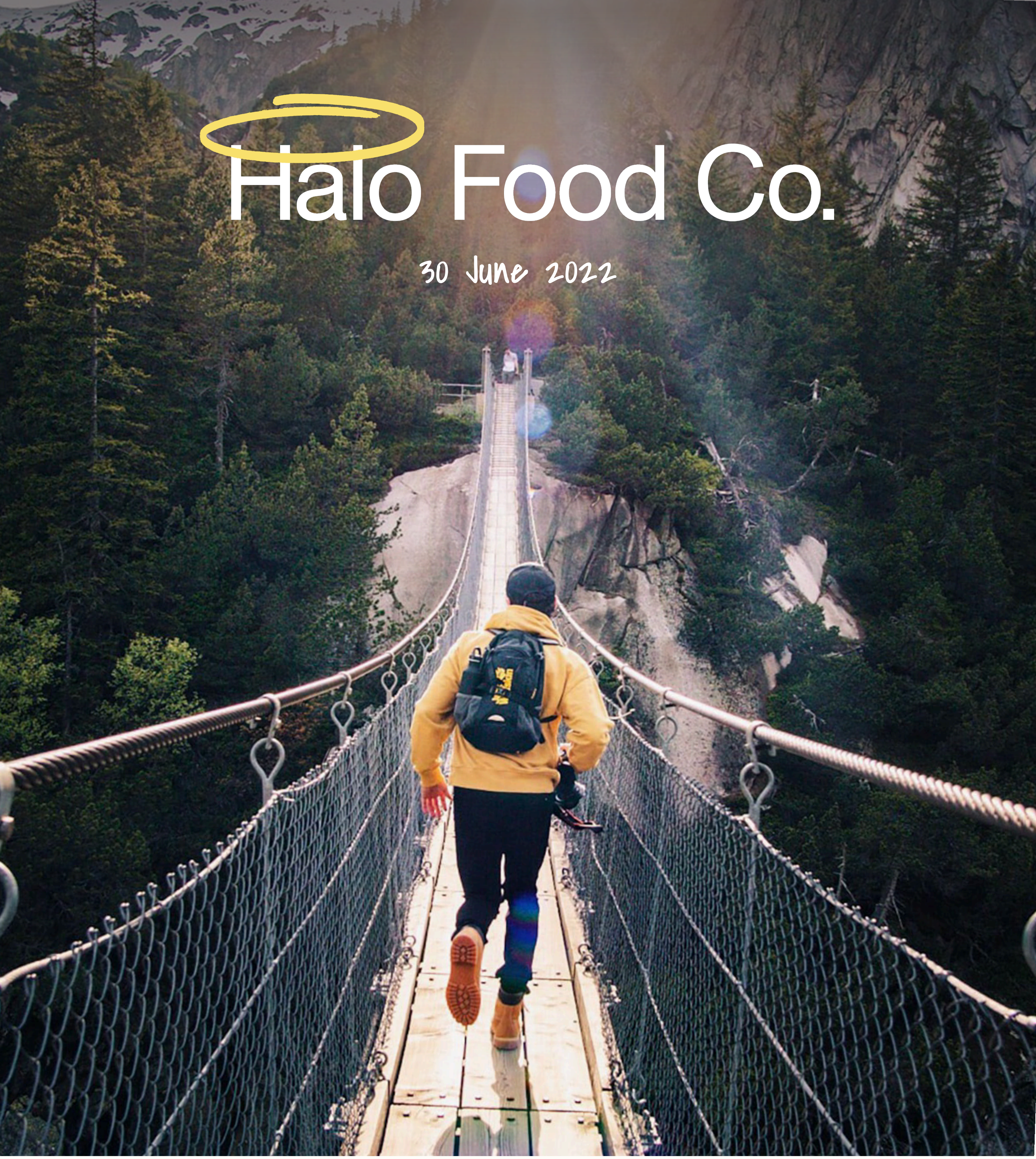

ASX Release

Statutory Accounts - Financial Year 2022

halofoodco.com

Halo Food Co. Limited
ABN: 49 627 970 652

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Halo Food Co. Limited (referred to hereafter as the 'company' or 'parent entity' or 'HLF') and the entities it controlled at the end of, or during, the year ended 31 March 2022.

Directors
The following persons were directors of the company during the financial period and / up to the date of this report, unless otherwise stated:

Peter James
Andrew Reeves
Daniel Rotman
Susan Klose (appointed 7 March 2022)
Robert Clisdell (resigned 17 February 2022)
Arie Nudel (resigned 27 May 2021)

Principal activities
The principal activity of the consolidated entity was the manufacture and export of dairy, health and wellness and nutritional products, with a particular focus on formulated powdered products, ready-to-drink protein drinks for both third party private label clients and the consolidated entity's proprietary product suite. The consolidated entity earns the majority of its revenues from the sales of its proprietary products, contract manufacturing for third party private label clients in Australia and the export of its New Zealand products to international markets, including China.

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

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $7,467,651 (31 March 2021: $8,195,476).

Significant changes in the state of affairs
Capital structure
On 20 July 2021, the company announced the lapse of 16,500,000 options issued under the Company Employee Concessional Incentive Options Plan.

On 21 July 2021, the company issued 1,000,000 ordinary shares at nil consideration upon conversion of Options issued under the Company Employee Concessional Incentive Option Plan.

On 27 September 2021, the company announced the lapse of 4,000,000 unlisted options exercisable at $0.68 with an expiry date of 25 September 2021.

On 28 October 2021, the company announced the adoption of Employee Incentive Plan following shareholder approval at the Annual General Meeting on the same date.

On 26 November 2021, the company issued 21,000,000 options to Directors and 17,000,000 options to employees, under the Halo Employee Incentive Plan with an expiry date of 26 November 2024.

On 21 February 2022, the company completed a capital raising of $3.5 million (before costs) by issuing 35,000,000 fully paid ordinary shares at an issue price of $0.10 per share.

On 21 March 2022, the company issued 37,933,477 fully paid ordinary shares at an issue price of $0.068 under the Share Purchase Plan raising a total of $2.6 million.

On 22 March 2022, the company issued 2,151,156 ordinary shares at nil consideration upon conversion of Zero Price Exercise Options issued under the Company Employee Concessional Incentive Option Plan.

Board update
On 27 May 2021, Mr Arie Nudel resigned as an executive director of the consolidated entity.

On 17 February 2022, Mr Robert Clisdell resigned as a non-executive director of the consolidated entity.

On 7 March 2022, Ms Susan Klose was appointed as a non-executive director of the consolidated entity.

Change of name
On 9 November 2021, the company announced its new company name and corporate brand Halo Food Co. Limited following shareholder approval at the Annual General Meeting on 28 October 2021.

Impact of COVID-19
On 11 March 2020, the World Health Organisation ("WHO") declared the Coronavirus disease 2019 ("COVID-19") a pandemic. The pandemic has adversely affected the global economy, including a decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world have announced monetary and fiscal stimulus packages to minimise the adverse economic impact.

Notwithstanding the increasing and varied levels of Government lockdowns being implemented in New Zealand and Australia, Halo Food as a food manufacturer is considered an essential service and will continue to operate through these challenging periods. The Group has a flexible and diversified operational base across six manufacturing sites and an additional dedicated warehousing facilities in New Zealand and Australia, has implemented additional risk mitigation measures and stringent personal and food safety standards.

Throughout the financial year 2022, the COVID-19 situation continued to evolve. Vaccination rates across Australia enabled Australian markets to emerge from lockdown and re-open with restrictions continuing to be ease as vaccination rates continued to increase through FY22. Notwithstanding, the improvement in trading conditions for consumers, significant challenges remained in FY22. Principally, The Omicron variant which peaked from December 2021 through to February 2022 in various states, realised significant challenges for the Halo business and recorded absenteeism across the business was material and in excess of 50% at its peak. This resulted in delayed sales to the Company and particularly impacted the fourth quarter of FY22 as manufacturing crews in multiple sites were impacted. The loss of sales was a timing lag and the sales order book for Halo remains strong. A proportion of the delayed sales were realised in March 2022 as conditions eased with the remainder expected to be manufactured in FY23.

While Government policy continues to be fluid, however stabilising, and evolve around lockdowns, self-solation and the required course of action where a positive COVID infection presents, the operating business is normalising and the risks are mitigated through stringent hygiene and food safety standards.

The Board will continue to monitor the effect of COVID-19 on the business moving forward. There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
On 1 April 2022, the company announced the completion of the acquisition of 100% of the issued share capital in leading digital health and wellness business, The Healthy Mummy ("THM"), in line with the following terms:

Upfront consideration
- $10.84 million in cash to Whiteoak and Rhian Allen. $8.04 million to Whiteoak and $2.8 million to Rhian Allen.
- $6.17 million in HLF equity to Whiteoak and Rhian Allen. $2.95 million to Whiteoak and $3.22 million to Rhian Allen. 51,588,628 ordinary
  shares were issued as part of the upfront consideration. 16,722,408 of the shares to be held in escrow for 12 months, the balance of 34,866,220 shares to be held in escrow for 24 months.

Earn out
- Cash payment of $0.5 million and an issue of HLF equity to the value of $2 million where FY22 revenue is greater than $25 million and EBITDA is greater than $5 million.
- Cash payment of $0.5 million and an issue of HLF equity to the value of $2 million where FY23 revenue is greater than $30 million and EBITDA is greater than $6.5 million.
- Deferred consideration is only payable to Rhian Allen and the HLF equity issued is subject to a 24 month escrow from the time of issue.

On 1 April 2022, the company received the funds from the Facility Agreement with Arrowpoint for $13 million. On the same date, the company issued 1 warrant exercisable into 44,117,648 fully paid ordinary shares.

No other matter or circumstance has arisen since 31 March 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Peter James
Title:	Non-Executive Chairman
Experience and expertise:	Mr James has over 30 years' experience in the commercial sector and extensive experience as Chair, Non-Executive Director and Chief Executive Officer across a range of publicly listed and private companies. He is currently Chair of ASX-listed companies: Macquarie Telecom, Nearmap and DroneShield. He is a fellow of the Australian Institute of Company Directors.
Other current directorships:	Nearmap Ltd; Macquarie Telecom Ltd; Droneshield Limited; Ansarada Group Limited
Former directorships (last 3 years):	Dreamscape Networks Limited; UUV Aquabotix Limited
Interests in shares:	2,148,629 Ordinary Shares
Interests in options:	6,000,000 Incentive Options exercisable at $0.30 4,388,206 Zero exercise price options 4,000,000 Incentive Options exercisable at $0.18
Interests in rights:	Nil

Name:	Robert Clisdell
Title:	Non-Executive Director (resigned 17 February 2022)
Experience and expertise:	Mr. Clisdell is based in Sydney and is a non-executive director of UUV Aquabotix Limited (ASX:UUV) and is a Director at Brentridge Capital Pty Ltd, an affiliate of the Company's largest shareholder. Previously, Mr. Clisdell gained over 15 years' experience in the banking, finance and accounting sectors in the Australian market as an investment banker at Credit Suisse and Caliburn Partnership (now Greenhill & Co.) and worked in equity capital markets at Ord Minnett. Mr. Clisdell began his career at Arthur Anderson and qualified as a Chartered Accountant in 2005. Mr. Clisdell has a Bachelor of Commerce degree from the University of Sydney and a Graduate Diploma in Applied Finance & Investment from FINSIA.
Other current directorships:	None
Former directorships (last 3 years):	Droneshield Limited; UUV Aquabotix Ltd
Interests in shares:	107,558 Ordinary shares
Interests in rights:	Nil

Name:	Andrew Reeves
Title:	Non-Executive Director
Experience and expertise:	Mr. Reeves is a highly respected leader and strategist in fast moving customer goods (FMCG) with extensive exposure to public equity markets and brings invaluable experience to the Halo Food Board and management team. Mr. Reeves has more than 40 years' experience in FMCG and his prior roles have included Chief Executive Officer of George Weston Foods, Managing and Executive Director of Lion Nathan Limited (including Managing Director of Lion Dairy & Drinks), Managing Director Australia of Coca Cola Amatil and Managing Director of the Smiths Snack Food Company among others. Mr Reeves currently serves as an Non-Executive Director on the boards of Inghams Group Ltd and Credit Union Australia Ltd.
Other current directorships:	Inghams Group Ltd, Credit Union Australia Ltd
Former directorships (last 3 years):	The Healthy Grain, IR Exchange and OzHarvest.
Interests in shares:	107,558 Ordinary shares
Interests in options:	461,916 zero exercise price options 2,000,000 Incentive Options exercisable at $0.18
Interests in rights:	Nil

Name:	Arie Nudel
Title:	Executive Director and International Head of Business Development (resigned 27 May 2021)
Experience and expertise:	Mr Nudel is a founding partner of Omniblend. Mr Nudel has significant experience with advancements in nutritional understanding in recent times that can be used in preventive and adjunct therapies. He has experience with both public listed public and private companies having previously being a director of an ASX listed public company and currently sits on a number of private company boards. He is a graduate of Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	5,813,953 Ordinary Shares
Interests in options:	Nil
Interests in rights:	Nil

Name:	Daniel Rotman
Title:	Executive Director and Chief Executive Officer
Experience and expertise:	Mr Rotman is a co-founder and Managing Director of Omniblend. Prior to founding Omniblend, Mr Rotman worked as a commercial lawyer with both Gadens and Rotman & Morris specialising in commercial law. Mr Rotman is a qualified lawyer and holds a Bachelor of Commerce/Law (Honours) from Monash University.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	3,578,153 Ordinary Shares
Interests in options:	10,000,000 Incentive Options exercisable at $0.18 5,000,000 Incentive Options exercisable at $0.30
Interests in rights:	8,720,931 Performance Shares

Name:	Susan Klose
Title:	Non-Executive Director (appointed 7 March 2022)
Experience and expertise:	Ms. Klose has a strong executive background in senior leadership positions across SaaS businesses focussing on digital strategy, corporate development, partnerships and business growth in Australia and the USA. Ms. Klose previous executive role included Chief Operating Officer at Michelle Bridges' online business, 12WBT (12 Week Body Transformation). Sue also has an MBA in Finance, Strategy and Marketing from the JL Kellogg School of Management at Northwestern University, and a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania. Ms Klose is a graduate of the Australian Institute of Company Directors.
Other current directorships:	Non-Executive Director in Nearmap Limited (ASX:NEA), Envirosuite Limited (ASX:EVS), and Pure Profile Limited (ASX:PPL)
Former directorships (last 3 years):	None
Interests in shares:	Nil
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Heldi Aldred BEco,LLB

Heidi Aldred was appointed Company Secretary on 16 December 2019. Heidi, is a qualified lawyer and has over 20 years' experience in secretarial and general counsel roles in a variety of sectors with both listed and non-listed companies. Her early career included working in commercial litigation and law with legal firms Arnold Bloch Liebler and Allens Linklaters.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 March 2022, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Peter James	8	8
Andrew Reeves	8	8
Daniel Rotman	8	8
Robert Clisdell*	6	6
Arie Nudel**	1	1
Susan Klose***	2	2

Held: represents the number of meetings held during the time the director held office.

* Resigned 17 February 2022
** Resigned 27 May 2021.
*** Appointed 7 March 2022.

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure that non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

In accordance with the Constitution, the total maximum remuneration of non-executive Directors is initially set by the Board and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum is made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed $500,000 per annum.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include business growth, profit contribution, leadership contribution and product management including qualitative targets such as no material OH&S incidents at the consolidated entities manufacturing operations or the recall of product due to the direct fault of the activities of the consolidated entity.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 31 March 2022.

Consolidated entity performance and link to remuneration
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments is dependent on certain parameters being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants
During the current and prior financial period, the company did not employ the services of a remuneration consultant.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited):
- Peter James
- Andrew Reeves
- Daniel Rotman
- Susan Klose (appointed 7 March 2022)
- Robert Clisdell (resigned 17 February 2022)
- Arie Nudel (resigned 27 May 2021)

And the following persons:
- Jourdan Thomson - Chief Financial Officer
- Shane Furness - Head of Operations, Australia and New Zealand

	Short-term benefits			Post-employment benefits	Other long-term benefits	Share-based payments	
2022	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Non-monetary $	Equity-settled $	Total $
Non-Executive Directors:							
Peter James	150,000	-	-	14,875	-	1,134,863	1,299,738
Andrew Reeves	70,000	-	-	2,858	-	66,067	138,925
Susan Klose*	6,577	-	-	658	-	-	7,235
Robert Clisdell**	62,083	-	-	6,092	-	11,321	79,496
Executive Directors:							
Daniel Rotman	385,000	-	40,046	66,533	8,814	180,778	681,171
Arie Nudel ***	177,941	-	-	7,417	-	-	185,358
Other Key Management Personnel:							
Jourdan Thompson	357,500	-	37,921	52,955	5,238	903,382	1,356,996
Shane Furness	193,157	-	4,608	28,354	5,176	3,778	235,073
	1,402,258	-	82,575	179,742	19,228	2,300,189	3,983,992

* Ms. Klose was appointed non-executive director on 7 March 2022.
** Mr. Clisdell resigned as non-executive director on 17 February 2022.
*** Mr. Nudel resigned from his executive role on 27 May 2021.

	Short-term benefits			Post-employment benefits	Other long-term benefits	Share-based payments	
2021	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Non-monetary $	Equity-settled $	Total $
Non-Executive Directors:							
Peter James	150,000	-	-	14,250	-	1,382,312	1,546,562
Andrew Reeves	70,000	-	-	6,650	-	89,715	166,365
Robert Clisdell	70,000	-	-	6,650	-	24,173	100,823
James Gong*	18,267	-	-	-	-	-	18,267
Peter Graeme Hobman**	29,167	-	-	2,771	-	-	31,938
Executive Directors:							
Daniel Rotman***	350,000	288,750	127,706	33,250	6,429	-	806,135
Arie Nudel	290,000	159,500	13,384	27,550	906	-	491,340
Other Key Management Personnel:							
Jourdan Thompson	325,000	178,750	23,481	30,875	2,574	1,257,244	1,817,924
Shane Furness	192,658	91,324	19,452	18,302	3,917	-	325,653
	1,495,092	718,324	184,023	140,298	13,826	2,753,444	5,305,007

* Mr. Gong resigned his non-executive role on 01 June 2020.
** Mr. Hobman resigned his non-executive role on 09 March 2020. However, his monthly fees were paid until the time of the Annual General Meeting as agreed with the Board of Directors.
*** Annual leave and long-service leave provisions for Mr. Rotman were transferred from Omniblend Pty Ltd to Halo Food Co. Limited.

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Daniel Rotman
Title:	Chief Executive Officer
Agreement commenced:	29 July 2019
Term of agreement:	12 months' notice by either party
Details:	For services rendered under the CEO Executive Agreement, Mr. Rotman receives a base salary of $385,000 per annum. Mr. Rotman is also eligible to participate in any incentive plan that the Company may introduce. As part of the LTI, Mr. Rotman is entitled to 15,000,000 Options with the following terms: a) 5,000,000 vest 28 October 2021 b) 10,000,000 vest 28 October 2024

Name:	Jourdan Thompson
Title:	Chief Financial Officer
Agreement commenced:	4 December 2017
Term of agreement:	Eight weeks' notice by the company / four weeks' notice by Mr Thompson
Details:	For services rendered under the CFO Employment Agreement, Mr Thompson receives a base salary of AUD$357,500 per annum plus superannuation. Mr. Thompson is also eligible to participate in any incentive plan that the Company may introduce. As part of the LTI, Mr. Thompson is entitled to 28,356,225 Options with the following terms: a) 1,000,000 vest on IPO Date, exercised in July 2021. b) 1,000,000 vest 12 months after IPO Date c) 1,000,000 vest 24 months after IPO Date d) 1,000,000 vest 36 months after IPO Date e) 1,000,000 vest immediately on 31 July 2019 f) 1,000,000 vest 12 month after 31 July 2019 g) 1,000,000 vest 24 months after 31 July 2019 h) 1,000,000 vest 36 months after 31 July 2019 i) 2,723,302 vest 26 August 2021 j) 2,632,923 vest 31 March 2022 k) 5,000,000 vest 28 October 2021 l) 10,000,000 vest 28 October 2024

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the year ended 31 March 2022 are set out below:

Name	Date	Shares	Issue price
Jourdan Thompson	21 July 2021	1,000,000	$0.00
Peter James	21 March 2022	968,020	$0.00
Andrew Reeves	21 March 2022	107,558	$0.00
Jourdan Thompson	21 March 2022	968,020	$0.00
Robert Clisdell	21 March 2022	107,558	$0.00

On 21 July 2021, Mr. Thompson converted 1,000,000 options into shares at nil consideration (cash less exercise option) under the Company Employee Concessional Incentive Option Plan.

On 21 March 2022, Mr. James, Mr. Reeves, Mr. Clisdell and Mr. Thompson converted Zero exercise price options (‘ZEPOs’) into ordinary shares.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Jourdan Thompson	1,000,000	18/07/2018	18/07/2019	18/07/2022	$0.30	$0.101
Jourdan Thompson	1,000,000	18/07/2018	18/07/2020	18/07/2023	$0.30	$0.115
Jourdan Thompson	1,000,000	18/07/2018	18/07/2021	18/07/2024	$0.30	$0.125
Jourdan Thompson	1,000,000	31/07/2019	31/07/2019	16/07/2022	$0.61	$0.245
Jourdan Thompson	1,000,000	31/07/2019	16/07/2020	16/07/2023	$0.61	$0.282
Jourdan Thompson	1,000,000	31/07/2019	16/07/2021	16/07/2024	$0.61	$0.311
Jourdan Thompson	1,000,000	31/07/2019	16/07/2022	16/07/2025	$0.61	$0.336
Peter James*	1,755,282	19/5/2020	26/8/2021	26/8/2024	$0.00	$0.330
Andrew Reeves**	184,766	19/5/2020	26/8/2021	26/8/2024	$0.00	$0.330
Jourdan Thompson*	1,755,282	19/5/2020	26/8/2021	26/8/2024	$0.00	$0.330
Peter James	2,632,923	19/5/2020	31/3/2022	31/3/2025	$0.00	$0.186
Jourdan Thompson	2,632,923	19/5/2020	31/3/2022	31/3/2025	$0.00	$0.186
Andrew Reeves	277,150	19/5/2020	31/3/2022	31/3/2025	$0.00	$0.186
Peter James	6,000,000	19/5/2020	26/2/2022	26/2/2025	$0.30	$0.185
Daniel Rotman	10,000,000	28/10/2021	26/11/2024	26/11/2024	$0.18	$0.030
Peter James	4,000,000	28/10/2021	26/11/2024	26/11/2024	$0.18	$0.030
Andrew Reeves	2,000,000	28/10/2021	26/11/2024	26/11/2024	$0.18	$0.030
Daniel Rotman	5,000,000	28/10/2021	28/10/2024	26/11/2024	$0.30	$0.030
Jourdan Thompson	10,000,000	28/10/2021	26/11/2024	26/11/2024	$0.18	$0.030
Shane Furness	1,000,000	28/10/2021	26/11/2024	26/11/2024	$0.18	$0.030
Jourdan Thompson	5,000,000	28/10/2021	28/10/2024	26/11/2024	$0.30	$0.030

* Mr. James and Mr. Thompson converted 968,020 ZEPOs each into shares during the financial year.
** Mr. Reeves converted 107,558 ZEPOs into shares during the financial year.

Options granted carry no dividend or voting rights.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Peter James	284,883	968,020	895,726	-	2,148,629
Daniel Rotman	2,906,977	-	671,176	-	3,578,153
Andrew Reeves	-	107,558	-	-	107,558
Jourdan Thompson	-	1,968,020	-	-	1,968,020
Robert Clisdell*	-	107,558	-	(107,558)	-
Arie Nudel**	5,813,953	-	-	(5,813,953)	-
	9,005,813	3,151,156	1,566,902	(5,921,511)	7,802,360

* Mr. Clisdell resigned his non-executive role on 17 February 2022. The disposals/other of 107,558 reflects the resignation of Mr. Clisdell as a director.
** Mr. Nudel resigned his executive role on 27 May 2021. The disposals/other of 5,813,953 reflects the resignation of Mr. Nudel as a director.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Peter James	13,356,225	4,000,000	(968,020)	(2,000,000)	14,388,205
Robert Clisdell*	607,558	-	(107,558)	(500,000)	-
Andrew Reeves	2,569,474	2,000,000	(107,558)	(2,000,000)	2,461,916
Jourdan Thompson**	13,356,225	15,000,000	(1,968,020)	-	26,388,205
Daniel Rotman***	-	15,000,000	-	-	15,000,000
Shane Furness	-	1,000,000	-	-	1,000,000
	29,889,482	37,000,000	(3,151,156)	(4,500,000)	59,238,326

* The expired/forfeited/other of 500,000 reflects the resignation of Mr. Clisdell as Director.
** 5,000,000 options granted to Mr. Thompson during the financial year, vested in the same period.
*** 5,000,000 options granted to Mr. Rotman during the financial year, vested in the same period.

Performance shares holding

The number of performance shares on issue in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Daniel Rotman	8,720,931	-	-	-	8,720,931
Arie Nudel*	17,441,859	-	-	(17,441,859)	-
	26,162,790	-	-	(17,441,859)	8,720,931

* Mr Nudel resigned his executive role on 27 May 2021. The expired/forfeited/other of 17,441,859 reflects the resignation of Mr. Nudel as Director.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited) under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
18/07/2018	18/07/2022	$0.30	1,000,000
18/07/2018	18/07/2023	$0.30	1,000,000
18/07/2018	18/07/2024	$0.30	1,000,000
31/07/2019	16/07/2022	$0.61	2,000,000
31/07/2019	16/07/2023	$0.61	1,000,000
31/07/2019	16/07/2024	$0.61	1,000,000
31/07/2019	16/07/2025	$0.61	1,000,000
19/5/2020	26/08/2024	$0.00	3,695,330
19/5/2020	31/03/2015	$0.00	5,542,996
19/5/2020	26/02/2025	$0.30	6,000,000
28/10/2021	26/11/2024	$0.18	28,000,000
28/10/2021	26/11/2024	$0.30	10,000,000
			61,238,326

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited) were issued during the year ended 31 March 2022 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
18/7/2018*	$0.00	1,000,000
19/5/2020**	$0.00	2,151,156
		3,151,156

* On 21 July 2021, Mr Thompson converted 1,000,000 options into shares at nil consideration (cash less exercise) under the Company Employee Concessional Incentive Option Plan.
** On 21 March 2022, Mr James, Mr Reeves, Mr Clisdell and Mr Thompson converted ZEPOs into ordinary shares.

Shares issued on the exercise of performance rights
There were no ordinary shares of the company issued on the exercise of performance rights during the year ended 31 March 2022 (2021: 16,500,000).

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The company has paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of HLB Mann Judd Assurance (NSW) Pty Ltd
There are no officers of the company who are former partners of HLB Mann Judd Assurance (NSW) Pty Ltd.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
HLB Mann Judd Assurance (NSW) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Peter James
Chairman

30 June 2022

Auditor's Independence Declaration

To the directors of Halo Food Co. Limited:

As lead auditor for the audit of the consolidated financial report of Halo Food Co. Limited for the year ended 31 March 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Halo Food Co. Limited and the entities it controlled during the period.

Sydney, NSW
30 June 2022

N J Guest
Director

hlb.com.au

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Level 19, 207 Kent Street Sydney NSW 2000 Australia
T: +61 (0)2 9020 4000 **F:** +61 (0)2 9020 4190 **E:** mailbox@hlbnsw.com.au

General information

The financial statements cover Halo Food Co. Limited as a consolidated entity consisting of Halo Food Co. Limited ("the company") and the entities it controlled ("the group or the consolidated entity") at the end of, or during, the period. The financial statements are presented in Australian dollars, which is Halo Food Co. Limited's functional and presentation currency.

Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited) is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 5, 126 Phillip Street Sydney NSW 2000 Australia	17 Hynds Drive, Rolleston Christchurch, 7675 New Zealand 26-28 Bond Street Mordialloc, VIC 3195 Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 June 2022. The directors have the power to amend and reissue the financial statements.

Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2022

Halo Food Co.

	Note	Consolidated 2022 $	Consolidated 2021 $
Revenue	5	59,924,944	50,689,448
Costs of sales		(46,540,332)	(39,959,338)
Gross profit		13,384,612	10,730,110
Other income	6	1,137,651	1,310,963
Expenses			
Professional service expenses		(1,406,230)	(1,686,296)
Directors and employee benefits expense		(7,580,702)	(8,419,131)
Depreciation and amortisation expense	7	(3,244,083)	(2,702,653)
Write-off of assets	7	(2,459,567)	-
Other expenses		(2,931,180)	(2,236,983)
Finance costs	7	(1,206,063)	(702,016)
Marketing		(419,456)	(788,925)
Occupancy		(224,316)	(341,956)
Administration		(768,906)	(985,551)
Share-based payments expense	38	(2,303,966)	(2,753,444)
Loss before income tax benefit		(8,022,206)	(8,575,882)
Income tax benefit	8	554,555	380,406
Loss after income tax benefit for the year attributable to the owners of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)	24	(7,467,651)	(8,195,476)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		75,688	(424,018)
Other comprehensive income for the year, net of tax		75,688	(424,018)
Total comprehensive income for the year attributable to the owners of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)		(7,391,963)	(8,619,494)
		Cents	**Cents**
Basic earnings per share	37	(2.69)	(3.25)
Diluted earnings per share	37	(2.69)	(3.25)

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

Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)
Consolidated statement of financial position
As at 31 March 2022

	Note	Consolidated 2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	9	7,186,168	4,049,804
Trade and other receivables	10	9,547,937	9,815,329
Inventories	11	11,528,091	11,098,722
Other current assets	12	1,385,672	545,612
Total current assets		29,647,868	25,509,467
Non-current assets			
Property, plant and equipment	13	16,267,067	15,182,728
Right-of-use assets	15	11,649,362	13,409,738
Intangibles	14	30,296,915	31,598,082
Other non-current assets	12	605,522	136,942
Total non-current assets		58,818,866	60,327,490
Total assets		88,466,734	85,836,957
Liabilities			
Current liabilities			
Trade and other payables	16	12,516,395	12,510,831
Borrowings	17	4,760,842	896,180
Lease liabilities	20	1,490,673	1,358,457
Income tax		3,089	3,089
Employee benefits		1,201,480	1,149,776
Other liabilities	18	71,583	71,583
Contract liabilities	19	525,486	48,285
Total current liabilities		20,569,548	16,038,201
Non-current liabilities			
Lease liabilities	20	11,838,717	13,311,877
Deferred tax	21	977,520	1,532,075
Employee benefits		102,551	88,499
Total non-current liabilities		12,918,788	14,932,451
Total liabilities		33,488,336	30,970,652
Net assets		54,978,398	54,866,305
Equity			
Issued capital	22	59,593,832	53,598,230
Reserves	23	19,828,641	20,273,728
Accumulated losses	24	(24,444,075)	(19,005,653)
Total equity		54,978,398	54,866,305

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

Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)
Consolidated statement of changes in equity
For the year ended 31 March 2022

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 April 2020	41,554,224	17,944,302	(10,810,177)	48,688,349
Loss after income tax benefit for the year	-	-	(8,195,476)	(8,195,476)
Other comprehensive income for the year, net of tax	-	(424,018)	-	(424,018)
Total comprehensive income for the year	-	(424,018)	(8,195,476)	(8,619,494)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 22)	12,044,006	-	-	12,044,006
Share-based payments (note 38)	-	2,753,444	-	2,753,444
Balance at 31 March 2021	53,598,230	20,273,728	(19,005,653)	54,866,305

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated losses $**	**Total equity $**
Balance at 1 April 2021	53,598,230	20,273,728	(19,005,653)	54,866,305
Loss after income tax benefit for the year	-	-	(7,467,651)	(7,467,651)
Other comprehensive income for the year, net of tax	-	75,688	-	75,688
Total comprehensive income for the year	-	75,688	(7,467,651)	(7,391,963)
Transactions with owners in their capacity as owners:				
Share-based payments (note 38)	-	2,303,966	-	2,303,966
Contributions of equity, net of transaction costs (note 22)	5,200,090	-	-	5,200,090
Transfer relating to options expired and/or forfeited (note 24)	-	(2,029,229)	2,029,229	-
Transfer relating to options exercised (note 23)	795,512	(795,512)	-	-
Balance at 31 March 2022	59,593,832	19,828,641	(24,444,075)	54,978,398

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

Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)
Consolidated statement of cash flows
For the year ended 31 March 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		67,485,937	53,388,266
Payments to suppliers and employees (inclusive of GST)		(69,576,884)	(59,937,537)
Other finance costs paid		(306,868)	(116,430)
Interest received		57,841	20,407
Interest paid - finance leases		(656,677)	(585,586)
Government grants and tax incentives		550,650	340,000
Income tax paid		-	(12,103)
Net cash used in operating activities	36	(2,446,001)	(6,902,983)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	33	-	(2,250,000)
Payments for property, plant and equipment	13	(2,920,386)	(2,906,483)
Payments for intangibles	14	(64,305)	(21,055)
Payments of security deposit		(467,175)	(136,942)
Payment for deferred consideration purchase of business		-	(71,417)
Proceeds from disposal of property, plant and equipment	13	915,146	-
Net cash used in investing activities		(2,536,720)	(5,385,897)
Cash flows from financing activities			
Proceeds from issue of shares	22	6,079,485	12,823,906
Share issue transaction costs		(519,983)	(779,900)
Proceeds from borrowings		4,222,936	896,180
Repayment of lease liabilities		(1,384,213)	(381,103)
Net cash from financing activities		8,398,225	12,559,083
Net increase in cash and cash equivalents		3,415,504	270,203
Cash and cash equivalents at the beginning of the financial year		4,049,804	4,388,920
Effects of exchange rate changes on cash and cash equivalents		(279,140)	(609,319)
Cash and cash equivalents at the end of the financial year	9	7,186,168	4,049,804

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Corporate Information

The annual report of Halo Food Co. Limited ('the company' or 'Halo Food') and its controlled entities (collectively 'consolidated entity' or 'group') for the year ended 31 March 2022 was authorised for issue in accordance with a resolution of the Directors on 31 May 2022.

Halo Food Co. Limited is a company limited by shares incorporated in Australia whose shares are traded on the Australian Securities Exchange ('ASX').

Note 2. Significant accounting policies

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

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. These new or amended Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the financial statements. Consequently, no further disclosures have been included.

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

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').

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Halo Food Co. Limited ('company' or 'parent entity') as at 31 March 2022 and the results of all subsidiaries for the year then ended. Halo Food Co. 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 the loss of 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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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.

Note 2. Significant accounting policies (continued)

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 Chief Operating Decision Makers ('CODM') being the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars ("AUD"), which is also the functional currency of the consolidated entity.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the foreign currency translation reserve in equity.

Revenue recognition
The consolidated entity recognises revenue as follows:

Sale of proprietary products and third party private label manufacturing
Sale of the consolidated entity’s proprietary products and third party private label contract manufacturing products are measured at the fair value of consideration received.

The sale of these goods represents a single performance obligation and accordingly, revenue is recognised in respect of the sale of these goods at the point in time when control over the corresponding goods and services is transferred to the customer (i.e. at a point in time for sale of goods when the goods are shipped to the customer or transferred to the freight forwarder). Invoices are usually payable by customers within 30 - 60 days.

Interest
Interest income and expenses are reported on an accrual basis using the effective interest method.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Government grants are recognised at fair value where there is a reasonable assurance the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Income tax
The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised as an expense (income) except to the extent that they relate to a business combination or are recognised directly in equity or other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (received from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax assets and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is recognised in equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Note 2. Significant accounting policies (continued)

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax liabilities (assets) are calculated at the tax rates that are expected to apply to the period when the liability is settled (asset is realised), and their measurement also reflects the manner in which Management expects to settle the carrying amount of the related liability (recover the assets).

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The group holds the trade receivable with the objective of collecting the contractual cash flows and therefore measured them subsequently at amortised cost. Trade receivables are generally due for settlement within 30 - 60 days.

Other receivables are initially recognised at fair value and subsequently at amortised cost, less any allowance for expected credit losses.

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade and other receivables have been grouped based on days overdue.

Trade and other receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

Inventories
Inventories are stated at the lower of cost, determined on a first in, first out basis and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Note 2. Significant accounting policies (continued)

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impaired losses, if any.

Where an item of property, plant and equipment is disposed of or when no further economic benefits are expected from its use, the gain or loss (calculated as the difference between net sales price and the carrying amount of the asset) is recognised in the consolidated Statement of Profit or Loss and Other Comprehensive Income.

The asset residual values, useful lives and depreciation methods are reviewed annually and adjusted if appropriate at each financial year end.

Depreciation is recognised on a straight-line basis to allocate the cost less estimated residual value of plant and equipment. The principal rates in use were:

Plant and equipment	6% to 40%
Motor vehicles	20% to 30%
Furniture and fittings	10% to 20%
Office equipment	40% to 67%
Buildings	10% to 33%

Asset under construction is stated at cost and not depreciated until it become available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Impairment of non-financial assets
At the end of each reporting period, the group assesses whether there is any indication that an asset may be impaired. The assessment will include considering both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset’s fair value less costs of disposal and value in use, to the asset’s carrying amount. Any excess of the asset’s carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 2. Significant accounting policies (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Website
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Customer contracts
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Brand name
Brand names acquired in business combinations have indefinite useful life and are not amortised. Brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on brand names are taken to profit or loss.

Trade and other payables

Trade and other payables are liabilities for goods and services provided to the group prior to the end of the financial period which are unpaid. These amounts are unsecured and generally payable within 30 days of recognition, due to their short-term nature their carrying value is assumed to approximate their fair value. Trade and other payables are initially recognised at fair value, and subsequently carried at amortised costs using the effective interest rate method.

Contract liabilities

Contract liabilities represent the group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the group has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 2. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Retirement benefits

The consolidated entity makes fixed percentage contributions for all Australian and New Zealand resident employees to complying third party superannuation funds and recognises the expenses as they become payable.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards is cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
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.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 2. Significant accounting policies (continued)

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Halo Food Co. Limited (formerly Keytone Dairy Corporation 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.

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.

Note 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 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.

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 and historical collection rates.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets
The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets, including customer contracts through business combination. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 4. Operating segments

The group operates across Australia and New Zealand, and accordingly, monitors its revenue and sales as such. These segments have been determined based on how the Board of Directors (the chief operating decision-maker) review the financial information.

Operating segment information

Consolidated - 2022	Australia $	New Zealand $	Other segments $	Total $
Revenue				
Proprietary Brands	2,678,560	1,517,161	-	4,195,721
Contract Manufacturing (OEM)	40,988,214	14,705,101	-	55,693,315
	43,666,774	16,222,262	-	59,889,036
Unallocated	-	35,908	-	35,908
Total revenue	43,666,774	16,258,170	-	59,924,944
EBITDA *	830,569	1,339,212	(5,799,682)	(3,629,901)
Depreciation and amortisation	-	-	(3,244,083)	(3,244,083)
Interest revenue	-	-	57,841	57,841
Finance costs	(1,109,322)	(97,162)	421	(1,206,063)
Profit/(loss) before income tax benefit	(278,753)	1,242,050	(8,985,503)	(8,022,206)
Income tax benefit				554,555
Loss after income tax benefit				(7,467,651)

Note 4. Operating segments (continued)

* Australian Contract Manufacturing (OEM) segment has a positive EBITDA of $3,330,118 (2021: $589,156).

Consolidated - 2021	Australia $	New Zealand $	Other segments $	Total $
Revenue				
Proprietary Brands	4,194,614	1,062,277	-	5,256,891
Contract Manufacturing (OEM)	35,174,745	10,217,196	-	45,391,941
	39,369,359	11,279,473	-	50,648,832
Unallocated	-	40,616	-	40,616
Total revenue	39,369,359	11,320,089	-	50,689,448
EBITDA *	(526,713)	738,361	(5,403,268)	(5,191,620)
Depreciation and amortisation	-	-	(2,702,653)	(2,702,653)
Interest revenue	-	-	20,407	20,407
Finance costs	(668,261)	(33,755)	-	(702,016)
Profit/(loss) before income tax benefit	(1,194,974)	704,606	(8,085,514)	(8,575,882)
Income tax benefit				380,406
Loss after income tax benefit				(8,195,476)

* Australian Contract Manufacturing (OEM) segment has a positive EBITDA of $589,156.

Note 5. Revenue

	Consolidated	
	2022 $	**2021 $**
Sale of proprietary products and third party private label manufacturing	59,924,944	50,689,448

The consolidated entity derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major product lines.

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2022 $	**2021 $**
Major product lines		
Proprietary Brands	4,195,721	5,256,891
Contract Manufacturing (OEM)	55,693,315	45,391,941
Unallocated	35,908	40,616
	59,924,944	50,689,448
Geographical regions		
Australia	43,666,774	39,369,359
New Zealand	16,258,170	11,320,089
	59,924,944	50,689,448
Timing of revenue recognition		
Goods transferred at a point in time	59,924,944	50,689,448

Note 5. Revenue (continued)

During the year ended 31 March 2022, approximately $21,362,016 (2021: $20,688,507) of the Group's external revenue was derived from sales to 3 major customers and $12,842,634 of total revenue was derived from the sale to one customer (2021: $13,057,355). The Group has in place policies and procedures to review and monitor customer credit exposures.

Note 6. Other income

	Consolidated	
	2022	**2021**
	$	**$**
Net gain on disposal of property, plant and equipment (note 13)	366,462	-
Government grants	550,650	340,000
Gain on bargain purchase (note 30)	-	816,647
Interest income	57,841	20,407
Other income	162,698	133,909
Other income	1,137,651	1,310,963

Note 7. Expenses

	Consolidated 2022 $	2021 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Buildings	140,246	123,298
Plant and equipment	794,370	890,518
Fixtures and fittings	24,674	26,304
Motor vehicles	18,380	19,765
Office equipment	91,375	64,692
Buildings right-of-use assets	1,280,175	1,013,428
Plant and equipment right-of-use assets	484,627	158,589
Total depreciation	2,833,847	2,296,594
Amortisation		
Patents and trademarks	10,736	6,559
Customer contracts	399,500	399,500
Total amortisation	410,236	406,059
Total depreciation and amortisation	3,244,083	2,702,653
Finance costs		
Interest and finance charges paid/payable on borrowings	549,386	134,352
Interest and finance charges paid/payable on lease liabilities	656,677	567,664
Finance costs expensed	1,206,063	702,016
Write-off of assets		
Inventories	980,924	-
Trade receivables	524,599	-
Brand name	308,000	-
Goodwill	646,044	-
Total write-off of assets	2,459,567	-

Note 8. Income tax benefit

	Consolidated 2022 $	2021 $
Income tax benefit		
Deferred tax - origination and reversal of temporary differences	(554,555)	(380,406)
Aggregate income tax benefit	(554,555)	(380,406)
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 21)	(554,555)	(380,406)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(8,022,206)	(8,575,882)
Tax at the statutory tax rate of 27.5%	(2,206,107)	(2,358,368)
Difference in overseas tax rates	4,425	1,861
Non-deductible expenses	1,472,574	896,267
Non assessable income	(1,532,038)	-
Timing differences	472,127	443,031
Tax losses not recognised	1,234,464	636,803
Income tax benefit	(554,555)	(380,406)

The group has accumulated tax losses of $1,581,593 (2021: $1,184,100). The benefit of these losses will only be recognised where it is probable that future taxable profit will be available against which the benefit of the deferred tax asset can be utilised.

Note 9. Cash and cash equivalents

	Consolidated 2022 $	2021 $
Current assets		
Cash on hand	327	1,711
Cash at bank	6,715,841	4,048,093
Restricted cash	470,000	-
	7,186,168	4,049,804

Restricted cash
The consolidated entity holds funds in reserve for the purposes of complying with the trade debt facility outstanding at year end (refer note 17). In accordance with the terms of the facility, an amount equal to 10% of the funds drawn must be held in reserve as security and is not available for use on demand by the consolidated entity. This deposit was released on 1 April 2022.

Note 10. Trade and other receivables

	Consolidated 2022 $	2021 $
Current assets		
Trade receivables	9,547,272	7,818,639
Other receivables	665	1,396,255
VAT Receivable	-	600,435
	665	1,996,690
	9,547,937	9,815,329

During the year, the consolidated entity wrote off $524,599 of past due trade receivables not expected to be collected. Refer to note 7.

Details of trade receivables past due but not impaired are as follows:

	Consolidated 2022 $	2021 $
61 - 90 days overdue	306,024	244,651
Over 91 days	1,016,490	901,586
	1,322,514	1,146,237

Allowance for expected credit losses

Current trade receivables are non-interest bearing and generally on 30-60 days terms for Australia and New Zealand entities. The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Based on this analysis, the group considered that no allowance for expected credit losses was required at 31 March 2022 (2021: $Nil).

Note 11. Inventories

	Consolidated 2022 $	2021 $
Current assets		
Raw materials - at cost	5,814,811	3,184,108
Less: Provision for impairment	(633,602)	-
	5,181,209	3,184,108
Packaging material - at cost	2,743,092	2,061,153
Less: Provision for impairment	-	(271,155)
	2,743,092	1,789,998
Finished goods - at cost	3,360,612	6,036,201
Less: Provision for impairment	-	(123,087)
	3,360,612	5,913,114
Work in progress - at cost	243,178	211,502
	11,528,091	11,098,722

Note 11. Inventories (continued)

Inventories reconciliation	**2022**	**2021**
Inventories, gross	12,161,693	11,492,964
Allowance for obsolescence	(633,602)	(394,242)
Inventories, net	11,528,091	11,098,722

Note 12. Other current assets

	Consolidated	
	2022	**2021**
	$	**$**
Current assets		
Prepayments	1,292,601	432,873
Other current assets	93,071	112,739
	1,385,672	545,612
Non-current assets		
Security deposits	605,522	136,942
	1,991,194	682,554

Security deposits - leases
Security deposits are held to support four of the company's leased properties being Mordialloc, Campbellfield and Brooklyn in Victoria and Prestons in New South Wales.

Note 13. Property, plant and equipment

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Land and buildings - at cost	3,616,846	4,081,292
Less: Accumulated depreciation	(576,970)	(436,772)
	3,039,876	3,644,520
Assets under construction	1,425,500	2,905,708
Plant and equipment - at cost	16,335,623	12,488,327
Less: Accumulated depreciation	(4,867,587)	(4,128,130)
	11,468,036	8,360,197
Furniture and fittings - at cost	161,033	160,279
Less: Accumulated depreciation	(83,861)	(58,921)
	77,172	101,358
Motor vehicles - at cost	153,092	143,756
Less: Accumulated depreciation	(90,621)	(71,587)
	62,471	72,169
Office equipment - at cost	519,385	332,639
Less: Accumulated depreciation	(325,373)	(233,863)
	194,012	98,776
	16,267,067	15,182,728

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and Buildings $	Assets under construction $	Plant and equipment $	Motor vehicles $	Furniture and fittings $	Office equipment $	Total $
Balance at 1 April 2020	3,025,408	1,514,281	5,409,514	75,059	121,031	142,102	10,287,395
Additions	-	2,886,580	14,250	-	-	5,653	2,906,483
Additions through business combinations (note 33)	909,000	-	2,470,300	21,000	9,000	17,900	3,427,200
Exchange differences	(166,590)	(57,136)	(81,367)	(4,125)	(2,369)	(2,187)	(313,774)
Transfers in/(out)	-	(1,438,017)	1,438,017	-	-	-	-
Depreciation expense	(123,298)	-	(890,517)	(19,765)	(26,304)	(64,692)	(1,124,576)
Balance at 31 March 2021	3,644,520	2,905,708	8,360,197	72,169	101,358	98,776	15,182,728
Additions	41,570	2,589,949	281,226	-	-	7,641	2,920,386
Disposals	(548,684)	-	(274,319)	-	-	-	(823,003)
Exchange differences	40,656	(359)	27,237	764	488	393	69,179
Write-off of assets	-	(13,178)	-	-	-	-	(13,178)
Transfers in/(out)	2,060	(4,056,620)	3,868,065	7,918	-	178,577	-
Depreciation expense	(140,246)	-	(794,370)	(18,380)	(24,674)	(91,375)	(1,069,045)
Balance at 31 March 2022	3,039,876	1,425,500	11,468,036	62,471	77,172	194,012	16,267,067

Note 13. Property, plant and equipment (continued)

The majority balance of assets under construction is represented by the protein bar manufacturing line located in Prestons, New South Wales, Australia. The plant has been upgraded through the course of FY21 and FY22 to a protein bar manufacturing facility enhancing the existing fudge/confectionary manufacturing facility acquired at the time of the acquisition of the assets of Aus Confec. While the greater majority of the upgrade work has been capitalised, certain elements of the line remain in the commissioning phase and will be capitalised to plant and equipment through FY23.

In February 2022, Keytone Enterprise (NZ) sold a vacant land located in 18 Hannover Place, Rolleston for $915,145 (NZD $970,875), net of costs.

Note 14. Intangibles

	Consolidated	
	2022	**2021**
	$	**$**
Non-current assets		
Goodwill - at cost	24,794,393	24,794,393
Less: Accumulated amortisation	(646,044)	-
	24,148,349	24,794,393
Website - at cost	58,920	-
Patents and trademarks - at cost	85,431	82,741
Less: Accumulated amortisation	(17,452)	(8,219)
	67,979	74,522
Customer contracts - at cost	3,995,000	3,995,000
Less: Accumulated amortisation	(1,065,333)	(665,833)
	2,929,667	3,329,167
Brand name - at cost	3,400,000	3,400,000
Less: Accumulated amortisation	(308,000)	-
	3,092,000	3,400,000
	30,296,915	31,598,082

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $	Website $	Patents and trademarks $	Customer contracts $	Brand name $	Total $
Balance at 1 April 2020	24,794,393	-	60,026	3,728,667	3,400,000	31,983,086
Additions	-	-	21,055	-	-	21,055
Amortisation expense	-	-	(6,559)	(399,500)	-	(406,059)
Balance at 31 March 2021	24,794,393	-	74,522	3,329,167	3,400,000	31,598,082
Additions	-	58,920	5,385	-	-	64,305
Exchange differences	-	-	1,672	-	-	1,672
Impairment of assets	(646,044)	-	-	-	(308,000)	(954,044)
Write off of assets	-	-	(2,864)	-	-	(2,864)
Amortisation expense	-	-	(10,736)	(399,500)	-	(410,236)
Balance at 31 March 2022	24,148,349	58,920	67,979	2,929,667	3,092,000	30,296,915

Note 14. Intangibles (continued)

Intangible assets, other than goodwill and brand names have finite useful lives. Goodwill and brand names have an indefinite useful life.

Impairment testing

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

	Consolidated	
	2022	**2021**
	$	**$**
Cash-generating units		
Proprietary Brands - Australia	-	646,044
Contract Manufacturing (OEM) - Australia	24,148,349	24,148,349
	24,148,349	24,794,393

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a one-year projection period approved by management and 4-year forward plans supplied by management.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the Australian Proprietary Brands division:

- Discount rates (pre-tax): 16% to 18%
- Terminal growth rate: 2.5%
- EBITDA base on forecast for year ending 31 March 2023 increase at average of: 72% in subsequent years.

The following key assumptions were used in the discounted cash flow model for the Australian Contract Manufacturing (OEM) division:

- Discount rates (pre-tax): 11.5%
- Terminal growth rate: 2%
- EBITDA base on forecast for year ending 31 March 2023 increase at average of: 9% in subsequent years.

Based on these assumptions the Directors have determined that no impairment charge shall be recognised during the current reporting period for the Contract Manufacturing (OEM) unit. As per the reconciliation in note 7, the Directors have elected to impair and write off in full the goodwill and brand name, $646,044 and $308,000 respectively in the Proprietary Brands – Australia unit. This election is consistent with the inventory write-off related to Super Cubes (disclosed in note 7) and the decision to no longer actively pursue sales of Super Cubes branded products. Directors consider this decision to be both strategic and prudent, given the future marketing spend that would likely be required to support the sales pipeline of Super Cubes and have as such elected to focus the Proprietary Brands Australia unit on its Tonik brand.
The calculation of value-in-use is most sensitive to the following assumptions:

- Revenue growth
- Discount rate
- Terminal growth rate

EBITDA growth - Revenue projections have been constructed with reference to the FY23 budget and four-year forward looking plans adjusted for recent performance trends.

Discount rates - Discount rates represent the risk specific to each CGU, taking into consideration the time value of money and individual risks of the underlying cash flows expected from the CGU being assessed. The discount rate calculation is based on the specific circumstances of the group and its CGUs and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity.

Note 14. Intangibles (continued)

Terminal growth rate - A terminal growth rate of 2-2.5% has been used for future cash flow growth beyond the five-year forecast period. The total value of expected cash flows beyond the forecast period is discounted to present values using the discount rate specific to each CGU.

Sensitivity analysis

If discount rates were changed to the rates detailed in the table below with no change to any of the other assumptions, the estimated recoverable amount would approximately equal the carrying amount.

If forecast EBITDA used was changed by the amounts noted in the table below with no change to any of the other assumptions the estimated recoverable amount would approximately equal the carrying amount.

	Proprietary Brands - Australia	Contract Manufacturing (OEM) - Australia
Discount rate – change discount rates to	N/A*	12.0%
Revenue change – reduce revenue by	N/A*	0.1%
EBITDA change – reduce forecast EBITDA by	N/A*	5.0%

* CGU has been impaired in full during the financial year. Refer to note 7.

Note 15. Right-of-use assets

	Consolidated	
	2022	**2021**
	$	**$**
Non-current assets		
Plant and equipment - right-of-use	1,465,660	1,465,660
Less: Accumulated depreciation	(968,878)	(484,251)
	496,782	981,409
Buildings - right-of-use	14,376,082	14,367,707
Less: Accumulated depreciation	(3,223,502)	(1,939,378)
	11,152,580	12,428,329
	11,649,362	13,409,738

Note 15. Right-of-use assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and Equipment $	Buildings $	Total $
Balance at 1 April 2020	1,269,998	7,382,412	8,652,410
Additions	-	6,120,855	6,120,855
Disposals	(130,000)	-	(130,000)
Revaluation decrements	-	(19,817)	(19,817)
Change in lease liabilities	-	(41,693)	(41,693)
Depreciation expense	(158,589)	(1,013,428)	(1,172,017)
Balance at 31 March 2021	981,409	12,428,329	13,409,738
Exchange differences	-	4,426	4,426
Depreciation expense	(484,627)	(1,280,175)	(1,764,802)
Balance at 31 March 2022	496,782	11,152,580	11,649,362

Note 16. Trade and other payables

	Consolidated	
	2022 $	**2021 $**
Current liabilities		
Trade payables	9,450,782	9,490,451
Accrued expenses	267,523	850,381
GST payable	1,937,875	944,677
Other payables	860,215	1,225,322
	12,516,395	12,510,831

Refer to note 27 for further information on financial instruments.

Note 17. Borrowings

	Consolidated	
	2022 $	**2021 $**
Current liabilities		
Trade finance facility	4,712,339	855,113
Funding Company Loan	48,503	41,067
	4,760,842	896,180

Note 17. Borrowings (continued)

Trade finance facility
During the period the consolidated entity increased its available funding with secured debt financing facilities. An increase of NZD$2,000,000 in the trade facility with Australia and New Zealand Banking Group, increasing the total available debt financing in New Zealand to NZD$3,500,000 (2021: NZD$1,500,000). Australia and New Zealand Banking Group has also provided Keytone Enterprises (NZ) Company Limited with an Overdraft for NZD$1,000,000 during the financial year.
A new trade debtor finance facility was established during the financial year for AUD$6,000,000 with Moneytech Finance Pty Ltd ('Moneytech') in the Australian Contract Manufacturing and Brand business.

At 31 March 2022, the finance facility utilised for New Zealand business is NZD$2,689,823 (circa AUD$2,500,068) while AUD $2,558,079 was utilised for the trade debtor finance facility with Moneytech. The facilities are secured over the assets of the respective operational entities within the consolidated entity as is commensurate for debt financing facilities and has an average interest rate of 2.29% and 5.98% per annum, for New Zealand and Australia respectively.

Note 18. Other liabilities

	Consolidated	
	2022 $	2021 $
Current liabilities		
Deferred consideration	71,583	71,583

Deferred consideration
Deferred consideration represents the obligation to pay following the acquisition of a business or assets, as set out in note 33. It is measured at the present value of the estimated liability.

Note 19. Contract liabilities

	Consolidated	
	2022 $	2021 $
Current liabilities		
Amount received in advance on sale of proprietary products and third party private label manufacturing	525,486	48,285

Revenue from contacts with customers is recognised when the underlying performance obligations are satisfied at a point in time. Amounts received in advance from customers or amounts that are unconditionally receivable from customers prior to revenue being recognised are recorded as a contract liability until the point in time when the underlying performance conditions are satisfied and the services have been ultimately rendered to the customer.

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of the year ended 31 March 2022 will be recognised as revenue during the next reporting period.

Note 20. Lease liabilities

	Consolidated	
	2022 $	2021 $
Current liabilities		
Lease liabilities	1,490,673	1,358,457
Non-current liabilities		
Lease liabilities	11,838,717	13,311,877
	13,329,390	14,670,334

Note 20. Lease liabilities (continued)

Lease liabilities represent leases relating to right-of-use assets as set out in Note15.

The group leases various offices, warehouses and equipment. Rental contracts are typically made for a fixed period of 5 to 10 years, but may have extension options. Lease liabilities are measured at the present value of minimum lease payments for the lease term, discounting using a weighted average incremental borrowing rate of 5%.

To determine the incremental borrowing rate, the group uses recent borrowing rate information from third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received. The adjustments made are specific to the lease, i.e. lease term, country, currency and security.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The group also exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

As at 31 March 2022, potential future cash outflows of $6,040,346 (2021: $5,748,327) (undiscounted) have been included in the lease liability because the group is reasonably certain that the leases will be extended (or not terminated).

Amounts recognised in the statement of profit or loss relating to leases and the correspondent right-of-use assets are shown below:

	Consolidated	
	2022	2021
	$	$
Depreciation charge on right-of-use assets:		
Land & buildings	1,280,175	1,026,898
Plants & equipment	484,627	145,120
Total depreciation charge on right-of-use assets	1,764,802	1,172,018
Interest expense (included in finance costs)	656,677	567,664
Expense relating to short-term leases (included in occupancy expenses)	224,317	381,103

Note 21. Deferred tax

	Consolidated	
	2022	2021
	$	$
Non-current liabilities		
Deferred tax comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Brand name	850,300	935,000
Customer contracts	805,658	915,521
Right-of-use assets	3,066,960	3,415,721
Fair value uplift of assets	201,654	272,772
Employee benefits	(197,406)	(223,363)
Lease liabilities	(3,481,785)	(3,706,846)
Provision for impairment	-	(16,541)
Stock obsolescence provision	(232,007)	-
Accrued expenses	(35,854)	(60,189)
Deferred tax liability	977,520	1,532,075
Movements:		
Opening balance	1,532,075	1,614,822
Credited to profit or loss (note 8)	(554,555)	(380,406)
Additions through business combinations (note 33)	-	297,659
Closing balance	977,520	1,532,075

Note 22. Issued capital

	Consolidated			
	2022 Shares	**2021 Shares**	**2022 $**	**2021 $**
Ordinary shares - fully paid	349,181,115	273,096,482	59,593,832	53,598,230

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 April 2020	215,115,658		41,554,224
Issue of shares - Share Placement	15 May 2020	40,322,581	$0.31	12,500,000
Issue of shares - Capital raise	03 June 2020	1,158,243	$0.31	359,052
Issue of shares - Conversion of Class C Performance shares	05 March 2021	16,500,000	$0.00	-
Share issue costs		-	$0.00	(815,046)
Balance	31 March 2021	273,096,482		53,598,230
Issue of shares - Conversion of options	21 July 2021	1,000,000	$0.00	85,630
Issue of shares - Capital raise	21 February 2022	35,000,000	$0.10	3,500,000
Issue of shares - Share Purchase Plan	21 March 2022	37,933,477	$0.07	2,579,485
Issue of shares - Conversion of options	21 March 2022	2,151,156	$0.00	709,882
Share issue costs		-	$0.00	(879,395)
Balance	31 March 2022	349,181,115		59,593,832

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.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital is 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.

Note 23. Reserves

	Consolidated 2022 $	Consolidated 2021 $
Foreign currency reserve	(294,099)	(369,787)
Options reserve	5,612,149	6,132,924
Contingent consideration reserve	14,510,591	14,510,591
	19,828,641	20,273,728

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Options 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.

Note 24. Accumulated losses

	Consolidated 2022 $	Consolidated 2021 $
Accumulated losses at the beginning of the financial year	(19,005,653)	(10,810,177)
Loss after income tax benefit for the year	(7,467,651)	(8,195,476)
Transfer from options reserve	2,029,229	-
Accumulated losses at the end of the financial year	(24,444,075)	(19,005,653)

Note 25. Dividends

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

Note 26. Performance Shares

Existing shareholders of Keytone NZ were granted 49,500,000 Performance Shares at the time of the initial public offering of the Company, each convertible to one Ordinary Share in Halo Food Co. Limited upon achievement of various performance milestones. The Class C Performance Shares totalling 16,500,000 previously vested and were converted to ordinary shares as per prior announcements. The remaining Performance Shares to the existing shareholders of Keytone NZ at the time of the initial public offering are as follows:

Shareholders	Milestones	Number on issue
Class A Performance Share	Each Class A Performance Share will convert into one Share upon the company achieving $3,000,000 of earnings before interest, taxes, depreciation and amortisation (EBITDA) in any financial year occurring on or before the third anniversary of the last day of the financial year in which the company was admitted to the Official List (i.e. by 31 March 2022).	16,500,000
Class B Performance Share	Each Class B Performance Share will convert into one Share upon the company achieving $6,000,000 of EBITDA in any financial year occurring on or before the third anniversary of the last day of the financial year in which the company was admitted to the Official List (i.e. by 31 March 2022).	16,500,000

Performance Milestones for Class A and B Performance Share were not met in the period ended 31 March 2022. As a result, 33,000,000 performance shares lapsed following completion of the FY22 year.

Note 26. Performance Shares (continued)

As part of the purchase consideration of the acquisition of Omniblend Pty Limited, the vendors of Omniblend Pty Ltd were granted the following Performance Shares:

Shareholders	Milestones	Number of issue
Class D Performance Share	Each Class D Performance Share will convert into one ordinary share in the company upon Omniblend achieving $2.6 million of annual earnings before interest, taxes, depreciation and amortisation (EBITDA) in any financial year occurring on or before the second anniversary of the last day of the financial year in which the Share Purchase Agreement (SPA) was signed, being 17 June 2019.	23,255,814
Class E Performance Share	Each Class E Performance Share will convert into one ordinary share in the company upon a VWAP over a period of 30-day consecutive trading days upon which the company's shares trade at a price greater than $0.65, AND Omniblend achieves $50m annual revenues in any financial year occurring on or before the third anniversary of the last day of the financial year in which the Share Purchase Agreement (SPA) was signed, being 17 June 2019.	23,255,814
Class F Performance Share	The Class F Performance Shares will convert into one ordinary share in the company upon achieving a VWAP over a period of 30-day consecutive trading days upon which the company's shares trade at a price greater than $1.00, AND Omniblend achieves $100m annual revenues and $7.5m of annual EBITDA in any financial year occurring on or before the third anniversary of the last day of the financial year in which the Share Purchase Agreement (SPA) was signed, being 17 June 2019.	23,255,814

The Performance Milestones for the Class D Performance Share were not met in the period ended 31 March 2022. As a result, 23,255,814 performance shares lapsed following completion of the FY22 year.

Note 26. Performance Shares (continued)

In connection with the acquisition of Super Cubes, the incoming employees were granted the following Performance Shares in relation to their employment with the Group:

Shareholders	Milestones	Number of issue
Class H Performance Share	3,300,000 Class H performance share will convert into: (i) 3,300,000 ordinary shares in the company upon Super Cube achieving sales revenue exceeding $35,000,000 and Omni Brands Pty Ltd achieving EBITDA exceeding $5,000,000; OR (ii) 1,500,000 ordinary shares in the company upon Super Cube achieving sales revenue exceeding $27,500,000 but less than $30,000,000 and Omni Brands Pty Ltd achieving EBITDA exceeding $4,000,000, in the financial year ending 31 March 2022.	3,300,000

The Performance Milestones for the Class H Performance Shares were not met in the period ended 31 March 2022. As a result, 3,300,000 performance shares lapsed following completion of the FY22 year.

The remaining Performance Shares on issue in the Company relate to the Class E and Class F Performance Shares, totalling 46,511,628 performance shares.

Note 27. Financial instruments

Financial risk management objectives
The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the Group's functional currency. As the Group primarily transacts using its functional currency, foreign currency risk is deemed to be minimal.

Price risk
The consolidated entity is not exposed to any significant price risk.

Note 27. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group deemed its credit risk to be minimal as payments are mainly received in advance.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	12,516,395	-	-	-	12,516,395
Interest-bearing - fixed rate						
Borrowings	2.29%	4,760,842	-	-	-	4,760,842
Lease liability	5.00%	2,123,724	1,935,191	5,003,877	7,808,570	16,871,362
Total non-derivatives		19,400,961	1,935,191	5,003,877	7,808,570	34,148,599

Note 27. Financial instruments (continued)

Consolidated - 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	12,510,831	-	-	-	12,510,831
Interest-bearing - fixed rate						
Borrowings	2.29%	896,180	-	-	-	896,180
Lease liability	5.00%	1,796,567	1,871,508	5,539,591	9,612,890	18,820,556
Total non-derivatives		15,203,578	1,871,508	5,539,591	9,612,890	32,227,567

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 28. Key management personnel disclosures

Directors
The following persons were directors of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited) during the financial year:

Peter Richard James
Andrew Reeves
Daniel Rotman
Susan Klose (appointed 7 March 2022)
Robert Clisdell (resigned 17 February 2022)
Arie Nudel (resigned 27 May 2021)

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Jourdan Thompson	Chief Financial Officer
Shane Furness	Head of Operations, Australia and New Zealand

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2022 $	Consolidated 2021 $
Short-term employee benefits	1,484,833	2,397,439
Post-employment benefits	179,742	140,298
Other long-term benefits	19,228	13,826
Share-based payments	2,300,189	2,753,444
	3,983,992	5,305,007

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by HLB Mann Judd Assurance (NSW) Pty Ltd, the auditor of the Group:

	Consolidated	
	2022	**2021**
	$	**$**
Audit services - HLB Mann Judd Assurance (NSW) Pty Ltd		
Audit or review of the financial statements	128,092	120,387
Other services - HLB Mann Judd Assurance (NSW) Pty Ltd		
Others	-	3,500
	128,092	123,887

Note 30. Commitments

Capital expenditure commitments contracted as at the end of the reporting period but not recognised as a liability are as detailed in the table below.

	Consolidated	
	2022	**2021**
	$	**$**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment - bar line costs	-	1,466,450

Note 31. Related party transactions

Parent entity
Halo Food Co. Limited is the “legal” parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the balance date.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2022 $	Parent 2021 $
Loss after income tax	(4,864,208)	(6,178,694)
Total comprehensive income	(4,864,208)	(6,178,694)

Statement of financial position

	Parent 2022 $	Parent 2021 $
Total current assets	4,604,074	3,155,705
Total assets	49,037,286	46,987,010
Total current liabilities	1,047,061	981,324
Total liabilities	1,149,612	1,069,823
Equity		
Issued capital	57,612,919	51,617,317
Options reserve	5,612,149	6,132,924
Accumulated losses	(17,318,307)	(13,813,967)
Total equity	47,887,674	45,917,187

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has the following guarantees in relation to the debts of its subsidiaries as at 31 March 2022 (2021: $2.13 million):

- Asset Finance Limit of $1.9 million* in name of Omniblend Pty Ltd; and
- Bank Guarantee Facility of $230,000 in the name of Omniblend Pty Ltd.

* The current drawdown of this facility is $0.67 million.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 March 2022 and 2021.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 March 2022 and 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment.
- Investments in associates are accounted for at cost, less any impairment.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Business combinations

Prior period acquisition

On 8 May 2020, the group acquired the business and assets, and assumed certain liabilities, of Aus Confec Pty Ltd ("AusConfec"), for the total consideration transferred of $2,250,000.

Details of the acquisition are as follows:

	Fair value $
Plant and equipment	2,470,300
Leasehold improvements	909,000
Motor vehicles	21,000
Office equipment	17,900
Furniture and fittings	9,000
Deferred tax asset	13,968
Deferred tax liability	(323,730)
Employee benefits	(50,791)
Net assets acquired	3,066,647
Discount on acquisition	(816,647)
Acquisition-date fair value of the total consideration transferred	2,250,000
Representing:	
Cash paid or payable to vendor	2,250,000

The fair value of assets and liabilities acquired were previously recorded on a provisional basis. The acquisition of Aus Confec has been completed and the value of balances recognised have not changed.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
Keytone Enterprises (NZ) Company limited	New Zealand	100%	100%
Halo Manufacturing Pty Ltd (formerly Omniblend Pty Ltd)	Australia	100%	100%
Omni Brands Pty Ltd	Australia	100%	100%
Halo Food Co. Trading Pty Ltd*	Australia	100%	-
Halo Food Co. Trading NZ Limited*	New Zealand	100%	-

* These entities were dormant until 3 August 2021 being the date trading for these entities commenced.

Note 35. Events after the reporting period

On 1 April 2022, the company announced the completion of the acquisition of 100% of the issued share capital in leading digital health and wellness business, The Healthy Mummy ("THM"), in line with the following terms:

Upfront consideration

- $10.84 million in cash to the vendors. $8.04 million to Whiteoak and $2.8 million to Rhian Allen.
- $6.17 million in HLF equity to Whiteoak and Rhian Allen. $2.95 million to Whiteoak and $3.22 million to Rhian Allen.
- 51,588,628 ordinary shares were issued as part of the upfront consideration. 16,722,408 of the shares to be held in escrow for 12 months, the balance of 34,866,220 shares to be held in escrow for 24 months.

Note 35. Events after the reporting period (continued)

Earn out

- Cash payment of $0.5 million and an issue of HLF equity to the value of $2 million where THM's revenue for its financial year ending 30 June 2022 is greater than $25 million and EBITDA is greater than $5 million.
- Cash payment of $0.5 million and an issue of HLF equity to the value of $2 million where THM's revenue for its financial year ending 30 June 2023 is greater than $30 million and EBITDA is greater than $6.5 million.
- Deferred consideration is only payable to Rhian Allen and the HLF equity issued is subject to a 24 month escrow from the time of issue.

On 1 April 2022, the company received the funds from the Facility Agreement with Arrowpoint Capital Finance for $13 million. On the same date, the company issued 1 warrant exercisable into 44,117,648 fully paid ordinary shares.

No other matter or circumstance has arisen since 31 March 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 36. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022 $	2021 $
Loss after income tax benefit for the year	(7,467,651)	(8,195,476)
Adjustments for:		
Depreciation and amortisation	3,244,083	2,702,652
Impairment of brand name	308,000	-
Impairment of goodwill	646,044	-
Share-based payments	2,303,966	2,753,444
Other non-cash movements	-	62,887
Gain or bargain purchase	-	(816,647)
Net gain on disposal of property, plant and equipment	(366,462)	-
Provision for obsolescence of inventory	572,505	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	165,505	(3,847,823)
Increase in contract assets	(1,103,190)	-
Increase in inventories	(1,001,875)	(5,693,991)
Decrease/(Increase) in other assets	285,075	(130,754)
Increase/(decrease) in trade and other payables	(20,403)	5,957,352
Increase/(decrease) in contract liabilities	477,201	(235,144)
Decrease in deferred tax liabilities	(554,555)	(12,103)
Increase in employee benefits	65,756	552,620
Net cash used in operating activities	(2,446,001)	(6,902,983)

Note 37. Earnings per share

	Consolidated 2022 $	Consolidated 2021 $
Loss after income tax attributable to the owners of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)	(7,467,651)	(8,195,476)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	277,978,543	252,065,719
Weighted average number of ordinary shares used in calculating diluted earnings per share	277,978,543	252,065,719
	Cents	**Cents**
Basic earnings per share	(2.69)	(3.25)
Diluted earnings per share	(2.69)	(3.25)

Note 38. Share-based payments

During the period, a number of 38,000,000 Options were issued to Directors, Management and other employees as Incentive Options.

- 28,000,000 options to be issued upon which the volume weighted average price of the shares over any 10 consecutive trading days on which trades in the Shares are recorded in ASX is at least $0.30, until the expiry date. This tranche has an exercise price of $0.18, vesting date and expiry date 26 November 2024.
- 10,000,000 options issued to Directors and Management exercisable into ordinary shares at any time or prior to the expiry date. This tranche has an exercise price of $0.30 and a expiry date of 26 November 2024.

Set out below are summaries of options on issue as at 31 March 2022:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
18/07/2018	18/07/2021	$0.30	17,500,000	-	(1,000,000)	(16,500,000)	-
18/07/2018	18/07/2022	$0.30	1,000,000	-	-	-	1,000,000
18/07/2018	18/07/2023	$0.30	1,000,000	-	-	-	1,000,000
18/07/2018	18/07/2024	$0.30	1,000,000	-	-	-	1,000,000
23/11/2018	25/09/2021	$0.68	4,000,000	-	-	(4,000,000)	-
31/07/2019	16/07/2022	$0.61	2,000,000	-	-	-	2,000,000
31/07/2019	16/07/2023	$0.61	1,000,000	-	-	-	1,000,000
31/07/2019	16/07/2024	$0.61	1,000,000	-	-	-	1,000,000
31/07/2019	16/07/2025	$0.61	1,000,000	-	-	-	1,000,000
19/05/2020	26/08/2024	$0.00	2,151,156	-	(2,151,156)	-	-
19/05/2020	26/08/2024	$0.00	3,695,331	-	-	-	3,695,331
19/05/2020	31/03/2025	$0.00	5,542,996	-	-	-	5,542,996
19/05/2020	26/02/2025	$0.30	6,000,000	-	-	-	6,000,000
28/10/2021	26/11/2024	$0.18	-	28,000,000	-	-	28,000,000
28/10/2021	26/11/2024	$0.30	-	10,000,000	-	-	10,000,000
			46,889,483	38,000,000	(3,151,156)	(20,500,000)	61,238,327
Weighted average exercise price			$0.29	$0.21	$0.10	$0.37	$0.23

The weighted average remaining contractual life of options outstanding at the end of the financial period was 1.96 years (2021: 1.90 years).

Note 38. Share-based payments (continued)

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
18/07/2018	18/07/2021	$0.30	17,500,000	-	-	-	17,500,000
18/07/2018	18/07/2022	$0.30	1,000,000	-	-	-	1,000,000
18/07/2018	18/07/2023	$0.30	1,000,000	-	-	-	1,000,000
18/07/2018	18/07/2024	$0.30	1,000,000	-	-	-	1,000,000
23/11/2018	25/09/2021	$0.68	4,000,000	-	-	-	4,000,000
31/07/2019	16/07/2022	$0.61	2,000,000	-	-	-	2,000,000
31/07/2019	16/07/2023	$0.61	1,000,000	-	-	-	1,000,000
31/07/2019	16/07/2024	$0.61	1,000,000	-	-	-	1,000,000
31/07/2019	16/07/2025	$0.61	1,000,000	-	-	-	1,000,000
19/05/2020	26/08/2024	$0.00	-	2,151,156	-	-	2,151,156
19/05/2020	26/08/2024	$0.00	-	3,695,331	-	-	3,695,331
19/05/2020	31/03/2025	$0.00	-	5,542,996	-	-	5,542,996
19/05/2020	26/02/2025	$0.30	-	6,000,000	-	-	6,000,000
			29,500,000	17,389,483	-	-	46,889,483
Weighted average exercise price			$0.40	$0.10	$0.00	$0.00	$0.29

Using the Black Scholes and Monte Carlo Model simulation, the fair value of each option is as set out below:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
18/07/2018	18/07/2021	$0.20	$0.30	80.00%	-	2.09%	$0.085
18/07/2018	18/07/2022	$0.20	$0.30	80.00%	-	2.09%	$0.101
18/07/2018	18/07/2023	$0.20	$0.30	80.00%	-	2.29%	$0.114
18/07/2018	18/07/2024	$0.20	$0.30	80.00%	-	2.29%	$0.125
23/11/2018	25/09/2021	$0.47	$0.68	65.00%	-	2.12%	$0.154
31/07/2019	16/07/2022	$0.48	$0.61	89.00%	-	0.81%	$0.245
31/07/2019	16/07/2023	$0.48	$0.61	89.00%	-	0.81%	$0.282
31/07/2019	16/07/2024	$0.48	$0.61	89.00%	-	0.81%	$0.311
31/07/2019	16/07/2025	$0.48	$0.61	89.00%	-	0.81%	$0.336
19/05/2020	26/08/2024	$0.33	$0.00	64.80%	-	0.67%	$0.330
19/05/2020	26/02/2025	$0.33	$0.30	64.80%	-	0.67%	$0.185
19/05/2020	31/03/2025	$0.33	$0.00	64.80%	-	0.67%	$0.187

For the options granted during the current financial period, the valuation models (Black Scholes model and Monte Carlo simulation) inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility %	Dividend yield	Risk-free interest rate %	Fair value at grant date
28/10/2021	26/11/2024	$0.12	$0.18	68.77%	-	0.64%	$0.034
28/10/2021	26/11/2024	$0.12	$0.30	68.77%	-	0.64%	$0.028

* These options include market and non-market based performance vesting conditions, as such a Monte Carlo simulation was utilised to determine a value for the instruments with consideration of the probability of the performance conditions being met.

Total share-based payments expense recorded in the profit or loss for the year ended 31 March 2022 amounted to $2,303,966 (2021: $2,753,444).

Note 39. Impact of COVID-19

On 11 March 2020, the World Health Organisation (“WHO”) declared the Coronavirus disease 2019 (“COVID-19”) a pandemic. The pandemic has adversely affected the global economy, including a decrease in consumer demand, interruptions in supply chains, and tight liquidity and credit conditions. Consequently, governments around the world have announced monetary and fiscal stimulus packages to minimise the adverse economic impact.

Notwithstanding the varied levels of Government lockdowns implemented throughout New Zealand and Australia, the consolidated entity as a food manufacturer is considered an essential service and continued to operate uninterrupted through these challenging periods. The consolidated entity has a flexible and diversified operational base across six manufacturing sites in New Zealand and Australia and an additional warehousing site, has implemented additional risk mitigation measures and stringent personal and food safety standards.

Nothwithstanding the diversified operation nature of the Group across multiple jurisdictions, COVID-19 has had a deep impact on the business. The Group and its clients have benefited from a heightened focus on health and wellness related products, with strong growth in e-commerce channels in particular over the proceeding 12 to 24 months, this has benefited the recorded sales and customer diversification with the contract manufacturing division of the business. Albeit the Omicron variant of COVID-19 realised significant absenteeism in the Company and a delay to the realisation of sales as product was unable to be manufactured in a timely manner through December 2021 to February 2022. The proprietary brands division has had further challenges of building new brands in a macroeconomic environment plagued with lockdowns and closures of key distribution channels. While the Tonik brand has continued to grow and gain traction through FY22, although at a hamstrung rate, Super Cubes has not performed in line with expectations. The performance related to Super Cubes is in part related to COVID-19 over the past 24 months and the inability to grow, market and sample products of the brand to end consumers given lockdowns, postponed range reviews and the temporary closure of key distribution channels.

COVID-19 remains a macro factor in the operating environment and global logistic and daily challenges will remain for the foreseeable future. At this time, the directors of the consolidated entity believe the risks associated with COVID-19 to the business are largely mitigated due to the close working relationship with key clients, key distributors, retail partners and suppliers. At this point in time the Directors do not expect that COVID-19 will have any further material, adverse impact on the consolidated entity's ongoing business or the carrying value of its assets.

In the directors' opinion:

- the attached consolidated financial statements and notes of Halo Food Co. Limited ('the company') and its controlled entities (collectively 'the group') comply with the Corporations Act 2001, Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 March 2022 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

Peter James
Chairman

30 June 2022

Independent Auditor's Report to the Members of Halo Food Co. Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Halo Food Co. Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 March 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.
In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 March 2022 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of intangible assets	
As disclosed in Note 14 of the financial statements, the Group's intangible asset balance of $30.3m, include $24.1m of goodwill recognised via previous business combinations and allocated to identified Cash Generation Units ("CGUs"). ‘ As required by Australian Accounting Standards an impairment assessment of the recoverable amount of the CGU's to which the Goodwill relates has been performed by management.	Our audit procedures included but were not limited to the following: • Assessed the identification and determination of the Group's CGUs based on our understanding of the nature of the Group's business. • Tested the integrity and mathematical accuracy of the discounted cash flow models used by management for value in use assessments.

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Key Audit Matter	How our audit addressed the key audit matter
Carrying amount of intangible assets	
Management's impairment assessment of the CGU recoverable amounts utilises value in use calculations, which involve a significant level of judgement in the following areas: • the selection of the appropriate model to be used, in this case the discounted cash flow model; • assessment and determination of the expected cash flows from the businesses; • selecting appropriate growth rates; and • selection of the appropriate discount rate. We considered this to be a key audit matter due to the significant judgement involved in estimating the carrying amount of the goodwill as well as the significance of goodwill to the Group's assets.	• Evaluated and assessed key assumptions and methodologies applied to the underlying cashflow forecasts with reference to representations from management, documented business plans and historical results of the business operations. • Assessed the Group's assumptions in developing the discount and terminal growth rates with reference to external sources. • Performed sensitivity analysis and evaluated whether a reasonably possible change in assumptions could cause the carrying amount of a CGU to exceed its recoverable amount. Assessed the adequacy of disclosures included in Note 14 to the financial statements.
Inventory valuation	
As at 31 March 2022, the Group holds inventories with a carrying value of $11.5m as disclosed in Note 11 of the financial statements. As detailed in note 2 of the financial statements, inventories are valued at the lower of cost and net realisable value. Significant judgement is involved in estimating the net realisable value of inventory as it requires estimating the future sales volumes and prices for specific inventory lines. A write-down of inventory is determined after considering the anticipated sales and margins based on recent historical performance and the broader market conditions. We considered this to be a key audit matter due to the size of the inventory balance and the complexity in estimating the valuation of inventory.	Our audit procedures included but were not limited to the following: • Assessing the Group's methodology for determining standard costs and allocating manufacturing and price variances to inventory items. • Testing on a sample basis the recorded cost of a sample of inventory items to supplier invoice or other relevant documentation. • Attended stocktakes at a sample of warehouse locations to validate the existence and saleability of inventory on a sample basis. • Understanding and assessing the Group's process related to analysing the ageing of inventory and calculating the net realisable value of inventory items, including with reference to future sales volumes and expected future sales values. • Assessed whether inventory on hand at balance date was recorded at the lower of cost and net realisable value by testing a sample of inventory items to the most recent sales agreements. • Assessing the adequacy of the disclosures in Notes 2 and 11.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 11 of the directors' report for the year ended 31 March 2022.

In our opinion, the Remuneration Report of Halo Food Co. Limited for the year ended 31 March 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

HLB Mann Judd

HLB Mann Judd Assurance (NSW) Pty Ltd
Chartered Accountants

N J Guest
Director

Sydney, NSW
30 June 2022

The shareholder information set out below was applicable as at 27 June 2022.

1. Securities on issue

Shares and Option as at 27 June 2022	
Ordinary shares on issue	400,769,743
Unquoted options on issue	46,889,483
Unquoted Performance rights on issue	46,511,628
Unquoted warrant	44,117,648

2. Distribution of quoted ordinary shares and small holdings

Range	Securities	%	No. of holders
100,001 and Over	327,200,626	81.64%	558
10,001 to 100,000	64,951,503	16.21%	1,702
5,001 to 10,000	5,849,068	1.46%	702
1,001 to 5,000	2,698,814	0.67%	882
1 to 1,000	69,732	0.02%	145
	400,769,743		3,989

3. Top 20 registered shareholders

Name	Number of shares	Percentage
RHIAN ALLEN	26,923,077	6.72
WHITEOAK PTY LTD	18,499,164	4.62
CITICORP NOMINEES PTY LIMITED	8,533,196	2.13
MR KIERAN JOHN MITCHELL	7,200,000	1.80
MLLW PTY LTD	6,659,664	1.66
WHITEOAK PTY LTD	6,166,387	1.54
ARNA CONSULTING PTY LTD	5,456,457	1.36
M1NT PROPERTY PTY LTD	5,408,101	1.35
MR DEVANGKUMAR SHETH & MR SIDDHARTH SHETH & MRS NIMISHABEN SHETH	4,437,204	1.11
HIT PRO PTY LTD	3,500,000	0.87
JANFRED PTY LTD	3,413,954	0.85
CHASEN PTY LTD	3,396,540	0.85
CHRISTOPHER MERVYN MAW	3,219,971	0.80
MS KENG YOKE LEE	2,880,000	0.72
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	2,679,892	0.67
MR MICHAEL GLEN FOX & MRS DEBORAH ELIZABETH FOX	2,660,000	0.66
MR MARTYN ROGER BROWN	2,500,000	0.62
BFB HOLDINGS PTY LTD	2,500,000	0.62
HYLEC INVESTMENTS PTY LIMITED	2,367,647	0.59
MR ANDREW RICHARD JACKSON BALL	2,321,128	0.58
HARDY ROAD INVESTMENTS PTY LTD	2,250,000	0.56
Total	122,972,382	30.68

Unquoted equity securities
There are no unquoted equity securities.

4. Substantial holders
The share balances below are extracted from substantial shareholder notices received by the Company.

Shareholders	Number of shares	Voting power	Date of last notice
Rhian Allen	26,923,077	6.72%	6 April 2022
Whiteoak Pty Ltd	24,665,551	6.16%	6 April 2022

5. Voting rights

Ordinary shares

Fully paid ordinary shares on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll shall have one vote for each share represented.

Unquoted options

Options do not carry any voting rights.

Performance shares

Performance Shares do not carry any voting rights.

There are no other classes of equity securities.