Halo Food Co. Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Halo Food Co. Limited
ABN:	49 621 970 652
Reporting period:	For the year ended 31 March 2023
Previous period:	For the year ended 31 March 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	37.0%	to	82,100,854
Loss from ordinary activities after tax attributable to the owners of Halo Food Co. Limited	up	570.5%	to	(50,073,001)
Loss for the year attributable to the owners of Halo Food Co. Limited	up	570.5%	to	(50,073,001)

Comments
The statutory loss for the consolidated entity after providing for income tax amounted to $50,073,001 (31 March 2022: $7,467,651). The trading loss for the consolidated entity is $13,986,032 prior to normalisations and removal of one-off, non-recurrent costs.

The greater majority of the loss recorded is the non-cash impairment of $36,086,968 of goodwill related to the acquisition of The Healthy Mummy and prior year acquisition of Halo Manufacturing. The impairment has been driven by a deteriorating macroeconomic environment, rising interest rates, rising inflation and increased cost of living pressures. In addition, there is a large delta between the market capitalisation of the Halo group and the goodwill recorded on the balance sheet. These macroeconomic factors have led to a significant increase in the company's weighted average cost of capital and the resulting discount rates used (FY23 WACC of 20.8% compared to FY22 WACC of 11.0%) to test the goodwill headroom pursuant to accounting standards as compared with prior years, resulting in the impairment. The non-cash impairment does not impact the underlying assets of the business utilised to service clients and generate the revenues and earnings within the group. A further $1,746,883 relates to inventory write-off and $3,910,860 represents non-recurrent and one-off costs as noted in the covering release announcement.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.31	7.55

Right-of-use assets have not been included in the calculation of Net tangible assets.

4. Control gained over entities

On 1 April 2022, the company acquired 100% of the ordinary shares of The Healthy Mummy Holdings Pty Limited. During the period, the company incorporated The Healthy Mummy Retail Pty Limited.

5. Dividends

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

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

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6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

The foreign controlled subsidiaries of the consolidated entity comply with the requirements of International Financial Reporting Standards.

9. Audit qualification or review

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

This report is based on the Financial Report for the twelve months ended 31 March 2023. The audit of the financial statements is ongoing, albeit not yet complete. The audit is not yet at a stage where it is possible for the Directors to anticipate whether the independent audit report will be subject to a modified, emphasis of matter or other matter paragraph.

10. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Halo Food Co. Limited for the year ended 31 March 2023 is attached.

11. Signed

Signed _____ Date: 31 May 2023

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Halo Food Co. Limited

ABN 49 621 970 652

Preliminary Financial Report - 31 March 2023

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Halo Food Co. Limited
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General information

The consolidated financial statements cover Halo Food Co. Limited as a consolidated entity consisting of Halo Food Co. Limited ('company') and the entities it controlled (collectively, 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 is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 5, 126 Phillip Street
Sydney NSW 2000 Australia

Principal places of business

17 Hynds Drive, Rolleston
Christchurch, 7675 New Zealand

26-28 Bond Street
Mordialloc, VIC 3195 Australia

Suite 16, 74 The Corso
Manly, NSW 2095 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 31 May 2023. The directors have the power to amend and reissue the financial statements.

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Halo Food Co. Limited
Preliminary consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Revenue	3	82,100,854	59,924,944
Costs of sales		(62,437,942)	(46,540,332)
Gross profit		19,662,912	13,384,612
Other income		319,348	1,137,651
Expenses			
Professional service expenses		(1,821,197)	(1,406,230)
Directors and employee benefits expense		(10,573,693)	(7,580,702)
Depreciation and amortisation expense	4	(6,843,134)	(3,244,083)
Impairment of assets	4	(37,933,851)	(2,459,567)
Other expenses		(2,563,695)	(2,931,180)
Finance costs	4	(3,004,982)	(1,206,063)
Marketing		(3,912,490)	(419,456)
Occupancy		(334,404)	(224,316)
Administration		(3,615,572)	(768,906)
Share-based payments expense	13	(344,377)	(2,303,966)
Loss before income tax benefit		(50,965,135)	(8,022,206)
Income tax benefit		892,134	554,555
Loss after income tax benefit for the year attributable to the owners of Halo Food Co. Limited		(50,073,001)	(7,467,651)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		26,880	75,688
Other comprehensive income for the year, net of tax		26,880	75,688
Total comprehensive income for the year attributable to the owners of Halo Food Co. Limited		(50,046,121)	(7,391,963)
		Cents	**Cents**
Basic earnings per share	12	(12.49)	(2.69)
Diluted earnings per share	12	(12.49)	(2.69)

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Halo Food Co. Limited
Preliminary consolidated statement of financial position
As at 31 March 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents		2,770,489	7,186,168
Trade and other receivables		6,614,349	9,547,937
Inventories		12,656,476	11,528,091
Other current assets		602,693	1,385,672
		22,644,007	29,647,868
Non-current assets classified as held for sale	5	7,223,948	-
Total current assets		29,867,955	29,647,868
Non-current assets			
Property, plant and equipment	6	7,279,821	16,267,067
Right-of-use assets		11,017,699	11,649,362
Intangibles	7	9,699,980	30,296,915
Other current assets		741,924	605,522
Total non-current assets		28,739,424	58,818,866
Total assets		58,607,379	88,466,734
Liabilities			
Current liabilities			
Trade and other payables		18,167,092	12,516,395
Borrowings	8	6,175,207	4,760,842
Lease liabilities		1,182,103	1,490,673
Income tax		-	3,089
Employee benefits		1,201,154	1,201,480
Other liabilities		176,333	71,583
Contract liabilities		1,622,609	525,486
Total current liabilities		28,524,498	20,569,548
Non-current liabilities			
Borrowings	8	9,100,166	-
Lease liabilities		11,779,400	11,838,717
Deferred tax		-	977,520
Employee benefits		208,903	102,551
Total non-current liabilities		21,088,469	12,918,788
Total liabilities		49,612,967	33,488,336
Net assets		8,994,412	54,978,398
Equity			
Issued capital	9	63,179,237	59,593,832
Warrants	10	132,353	-
Reserves		19,608,428	19,828,641
Accumulated losses		(73,925,606)	(24,444,075)
Total equity		8,994,412	54,978,398

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

Halo Food Co. Limited
Preliminary consolidated statement of changes in equity
For the year ended 31 March 2023

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 13)	-	2,303,966	-	2,303,966
Contributions of equity, net of transaction costs (note 9)	5,200,090	-	-	5,200,090
Transfer relating to options expired and/or forfeited ()	-	(2,029,229)	2,029,229	-
Transfer relating to options exercised ()	795,512	(795,512)	-	-
Balance at 31 March 2022	59,593,832	19,828,641	(24,444,075)	54,978,398

Consolidated	Issued capital $	Warrants $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 April 2022	59,593,832	-	19,828,641	(24,444,075)	54,978,398
Loss after income tax benefit for the year	-	-	-	(50,073,001)	(50,073,001)
Other comprehensive income for the year, net of tax	-	-	26,880	-	26,880
Total comprehensive income for the year	-	-	26,880	(50,073,001)	(50,046,121)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 9)	3,585,405	-	-	-	3,585,405
Share-based payments (note 13)	-	-	344,377	-	344,377
Transfer relating to options expired and/or forfeited ()	-	-	(591,470)	591,470	-
Fair value of warrant issued	-	132,353	-	-	132,353
Balance at 31 March 2023	63,179,237	132,353	19,608,428	(73,925,606)	8,994,412

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

Halo Food Co. Limited
Preliminary consolidated statement of cash flows
For the year ended 31 March 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		92,246,444	67,485,937
Payments to suppliers and employees (inclusive of GST)		(94,198,514)	(69,576,884)
Interest and other finance costs paid		(1,684,481)	(963,545)
Interest received		60,349	57,841
Government grants and tax incentives		-	550,650
Income tax receivable		(280,000)	-
Net cash used in operating activities		(3,856,202)	(2,446,001)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	11	(10,273,497)	-
Payments for property, plant and equipment	6	(313,091)	(2,920,386)
Payments for intangibles	7	(322,126)	(64,305)
Payments of security deposit		-	(467,175)
Proceeds from disposal of property, plant and equipment	6	10,586	915,146
Net cash used in investing activities		(10,898,128)	(2,536,720)
Cash flows from financing activities			
Proceeds from issue of shares	9	-	6,079,485
Share issue transaction costs		(352,708)	(519,983)
Proceeds from borrowings		11,533,302	4,222,936
Repayment of lease liabilities		(1,008,826)	(1,384,213)
Net cash from financing activities		10,171,768	8,398,225
Net increase/(decrease) in cash and cash equivalents		(4,582,562)	3,415,504
Cash and cash equivalents at the beginning of the financial year		7,186,168	4,049,804
Effects of exchange rate changes on cash and cash equivalents		166,883	(279,140)
Cash and cash equivalents at the end of the financial year		2,770,489	7,186,168

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

Note 1. 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').

The Appendix 4E Preliminary Financial Report has been prepared on a going concern basis. The entity incurred a statutory loss of $50,073,001 for the year, with the majority of the loss recorded, being $36,086,968, resulting from an impairment of goodwill. The directors are pursuing a strategic review and sales process to unlock value for all stakeholders. More detail around the strategic review will be provided in the Annual Report.

These preliminary consolidated financial statements have been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. The Appendix 4E does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

The accounting policies have been consistently applied by the consolidated entity and are consistent with those applied in the 31 March 2022 annual report, other than as noted below.

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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.

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Note 2. Operating segments

The consolidated entity operates primarily 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 - 2023	Australia $	New Zealand $	Other segments** $	Total $
Revenue				
Proprietary Brands	3,666,289	562,551	-	4,228,840
Contract Manufacturing (OEM)	51,762,668	12,190,174	-	63,952,842
The Healthy Mummy	13,718,863	-	158,128	13,876,991
Unallocated	-	42,181	-	42,181
Total revenue	69,147,820	12,794,906	158,128	82,100,854
EBITDA *	1,120,979	(179,137)	(4,185,359)	(3,243,517)
Depreciation and amortisation	-	-	(6,843,134)	(6,843,134)
Impairment of assets	-	-	(37,933,851)	(37,933,851)
Interest revenue	-	-	60,349	60,349
Finance costs	(2,817,001)	(187,981)	-	(3,004,982)
Loss before income tax benefit	(1,696,022)	(367,118)	(48,901,995)	(50,965,135)
Income tax benefit				892,134
Loss after income tax benefit				(50,073,001)

* Australian Contract Manufacturing (OEM) segment has a positive EBITDA of $1,816,317 for the year ended 31 March 2023 prior to normalisations and removal of the underperformance of non-core assets, including the bar line.

** Other segment revenue in the current period includes United States and United Kingdom operations of The Healthy Mummy and the full depreciation of the group.

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)

* Australian Contract Manufacturing (OEM) segment has a positive EBITDA of $3,330,118 for the year ended 31 March 2022.

Note 3. Revenue

	Consolidated 2023 $	Consolidated 2022 $
Sale of proprietary products and third party private label manufacturing	76,577,786	59,924,944
Sale of digital application subscriptions	5,523,068	-
Revenue	82,100,854	59,924,944

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

	Consolidated 2023 $	Consolidated 2022 $
Major product lines		
Proprietary brands	4,228,841	4,195,721
Contract manufacturing	63,952,843	55,693,315
The Healthy Mummy	13,876,991	-
Unallocated	42,179	35,908
	82,100,854	59,924,944
Geographical regions		
Australia	69,147,820	43,666,774
New Zealand	12,794,907	16,258,170
Other	158,127	-
	82,100,854	59,924,944
Timing of revenue recognition		
Goods transferred at a point in time	76,577,786	59,924,944
Services transferred over time	5,523,068	-
	82,100,854	59,924,944

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Note 4. Expenses

	Consolidated 2023 $	Consolidated 2022 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Buildings	140,148	140,246
Plant and equipment	1,694,634	794,370
Furniture and fittings	22,735	24,674
Motor vehicles	16,404	18,380
Office equipment	72,479	91,375
Buildings right-of-use assets	2,834,862	1,280,175
Plant and equipment right-of-use assets	160,280	484,627
Total depreciation	4,941,542	2,833,847
Amortisation		
Website	449,640	-
Patents and trademarks	773,535	10,736
Customer contracts	132,757	399,500
Software	545,660	-
Total amortisation	1,901,592	410,236
Total depreciation and amortisation	6,843,134	3,244,083
Finance costs		
Interest and finance charges paid/payable on borrowings	2,339,863	549,386
Interest and finance charges paid/payable on lease liabilities	665,119	656,677
Finance costs expensed	3,004,982	1,206,063
Write-off of assets		
Software	1,390,861	-
Website	297,616	-
Other current assets	100,000	-
Inventories	1,746,883	980,924
Trade receivables	-	524,599
Brand name	2,448,408	308,000
Goodwill	30,877,683	646,044
Customer contracts	1,072,400	-
Total write-off of assets	37,933,851	2,459,567
Superannuation expense		
Defined contribution superannuation expense	787,213	532,125

The majority of assets written off in the current financial year comprise non-monetary intangible assets previously acquired on acquisition. In accordance with accounting standards, these have been reviewed for impairment using a revaluation model. The only operational asset write-off in the current year was an inventory adjustment for obsolete and expired raw materials and packaging in the Australian Contract Manufacturing (OEM) segment.

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Note 5. Non-current assets classified as held for sale

As part of the Group's strategic review of its operations which was announced subsequent to year end, it was determined that certain assets held within the business should be held for sale. This is due to the fact that these assets could be disposed of at a value substantially higher than the implied values of the assets based on the current listed market value of the Company.

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Land and Buildings	2,234,315	-
Plant and equipment	4,989,633	-
	7,223,948	-

The land and buildings classified as held for sale at year end relate to land and building assets in New Zealand. The Plant and Equipment assets refer to the bar production line in Australia.

Note 6. Property, plant and equipment

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Land and buildings - at cost	1,398,399	3,616,846
Less: Accumulated depreciation	(717,118)	(576,970)
	681,281	3,039,876
Assets under construction	-	1,425,500
Plant and equipment - at cost	12,926,109	16,335,623
Less: Accumulated depreciation	(6,562,221)	(4,867,587)
	6,363,888	11,468,036
Furniture and fittings - at cost	161,469	161,033
Less: Accumulated depreciation	(106,596)	(83,861)
	54,873	77,172
Motor vehicles - at cost	154,032	153,092
Less: Accumulated depreciation	(107,025)	(90,621)
	47,007	62,471
Office equipment - at cost	530,624	519,385
Less: Accumulated depreciation	(397,852)	(325,373)
	132,772	194,012
	7,279,821	16,267,067

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Note 6. Property, plant and equipment (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	Land and Buildings $	Assets under construction $	Plant and equipment $	Furniture and fittings $	Motor vehicles $	Office equipment $	Total $
Balance at 1 April 2021	3,644,520	2,905,708	8,360,197	101,358	72,169	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	488	764	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)	(24,674)	(18,380)	(91,375)	(1,069,045)
Balance at 31 March 2022	3,039,876	1,425,500	11,468,036	77,172	62,471	194,012	16,267,067
Additions	-	220,090	76,035	-	-	16,966	313,091
Additions through business combinations (note 11)	-	-	104,117	-	-	-	104,117
Classified as held for sale (note 5)	(2,234,315)	-	(4,989,633)	-	-	-	(7,223,948)
Disposals	(292)	(2,750)	(158,910)	-	-	(14,310)	(176,262)
Exchange differences	16,160	246	(84,209)	436	940	8,584	(57,843)
Transfers in/(out)	-	(1,478,777)	1,478,777	-	-	-	-
Depreciation expense	(140,148)	(164,309)	(1,530,325)	(22,735)	(16,404)	(72,480)	(1,946,401)
Balance at 31 March 2023	681,281	-	6,363,888	54,873	47,007	132,772	7,279,821

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Note 7. Intangibles

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Goodwill - at cost	31,523,727	24,794,393
Less: Accumulated impairment	(646,044)	(646,044)
Less: Impairment	(30,877,683)	-
	-	24,148,349
Website - at cost	3,960,736	58,920
Less: Accumulated amortisation	(2,850,976)	-
Less: Impairment	(297,616)	-
	812,144	58,920
Patents and trademarks - at cost	479,247	85,431
Less: Accumulated amortisation	(150,209)	(17,452)
	329,038	67,979
Customer contracts - at cost	4,566,000	3,995,000
Less: Accumulated amortisation	(1,514,973)	(1,065,333)
Less: Impairment	(1,072,400)	-
	1,978,627	2,929,667
Software - at cost	5,456,600	-
Less: Accumulated amortisation	(545,660)	-
Less: Impairment	(1,390,861)	-
	3,520,079	-
Brand name - at cost	5,784,592	3,400,000
Less: Accumulated impairment	(308,000)	(308,000)
Less: Impairment	(2,416,500)	-
	3,060,092	3,092,000
	9,699,980	30,296,915

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Note 7. Intangibles (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	Goodwill $	Website $	Patents and trademarks $	Customer contracts $	Software $	Brand name $	Total $
Balance at 1 April 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
Additions	-	130,975	227,281	-	-	-	358,256
Additions through business combinations (note 11)	6,729,334	1,693,400	166,535	571,000	5,456,600	2,416,500	17,033,369
Impairment of assets	(30,877,683)	(297,616)	-	(1,072,400)	(1,390,861)	(2,448,408)	(36,086,968)
Amortisation expense	-	(773,535)	(132,757)	(449,640)	(545,660)	-	(1,901,592)
Balance at 31 March 2023	-	812,144	329,038	1,978,627	3,520,079	3,060,092	9,699,980

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

During the year it was deemed necessary to fully write off the amount of goodwill attributable to the Group's acquisition of Halo Manufacturing Pty Ltd (formerly Omniblend Pty Ltd). This write off totalled $24,148,349. In addition the Group impaired intangible assets in The Healthy Mummy to the amount of $11,335,711. As part of this impairment it was decided to fully write-off the Goodwill attributable to The Healthy Mummy ($6,729,334), the Brand Names ($2,416,500) and specific customer contracts ($501,400). Impairments of $1,390,861 and $297,616 were recorded against Software and Website assets respectively. The impairment has been driven by a deteriorating macroeconomic environment, rising interest rates, rising inflation and increased cost of living pressures. In addition, there is a large delta between the market capitalisation of the Halo Group and the goodwill recorded on the balance sheet. These macroeconomic factors have led to a significant increase in the company's weighted average cost of capital and the resulting discount rates used (FY23 WACC of 20.8% compared to FY22 WACC of 11.0%) to test the goodwill headroom pursuant to accounting standards as compared with prior years, resulting in the impairment. The non-cash impairment does not impact the underlying assets of the business utilised to service clients and generate the revenues and earnings within the group.

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Note 8. Borrowings

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Borrowings	3,130,835	-
Trade finance facility	3,044,372	4,712,339
Funding company loan	-	48,503
	6,175,207	4,760,842
Non-current liabilities		
Borrowings	8,980,833	-
Trade finance facility	119,333	-
	9,100,166	-
	15,275,373	4,760,842

Borrowings and Trade finance facility
During the period the consolidated entity increased its available funding with secured debt financing facilities. A AUD $13,000,000 loan facility was established with Arrowpoint Capital Pty Limited during the period, with a 36 month term ending 31 March 2025. Transaction costs of $357,500 including a loan establishment fee and loan mandate fee were offset against the borrowings and are amortised across the life of the loan using the effective interest rate method. The trade debtor finance facility for AUD $6,000,000 with Moneytech in the Australian Contract Manufacturing and Brand business was fully repaid during the period.

The trade finance facility with Australia and New Zealand Banking Group remained at NZD$3,500,000 (2022: NZD$3,500,000). Australia and New Zealand Banking Group also continues to provide Keytone Enterprises (NZ) Company Limited with an Overdraft for NZD$1,000,000.

At 31 March 2023 , the finance facility utilised for New Zealand business is NZD$3,379,786 (circa AUD$3,163,705) while AUD $13,000,000 was utilised for the loan facility with Arrowpoint Capital Pty Limited, less a $650,000 principal repayment made on 31 December 2022. The facilities are secured over the assets of the respective operational entities within the consolidated entity as is commensurate for debt financing facilities and have an average interest rate of 7.80% and 9.75% per annum, for New Zealand and Australia respectively.

Note 9. Issued capital

	Consolidated 2023 Shares	Consolidated 2022 Shares	Consolidated 2023 $	Consolidated 2022 $
Ordinary shares - fully paid	400,769,743	349,181,115	63,179,237	59,593,832

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Note 9. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 April 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
Shares issued as part consideration for The Healthy Mummy acquisition	1 April 2022	51,588,628	$0.07	3,686,500
Costs of issuing capital				(101,095)
Balance	31 March 2023	400,769,743		63,179,237

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 10. Warrants

	Consolidated 2023 $	Consolidated 2022 $
Warrants	132,353	-

On 1 April 2022, the company issued 1 warrant exercisable into 44,117,648 fully paid ordinary shares to Arrowpoint Capital Pty Limited in connection with the debt facility (note 8). The share price of the company on the date of issue was $0.071, with an exercise price determined by the lower of:
- the share price of the issuance under the share placement plan for the acquisition of The Healthy Mummy (note 11 and note 9); and
- the placement per warrant share.
Therefore, the warrant contains an exercise price of $0.068.

As the warrant settles via a fixed number of shares at a fixed price, the warrant has been classified as equity.

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Note 11. Business combinations

Current period acquisition

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.

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. HLF equity issued as part of Rhian Allen's Earn Out is subject to a 24 month escrow from the time of issue.

Details of the acquisition are as follows:

	Fair value $
Cash and cash equivalents	2,187,187
Trade and other receivables	87,551
Inventory	1,895,068
Other assets	91,191
Property, plant and equipment	104,117
Intangible assets	166,535
Deferred tax asset	1,077,579
Trade and other payables	(1,631,966)
GST payable	(228,747)
Income tax payable	(58,384)
Deferred revenue	(3,108,127)
Employee benefit liabilities	(300,704)
Net assets acquired	281,300
Goodwill	6,729,334
Customer contracts	571,000
Software and website	7,150,000
Brand name	2,416,500
Deferred tax liability	(896,200)
Acquisition-date fair value of the total consideration transferred	16,251,934
Representing:	
Cash paid or payable to vendor	10,840,000
Halo Food Co. Limited shares issued to vendor	3,686,500
Working capital and net debt adjustments	1,620,684
Contingent consideration	104,750
	16,251,934

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Note 11. Business combinations (continued)

The fair value of assets and liabilities acquired were previously recorded on a provisional basis. The acquisition of THM has been completed and the value has been impaired as described at Note 7.

The first earn out noted above, being the 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, has not been achieved.

Note 12. Earnings per share

	Consolidated 2023 $	Consolidated 2022 $
Loss after income tax attributable to the owners of Halo Food Co. Limited	(50,073,001)	(7,467,651)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	400,769,743	277,978,543
Weighted average number of ordinary shares used in calculating diluted earnings per share	400,769,743	277,978,543
	Cents	**Cents**
Basic earnings per share	(12.49)	(2.69)
Diluted earnings per share	(12.49)	(2.69)

Note 13. Share-based payments

During the period, 2,000,000 options were issued to Director Susan Klose under the Employee Incentive Plan. These were granted on 30 August 2022 and contain both a continuous employment service condition and a market-based performance condition that the 10-day VWAP of Halo Food Co. Limited shares is at least $0.30 between the grant date and the expiry date of 30 August 2025. The options contain an exercise price of $0.18 per share.

Set out below are summaries of options on issue as at 31 March 2023:

2023

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	18/07/2022	$0.00	1,000,000	-	-	(1,000,000)	-
18/07/2018	18/07/2023	$0.00	1,000,000	-	-	-	1,000,000
18/07/2018	18/07/2024	$0.00	1,000,000	-	-	-	1,000,000
31/07/2019	16/07/2022	$0.00	2,000,000	-	-	(2,000,000)	-
31/07/2019	16/07/2023	$0.00	1,000,000	-	-	-	1,000,000
31/07/2019	16/07/2024	$0.00	1,000,000	-	-	-	1,000,000
31/07/2019	16/07/2025	$0.00	1,000,000	-	-	-	1,000,000
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	$0.00	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
30/08/2022	30/08/2025	$0.18	-	2,000,000	-	-	2,000,000
			61,238,327	2,000,000	-	(3,000,000)	60,238,327

The weighted average remaining contractual life of options outstanding at the end of the financial period was 1.96 years (2022: 1.96 years).

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Note 13. Share-based payments (continued)

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

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
30/08/2022	30/08/2025	$0.05	$0.18	61.04%	-	3.03%	$0.006

Total share-based payments expense recorded in the profit or loss for the year ended 31 March 2023 amounted to $344,377 (2022: $2,303,966).

Note 14. Commitments

The consolidated entity had no capital commitments as at 31 March 2023 and 2022.

Note 15. Events after the reporting period

On 8 May, the Board announced a strategic review of the business. The Board has formed an opinion that the value of the underlying businesses units may be worth substantially more than the implied values based on the current listed market value of the Company. The Board has appointed corporate advisory firm Modus Partners, to conduct an external strategic review, drive value for all stakeholders and to ultimately advise on unlocking shareholder value in the group. The strategic review will consider all options available, for either individual business units or the Company as a whole, including divestment, other M&A and/or partnership opportunities, in order to maximise shareholder value

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Note 15. Events after the reporting period (continued)

The Class E and Class F Performance Shares are expected to lapse on the finalisation of the audited accounts

On 15 May 2023, Keytone Enterprises (NZ) Company Limited divested the land and buildings in New Zealand for total gross proceeds of NZD 3.35 million. The purchase price reflects a 40% premium over the carrying value reported on the balance sheet. The company will continue to operate its New Zealand business by leasing the land and buildings at a at a market-based rent. Net proceeds after transaction costs will be used to repay the Australia and New Zealand Banking Group trade finance and overdraft facilities and provide working capital to the Company.

No other matter or circumstance has arisen since 31 March 2023 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.

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