which included raising additional capital, listing on the Australian Securities Exchange (ASX), engaging with potential strategic partners, finalising the basis of design for the major plant, expanding the network of potential milk suppliers, building an experienced leadership and operations team, securing agreements for remaining irrigation properties and seeking Overseas Investment Office (OIO) approval.

The year to 30 June 2020 saw the Company complete its Initial Public Offering for NZD 13,016,764 (AUD 12,505,910) and being admitted to the official list of the ASX on 22 January 2020 (ASX Code: HVM).

It is also pleasing to report the Company has made significant progress on other critical project development initiatives which enables the business to move closer to the next major milestone of securing funding for the construction of the Facility. While the COVID-19 pandemic has somewhat slowed progress, HVM is making solid, tangible progress.

Some key highlights for the year include:

- Ongoing discussions with large international dairy companies and multinational suppliers of Infant Milk Formula (IMF) has resulted in four non-binding Heads of Agreement being signed shortly after year end for the supply of skim milk powder ingredients and Anhydrous Milk Fat (AMF) to start in the initial years of operation.
- Continued positive engagement with milk suppliers in the Waikato milk catchment region.
- Babbage Consultants Limited was appointed to assist in the design and documentation to enable HVM to be prepared to tender the contract for the main plant in a timely manner and to assist in discussions to secure strategic partners.
- Preparation, development, and submission of management plans to the District Council to give effect to the land use consent.
- Progression on the detailed design of the road realignment for the Redlands Road and State Highway 31 intersection.
- The appointments of CFO, Gareth Jones, Capital Projects Manager, Luke Reeves, and GM of Sales and Marketing, Champak Mehta. All three have considerable experience to successfully advance the Company's project development initiatives.
- Secured agreements to acquire the outstanding irrigation land and land adjacent to the proposed Facility at 5 Redlands Road, Ōtorohanga, New Zealand. Settlement is conditional upon receiving OIO approval, funding and other relevant consents.

During the last six months of the 2020 financial year, HVM enhanced its development strategy which will result in more diversified revenue streams when the IMF plant commences operations. This sees an initial focus on selling high-quality skim milk powders and AMF to a broader customer base in the early years of operation, then adding IMF products over time. This path reduces the initial capital expenditure by allowing the canning plant to be added later. The site has been master-planned for two dryers and a blending and canning plant, which will be incrementally added over time without major disruptions to the site operations.

Having made significant progress on all our objectives and with an enhanced strategy focusing on a broader customer base in the initial years, the Board believes execution risks are reducing. The work to date and that of the coming 12 months, places HVM in the very best position to meet its strategic vision of becoming a trusted business-to-business supplier of consumer-ready high-quality nutritional dairy products.

Ivan Hammerschlag
Chairman

23 September 2020

Greg Wood
CEO

23 September 2020

Our Board

Ivan Hammerschlag
Non-Executive Chairman

Mr Hammerschlag was appointed to the Board as non-executive Chairman on 4 July 2018.

He has 40 years of business and finance experience including as a retail specialist. Founder and Chairman of ASX listed RCG Corporation Limited (now called Accent Group Limited).

Mr Hammerschlag is also a founding shareholder and director in Centennial Property Group, a property syndicator based in Sydney that invests across Australia. He is based in Sydney.

Directorships of Listed Entities held in the last 3 years:
Accent Group Limited (retired 23 November 2017).

Committees:
Chair, Remuneration and Nomination Committee

Greg Wood
Director and CEO

Greg has 20 years' experience in the dairy industry across New Zealand and Australia. Greg joined the Company from Beca Limited, where he was responsible for its New Zealand and Australia dairy business. Previously Greg was a Senior Project Manager for Fonterra's Major Capital Projects group.

Across his career, Greg has had various leadership roles in managing the implementation of multiple:

- Nutritional powder plants (IMF Stage 1, 2 and 3)
- Commodity milk powder plants;
- Consumer ready packaging plants (dry-blending, canning and sachet);
- Dairy product distribution centres (including rail distribution);
- Servicing infrastructure plants (utilities).

Committees:
Member, 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.

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

Anthony Kahn
Non-Executive Director

Anthony has worked in the finance industry for over 30 years. Previously worked for Macquarie Bank Group for 18 years, including as Executive Director for 10 years. Anthony was Managing Director of ASX listed Macquarie Infrastructure Group for 6 years.

Committees:
Member, Audit and Risk Management Committee
Member, Remuneration and Nomination Committee

Board and Committee Attendance

The ultimate responsibility for the oversight of the operations of the Company rests with the board. However, the board may discharge any of its responsibilities through committees of the board. The board has established the following standing committees, which 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 2020 and the number of meetings attended by each of the directors is set out in Table 1.

Table 1

	Board		Audit and Risk Management Committee		Remuneration and Nomination Committee	
	A	B	A	B	A	B
Ivan Hammerschlag	20	20	–	–	2	2
David McCann	20	19	–	–	–	–
Randolph van der Burgh	20	20	3	3	–	–
Anthony Kahn[1]	13	13	3	3	2	2
Greg Wood[2]	9	9	3	3	–	–

A: Meetings eligible to attend. B: Meetings attended.

1. Appointed 23 January 2020.
2. Appointed 10 March 2020.

Director Shareholdings (HVM)

Director	Number of Securities Currently Held	
Mr Ivan Hammerschlag	5,347,024	Ordinary Shares
	21,428,571	Options
	6,696,429	Milestone Options
Mr David McCann	8,778,031	Ordinary Shares
	727,485	Options
	16,104,306	Milestone Options
Mr Randolph van der Burgh	9,633,555	Ordinary Shares
	727,485	Options
	16,104,306	Milestone Options
Mr Anthony Kahn	1,625,000	Ordinary Shares
	5,000,000	Options
Mr Greg Wood	Nil	

Our Management Team

Greg Wood
CEO

See details on page 5.

Gareth Jones
CFO

Gareth has spent the last 9 years working in the dairy and consumer foods industry in New Zealand. Gareth joined the Company from Goodman Fielder, where he was the Commercial Finance Manager, and previously with Fonterra New Zealand Brands as Financial Controller. Gareth also has experience working in the UK for multinationals, including Royal Bank of Scotland, Kraft Heinz and GlaxoSmithKline. Gareth is a member of Chartered Accountants Australia and New Zealand.

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.

Zach Mounsey
GM Milk Supply

Significant experience in agri-business strategy management, finance, economics and leadership. Zach has responsibility for selecting and managing the Company's farmer suppliers, overseeing farm management policies and practices. Zach Also partly owns a dairy farm in Ōtorohanga.

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.

Champak Mehta
GM Sales and Marketing

Champak joined Happy Valley Nutrition in July 2020. He has extensive experience in strategy formulation and business development with Fonterra, in NZ, Asia and the US. This is complemented by general management experience in B2B sales and marketing for the pharmaceutical raw material, dairy commodity and infant formula sectors.

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 with the following core values.

- **Capability and 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 dependants, 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 applying our core values.
- Supporting best practice dairy farming through assisting our suppliers with sustainable farming practices.

Financial Report
Year Ended 30 June 2020

Happy Valley Nutrition Limited

NZCN 5952532 (ARBN 636 597 101)

ASX Code: HVM

Contents

General information

The Annual Financial Statements of Happy Valley Nutrition Limited are for the year ended 30 June 2020.

The Annual 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 the year ended 30 June 2020

In the opinion of the Directors of Happy Valley Nutrition Limited, the financial statements and notes, on pages 11 to 32:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Happy Valley Nutrition Limited as at 30 June 2020 and 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 financial statements with the Financial Reporting Act 2013.

For and on behalf of the Board of Directors:

Ivan Hammerschlag
Chairman

Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
Interest Income – financial assets at amortised cost		79,444	4,580
Other income		–	8,088
Gross Profit		**79,444**	**12,668**
Operating expenses:			
Directors' fees		(468,555)	(301,285)
Employee costs		(770,833)	(223,795)
LGO reverse takeover costs		(617,575)	–
Loss on derecognition of financial liability	4.3	(250,906)	–
Fair value loss on embedded derivatives	4.3	(751,091)	–
Finance costs	4.3	(769,769)	–
IPO costs		(753,351)	–
Share-based Transactions	4.5	(9,577,393)	–
Depreciation		(6,074)	–
Foreign exchange loss		(70,309)	(2,507)
Other operating expenses	2.2	(682,184)	(318,613)
Total Operating Expenses		**(14,718,040)**	**(846,200)**
Operating income/(Loss)		**(14,638,596)**	**(833,532)**
Net profit (loss) before taxation		**(14,638,596)**	**(833,532)**
Income tax expense	6.5	–	(75,395)
Net profit (loss) after taxation		**(14,638,596)**	**(908,927)**
Other comprehensive income		–	–
Total comprehensive income after tax		**(14,638,596)**	**(908,927)**
Earnings per share			
Basic (NZD per share)		(0.10)	(0.01)
Diluted (NZD per share)		(0.10)	(0.01)

Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Share Capital NZD	Share Option Reserve NZD	Accumulated Losses NZD	Total NZD
Balance at 1 July 2019		2,384,000	–	(1,102,800)	1,281,200
Loss for the period		–	–	(14,638,596)	(14,638,596)
Total comprehensive loss for the period		–	–	(14,638,596)	(14,638,596)
Transactions with Owners in their capacity as owners					
Share capital issued – IPO proceeds		13,016,764	–	–	13,016,764
Share capital – IPO issue costs		(808,111)	–	–	(808,111)
Share options issued	4.5.1	–	7,719,213	–	7,719,213
Share-based payment	4.5.2	1,858,180	–	–	1,858,180
Convertible debt converted upon IPO	4.3	8,506,165	–	–	8,506,165
Total contributions by and distributions to owners		22,572,998	7,719,213	(14,638,596)	15,653,615
Equity as at 30 June 2020	4.4	**24,956,998**	**7,719,213**	**(15,741,396)**	**16,934,815**

	Share Capital NZD	Share Option Reserve NZD	Accumulated Losses NZD	Total NZD
Balance at 1 July 2018	2,384,000	–	(193,873)	2,190,127
Loss for the period	–	–	(908,927)	(908,927)
Total comprehensive loss for the period	–	–	(908,927)	(908,927)
Total contributions by and distributions to owners	–	–	(908,927)	(908,927)
Equity as at 30 June 2019	**2,384,000**	**–**	**(1,102,800)**	**1,281,200**

Statement of Financial Position

As at 30 June 2020

	Notes	As at 30 Jun 20 NZD	As at 30 Jun 19 NZD
Current Assets			
Cash and Cash Equivalents		9,280,325	1,362,162
Other Current Assets		277,067	27,359
Total Current Assets		**9,557,392**	**1,389,521**
Non-Current Assets			
Property, Plant and Equipment	3.1	7,865,120	5,630,834
Other Non-Current Assets		—	14,193
Total Non-Current Assets		**7,865,120**	**5,645,027**
Total Assets		**17,422,512**	**7,034,548**
Current Liabilities			
Trade and Other Payables		487,697	429,006
Convertible Debt	4.3.1	—	3,214,165
Total Current Liabilities		**487,697**	**3,643,171**
Non-Current Liabilities			
Loan	4.3.3	—	2,110,177
Total Current Liabilities		**—**	**2,110,177**
Total Liabilities		**487,697**	**5,753,348**
Net Assets		**16,934,815**	**1,281,200**
Equity			
Share Capital	4.4	24,956,998	2,384,000
Share Options Reserve	4.5.1	7,719,213	—
Accumulated Losses		(15,741,396)	(1,102,800)
Total Equity		**16,934,815**	**1,281,200**

Statement of Cash Flows

For the year ended 30 June 2020

	Notes	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
Cash Flows from Operating Activities			
Payments to Suppliers and Employees		(2,936,215)	(1,083,294)
Interest received		83,581	4,533
Cash receipts from other operating activities		—	68,472
Tax paid		(18,482)	(1,359)
Net Cash Flows from Operating Activities	2.3	**(2,871,116)**	**(1,011,648)**
Cash Flows from Investing Activities			
Payment for property, plant and equipment	3.1	(2,240,360)	(1,743,234)
Other receipts from investing activities		—	—
Net Cash Flows from Investing Activities		**(2,240,360)**	**(1,743,234)**
Cash Flows from Financing Activities			
Proceeds from Share Issue		13,016,764	—
Share Issue Costs		(808,111)	—
Net proceeds from Convertible Notes and Loans	4.3.2	801,900	2,110,177
Net Cash Flows from Financing Activities		**13,010,553**	**2,110,177**
Net (decrease)/increase in cash		**7,899,077**	**(644,705)**
Foreign exchange adjustment		19,086	—
Net (decrease)/increase in cash		**7,918,163**	**(644,705)**
Cash at beginning of the period		1,362,162	2,006,867
Cash at end of the period		**9,280,325**	**1,362,162**

Notes to the Financial Statements

For the year ended 30 June 2020

Reporting Entity

The Financial Statements presented are those of Happy Valley Nutrition Limited ('HVM' or 'the Company').

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

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

The Financial Statements were authorised by the Board of Directors on 23 September 2020.

The comparative period is for year ended 30 June 2019. The comparative period was audited by another auditor who expressed an unmodified opinion.

Basis of Preparation

Statement of Compliance

The financial statements for the year ended 30 June 2020 have been prepared in accordance with Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable. Financial Reporting Standards, as applicable for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

Certain comparative figures have been reclassified during the year for consistency with the current year presentation. These classifications had no effect on the reported results of operations.

Basis of Measurement

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

Foreign Exchange Transactions and Translation

These financial statements are presented in New Zealand dollars (NZD), which is the Company's functional currency.

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

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

Significant Judgements and Estimates

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

The Company has also had to make judgements regarding accounting policies and treatments that have a significant impact on the amounts recognised in the condensed interim financial statements.

Judgement on Classification as Equity

Convertible Notes and Converting Loan

Following receipt of the ASX confirmation that the listing conditions were met on 27 December 2019 the automatic conversion obligations of the convertible debt instruments (Note 4.3) was activated. The Company recognised the convertible debt within equity as the Company was obliged to issue a fixed number of shares at this date, the issue of these shares occurred on 10 January 2020.

Key Sources of Estimation (Valuation)

Embedded Derivatives

The fair value of the embedded derivative liabilities associated with the Company's convertible debt were determined utilising assumptions and inputs to a Black-Scholes valuation model including estimated time to expiry of convertible debt instruments, the Company's share price of AUD 0.20 based on the expected IPO price at the time of recognition, risk free interest rate of 0.74% and assuming a 100% volatility. This volatility was based on similar companies within the industry at the same stage in their life cycle given HVM currently had no trading history at the date of recognition.

Significant Judgements and Estimates continued

Share-Based Payments

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

Some of the inputs used, such as expected volatility and the expected option lives, 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 to Note 4.5 for further details.

Capitalisation of development costs

Management exercises judgement in determining whether costs, such as professional and consulting fees, meet criteria to be capitalised as development costs. Refer to note 3.1.

Changes to Accounting Policies

Apart from the adoption of NZ IFRS 16 Leases and NZ IFRIC 23 *Uncertainty over Income Tax Treatments* noted below, the principal accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Leases

NZ IFRS 16 introduces a single lessee accounting model for all lessees which recognises all leases in the statement of financial position through an asset representing a right to use the leased item during the leased term and a liability for the obligation to make lease payments.

The Company has a short-term sub-lease for its premises. The Company has applied the short-term lease exemption and not recognised a right to use asset and lease liability under NZ IFRS 16.

Income Tax

NZ IFRIC 23 *Uncertainty over Income Tax Treatments* was adopted by the Company in the current reporting period.

Standards Issue Not Yet Effective

We are not aware of any NZ IFRS Standards or Interpretations that have recently been issued or amended that have not yet been adopted by the Company that would materially impact the Company for the period ending 30 June 2020.

1. Going Concern

The financial statements have been prepared based on a going concern basis which assumes that the Company will have sufficient cash to continue its operations for a minimum of 12 months from the date of signing the financial statements. The Directors believe the going concern assumption is valid, reaching such a conclusion after having regard to the circumstances which they consider reasonably likely to affect the Company during the period of at least one year from the date the financial statements are approved.

As at 30 June 2020, the Company has no external debt or debt-like obligations. The Company has committed to capital expenditure of NZD 0.9 million (Note 6.2.1). Based on management budgets and plans, the Company has budgeted an operating loss and budgeted certain capital expenditure for the financial year ended 30 June 2021. As at 30 June 2020, the Company had NZD 9.3 million of cash and cash equivalents in the bank which, together with the capital raise referred to below, is sufficient to fund the budgeted operating loss and budgeted capital expenditure.

Land Acquisition and Earthworks

Prior to settling land acquisitions of NZD 9.675 million (Note 6.2.3) and commencing earthworks, an additional capital raise is required and is planned for later this year.

Future Business Development and Construction of the Facility

The Company also needs to raise further funding (debt or equity) to establish the business and enable construction of the Facility. The Company still needs to:

- Secure additional funding to fund construction and working capital;
- Obtain Overseas Investment Office (OIO) approval for remaining land acquisitions;
- Obtain additional resource consents and permits regulatory approvals, licenses and /or renewals to build and operate the Facility;
- Secure long-term agreement(s) with strategic partner(s) and milk supply agreements on favourable commercial terms; and
- Complete the basis of design for the Facility, followed by construction and commissioning of the Facility within estimated timeframes and budgets.

In the event that the Company is not able to raise sufficient additional funding for the land acquisition and earthworks as well as the future business development and construction of the Facility, a material uncertainty would exist that may cast significant doubt on the ability of the Company to continue as a going concern in its current configuration, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. This situation could possibly impact, in particular, 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 Company be unable to continue as a going concern.

Notes to the Financial Statements continued

For year ended 30 June 2020

2. Company performance

2.1 Revenue

The Company did not receive revenue from customer contracts during the year ended 30 June 2020.

The Company earns interest from funds placed on deposit with banks. Interest income on financial assets at amortised cost is earned using the effective interest method.

2.2 Expenses

	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
The following items of expenditure are included within other operating expenses		
Convertible Note and Loan Issue Expenses	(5,135)	(177,768)
Audit fees	(119,855)	(16,610)
Insurance	(96,948)	(14,750)
Legal expenses	(136,349)	–
Rent	(39,588)	(10,095)
Deloitte Limited services included in operating expenses		
Statutory audit fee	(50,000)	–
Half year accounts review	(60,000)	–
Total paid for Deloitte Limited services	**(110,000)**	**–**
HLB Mann Judd services included in operating expenses		
Statutory audit fee	(9,855)	(16,610)
Total paid for HLB Mann Judd services	**(9,855)**	**(16,610)**

2.3 Reconciliation of net profit/ (loss) to operating cash flows

	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
Loss for the period	(14,638,596)	(908,927)
Add/(less) non-cash items		
Non-cash and non-operating items:		
Depreciation expense	6,074	2,507
Convertible note novation	534,600	–
Expenses recognised in respect of share based payments	9,577,393	–
Loss on derecognition of financial liability and embedded derivatives	1,001,998	–
Finance Costs	769,769	–
Foreign exchange movements	54,470	–
Deferred Tax	–	75,395
	11,944,304	77,902
Movements in working capital		
(Increase)/Decrease in other current assets	(235,515)	58,978
Increase/(Decrease) in trade and other payables	58,691	(239,601)
	(176,824)	(180,624)
Net cash outflow from operating activities	**(2,871,116)**	**(1,011,648)**

2.4 Earnings per share

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

	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to owners of the Company	(14,638,596)	(908,927)
Weighted average number of shares		
Weighted average number of basic shares	145,224,710	85,552,381*
Weighted average number of diluted shares	145,224,710	85,552,381*
Earnings per share		
Basic (cents per share)	(0.10)	(0.01)
Diluted (cents per share)	(0.10)	(0.01)

* The impact of the share split that occurred prior to the Company listing on the ASX has been adjusted as if the event occurred at the beginning of the prior period.

2.5 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.

The Company's Chief Executive Officer (CEO) is the chief operating decision maker.

3. Assets

3.1 Property, plant and equipment

Freehold land is stated at cost and is not depreciated.

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 loss. These include costs incurred which are 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. Development costs include consents and permits which comprises expenditure incurred to obtain the required consents and permits to both construct and operate the Facility. Costs such as professional fees 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 have also been 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 so as to write off the cost of assets (other than freehold land and development costs) less their residual values over their useful lives, using the straight-line 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.

Table 3.1 Movements in Property, plant and equipment

	Land NZD	Computer and Office Equipment NZD	Development Costs NZD	Total NZD
Balance at 30 June 2018	**698,160**	**—**	**3,191,947**	**3,890,107**
Additions	198,977	7,773	1,536,484	**1,743,234**
Disposals	—	—	—	**—**
Depreciation	—	(2,507)	—	**(2,507)**
Balance at 30 June 2019	**897,137**	**5,266**	**4,728,431**	**5,630,834**
Additions	456,900	17,499	1,765,961	**2,240,360**
Disposals	—	—	—	**—**
Depreciation	—	(6,074)	—	**(6,074)**
Balance at 30 June 2020	**1,354,037**	**16,691**	**6,494,392**	**7,865,120**

4. Debt and equity

4.1 Borrowings

As at the reporting date the Company does not have any debt or interest bearing liabilities.

	Notes	As at 30 Jun 20 NZD	As at 30 Jun 19 NZD
Borrowings			
Secured convertible loan	4.3.3	–	2,110,177
Secured convertible note	4.3.1	–	3,214,165
Total Borrowings		**–**	**5,324,342**

4.2 Lease liabilities

NZ IFRS 16 introduces a single lessee accounting model for all lessees which recognises all leases in the statement of financial position through an asset representing a right to use the leased item during the leased term and a liability for the obligation to make lease payments.

The Company has a short-term sub-lease for its premises. The Company has applied the short-term lease exemption and not recognised a right to use asset and lease liability under IFRS 16.

4.3 Convertible debt

4.3.1 Secured convertible notes

The secured convertible loan notes were originally issued on 21 May 2018 with the following terms:

- Denominated in NZD 3,214,165
- Maturity date 21 November 2019
- Interest free period until 21 November 2019
- Automatic conversion – upon exchange of HVM shares for Longreach Oil Limited shares under the Share Purchase Agreement (Note 4.5.2)
- Conversion was anticipated to be through a back-door listing via Longreach Oil Limited, where the number of shares = (x/0.7619), where x = total number of shares on issue immediately prior to conversion.

On 10 October 2019, an amendment to the convertible notes agreement extended the interest free period to 31 March 2020, extended the conversion and redemption period to 31 March 2020, automatically converted the notes into HVM shares upon listing on the ASX and made the notes redeemable if the Company had not listed on the ASX or before the sunset date of 31 March 2020.

The amendment changing the IPO assumption from a back-door listing to a front door listing on the ASX was considered a substantial modification. The original convertible note liability was derecognised on this date, with a corresponding gain (NZD 51,218) recognised in profit or loss and a new convertible note (debt host liability) and embedded derivative recognised.

Subsequently upon receiving ASX confirmation that the listing conditions were met on 27 December 2019 the automatic conversion obligation of the convertible note was activated. The Company reclassified the convertible note (NZD 2,280,512) and associated embedded derivative (NZD 2,479,761) to Equity and the issue of these shares occurred on 10 January 2020.

4. Debt and equity continued

	Note	Secured Convertible Note NZD	New Secured Convertible Note NZD	New Embedded Derivative NZD	Total NZD
		4.3.1	4.3.1	4.3.1	4.3.1
30 June 2018		3,214,165	–	–	3,214,165
Cash inflows/(outflows)		–	–	–	–
Non-cash Transactions		–	–	–	–
30 June 2019		3,214,165	–	–	3,214,165
Cash inflows/(outflows)		–	–	–	–
Non-cash Transactions					
Derecognition original convertible note		(3,259,702)	–	–	(3,259,702)
Recognition of new convertible note and embedded derivative		–	1,791,399	1,417,085	3,208,484
Finance Costs		45,537	489,113	–	534,650
Fair value (gain)/loss on embedded derivative		–	–	1,062,676	1,062,676
Transfer to equity upon conversion			(2,280,512)	(2,479,761)	(4,760,273)
30 June 2020		**–**	**–**	**–**	**–**

Refer Note 6.1.7 Directors' interest in convertible notes and loans.

4.3.2 Unsecured convertible notes

As part of the Deed of Termination and Release with Longreach Oil Limited (refer Note 4.5.2) on 10 October 2019, the Company entered into an unsecured convertible loan note deed with the following terms:

- Denominated in AUD 1,250,000 (NZD 1,336,500)
- Issue date tranche 1: AUD 500,000 issued on 10-Oct-2019 (original agreement of 5 May 2019 novated and assigned to HVM, with no consideration received)
- Issue date tranche 2: AUD 750,000 issued on 10-Oct-2019
- Maturity date: 5 November 2020
- Automatic conversion – upon receiving ASX confirmation
- Convertible into HVM shares on listing on the ASX at a conversion price equal to 80% of the issue price of the HVM shares.

A new convertible note (debt host liability) and embedded derivative was recognised on 10 October 2019. Subsequently upon receipt of the ASX confirmation that the listing conditions were met on 27 December 2019 the automatic conversion obligation of the convertible debt instrument was activated, the financial liability (NZD 1,010,283) and associated embedded derivative (NZD 354,937) were reclassified to Equity and the issue of these shares occurred on 10 January 2020.

	Note	New Unsecured Convertible Note NZD	New Embedded Derivative NZD	Total NZD
		4.3.2	4.3.2	4.3.2
30 June 2018		–	–	–
Cash inflows/(outflows)		–	–	–
Non-cash Transactions		–	–	–
30 June 2019		–	–	–
Cash inflows/(outflows) – recognition of original convertible note		801,900	–	801,900
Non-cash Transactions				
Recognition of original convertible note (non-cash)		144,368	390,232	534,600
Finance Costs		64,015	–	64,015
Fair value (gain)/loss on embedded derivative		–	(35,295)	(35,295)
Transfer to equity upon conversion		(1,010,283)	(354,937)	(1,365,220)
30 June 2020		–	–	–

Refer Note 6.1.7 Directors' interest in convertible notes and loans.

4.3.3 Secured converting loan

On 2 May 2019 the Company entered into a Secured Loan Agreement with the following key terms:

- Denominated in AUD 2,000,000 (NZD 2,110,177)
- Redemption amount AUD 2,400,000
- Maturity date 2 November 2020
- Interest rate of 20%

On 10 October 2019, an amendment to the secured loan agreement amended the terms of the agreement such that HVM at its discretion could repay the redemption amount by issuing HVM shares on listing on the ASX based on a conversion price equal to 80% of the issue price of the HVM shares on listing. This amendment was considered a substantial modification due to the inclusion of an embedded derivative which altered the future economic risk exposure of the instrument. The original loan liability was derecognised on this date, with a corresponding loss recognised in profit or loss (NZD 302,124) and a new convertible loan (debt host liability) and embedded derivative recognised.

Upon receipt of the ASX confirmation that the listing conditions were met on 27 December 2019 the conversion obligation was activated. The Company reclassified the convertible loan (NZD 2,110,915) and associated derivative (NZD 269,757) to Equity and the issue of these shares occurred on 10 January 2020.

4. Debt and equity continued

	Note	Secured Convertible Loan NZD	New Secured Convertible Loan NZD	New Embedded Derivative NZD	Total NZD
		4.3.3	4.3.3	4.3.3	4.3.3
30 June 2018		2,110,177	–	–	2,110,177
Cash inflows/(outflows)		–	–	–	–
Non-cash Transactions		–	–	–	–
30 June 2019		2,110,177	–	–	2,110,177
Cash inflows/(outflows)		–	–	–	–
Non-cash Transactions					
Derecognition original loan		(2,260,883)	–	–	(2,260,883)
Recognition of new convertible loan and embedded derivative		–	2,016,960	546,047	2,563,007
Finance Costs		77,149	93,955	–	171,104
Foreign exchange movement		73,557	–	–	73,557
Fair value (gain)/loss on embedded derivative		–	–	(276,290)	(276,290)
Transfer to equity upon conversion		–	(2,110,915)	(269,757)	(2,380,672)
30 June 2020		**–**	**–**	**–**	**–**

Refer Note 6.1.7 Directors' interest in convertible notes and loans.

4.4 Share capital

Ordinary shares are classified as equity. The Company has one class of ordinary shares which carry no right to fixed income.

		2020		2019	
Movements in contributed equity	**Note**	**Number of Shares**	**Share Capital NZD**	**Number of Shares**	**Share Capital NZD**
Ordinary shares					
Balance at beginning of the year		**10,000**	**2,384,000**	**10,000**	**2,420,000**
Movements in the period					
Impact of share splits*		85,542,381	–	–	–
Convertible Note Holders	4.3.1	26,735,119	4,760,273	–	–
LGO Convertible Note	4.3.2	3,125,000	546,088	–	–
HVM Converting Loan	4.3.3	12,500,000	2,380,672	–	–
HVM/Shaw Convertible Note	4.3.2	4,687,500	819,132	–	–
IPO raising		62,529,546	13,016,764	–	–
LGO	4.5.2	17,400,000	1,858,180	–	–
Share issue costs		–	(808,111)	–	(36,000)
Balance at end of year		**212,529,546**	**24,956,998**	**10,000**	**2,384,000**

* The share splits occurred on 11 October 2019, 19 October 2019 and 7 November 2019.

4.5 Share-based payments

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 of 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 Company assesses the probability of the specified vesting conditions being fulfilled and the consequent accounting implications. Revisions to the prior period estimate 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, in which case 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.

4.5.1 Share Options

During the year, as part of HVM's IPO (and as included in its prospectus dated 22 November 2019), the Directors were granted the following options on 11 October 2019.

- IPO Options – each director received options with vesting conditions requiring the Company to list on the ASX and expiry dates range from 3-5 years. Details of the options are included in the table below.
- Milestone Options – 3 of the directors received options, provided in 3 separate tranches with vesting conditions based on strategic, financial and production targets for the Company and an implied service condition associated with the continued involvement of the directors. Expiry dates range from 3-5 years from the date of vesting. Details of the options are included in the table below.

The options do not carry rights to dividends or voting rights.

IPO Options

The IPO options vested upon listing on the ASX, deemed to be 27 December 2019, and were issued on 10 January 2020. NZD 4,916,182 was expensed as a share-based payment in profit or loss in the current period.

Option Holder	IPO Options	Exercise Price AUD	Expiry date range	Black-Scholes 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.

None of the IPO Options have been exercised.

Milestone Options

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

a. *Tranche 1 Strategic*: This tranche consists of 10,736,204 options which can 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. Management expects the vesting condition to be met in 0.9 years from the grant date. Therefore, these options have an expiry period of 3.9 years.

b. *Tranche 2(a)*: This tranche granted to Ivan Hammerschlag consists of 6,696,429 options which can 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 specified vesting condition is expected to be fulfilled in 1.1 years from the grant date. Therefore, these options have an expiry period of 6.1 years.

4. Debt and equity continued

c. *Tranche 2(b)*: This tranche consists of 10,736,204 options which can 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 that is sufficient to finance the design, build and commissioning of the production Facility. The specified vesting condition is expected to be met in 1.1 years from the grant date. Therefore, these options have an expiry period of 4.1 years.

d. *Tranche 3: Production*: This tranche consists 10,736,204 options which can be 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 2.7 years from the grant date. Therefore, these options have an expiry period of 5.7 years.

Number of options per tranche

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**		

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	Tranche 2a	Tranche 2b	Tranche 3	Total AUD	Total NZD
Total estimated life (years)	3.9	6.1	4.1	5.7		
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 ending 30 June 2020	$813,696	$779,962	$691,948	$332,424	**$2,618,030**	**$2,803,031**

As at 30 June 2020, no condition had vested, and the share based payment expense recognised in the Statement of Comprehensive Income was determined by apportioning the total.

4.5.2 Longreach Oil Limited Termination Deed – share-based payment transaction

A Deed of Termination and Release between HVM and Longreach Oil Limited (LGO) in relation to the Share Purchase Agreement (between HVM, LGO and Gleneagle Securities Nominees Pty Ltd and shareholders) dated 20 March 2018 and related documents received the necessary approvals and consents from shareholders, convertible note holders and loan note holders on 14 October 2019.

Consideration for this Termination Deed was the issue of 17,400,000 HVM shares upon receiving confirmation of acceptance of its listing on the ASX. The Deed had a sunset date of 31 December 2019.

The successful IPO is a non-vesting condition. The fair value of the shares was determined at grant date and NZD 1,858,180 expensed on that date, with the corresponding credit to equity. The shares were issued on 10 January 2020.

5. Capital and financial risk management

5.1 Foreign exchange risk

The Company is listed on the ASX and raises capital predominantly in Australian dollars. Most of this is converted to New Zealand dollars to cover budgeted New Zealand dollar expenses. The Company is exposed to expenses denominated in Australian dollars. The Company maintains sufficient Australian dollar deposits to cover its budgeted Australian dollar expenses.

The Company is not a party to any derivative arrangements.

The Company has a Board approved treasury policy.

5.2 Interest rate risk

Interest rate risk is the risk that the value of the Company's assets and liabilities will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk primarily through its bank deposits.

The Company has a Board approved treasury policy which covers exposure limits.

5.3 Credit risk management

The Company does not currently have any trade receivables and therefore is not subject to credit risk in this regard. The Company has not made loans to any party. The Company's cash is invested with reputable New Zealand banks which the Company has assessed to have low credit risk. The Company continuously monitors the credit quality of its New Zealand banks and does not anticipate any non-performance of those banks.

The carrying amount of financial assets represent the Company's maximum credit exposure, or the cash and cash equivalent. While cash and cash equivalents are subject to the impairment requirement of NZ IFRS 9, the identified impairment loss was immaterial.

5.4 Liquidity risk

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

As at 30 June 2020	Statement of Financial Position	<12 months	12 months <
Current Liabilities	487,697	487,697	Nil
Non-current Liabilities	Nil	Nil	Nil
As at 30 June 2019			
Current Liabilities	3,643,171	3,643,171	Nil
Non-current Liabilities	2,110,177	Nil	2,110,177

5.5 Capital Risk Management

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

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

The Company listed on the ASX on 23 January 2020 and raised NZD 13,016,764 on listing. The Company intends to raise further capital in order to meet its business plan objectives.

5.6 Financial instruments

Accounting policies

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 Company becomes a party to the contractual provisions of the instrument. A financial instrument is initially recognised at fair value and is adjusted for (in the case of instruments not carried at FVTPL) transaction costs that are 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 rights to cash flows have expired or the Company has transferred the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset.

5. Capital and financial risk management continued

Financial liabilities are de-recognised from the Statement of Financial Position when the Company'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 Company'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 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 Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. It has been determined that 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.

5.7 Fair value measurement

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

Financial liabilities

- Convertible debt and embedded derivatives

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 that the entity can access at the measurement date.
- *Level 2*: Inputs other than quoted pries included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- *Level 3*: Unobservable inputs for the asset or liability.

Convertible debt embedded derivatives are classified as level 3. The fair value of convertible debt embedded derivatives was determined using a Black-Scholes model based on time to expiry and other factors as disclosed in Note 4.3.

The carrying amounts of cash and cash equivalents, trade and other payables (2019: convertible debt and loan) approximates their fair value.

6. Other information

6.1 Related party transactions

6.1.1 Key management personnel compensation

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

	2020 NZD	2019 NZD
Short-term employee benefits	362,353	81,542
Director and service fees	573,555	481,285
Share-based payments	[1]	–

[1] In their capacity as initial investors Directors were awarded share options as disclosed in Note 4.5.1.

Key management personnel include the following:

Chairman

Non-executive Directors

CEO and Director

6.1.2 Director Services Agreements

Each Director has entered into a Director Services Agreement through an associated entity. The key terms of those agreements are set out in Table 6.1.2 below.

Table 6.1.2 Summary of Key Terms of Director's Services Agreements

Parties	Role	Remuneration up to listing	Remuneration post listing
Ivan Hammerschlag Honeystone Pty Limited	Non-Executive Chairman	AUD 6,700 (NZD 6,968) per month non-exec director fee	AUD 120,000pa. (NZD 124,800) base director/ chairman fees
David McCann Olwyn Ventures Limited	Non-Executive Director	NZD 15,000/month non-exec director fee	AUD 80,000pa. (NZD 83,200) base director fees AUD 120,000pa. (NZD 124,800) additional base fees to reflect the non director services they provide. This reduces to AUD 80,000 pa. from 1 July 2020, then terminates from 1 Jan 2021
Randolph van der Burgh VCFO Group Limited	Non-Executive Director	NZD 15,000/month non-exec director fee	AUD 80,000pa. (NZD 83,200) base director fees AUD 120,000pa. (NZD 124,800) additional base fees to reflect the non director services they provide. This reduces to AUD 80,000 pa. from 1 July 2020, then terminates from 1 Jan 2021
Anthony Kahn Partnership Investors Pty Limited	Independent Non-Executive Director	AUD 6,700 (NZD 6,968) per month non-exec director fee	AUD 80,000pa. (NZD 83,200) base director fees Success Listing fee AUD 20,000 (NZD 20,800)

6.1.3 Summary of payments to directors and related parties

Description	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
David McCann		
D McCann – Expenses	21,200	22,488
Olwyn Ventures Limited – Director and service fees	192,608	180,195
Randolph van der Burgh		
Randolph van der Burgh – Expenses	1,298	3,694
VCFO Group Limited – Director and service fees	192,837	180,000
VCFO Group Limited – Professional Services	203,602	121,058
Ivan Hammerschlag		
Honeystone Pty Limited – Expenses	11,587	–
Honeystone Pty Limited – Director Fees	102,928	92,704
Anthony Kahn		
Partnership Investors Pty Ltd – Expenses	1,323	–
Partnership Investors Pty Ltd – Director Fees	42,019	–
Partnership Investors Pty Ltd – Consultancy	43,163	28,776
Partnership Investors Pty Ltd – IPO Success Fee	20,844	–

6. Other information continued

6.1.4 Summary of payments to other related parties

VCFO Group Limited

Professional Services Agreement with VCFO Group Limited for the provision of various financial, taxation and project related services. Randolph van der Burgh is a shareholder and director of VCFO Group Limited and a shareholder and director of the Company. The key terms of those agreements are set out in Table 6.1.4 below.

Table 6.1.4 Summary of Key Terms of Agreements with VCFO Group Limited

Services	Fees (until March 2020)	Fees (from April 2020)
Accounting and taxation services	Fixed monthly fee of NZD 1,250	Fixed monthly fee of NZD 2,250
Project modelling and valuation services	Fixed monthly fee of NZD 3,250	Nil
Other services	Hourly fees for additional services on a time engaged basis	Hourly fees for additional services on a time engaged basis
Premises (furnished)	NZD 1,200 per month per work desk NZD 480 per month per car park	NZD 9,208 per month rent (one-year renewable sub-lease of ground floor) NZD 792 per month for two car parks
Office services	Additional services such as secretarial and photocopying charged per use	Nil

6.1.5 Related Party Outstanding Payables as at 30 June 2020

Contact	2020 NZD	2019 NZD
Olwyn Ventures Limited	–	15,015
VCFO Group Limited	2,803	13,901
Total Payables	**2,803**	**28,916**

6.1.6 Directors' interests in shares and options held

(including via related companies)	2020			2019		
	Ordinary Shares		Options	Ordinary Shares		Options
Director	Number	%	Number	Number	%	Number
Ivan Hammerschlag	5,347,024	2.5%	28,125,000	–	–	–
David McCann	8,778,031	4.1%	16,831,791	1,000	10.0%	–
Randolph van der Burgh	9,633,555	4.5%	16,831,791	1,100	11.0%	–
Anthony Kahn	1,625,000	0.8%	5,000,000	–	–	–
Total	**25,383,610**	**11.9%**	**66,788,582**	**2,100**	**21.0%**	**–**

6.1.7 Directors' interest in convertible notes and loans

Director	Convertible Debt Note	Number of shares issued on Conversion Number	Value of Convertible Debt on conversion NZD
Ivan Hammerschlag	Note 4.3.1	5,347,024	952,055
David McCann	Note 4.3.1	222,793	39,669
Randolph van der Burgh	Note 4.3.1	222,793	39,669
Anthony Kahn	Note 4.3.2 and 4.3.3	625,000	116,683

6.1.8 Directors' interest in companies who have shares in HVM

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

6.2 Commitments

6.2.1 Capital commitments

As at 30 June 2020, the Company had entered into contractual commitments for the acquisition of property, plant and equipment amounting of NZD 891,424.

6.2.2 Short-term lease commitments

On 13 March 2020, the Company entered a sub-lease agreement with VCFO Group Limited which provides the Company with exclusive occupation rights in their ground floor premises, including all furniture and fittings. The commencement date was 16 March 2020 and the initial term ends on 31 March 2021.

6.2.3 Conditional Sale and Purchase agreements for properties

The Company entered into conditional Sale and Purchase Agreements to acquire the properties detailed below. These agreements are subject to a number of conditions including obtaining Overseas Investment Office approval and funding.

Date	Property	Value NZD
4 July 2019	Waipa Meadows, Ōtorohanga	3,200,000
13 March 2020	Woolly Farm, 117 Mangamahoe Road, Ōtorohanga	5,500,000
20 March 2020	Lot 2, 5 Redlands Road, Ōtorohanga	600,000
25 February 2020	6 Redlands Road, Ōtorohanga	375,000

6.2.4 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.

6.3 Contingent liabilities

There were no known contingent liabilities as 30 June 2020 (June 2019: nil).

6.4 Events after reporting date

During 2020 financial markets were affected by the on-going COVID-19 pandemic and so were unusually volatile. Actual economic events and conditions in the future may be materially different from those recorded at reporting date. In the event the impacts from the COVID-19 pandemic are more severe or prolonged than anticipated, this may have adverse impacts to the Company's capital raising plans and timing of the achievement of milestones. The financial statements have been prepared based upon conditions existing at 30 June 2020.

6. Other information continued

6.5 Income Tax

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 is 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.

	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
Income tax expense		
Loss before tax	(14,638,596)	(833,265)
Prima facie tax expense/(benefit)	(4,098,807)	(233,314)
Non-deductible expenses at 28%	102	–
Non-deductible capital expenses at 28%	3,365,694	–
Tax losses not recognised	506,209	233,314
Tax losses forfeited on IPO	199,619	–
Deferred tax asset not recognised	27,184	75,395
Income tax expense	–	75,395

The carrying amount of deferred tax is recognised on the basis there is probable realisation through future profits. Happy Valley Nutrition Limited is expected to move into taxable profits earlier than previously anticipated but not within the next 12 months. The future income tax benefit of tax losses and other deferred tax assets have therefore not been recognised as at 30 June 2020.

	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
Deferred tax asset not recognised in relation to short-term timing differences	27,184	–
Deferred tax asset not recognised in relation to the future benefit of income taxes (NZD 1,807,888 of tax losses carried forward, 2019 NZD 1,102,533)	506,209	308,709
Total deferred tax asset not recognised	**533,393**	**308,709**

Imputation credit

	Year ended 30 Jun 20 NZD	Year ended 30 Jun 19 NZD
Imputation credit account		
Opening balance	1,610	235
Credits		
Resident withholding tax	19,994	1,511
Debits		
Refund	(1,511)	(136)
Closing balance	**20,092**	**1,610**

NZ IFRIC 23 was adopted by the Company in the current reporting period. The Company considers that there are no material uncertainties regarding the tax positions it has adopted.

6.6 Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except Australian GST incurred which is not recoverable by the Company. Receivables and Payables are stated inclusive of GST.

Deloitte.

Independent Auditor's Report

To the Shareholders of Happy Valley Nutrition Limited

Opinion

We have audited the financial statements of Happy Valley Nutrition Limited (the 'Company'), which comprise the statement of financial position as at 30 June 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 11 to 32, present fairly, in all material respects, the financial position of the Company as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

We are independent of the Company 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)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Material uncertainty related to going concern

We draw attention to the disclosure in Note 1 Going Concern of the financial statements, which indicates the Company is reliant on securing additional funding to finance land settlements and earthworks along with future business development and construction of the Facility. Prior to settling land acquisitions of NZD 9.675m (Note 6.2.3) and commencing earthworks, an additional capital raise is required and is planned for later this year. The Company also needs to raise further funding (debt or equity) to establish the business and enable construction of the Facility.

As stated in Note 1, these matters 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.

Audit materiality

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Company that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company's financial statements as a whole to be $300,000.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Share options Note 4.5.1 of the financial statements describes the accounting for the share options. As part of the Initial Public Offering (IPO) process, two types of share options were granted to the Directors. • IPO options which vested upon the successful completion of the listing on the ASX (completed in January 2020) • Milestone options – provided in 3 tranches which vest according to the achievement of certain strategic, financing and operational targets for the Company. The options are equity settled share based payments in accordance with NZ IFRS 2 *Share Based Payments*. The Company used the Black Scholes model in valuing the shared-based payment options. The valuation of and accounting for the share options is a key audit matter due to the complex and judgemental estimates used to value and record the share options.	Our procedures focused on the appropriateness of the valuation methodology and the key assumptions applied in the Black Scholes model, and included: • Reading the terms of the share option agreements and evaluating the appropriateness of the accounting treatment in accordance with NZ IFRS 2 *Share Based Payments*; • Assessing the assumptions used in the Company's valuation of the share options including the expected volatility. We involved our internal valuation specialists in assessing the reasonableness of the assumptions; • Evaluating the non-market performance conditions attached to the milestone options for consistency with the Company's performance and management's reassessment of the number of options expected to vest and the expected timing of vesting; • Recalculating the share based payments expense; • Involving our technical accounting specialists to assist in considering the appropriateness of the adopted accounting treatment; and • Assessing the adequacy of the disclosure in the financial statements.
Convertible debt and related derivatives Note 4.3 of the financial statements describes the financial instruments entered into by the Company before its IPO process that were convertible to equity upon listing of the Company with the Australian Securities Exchange (ASX). The conversion features of the convertible debt instruments were accounted for as derivative financial liabilities (embedded derivatives) at fair value through profit or loss. As part of the Company's listing on the ASX during the year, all convertible debt and related derivatives were converted to equity. The accounting for convertible debt and related derivatives is a key audit matter due to the complex nature, including judgemental estimates used in determining the valuation, of the convertible debt instruments at inception, upon	Our procedures focused on the appropriateness of the accounting treatment as well as the judgements made in determining the valuation methodology. Our procedures included, amongst others: • Assessing the requirements of NZ IFRS 9 *Financial Instruments* to consider whether the convertible debt was appropriately recognised as a hybrid contract. • Utilising an internal valuation specialist to assist with assessing the reasonableness of the valuation method and model used to value the embedded derivatives, the key inputs into the model and the resulting valuation amounts recognised by management; • Assessing the accuracy of the calculation of the conversion expense;

Key audit matter	How our audit addressed the key audit matter
modification (if applicable) and conversion to equity.	• Involving our technical accounting specialists to assist in considering the appropriateness of the adopted accounting treatment; and • Considering the adequacy of the disclosure in the financial statements.
Capitalisation of development costs Note 3.1 of the financial statements includes capitalised development cost additions of $1,765,961 within property, plant and equipment. The capitalisation of development costs is material to the financial statements and is a key audit matter because of the judgements exercised by management in determining whether the costs meet the criteria to be capitalised including that they are 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.	Our procedures focused on the appropriateness of capitalising the development cost including: • Assessing the appropriateness of management's capitalisation methodology; and • Agreeing a sample of capitalised development costs to supporting documentation and assessing the reasonableness of the costs capitalised in accordance with NZ IAS 16 *Property, Plant and Equipment*.
Share based payment transaction with Longreach Oil Limited Note 4.5.2 of the financial statements describes the accounting for the share based payment transaction with Longreach Oil Limited (LGO). The Company issued LGO with 17,400,000 shares as consideration for the Termination Deed agreed as part of the IPO process for the Company listing on the ASX during the year. The accounting for the share based payment transaction with LGO is a key audit matter due to the quantum of the balance, complex nature of the transaction and judgemental estimates used in determining the valuation of the share based payment.	Our procedures focused on the appropriateness of the accounting treatment as well as the judgements made in determining the valuation methodology. Our procedures included, amongst others: • Reviewing management's assessment and considering this relative to the requirements of NZ IFRS 2 *Share Based Payments*; • Considering management's assessment of conditions in the agreement for the issue of consideration shares (predominantly the IPO listing requirement) to be non-vesting conditions; • Assessing the appropriateness of the methodology and the key assumptions, and the calculation of the fair value of the share-based payment transaction; • Involving our technical accounting specialists to assist in considering the appropriateness of the adopted accounting treatment; and • Considering the adequacy of the disclosure in the financial statements.

Other matter

The comparative period financial statements for the year ended 30 June 2019 were audited by another auditor who expressed an unmodified opinion.

Other information

The directors are responsible on behalf of the Company for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

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

Our responsibility is to read the other information and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the financial statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-2

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an 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 Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Heidi Rautjoki, Partner
for Deloitte Limited
Dunedin, New Zealand
23 September 2020

Corporate Governance Report

The Board of Directors of Happy Valley Nutrition Limited is committed to ensuring that its Corporate Governance framework is appropriate for the Company's 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 Company's 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 that produces 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 2020 was as follows:

Director	Position	Director fees NZD	Non-director services fees NZD	Total Remuneration NZD
Ivan Hammerschlag	Non-Executive Chairman	$102,928	–	**$102,928**
David McCann	Non-Executive Director	$140,044	$52,564	**$192,608**
Randolph van der Burgh	Non-Executive Director	$140,136	$52,701	**$192,837**
Anthony Kahn	Non-Executive Director	$42,019	$43,163	**$85,182**

Employee Remuneration

The Company's 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 that:

- 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 Company, and not reward conduct that is contrary to the Company's values or risk appetite; and
- A clear relationship exists between performance and remuneration.

During the year ended 30 June 2020, 4 current and former employees received remuneration and other benefits in their capacity of employees of Happy Valley Nutrition Limited, the value of was NZD 100,000 or more. The following table shows the remuneration and other benefits in brackets of NZD 25,000.

Remuneration range NZD From		To	Number of employees FY2020
$100,000	–	$124,999	1
$125,000	–	$149,999	1
$150,000	–	$174,999	1
$175,000	–	$199,999	
$200,000	–	$224,999	
$225,000	–	$249,999	

Remuneration range NZD From		To	Number of employees FY2020
$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	

Shareholding 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 17 August 2020.

In accordance with ASX Listing Rule 4.10.19, the Company confirms that 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	146	193,591,907	91.09
10,001 to 100,000	433	15,582,418	7.33
5,001 to 10,000	263	2,373,610	1.12
1,001 to 5,000	311	785,110	0.37
1 to 1,000	1,481	196,501	0.09
Total	**2,634**	**212,529,546**	**100.00**

Distribution of Option holders

The distribution of unquoted Options on issue are:

Size of Holding	Number of Optionholders	Unlisted Options	% of Total Options
100,001 and Over	4	66,788,582	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	**4**	**66,788,582**	**100.00**

Less than marketable parcels of ordinary shares

There were 1,678 holders of 538,463 securities with unmarketable parcels based on the closing share price as at 17 August 2020.

20 Largest Shareholders of Quoted Securities

The names of the 20 largest shareholders of quoted equity securities are as follows:

			Number of fully paid Ordinary Shares	% of Issued Capital
1	Rockburgh Nominees Limited	<APLD VAN DER POEL FAMILY	19,249,287	11.22
2	Alceon Group No62 Pty Ltd	<HVN A/C>	12,500,000	7.29
3	J.P. Morgan Nominees Australia Pty Limited		11,860,653	6.91
4	BNP Paribas Nominees Pty Ltd	<IB AU NOMS RETAILCLIENT DRP>	9,485,035	5.53
5	UBS Nominees Pty Ltd		6,000,000	3.50
6	HSBC Custody Nominees (Australia) Limited		5,099,098	2.97
7	Citicorp Nominees Pty Limited		4,381,330	2.55
8	Jasforce Pty Ltd	<WAISLITZ FAMILY FOUNDATION>	3,657,341	2.13
9	NSK International Limited		3,208,214	1.87
10	JBWere (NZ) Nominees Ltd	<52998 A/C>	3,139,302	1.83
11	Tidereef Pty Limited	<IVAN HAMMERSCHLAG S/F A/C>	2,994,334	1.75
12	New Zealand Focused Fund		2,883,115	1.68
13	Bay House Investments Pty Ltd	<THE MANIC SUPER FUND A/C>	2,775,000	1.62
14	Sievwright Holdings Ltd		2,140,226	1.25
15	Kruger Park Pty Ltd		2,000,000	1.17
16	Spinite Pty Ltd		1,981,577	1.16
17	Mr James Alfred John Coren		1,847,299	1.08
18	Hayden Briscoe		1,843,498	1.07
19	Gleneagle Securities Nominees Pty Limited		1,820,110	1.06
20	Errol Bome and Melanie Bome	<THE BOME SUPERANUATION A/C>	1,782,341	1.04
	Total Top 20 Quoted Equity Securities		**100,647,760**	**58.68**
			70,875,327	
	Total Quoted Equity Securities		**171,523,087**	

Unquoted Equity Securities

The Company had the following unquoted securities on issue as at 17 August 2020:

	Number of unquoted securities on issue	Number of holders of unquoted securities
Ordinary shares under ASX Restriction	41,006,459	19
Options over ordinary shares	66,788,582	4

Corporate Governance Report continued

For year ended 30 June 2020

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

Ordinary Shares		
Spinite Pty Ltd <Rosenberg Family Trust>	8,959,474	21.85%
Randolph van der Burgh <JAS Trust>	8,473,609	20.66%

Options		
Tidereef Pty Ltd <Ivan Hammerschlag Super Fund>	28,125,000	42.11%
Olwyn International Limited	16,831,791	25.20%
Randolph van der Burgh <JAS Trust>	16,831,791	25.20%

Substantial Shareholders

In accordance with ASX Listing Rule 4.10.1, the following are the names of the Substantial Shareholders listed in the Company's Register as at 17 August 2020 as advised by notices lodged with ASX:

	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
Alceon Group No62 Pty Ltd	15,000,000	7.06
Arwon Asia Pacific Focus Fund	11,230,870	5.28

Restricted Securities

Class	Escrow Period End Date	Number of Securities
Ordinary shares	23 January 2022	41,006,459

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.

ASX waivers

Not applicable

Donations

Not applicable

Credit rating

Not applicable

Corporate Directory

Company

Happy Valley Nutrition Limited

Board of Directors

Ivan Hammerschlag – Non-Executive Chairman

Greg Wood – Managing Director and CEO

David McCann – Non-Executive Director

Randolph van der Burgh – Non-Executive Director

Anthony Kahn – Non-Executive Director

Company Secretary

Leanne Ralph

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Share Registry

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Auditor

Deloitte Limited
481 Moray Place
Dunedin 9054
New Zealand

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