Hygrovest Limited
Appendix 4E
Preliminary Final Report

1. Company details

Name of entity:	Hygrovest Limited ("the Company" or "consolidated entity")
ABN:	91 601 236 417
Reporting period:	For the year ended 30 June 2022 (the "Financial Period")
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

			30-Jun-22	30-Jun-21
			$'000	$'000
Revenues from ordinary activities	up	(215%)	(16,338)	(5,184)
Profit/(loss) from ordinary activities after tax attributable to the owners of Hygrovest Limited	up	(296%)	(15,932)	(4,024)
Profit/(loss) for the year attributable to the owners of Hygrovest Limited	up	(296%)	(15,932)	(4,024)

Dividends

Current period

There were no dividends paid, recommended or declared during the current or previous financial year.

Previous period

There were no dividends paid, recommended, or declared during the previous financial period.

Commentary on results for the period

The loss for the consolidated entity after providing for income tax amounted to $15.9m (2021: loss of $4m).

The loss for the Financial Period included the following gains and losses on significant investments[1]:

	Gains/(losses) from material investments	Book value
	30-Jun-22	30-Jun-22
	$000	$000
Investment in Harvest One Cannabis Inc.	(4,385)	1,876
Investment in Southern Cannabis Holdings	(3,137)	1,128
Investment in Embark Health	(2,046)	investment sold during Financial Period
Investment in Weed Me Inc	(2,789)	9,903
Investment in Entourage Health	584	21
Investment in Sequoya	(4,667)	912
	(16,439)	13,840
Investment in Bespoke	(1,091)	2,088

Operating overheads for the Financial Period were $1.4m[2] down from $1.6m in the previous Financial Period.

During the Financial Period, the net tangible asset backing per share decreased from 17.47 cents as at 30 June 2021 to 10.55 cents as at 30 June 2022 on which day the share price closed at 6.4 cents. The net tangible assets of the consolidated entity decreased primarily as a result of unrealised losses on the Company's investment portfolio during the period.

Coronavirus (COVID-19) pandemic

The Coronavirus ("COVID-19") pandemic up to 30 June 2022 has not had a material financial impact for the controlled entity. The internal operations of HGV have not been significantly impacted and we have not observed a material adverse impact on the operations of our material investments or any consequential

[1] Includes unrealised and realised gains and losses, interest and dividend income as applicable
[2] Excludes non-cash share-based payments expense.

material specific impact from COVID-19 on HGV's valuation and/or any impact on recoverability of loans advanced during the period still receivable as at 30 June 2022.

The increased volatility in the Canadian equities market has limited the ability of cannabis investments in general to raise new funds and move from private to listed status.

a) Significant Acquisitions

During the Financial Period, the Company made the following investments.

i. Investment of USD1m in unlisted Brainworks Foundry Inc. ("Brainworks"). Brainworks is an integrated digital health and pathology company operating in the United States.

ii. Investment of AUD1m in the unlisted Valo Therapeutics Oy ("Valo Tx") based in Finland. Valo Tx is an immunotherapy company that is developing antigen-coated oncolytic viruses and vaccine vectors as therapeutic vaccines against cancer and infectious diseases.

iii. A follow-on investment of CAD2m in unlisted Weed Me Inc. ("Weed Me") in the form of an unsecured convertible notes to fund the business plan rollout and position Weed Me for a liquidity event (either public listing or sale of the business).

iv. Acquisition of CAD1m of listed BevCanna ("BEV") shares as consideration received for the sale of HGV's investment in Embark Health ("Embark").

b) Significant Divestment of Investments

During the Financial Period, the Company made the following material divestments:

i. Sale of investment in Embark for CAD1m.

ii. Redemption of Entourage Health Corp (ENT) convertible debentures for $4m.

3. Dividend reinvestment plans

Not applicable

4. Net tangible assets

During the Financial Period, the net tangible asset backing per share decreased from 17.47 cents as at 30 June 2021 to 10.55 cents as at 30 June 2022. The net tangible assets of the consolidated entity decreased primarily as a result of unrealised losses on the Company's investment portfolio during the period.

5. Control gained over entities

Not applicable

6. Loss of control over entities

Not applicable

7. Details of associates and joint venture entities

Not applicable

8. Foreign entities

Not applicable

9. Audit qualification or review

The preliminary financial report and accompanying notes for the Company have not been audited. The audited financial report is scheduled for release in September 2022.

Details of audit/review dispute or qualification (if any):

None

10. Attachments

Details of attachments (if any):

The Preliminary Financial Report of the Company for the year ended 30 June 2022 is attached.

This document provides all the disclosures required under listing rule 4.3A.

11. Annual General Meeting

The Annual General Meeting of Hygrovest Limited will be held as follows:

Venue:	The office of Steinepreis Paganin, Level 4, The Read Buildings,16 Milligan Street, Perth.
Time:	12:00pm (AEST)
Date:	24 November 2022
Meeting format:	The Company is pleased to provide shareholders with the opportunity to attend in person and/or virtually by participating in a hybrid meeting with shareholders participating in an online meeting platform where they cannot attend the physical meeting and will be able to watch, listen, and vote online.
Nominations for directorships of HGV:	Nominations of persons intending to propose his or her nomination as a director of Hygrovest Limited have to be lodged at the registered office by 6 October 2022.

Hygrovest Limited

Consolidated statement of profit or loss and other comprehensive income

For the Financial Period

	Note	30-Jun-22 $000	30-Jun-21 $000
Investment Income			
Interest income from financial assets at fair value through profit or loss		657	789
Net gains/(losses) on financial instruments at fair value through profit or loss		(13,932)	(4,771)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		(3,062)	(1,132)
Total investment income/(loss)		(16,337)	(5,113)
Other Income/(Loss)			
Other operating income/(loss)		(0)	(70)
Total income/(loss)		(16,338)	(5,184)
Expenses			
Administration expenses		(622)	(705)
Asset management expenses		(242)	(339)
Employee and director related expenses		(564)	(543)
Operating expenses		(1,428)	(1,587)
Equity based payments reversal/(expense)		(30)	(29)
Total expenses		(1,457)	(1,615)
Profit/(Loss) before income tax		(17,795)	(6,798)
Income tax expense/(benefit)	5	(1,863)	(2,775)
Profit/(Loss) after income tax for the Financial Period		(15,932)	(4,024)
Other comprehensive income			
		0	0
Other comprehensive income for the Financial Period, net of tax		0	0
Total comprehensive profit/(loss) for the Financial Period		(15,932)	(4,024)
Profit/(Loss) for the Financial Period is attributable to:			
Owners of Hygrovest Limited		(15,932)	(4,024)
		(15,932)	(4,024)
Total comprehensive income/(loss) for the Financial Period is attributable to:			
Owners of Hygrovest Limited		(15,932)	(4,024)
		(15,932)	(4,024)
		Cents	**Cents**
Basic earnings/(loss) per share		(6.93)	(1.75)
Diluted earnings/(loss) per share		(6.93)	(1.75)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Hygrovest Limited

Consolidated statement of financial position

As at end of Financial Period

	Note	30-Jun-22 $'000	30-Jun-21 $'000
CURRENT ASSETS			
Cash and cash equivalents		6,319	3,445
Trade and other receivables	11	742	4,652
Financial assets at fair value through profit or loss	7	19,195	35,383
Total Current Assets		**26,256**	**43,480**
NON-CURRENT ASSETS			
Deferred tax assets	5	95	84
Total Non-Current Assets		**95**	**84**
TOTAL ASSETS		**26,351**	**43,564**
CURRENT LIABILITIES			
Trade and other payables		132	232
Total Current Liabilities		**132**	**232**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5	1,869	3,081
Total Non-Current Liabilities		**1,869**	**3,081**
TOTAL LIABILITIES		**2,001**	**3,313**
NET ASSETS		**24,350**	**40,252**
EQUITY			
Contributed equity	8	51,786	51,786
Reserves	9	27	349
Retained Earnings/(Accumulated Losses)		(27,463)	(11,882)
TOTAL EQUITY		**24,350**	**40,252**
Net Tangible Assets per share ($)		**0.1055**	**0.1747**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Hygrovest Limited

Consolidated statement of changes in equity

For the Financial Period

		Contributed Equity $'000	Other Reserves $'000	(Accumulated Loss)/ Retained Earnings $'000	Total Equity $'000
Balance at	**1-Jul-21**	**51,786**	**349**	**(11,882)**	**40,252**
Loss after income tax expense for Financial Period		0	0	(15,932)	(15,932)
Total comprehensive income for the Financial Period		0	0	(15,932)	(15,932)
Transactions with owners in their capacity as owners:					
Lapse of options		0	(270)	270	0
Lapse of performance rights		0	(107)	107	0
Other transactions			26	(26)	0
Share-based payment		0	30	0	30
		0	(322)	351	30
Balance at	**30-Jun-22**	**51,786**	**27**	**(27,463)**	**24,350**

		Contributed Equity $'000	Other Reserves $'000	(Accumulated Loss)/ Retained Earnings $'000	Total Equity $'000
Balance at	**1-Jul-20**	**51,786**	**901**	**(8,439)**	**44,248**
Loss after income tax expense for Financial Period		0	0	(4,024)	(4,024)
Other comprehensive income for the Financial Period, net of tax		0	0	0	0
Total comprehensive income for the Financial Period		0	0	(4,024)	(4,024)
Transactions with owners in their capacity as owners:					
Lapse of options		0	(581)	581	0
Share-based payment		0	29	0	28
		0	(552)	581	28
Balance at	**30-Jun-21**	**51,786**	**349**	**(11,882)**	**40,252**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Hygrovest Limited

Consolidated statement of cash flows

For the Financial Period

	Note	30-Jun-22 $'000	30-Jun-21 $'000
Cash flows from operating activities			
Payments to employees & suppliers		(1,579)	(1,286)
Interest received		582	767
Payments for financial assets at FVPL		(4,973)	(449)
Proceeds from disposal of financial assets at FVPL		4,186	3,330
Company tax refund		4,628	0
Net cash/(used in) from operating activities	6	**2,844**	**2,363**
Cash flows from investing activities			
Other		0	0
Net cash used in investing activities		**0**	**0**
Cash flows from financing activities			
Other		0	0
Net cash/(used in) from financing activities		**0**	**0**
Net increase/(decrease) in cash & cash equivalents		**2,844**	**2,363**
Cash at the beginning of the Financial Period		3,445	1,042
Effects of exchange rate changes on cash and cash equivalents		29	41
Cash & cash equivalents at end of Financial Period		**6,319**	**3,445**

Hygrovest Limited

Notes to the consolidated financial statements

Financial Year Ended 30 June 2022

1. General information

The financial statements cover Hygrovest Limited as a consolidated entity consisting of Hygrovest Limited and the entity it controlled at the end of, or during, the year ended 30 June 2022 (the “Financial Period”). The financial statements are presented in Australian dollars, which is Hygrovest Limited's functional and presentation currency.

Hygrovest Limited is a listed public company limited by Shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 5706, Level 57, MLC Centre
19-29 Martin Place
Sydney NSW 2000

The preliminary financial statements were authorised for issue, in accordance with a Resolution of Directors, on 30 August 2022. The Directors have the power to amend and reissue the preliminary financial statements.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”).

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hygrovest Limited (the “Company” or “parent entity”) as at 30 June 2022 and the results of all subsidiaries for the year then ended. Hygrovest Limited and its subsidiaries together are referred to in these financial statements as the “consolidated entity”.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without acquiring or losing control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Hygrovest Limited’s functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

Investments

The Company is classified as an Investment Entity (in accordance with AASB 10 Consolidated Financial Statements) being a business whose purpose is to invest funds solely for returns via capital appreciation and/or investment returns. As the Company has been classified as an Investment Entity and recognises its investments as ‘held for trading’, the portfolio investments have been accounted for at fair value through profit or loss and shown as financial assets in the statement of financial position.

Investments held at fair value through profit or loss are initially recognised at fair value. Transaction costs related to acquisitions are expensed to profit or loss immediately. Subsequent to initial recognition, all financial instruments held at fair value are accounted for at fair value, with changes to such values recognised in profit or loss.

Investments are recognised on a settlement date basis.

The entity is exempt from consolidating underlying investees it controls in accordance with AASB 10 Consolidated Financial Statements and is exempt from accounting for associates in accordance with AASB 128 Investments in Associates and Joint Ventures.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments

Hedges of a net investment

Hedges of a net investment in a foreign operation include monetary items that are considered part of the net investment. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity whilst gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Share-based payment transactions of the Company

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 determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and 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 obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the Financial Period.

Goods and Services Tax ("GST") and other similar taxes

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to "rounding-off". Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of Options is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Performance rights were valued using a hybrid up and in single share price barrier model or where applicable, value based on the share price on grant date.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgements and estimations, considering factors specific to the asset or liability.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Accounting policy for cash and cash equivalents

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

4. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker (“CODM”), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Hygrovest Limited. The Group has determined that it has one operating segment, being the investing operations, and results are analysed as a whole by the CODM, being the Board of Directors. Consequently, revenue, profit, net assets and total assets for the operating segment are reflected in this financial report.

Accounting policy for operating segments

Operating segments are presented using the "management approach", where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

5. Income tax

	30-Jun-22 $000	30-Jun-21 $000
a) Income tax Expense/(Benefit)		
Major components of income tax expense are:		
Current tax	(662)	0
Deferred tax	(1,201)	(2,775)
Income tax expense/(benefit) reported in the income statement	**(1,863)**	**(2,775)**
b) Numerical reconciliation		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense/(benefit) as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 25% (2021: 26%)	(4,393)	(1,687)
- Non-deductible share based payments	(5)	(6)
- non-assessable income	(7)	13
- Accounting gain/(loss) on investment	1,761	0
- Net trading stock adjustment	765	295
- Change in company tax rate	0	(8)
- Difference in tax rates	121	0
- Revaluations	(150)	0
- Other permanent adjustments	23	(25)
- Prior period adjustment	21	(1,356)
	(1,863)	(2,775)
c) Deferred tax asset balances		
Temporary differences - Australia	95	84
	95	84
e) Deferred tax liabilities balances		
Revaluation on investments	1,869	3,081
Other timing differences	0	0
	1,869	3,081

The potential Future income tax benefit will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit.

The franking account balance at the end of the Financial Period was $1,312,826 (2021: $5,893,048).

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each operating jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

6. Reconciliation of profit after income tax to net cash used in operating activities

	2022 $'000	2021 $'000
Profit/(loss) after income tax expense for the year	(15,932)	(4,024)
Adjustments for:		
Depreciation and amortisation	6	1
Write-off of fixed assets	3	2
Share-based payments	30	29
Interest income receivable	(45)	342
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	3,062	1,132
Changes in the fair value of equity investments at fair value through profit and loss	13,932	4,771
Proceeds from disposal of financial assets at fair value through profit or loss	4,186	3,330
Payments for financial assets at fair value through profit or loss	(4,973)	(449)
Change in operating assets and liabilities:		
Increase in other assets	(10)	(84)
Decrease/(increase) in trade and other receivable	3,911	(4,597)
Increase/(decrease) in trade and other payables	(100)	69
Increase in other liabilities	(1,225)	1,842
Net cash used in operating activities	2,844	2,363

7. Financial assets held at Fair Value through Profit or Loss

Financial assets held at Fair Value through Profit or Loss

	30-Jun-22 $000	30-Jun-21 $000
Financial assets at fair value through profit or loss		
Equity financial assets - current		
Investment in Bevcanna Enterprises Inc.	380	0
Investment in Embark Health Inc	0	2,627
Investment in Weed Me Inc	6,988	9,534
Investment in Southern Cannabis Holdings	1,128	4,265
Investment in Harvest One Cannabis Inc.	1,876	7,224
Investment in Martha Jane Medical Limited	0	0
Investment in Vitagenne Inc.	0	0
Investment in Medipharm LABS Inc.	0	17
Investment in Volero Inc.	0	0
Investment in Bespoke	2,088	3,179
Investment in J Supply	323	308
Investment in Brainworks	1,452	0
Investment in Sequoya	0	0
Investment in Parallax Ventures Inc.	0	0
Investment in Saturn Oil & Gas Inc.	114	0
Investment in Entourage Health Corp (Formerly known as WeedMD)	21	0
	14,369	27,153
Convertible and loan financial assets - current		
Investment in Sequoya	912	3,762
Investment in Weed Me Inc.	2,914	0
Investment in Valo	1,000	0
Investment in Entourage Health Corp (Formerly known as WeedMD)	0	4,468
	4,826	8,230
Financial assets at fair value through profit or loss - current	19,195	35,383
Financial assets at fair value through profit or loss - total	19,195	35,383

Note: The investment in Weed Me Inc. convertible notes includes the fair value of $0.701m assessed by the Company in respect of the conversion value of the convertible notes.

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous Financial Period are set out below:

	30-Jun-22 $000	30-Jun-21 $000
Opening fair value	35,383	44,486
Additions - financial assets at fair value through profit and loss	6,028	1,464
Changes in the fair value of equity investments at fair value through profit and loss	(13,932)	(4,771)
Net foreign exchange gain/(loss) on disposal of loan investments at fair value through profit and loss		(69)
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss	(3,062)	(1,202)
Accrued interest	45	(342)
Disposal of financial assets at fair value through profit and loss	(5,242)	(4,022)
Other movements	(25)	(161)
Closing fair value	19,195	35,383

The following table presents the changes in level 3 instruments for the Financial Period:

		Unlisted equity securities $000	Convertible debenture receivable $000	Total $000
Opening balance	**1-Jul-21**	**20,875**	**3,762**	**24,638**
Transfer to level 1		0	0	**0**
Disposals		(1,055)	0	**(1,055)**
Acquisitions		1,397	3,332	**4,729**
Realised gains/(losses) on disposal of equity investments at fair value through profit and loss		(2,548)	0	**(2,548)**
Accrued interest		0	45	**45**
Net gains/(losses) on financial instruments at fair value through profit or loss		(6,684)	(2,291)	**(8,975)**
Other movements		(7)	(21)	**(28)**
Closing balance	**30-Jun-22**	**11,979**	**4,826**	**16,805**

Refer for further information on fair value measurement.

There were no transfers between the levels of the fair value hierarchy in the Financial Period. There were also no material changes made during the Financial Period to any of the valuation techniques applied as of 30 June 2022.

Fair Value Measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices 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.

There were no transfers between the levels of the fair value hierarchy in the Financial Period.

Level 3 financial assets at fair value through profit or loss unobservable inputs and sensitivity are as follows:

Description	Valuation Methodology	Fair Value of Instruments ($'000)	Input	Sensitivity	Sensitivity Impact ($'000)
Unlisted shares/stock	Issue price of shares from latest significant capital raising or at arm's length transaction of instruments held and/or	2,088	Recent share price	10% (10%)	209 (209)
	EV/Rev multiple: For the Financial Period, when utilising the Enterprise Value to Revenue Multiple, revenue for the last twelve months has been used with a multiple of 1.5x which has been determined from a peer list of Australian companiesand a multiple of 1.9x which has been determined from a peer list of Canadian companies and/or	7,783	Revenue	10% (10%)	759 (759)
	assessment against relevant market indices and/or	323	Market indices	5% (5%)	16 (16)
	Retention at acquisition where the investment was within twelve months of valuation date and there HGV assess that there has been no material change in the prospects of the investee	1,452	Acqusition cost	10% (10%)	145 (145)
Unlisted warrants/options	Unlisted warrants/ conversion options which are not actively traded are valued using a Black-Scholes valuation methodology.	948	Share Price	10% (10%)	99 (96)
			Volatility	5% (5%)	198 (2)
Unlisted convertible debentures and loan instruments	Convertible debentures and loan instruments are valued using an assessment of the capacity of the investee to repay principal and interest	4,212	Market interest rate	2% (2%)	(81) 84
	Total:	**16,805**			

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value in active market (Level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The Company values its investments in accordance with the accounting policies set out in note 2 of the financial statements.

For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Company is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Company holds derivatives with offsetting market risks, it uses midmarket prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value in an inactive or unquoted market (Level 2 and Level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. These include the use of a recent share price from capital raising and option pricing models that provides a reliable estimate of prices obtained in actual market transactions.

For option pricing models, inputs are based on available market data other than underlying share price of unlisted equity investments, such as expected volatility and risk-free rates. Fair values for unquoted equity investments are estimated, using the latest share price from capital raising or arm's length transaction, or in the absence of a recent transaction, an enterprise value to revenue multiple or benchmarked to market movements indicated relevant market indices.

The COVID-19 pandemic continued to create significant social and economic upheaval in Financial Period, causing economic uncertainty across all industries globally, and resulting in extreme fluctuations in global share markets. The social, economic and financial impacts of COVID-19 are expected to continue in year ending 30 June 2023, and we expect further changes in government policy and regulations in order to address these impacts. All of these changes will impact the intention and/or ability of companies to generate returns and pay dividends, including those companies in which HGV invests. There has been no measurable impact of the COVID-19 on investee valuations.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the COVID-19 pandemic and forward-looking information that is available. The allowance for expected credit losses is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

8. Equity – contributed equity

Movements in ordinary share capital	**30-Jun-22 Shares**	**30-Jun-21 Shares**	**30-Jun-22 $'000**	**30-Jun-21 $'000**
Ordinary Shares - fully paid	229,953,985	229,758,985	51,786	51,786

Details	**Date**	**Shares**	**$'000**
Balance	**30-Jun-20**	229,953,985	51,786
No changes		0	0
Balance	30-Jun-21	229,953,985	51,786
No changes		0	0
Balance	**30-Jun-22**	229,953,985	51,786

Issue of new performance rights or options issued to Key Management Personnel

Apart from the issue of Class N options during the Financial Period, there were no new Performance Rights or Options issued to Directors and other Key Management Personnel during the Financial Period. The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired, and the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised for the period. No cumulative expense is recognised for awards that ultimately do not vest (in respect of non-market vesting conditions).

Ordinary Shares

Ordinary Shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the Shares held. The fully paid Ordinary Shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Preference Shares

Preference Shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the Shares held, with priority over ordinary Shareholders.

Preference Shares do not have any voting rights.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for Shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new Shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Accounting policy for contributed equity

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new Shares or Options are shown in equity as a deduction, net of tax, from the proceeds.

9. Equity – reserves

	30-Jun-22 $'000	**30-Jun-21 $'000**
Options reserve	27	263
Performance rights reserve	-	85
	27	**349**

Options and performance rights reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Options reserve	Performance rights reserve	Total
	$'000	$'000	$'000
Balance at 30 June 2020	825	76	901
Reversal of option expense/reserve	(581)	0	(581)
Shared based payments	19	10	29
Balance at 30 June 2021	**263**	**86**	**349**
Lapse of options	(270)	0	(270)
Lapse of performance rights	0	(107)	(107)
Other transactions	7	19	26
Share-based payment	27	2	30
Balance at 30 June 2022	27	(0)	27

10. Earnings per share

	30-Jun-2022 $'000	30-Jun-2021 $'000
Profit/(loss) after income tax	(15,932)	(4,024)
Profit/(loss) after income tax attributable to the owners of Hygrovest Limited	(15,932)	(4,024)
	Number	**Number**
Weighted average number of ordinary Shares used in calculating basic earnings per share	229,953,985	229,953,985
Adjustments for calculation of diluted earnings per share:		
Options over ordinary Shares	0	0
Performance rights over ordinary Shares	0	0
Weighted average number of ordinary Shares used in calculating diluted earnings per share	229,953,985	229,953,985
	Cents	**Cents**
Basic earnings per share	(6.93)	(1.75)
Diluted earnings per share	(6.93)	(1.75)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Hygrovest Limited, excluding any costs of servicing equity other than Ordinary Shares, by the weighted average number of Ordinary Shares outstanding during the financial year, adjusted for bonus elements in Ordinary Shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential Ordinary Shares and the weighted average number of Shares assumed to have been issued for no consideration in relation to dilutive potential ordinary Shares.

11. Trade and other receivables

	30-Jun-22 $'000	30-Jun-21 $'000
Company tax refund	689	4,628
Other receivables	53	24
	742	**4,652**

The Company is entitled to a company tax refund of $0.7m as at 30 June 2022 in respect of recovery of tax paid in the financial year ended 30 June 2019 and now recoverable under the tax loss carry back provisions announced on 6 October 2020 by the Federal Government. Companies which paid tax in respect of financial year ended 30 June 2019 (HGV paid tax of $5.893m in respect of financial year ended 30 June 2019) can offset the tax paid against tax losses in the 2019-20 and 2020-21 income years. The refund is expected to be received by December 2022 after lodgment of the Company tax return for the year ended 30 June 2022.