Halo Food Co.

# Halo Food Co. Limited

**ABN 49 621 970 652**

## Statutory Financials - 31 March 2023

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**Halo Food Co. Limited**
**Directors' report**
**31 March 2023**

Halo Food Co.

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Group') 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 2023.

**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
Susan Klose
Daniel Rotman (resigned 10 October 2022)

**Principal activities**
The principal activity of the Group 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 Group's proprietary product suite. The Group 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.

During the year the Group expanded its activities with the acquisition of The Healthy Mummy. The Healthy Mummy is a health and wellness platform focussed on the wellbeing of mothers and their families delivered via three key verticals, being digital, food and products and community. The digital offering is provided via a subscription to the Healthy Mummy App providing access to nutritionists and recipes, personal trainers/fitness videos and motivational coaches. The Healthy Mummy produces a broad range of consumables (smoothies, snacks and supplements) and non-consumables (skincare, books and merchandise) sold online and select retail channels while the community offers an engaged group of likeminded individuals to support each other's wellbeing.

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

**Review of operations**
The loss for the Group after providing for income tax amounted to $50,073,001 (31 March 2022: $7,467,651).

The Annual Report for the year ended 31 March 2023 contains an independent auditor's report which highlights the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. For further information, refer to Note 2 to the financial statements, together with the auditor's report. The Board has assessed that Halo Food Co Limited is a going concern subject to the risks identified below, and has prepared this financial report for FY23 on this basis. In forming this conclusion, the Board has evaluated a number of factors:

- the temporary liquidity challenges with regard to working capital and cash management and the alternatives being implemented to remedy this position in the short-term and in the medium to long-term;
- the Board's assessment that the liquidity challenges are temporary in nature and, subject to selling assets, do not represent a chronic shortage of cash or an inability for the enterprise to continue operating;
- financial forecasts for the remainder of FY24 and longer term FY24-FY26 forecasts including net cash flows from operations;
- the support from the Company's financier and suppliers;
- capital expenditure and other commitments; and
- the ability of the Company to execute the sale of assets within a reasonable timeframe and at forecast valuations.

On 8 May 2023, the Company announced that the Board has formed an opinion that the value of the underlying businesses units within Halo, 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 Company. 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 value for all stakeholders. There are key risks and uncertainties in respect of the Company continuing as a going concern. These include:

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(1) The risk that working capital and cash flows are insufficient until a sale of the business is achieved.
(2) Risk that the lender is unwilling to continue supporting the Company.
(3) Risk that suppliers are unwilling to continue supporting the Company
(4) The risk that the temporary liquidity challenges cause high levels of out-of stocks ingredients and finished product which leads to reductions in cash flows and major customers finding alternative suppliers.
(5) Executing the sale of assets within a reasonable time frame and at forecast valuations

There are more general risks including:

(1) The decline in discretionary spending due to a high inflationary/higher interest rate period in key markets for our products.
(2) Any impacts on global debt markets and the global economy of geopolitical tensions and conflicts.
(3) Any significant outbreaks of COVID-19 resulting in retail shut-downs or mass quarantine measures would impact on the Company's earnings and any consequent supply-chain disruptions.

It is the Board's current assessment that the successful sale of assets will be sufficient to enable the Company to continue as a going concern. However, if the Company is unable to meet its trading and cash flow forecasts or if it is unable to sell assets, there is material uncertainty as to whether the Company will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

**Significant changes in the state of affairs**
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.
- 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 and the Halo Food Co. Limited equity issued is subject to a 24 month escrow from the time of issue.

*Capital structure*
On 1 April 2022, the company received 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.

The $13 million facility with Arrowpoint Capital Finance had 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.

On 30 March 2023 the Group entered into a waiver agreement with its lender, Arrowpoint Capital Pty Ltd in relation to its senior debt facility ("the waiver agreement"). The waiver agreement waived the financial covenants that would otherwise have been breached at 31 March 2023 and deferred the payment of the $650,000 principal repayment amount to the earlier of the sale of the NZ land and buildings or the bar line and 31 May 2023.

On 30 September 2022, the company granted 2,000,000 options to Director Susan Klose, subject to a Volume-Weighted Average Price ("VWAP") performance hurdle.

*Leadership update*
On 11 October 2022, the company announced that Managing Director and Chief Executive Officer, Danny Rotman, tendered his resignation. Jourdan Thompson, previously Chief Financial Officer, has been appointed Chief Executive Officer. Neil Hayward was appointed as Interim CFO in December 2022 in place of Mr. Thompson.

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

**Matters subsequent to the end of the financial year**
On 8 May 2023, 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 Group. 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 Group as a whole, including divestment, other M&A and/or partnership opportunities, in order to maximise shareholder value.

On 29 May 2023, the Group completed the sale of its New Zealand land and building assets for NZD3.35m. The purchase price reflects a 45% 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 market-based rent. The net sale proceeds were used to repay all the outstanding principal on the Group's New Zealand finance facilities held with the ANZ bank (31 March 2022: $3,163,705) and reduce the senior debt facility to $11,050,000 (31 March 2022: $12,350,000). The remaining balance of net proceeds after the repayment of debt (approximately $300,000) was retained for general working capital purposes.

On 31 May 2023, the Group varied the waiver agreement dated 30 March 2023 (refer to note 18 of the financial statements) with its lender, Arrowpoint Capital Pty Ltd in relation to its senior debt facility (the “standstill arrangement”). The standstill arrangement waives the obligation for the Group to pay principal repayments during the period 31 May 2023 to 30 November 2023 (including the 31 March 2023 $650,000 principal repayment deferred in the waiver agreement) other than in the event of an asset sale. Also, as part of the standstill agreement, Arrowpoint Capital Pty Ltd, has agreed to take no action for any breaches of financial covenants during the period from 31 May 2023 to 30 November 2023 as long as the conditions noted under the standstill arrangement are complied with by the Group. The Group has been in breach of the minimum cash balance financial covenant in June 2023.

No other matter or circumstance has arisen since 31 March 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Likely developments and expected results of operations**
Information on likely developments in the operations of the Group 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 Group.

**Environmental regulation**
The Group 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, DroneShield and Ansarada. He is a fellow of the Australian Institute of Company Directors. |
| Other current directorships: | Macquarie Telecom Ltd (ASX:MAQ); Droneshield Limited (ASX:DRO); Ansarada Limited (ASX:AND) |
| Former directorships (last 3 years): | UUV Aquabotix Limited, Nearmap Limited |
| Interests in shares: | 2,148,629 Ordinary Shares |
| Interests in options: | 6,000,000 Incentive Options exercisable at $0.30<br>4,388,205 Zero exercise price options<br>4,000,000 Incentive Options exercisable at $0.18 |
| Interests in rights: | Nil |

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|---|---|
| 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 CEO and Managing Director of Ingham's Group. |
| Other current directorships: | Inghams Group Ltd (ASX: ING) |
| 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<br>2,000,000 Incentive Options exercisable at $0.18 |
| Interests in rights: | Nil |

| | |
|---|---|
| Name: | Daniel Rotman (resigned 10 October 2022) |
| Title: | Executive Director and Chief Executive Officer |
| Experience and expertise: | Mr Rotman is a co-founder and the former Managing Director of Halo Manufacturing Pty Ltd (formerly Omniblend Pty Ltd). Prior to founding Halo Manufacturing Pty Ltd, 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: | Nil |
| Interests in options: | 10,000,000 Incentive Options exercisable at $0.18<br>5,000,000 Incentive Options exercisable at $0.30 |
| Interests in rights: | 8,720,931 performance shares |

| | |
|---|---|
| Name: | Susan Klose |
| Title: | Non-Executive Director |
| 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: | Envirosuite Limited (ASX:EVS), Pure Profile Limited (ASX:PPL) and Acusensus (ASX:ACE) |
| Former directorships (last 3 years): | Non-Executive Director in Nearmap Limited (ASX:NEA) |
| Interests in shares: | Nil |
| Interests in options: | 2,000,000 Incentive Options exercisable at $0.18 |

'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.

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**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 31 March 2023, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Peter James | 24 | 24 |
| Andrew Reeves | 24 | 24 |
| Susan Klose | 24 | 24 |
| Daniel Rotman* | 5 | 5 |

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

* Resigned 10 October 2022

**Remuneration report (audited)**
The remuneration report details the key management personnel remuneration arrangements for the Group, 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 Group'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 Group 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.

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*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 Group 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 Group 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 Group 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 Group's manufacturing operations or the recall of product due to the direct fault of the activities of the Group.

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 Group's direct competitors. The Board reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 31 March 2023.

*Group performance and link to remuneration*
Remuneration for certain individuals is directly linked to the performance of the Group. 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.

*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 Group are set out in the following tables.

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The key management personnel of the Group consisted of the following directors of Halo Food Co. Limited:
- Peter James
- Andrew Reeves
- Susan Klose
- Daniel Rotman (resigned 10 October 2022)

And the following persons:
- Jourdan Thomson - Chief Executive Officer (Chief Financial Officer prior to 11 October 2022)
- Shane Furness - Head of Operations, Australia and New Zealand
- Neil Hayward - Interim Chief Financial Officer (appointed 8th December 2022)
- Daniel Rotman (appointed as Chief Revenue Officer 10 October 2022)

| | Short-term benefits | | | Post-employment benefits | Other long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **2023** | Cash salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Non-monetary $ | Equity-settled $ | Total $ |
| *Non-Executive Directors:* | | | | | | | |
| Peter James | 116,667 | - | - | 12,063 | - | 44,124 | 172,854 |
| Andrew Reeves | 58,333 | - | - | 4,288 | - | 22,062 | 84,683 |
| Susan Klose | 71,667 | - | - | 7,413 | - | 2,278 | 81,358 |
| *Executive Directors:* | | | | | | | |
| Daniel Rotman* | 236,492 | 112,292 | - | 18,589 | - | 110,311 | 477,684 |
| *Other Key Management Personnel:* | | | | | | | |
| Jourdan Thompson | 425,000 | 104,271 | 31,169 | 32,376 | 8,890 | 143,540 | 745,246 |
| Shane Furness | 249,253 | 47,599 | 4,543 | 30,116 | 8,593 | 11,031 | 351,135 |
| Neil Hayward | 101,337 | - | - | - | - | - | 101,337 |
| Daniel Rotman | 188,508 | - | 58,932 | 14,817 | 24,247 | - | 286,504 |
| | 1,447,257 | 264,162 | 94,644 | 119,662 | 41,730 | 333,346 | 2,300,801 |

* Mr. Rotman resigned from the Board of Directors on 10 October 2022, at which point he ceased to be a member of key management. Mr. Rotman was appointed Chief Revenue Officer and remained an employee of the company for the full financial year and the remuneration disclosed above reflects his remuneration for the full financial year.

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| | 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.

***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 (resigned 10 October 2022) |
| 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 $425,000 per annum. During the financial year Mr. Rotman received a cash bonus of $112,292. This bonus was agreed to be paid in July 2022 however it relates to the performance of the company in the previous financial year. Mr. Rotman is also eligible to participate in any incentive plan that the company may introduce.<br>As part of the LTI, Mr. Rotman is entitled to 15,000,000 Options with the following terms:<br>a) 5,000,000 vest 26 November 2024<br>b) 10,000,000 vest 26 November 2024 |

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|---|---|
| Name: | Jourdan Thompson |
| Title: | Chief Executive 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$425,000 per annum plus superannuation. During the financial year Mr. Thompson received a cash bonus of $104,271. This bonus was agreed to be paid in July 2022 however it relates to the performance of the company in the previous financial year. Mr. Thompson is also eligible to participate in any incentive plan that the company may introduce.<br>As part of the LTI, Mr. Thompson is entitled to 24,388,205 Options with the following terms:<br>a) 1,000,000 vest 36 months after IPO Date<br>b) 1,000,000 vest immediately on 31 July 2019<br>c) 1,000,000 vest 12 month after 31 July 2019<br>d) 1,000,000 vest 24 months after 31 July 2019<br>e) 1,000,000 vest 36 months after 31 July 2019<br>f) 4,388,205 vest 31 March 2022<br>g) 5,000,000 vest 26 November 2024<br>h) 10,000,000 vest 26 November 2024 |

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

***Share-based compensation***

*Issue of shares*
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.

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*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 | 18/07/2020 | 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 | 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 | 19/05/2020 | 26/08/2021 | 26/08/2024 | $0.00 | $0.330 |
| Andrew Reeves | 184,766 | 19/05/2020 | 26/08/2021 | 26/08/2024 | $0.00 | $0.330 |
| Jourdan Thompson | 1,755,282 | 19/05/2020 | 26/08/2021 | 26/08/2024 | $0.00 | $0.330 |
| Peter James | 2,632,923 | 19/05/2020 | 31/03/2022 | 31/03/2025 | $0.00 | $0.186 |
| Jourdan Thompson | 2,632,923 | 19/05/2020 | 31/03/2022 | 31/03/2025 | $0.00 | $0.186 |
| Andrew Reeves | 277,150 | 19/05/2020 | 31/03/2022 | 31/03/2025 | $0.00 | $0.186 |
| Peter James | 6,000,000 | 19/05/2020 | 26/02/2022 | 26/02/2025 | $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 |
| Susan Klose | 2,000,000 | 30/09/2022 | 30/08/2025 | 30/08/2025 | $0.18 | $0.006 |

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 Group, 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 | 2,148,629 | - | - | - | 2,148,629 |
| Daniel Rotman * | 3,578,153 | - | - | (3,578,153) | - |
| Andrew Reeves | 107,558 | - | - | - | 107,558 |
| Jourdan Thompson | 1,968,020 | - | 345,000 | - | 2,313,020 |
| | 7,802,360 | - | 345,000 | (3,578,153) | 4,569,207 |

* Mr. Rotman resigned his executive role on 10 October 2022. The disposals/other of 3,578,153 reflects the resignation of Mr. Rotman as a director.

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*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 Group, 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 | 14,388,205 | - | - | - | 14,388,205 |
| Andrew Reeves | 2,461,916 | - | - | - | 2,461,916 |
| Jourdan Thompson | 26,388,205 | - | - | (2,000,000) | 24,388,205 |
| Daniel Rotman | 15,000,000 | - | - | - | 15,000,000 |
| Shane Furness | 1,000,000 | - | - | - | 1,000,000 |
| Susan Klose | - | 2,000,000 | - | - | 2,000,000 |
| | 59,238,326 | 2,000,000 | - | (2,000,000) | 59,238,326 |

*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 Group, 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 |

* Mr. Rotman resigned from his executive role on 10 October 2022. The expired/forfeited/other is comprised of 2,906,959 of shares that lapsed during the period, with expired/forfeited/other 5,813,954 reflecting the resignation of Mr. Rotman as Director.

***This concludes the remuneration report, which has been audited.***

**Shares under option**
Unissued ordinary shares of Halo Food Co. Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 18/07/2018 | 18/07/2023 | $0.30 | 1,000,000 |
| 18/07/2018 | 18/07/2024 | $0.30 | 1,000,000 |
| 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 | 31/03/2025 | $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 |
| 30/08/2022 | 30/08/2025 | $0.18 | 2,000,000 |
| | | | 60,238,326 |

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**
There were no ordinary shares of the company issued on the exercise of options during the period ended 31 March 2023 (2022: 3,151,156).

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**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 2023 (2022: nil).

**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**
There were no non-audit services provided during the financial year by the auditor.

**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 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 2023

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HLB MANN JUDD

**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 2023, 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.

**S Grivas**
**Director**

**30 June 2023**

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd is a member of HLB International, the global advisory and accounting network.

| | |
|---|---|
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**General information**

The consolidated financial statements cover Halo Food Co. Limited as a Group consisting of Halo Food Co. Limited ('company') and the entities it controlled (collectively, the 'Group') 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 Group'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 2023. The directors have the power to amend and reissue the financial statements.

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

| | Note | Consolidated 2023 $ | 2022 $ |
|---|---|---|---|
| **Revenue** | 5 | 82,100,854 | 59,924,944 |
| Costs of sales | | (65,954,676) | (46,540,332) |
| Gross profit | | 16,146,178 | 13,384,612 |
| Other income | 6 | 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 | 7 | (5,205,191) | (3,244,083) |
| Impairment of assets | 7 | (36,055,060) | (2,459,567) |
| Other expenses | | (2,563,695) | (2,931,180) |
| Finance costs | 7 | (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 | 39 | (344,377) | (2,303,966) |
| **Loss before income tax benefit** | | (50,965,135) | (8,022,206) |
| Income tax benefit | 8 | 892,134 | 554,555 |
| **Loss after income tax benefit for the year attributable to the owners of Halo Food Co. Limited** | 26 | (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 loss for the year attributable to the owners of Halo Food Co. Limited** | | (50,046,121) | (7,391,963) |
| | | **Cents** | **Cents** |
| Basic earnings per share | 38 | (12.49) | (2.69) |
| Diluted earnings per share | 38 | (12.49) | (2.69) |

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



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**Halo Food Co. Limited**
**Consolidated statement of financial position**
**As at 31 March 2023**

Halo Food Co.

| | Note | Consolidated 2023 $ | 2022 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 2,770,489 | 7,186,168 |
| Trade and other receivables | 10 | 6,614,349 | 9,547,937 |
| Inventories | 11 | 12,656,476 | 11,528,091 |
| Other assets | 12 | 602,693 | 1,385,672 |
| | | 22,644,007 | 29,647,868 |
| Non-current assets classified as held for sale | 13 | 7,223,948 | - |
| Total current assets | | 29,867,955 | 29,647,868 |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 7,279,821 | 16,267,067 |
| Right-of-use assets | 16 | 11,017,699 | 11,649,362 |
| Intangibles | 15 | 9,699,980 | 30,296,915 |
| Other assets | 12 | 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 | 17 | 18,167,092 | 12,516,395 |
| Borrowings | 18 | 6,294,540 | 4,760,842 |
| Lease liabilities | 21 | 1,182,103 | 1,490,673 |
| Income tax | | - | 3,089 |
| Employee benefits | | 1,201,154 | 1,201,480 |
| Other liabilities | 19 | 176,333 | 71,583 |
| Contract liabilities | 20 | 1,622,609 | 525,486 |
| Total current liabilities | | 28,643,831 | 20,569,548 |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 8,980,833 | - |
| Lease liabilities | 21 | 11,779,400 | 11,838,717 |
| Deferred tax | 22 | - | 977,520 |
| Employee benefits | | 208,903 | 102,551 |
| Total non-current liabilities | | 20,969,136 | 12,918,788 |
| **Total liabilities** | | 49,612,967 | 33,488,336 |
| **Net assets** | | 8,994,412 | 54,978,398 |
| **Equity** | | | |
| Issued capital | 23 | 63,179,237 | 59,593,832 |
| Warrants | 24 | 132,353 | - |
| Reserves | 25 | 19,608,428 | 19,828,641 |
| Accumulated losses | 26 | (73,925,606) | (24,444,075) |
| **Total equity** | | 8,994,412 | 54,978,398 |

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

**Halo Food Co. Limited**
**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 loss for the year | - | 75,688 | (7,467,651) | (7,391,963) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Share-based payments (note 39) | - | 2,303,966 | - | 2,303,966 |
| Contributions of equity, net of transaction costs (note 23) | 5,200,090 | - | - | 5,200,090 |
| Transfer relating to options expired and/or forfeited (note 39) | - | (2,029,229) | 2,029,229 | - |
| Transfer relating to options exercised (note 25) | 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 loss 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 23) | 3,585,405 | - | - | - | 3,585,405 |
| Share-based payments (note 39) | - | - | 344,377 | - | 344,377 |
| Transfer relating to options expired and/or forfeited (note 26) | - | - | (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 consolidated statement of changes in equity should be read in conjunction with the accompanying notes*

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

| | Note | Consolidated 2023 $ | 2022 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 92,029,588 | 67,485,937 |
| Payments to suppliers and employees (inclusive of GST) | | (91,686,994) | (69,576,884) |
| Interest and other finance costs paid | | (1,979,009) | (306,868) |
| Interest received | | 60,349 | 57,841 |
| Interest paid - finance leases | | (655,119) | (656,677) |
| Government grants and tax incentives | | - | 550,650 |
| Net cash used in operating activities | 37 | (2,231,185) | (2,446,001) |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 34 | (10,273,497) | - |
| Payments for property, plant and equipment | 14 | (313,091) | (2,920,386) |
| Payments for intangibles | 15 | (322,126) | (64,305) |
| Payments of security deposit | | - | (467,175) |
| Proceeds from disposal of property, plant and equipment | 14 | 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 | 23 | - | 6,079,485 |
| Share issue transaction costs | | (352,708) | (519,983) |
| Proceeds from borrowings | | 16,044,372 | 4,222,936 |
| Repayment of borrowings | | (5,410,842) | - |
| Repayment of lease liabilities | | (1,376,571) | (1,384,213) |
| Payment of borrowing costs | | (357,500) | - |
| Net cash from financing activities | | 8,546,751 | 8,398,225 |
| Net (decrease)/increase 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 | 9 | 2,770,489 | 7,186,168 |

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

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## Note 1. Corporate Information

The annual report of Halo Food Co. Limited (the 'company') and its controlled entities (collectively, the 'Group') for the year ended 31 March 2023 was authorised for issue in accordance with a resolution of the Directors on 30 June 2023.

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 Group 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.

### Going concern

The financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. The Group has made a loss for the year after income tax of $50,073,001 and has net operating cash outflows of $2,231,185.

On 30 March 2023 the Group entered into a waiver agreement with its lender, Arrowpoint Capital Pty Ltd (the “waiver agreement”) in relation to its senior debt facility (refer to note 18). The waiver agreement waived the financial covenants that would otherwise have been breached at 31 March 2023 and deferred a $650,000 principal repayment due 31 March 2023 to the earlier of the sale of its New Zealand land and building assets or the Bar Line assets and 31 May 2023.

Subsequent to the end of the financial year and to the date these financial statements were authorised, the following occurred:

On 8 May 2023, the Group announced that Modus Partners has been appointed to conduct an external strategic review on all divisions and operations of the Group. The strategic review scope includes considering a number of options, including the disinvestment of individual business units, or the Group as a whole. The strategic review includes the divestment of the Bar Line assets that were held for sale at the end of the year (refer note 13). At the date these financial statements were authorised, the strategic review continues, and Modus Partners is seeking expressions of interest from external parties on various individual business units and assets of the Group. Any proceeds realised from the sale of individual business units or assets of the Group will be used to reduce or otherwise extinguish the senior debt facility and repay suppliers.

On 29 May 2023, the Group completed the sale of its New Zealand land and building assets for NZD3.35m. The net sale proceeds were used to repay all the outstanding principal on the Group's New Zealand finance facilities held with the ANZ bank (31 March 2022: $3,163,705) and reduce the senior debt facility to $11,050,000 (31 March 2022: $12,350,000). The remaining balance of net proceeds after the repayment of debt (approximately $300,000) was retained for general working capital purposes.

On 31 May 2023, the Group varied the waiver arrangement dated 30 March 2023 with its lender, Arrowpoint Capital Pty Ltd in relation to its senior debt facility (the “standstill arrangement”). The standstill arrangement waives the obligation for the Group to pay principal repayments during the period 31 May 2023 to 30 November 2023 (including the 31 March 2023 $650,000 principal repayment waived in the waiver agreement) other than in the event of an asset sale. Also, as part of the standstill agreement, Arrowpoint Capital Pty Ltd, has agreed to take no action for any breaches of financial covenants during the period from 31 May 2023 to 30 November 2023 as long the conditions noted under the standstill arrangement are complied with by the Group. The Group’s financial covenants on the senior debt facility include:

**Note 2. Significant accounting policies (continued)**

(1) Minimum cash balance – cannot be less than $2,000,000 at all times;
(2) Leverage Ratio - cannot exceed 3.5 times at the end of each quarter;
(3) Debt Service Cover Ratio – cannot be less than 1.3 times at the end of each quarter;
(4) Interest Cover Ratio – cannot be less than 3.0 times at the end of each quarter; and
(5) Capital expenditure of the Group cannot exceed 110% of the forecasted capital expenditure of the Group set out in the Budget for the relevant financial year (reviewed at the end of each quarter).

The Group has been in breach of the Minimum cash balance covenant in June 2023.

The Directors believe that it is appropriate for the financial statements to be prepared on a going concern basis. In making this assessment, the Directors have relied on cash flow forecasts prepared by management that project that the Group will continue to have sufficient available cash reserves to continue its activities for at least the duration of the period ending twelve months from the date the financial report was authorised. The achievement of the Group's cash flow forecast is subject to a number of key assumptions including but not limited to:

(a) the ability of the Group to achieve forecasted revenue and gross profit margins through its continuing operations;
(b) the ability of the Group to implement forecasted cost reduction initiatives, delay non-essential expenditures and manage cash expenditure at levels that are supported by its available cash reserves;
(c) continued support from the Group's lender and suppliers; and
(d) successful execution of the strategy to divest certain individual business units at forecasted realisation amounts that will assist with the completion or adherence with the other three relevant factors above.

Whilst the Directors and management continue to keep all stakeholders up to date on the progress of the Group's plans and continue to monitor the Group's cash reserves within the constraints of the Group's current business activities, the timing and amount of future cash inflows and outflows may vary to forecast.

The Directors and management also anticipate based on forecasted operating results that the Group will be in breach of the covenants on the Group's senior debt facility during and beyond the period of the standstill arrangement (which ceases 30 November 2023) if the debt is not repaid through asset sale proceeds. The Group anticipates that continued support from the lender in the form of further waivers or extensions to the existing standstill arrangement may be required.

Should the timing and amount of future cash flows be significantly different to those forecast and the continued support not be obtained from the Group's lender if required, the Group may need to raise additional capital, renegotiate or refinance its existing debt facilities, raise additional debt through new debt facilities or sell assets and/or additional business units to raise funds to support the Group's ongoing operations.

These conditions give rise to a material uncertainty which may cast doubt over the Group's ability to continue as a going concern.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business at amounts different to those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might be necessary should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

**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') as at 31 March 2023 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 ' Group'.

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**Note 2. Significant accounting policies (continued)**

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group 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 Group.

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 Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group 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 Group 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.

**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 Group.

*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 Group recognises revenue as follows:

*Sale of proprietary products and third party private label manufacturing*
Sale of the Group’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 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).

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**Note 2. Significant accounting policies (continued)**

*Sale of digital application subscriptions*
Sale of the Group's digital asset application subscriptions are measured at the fair value of consideration received.

The Group recognises revenue on a straight-line basis over the subscription period, with customers being invoiced in advance. For lifetime subscriptions, the Group will recognise revenue on a straight-line basis over 24 months which is representative of the expected lifespan of those contracts.

*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 (benefit) for the year comprises current income tax expense (benefit) and deferred tax expense (benefit).

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

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. Trade receivables are generally due for settlement within 30 - 90 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.

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**Note 2. Significant accounting policies (continued)**

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.

**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.

**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 Group 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.

*Impairment of financial assets*
The Group 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 Group'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.

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**Note 2. Significant accounting policies (continued)**

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% |
| Land and 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.

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 Group 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 Group 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.

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**Note 2. Significant accounting policies (continued)**

**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 and app development costs*
Website and app development costs are capitalised when it is probable that future economic benefits will be generated. Such development costs are only capitalised if they can be reliably measured, the process is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources to complete development.

All other costs are expensed as incurred.

Website and app development costs have a finite life and is carried at cost less any accumulated amortisation and impairment losses. The estimated useful life is 5 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.

*Software*
Significant costs associated with software are deferred and 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 Group'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 Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group 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 Group 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.

*Defined contribution superannuation expense*
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

**Share-based payments**
Equity-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.

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**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.

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 Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group 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 are cancelled, they are treated as if they have 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 are treated as if they were a modification.

**Issued capital**
Ordinary shares are classified as equity. The warrant issued on the 01 April 2022 has also been 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 Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group 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.

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**Note 2. Significant accounting policies (continued)**

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, 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.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 March 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**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.

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

*Share-based payment transactions*
The Group 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 Group 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 Group 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 Group 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 Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*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 Group'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 Group 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 Group 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.

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

*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 Group 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 primarily across Australia and New Zealand and accordingly, monitors its revenue and sales as such. The Australian and New Zealand operations are distinct operations with little to no interaction between them. As such the Board of Directors (the chief operating decision-maker) review the discrete financial information from these operations separately and as such deem it appropriate to split the operating segments as such. The goods offered for sale between the two operating segments share similar characteristics.

*Operating segment information*

| **Consolidated - 2023** | Australia $ | New Zealand $ | Other segments* $ | Total $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| Proprietary Brands | 2,944,758 | 562,551 | - | 3,507,309 |
| Contract Manufacturing (OEM) | 52,360,374 | 12,190,174 | - | 64,550,548 |
| The Healthy Mummy | 13,842,688 | - | 158,128 | 14,000,816 |
| Unallocated | - | 42,181 | - | 42,181 |
| **Total revenue** | 69,147,820 | 12,794,906 | 158,128 | 82,100,854 |
| **EBITDA** | (3,672,965) | (179,137) | (2,908,149) | (6,760,251) |
| Depreciation and amortisation | (4,809,189) | (396,002) | - | (5,205,191) |
| Impairment of assets** | (36,055,060) | - | - | (36,055,060) |
| Interest revenue | 51,859 | 8,490 | - | 60,349 |
| Finance costs | (2,817,001) | (187,981) | - | (3,004,982) |
| **Loss before income tax benefit** | (47,302,356) | (754,630) | (2,908,149) | (50,965,135) |
| Income tax benefit | | | | 892,134 |
| **Loss after income tax benefit** | | | | (50,073,001) |
| **Assets** | | | | |
| Segment assets | 47,316,321 | 11,013,712 | 277,346 | 58,607,379 |
| **Total assets** | | | | 58,607,379 |
| **Liabilities** | | | | |
| Segment liabilities | 42,422,567 | 5,401,377 | 1,789,023 | 49,612,967 |
| **Total liabilities** | | | | 49,612,967 |

* Other segment revenue in the current period includes United States and United Kingdom operations of The Healthy Mummy. In previous years the full depreciation and amortisation for the Group was allocated into Other Segments, alongside head office costs. In the current year the depreciation and amortisation has been allocated across the Australian and New Zealand entities.

** Impairment of assets relates to the impairment of the intangibles acquired on the acquisition of both The Health Mummy and Omniblend businesses.

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## Note 4. Operating segments (continued)

| **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 5. Revenue

| | **Consolidated** | |
|---|---|---|
| | **2023** | **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 |

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## Note 5. Revenue (continued)

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

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Major product lines* | | |
| Proprietary brands | 3,507,309 | 4,195,721 |
| Contract manufacturing | 64,550,548 | 55,693,315 |
| The Healthy Mummy | 14,000,816 | - |
| Unallocated | 42,181 | 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 |

During the year ended 31 March 2023, approximately $28,442,868 (2022: $21,362,016) of the Group's external revenue was derived from sales to 3 major customers and $18,983,706 of total revenue was derived from the sale to one customer (2022: $12,842,634).

## Note 6. Other income

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Net gain on disposal of property, plant and equipment | - | 366,462 |
| Government grants | - | 550,650 |
| Interest income | 60,349 | 57,841 |
| Other income | 258,999 | 162,698 |
| Other income | 319,348 | 1,137,651 |

## Note 7. 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 | 1,196,920 | 1,280,175 |
| Plant and equipment right-of-use assets | 160,280 | 484,627 |
| Total depreciation | 3,303,600 | 2,833,847 |
| *Amortisation* | | |
| Website | 773,535 | - |
| Patents and trademarks | 132,757 | 10,736 |
| Customer contracts | 449,640 | 399,500 |
| Software | 545,660 | - |
| Total amortisation | 1,901,592 | 410,236 |
| Total depreciation and amortisation | 5,205,192 | 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 |
| *Impairment of assets* | | |
| Software | 1,390,861 | - |
| Website | 297,616 | - |
| Inventories | - | 980,924 |
| Trade receivables | - | 524,599 |
| Brand name | 2,416,500 | 308,000 |
| Goodwill | 30,877,683 | 646,044 |
| Customer contracts | 1,072,400 | - |
| Total write-off of assets | 36,055,060 | 2,459,567 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 982,185 | 532,125 |

The majority of assets impaired 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 value in use 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 8. Income tax benefit

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Income tax benefit* | | |
| Deferred tax - origination and reversal of temporary differences | (892,134) | (554,555) |
| Aggregate income tax benefit | (892,134) | (554,555) |
| Deferred tax included in income tax benefit comprises: | | |
| Decrease in deferred tax liabilities (note 22) | (892,134) | (554,555) |
| *Numerical reconciliation of income tax benefit and tax at the statutory rate* | | |
| Loss before income tax benefit | (50,965,135) | (8,022,206) |
| Tax at the statutory tax rate of 30% (2022: 27.5%) | (15,289,541) | (2,206,107) |
| Difference in overseas tax rates | 61,250 | 4,425 |
| Impairment of goodwill | 9,263,305 | 193,813 |
| Share based payment | 103,313 | 691,190 |
| Other non-deductible expenses | 223,724 | 364,631 |
| Derecognition of deferred tax assets | 674,163 | - |
| Adjustment recognised for prior periods | 95,993 | - |
| Tax losses not recognised | 3,975,659 | 397,493 |
| Income tax benefit | (892,134) | (554,555) |

*Tax losses not recognised*
At the end of the reporting period, the Group had accumulated tax losses of $1,243,809 (2022: $Nil) relating to the New-Zealand business and accumulated tax losses of $24,204,232 (2022: $12,177,216) for the Australian entities, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability.

The potential tax benefit at 28% for New-Zealand is $348,266 (2022: $Nil) and the potential tax benefit at 30% for the Australian business is $7,261,270 (2022: $3,653,165). The unused tax losses relating to the New-Zealand business can only be recovered through future taxable income and the tax losses can be carried forward indefinitely. The unused tax losses relating to the Australian business can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

The above potential tax benefit for tax losses has not been recognised in the statement of financial position as recovery of this benefit is uncertain.

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## Note 8. Income tax benefit (continued)

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Deferred tax assets not recognised* | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Contract liabilities | 454,032 | - |
| Employee benefits | 393,573 | - |
| Leases | 559,601 | - |
| Accrued expenses | 119,687 | - |
| Property, plant and equipment | (194,286) | - |
| Stock obsolescence provision | 185,645 | - |
| Intangible assets | (766,089) | - |
| Borrowings | (78,000) | - |
| Total deferred tax assets not recognised | 674,163 | - |

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

## Note 9. Cash and cash equivalents

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Current assets* | | |
| Cash on hand | 576 | 327 |
| Cash at bank | 2,769,913 | 6,715,841 |
| Restricted cash | - | 470,000 |
| | 2,770,489 | 7,186,168 |

*Restricted cash*
The Group held funds in reserve for the purposes of complying with the trade debt facility outstanding at the prior year end (refer note 18). In accordance with the terms of the facility, an amount equal to 10% of the funds drawn were to be held in reserve as security and was not available for use on demand by the Group. This deposit was released on 1 April 2022.

## Note 10. Trade and other receivables

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Current assets* | | |
| Trade receivables | 6,614,349 | 9,547,272 |
| Other receivables | - | 665 |
| | 6,614,349 | 9,547,937 |

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## Note 10. Trade and other receivables (continued)

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

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| 61 - 90 days overdue | 3,622 | 306,024 |
| Over 91 days | 160,467 | 1,016,490 |
| | 164,089 | 1,322,514 |

### 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 Group 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 2023 (2022: $Nil).

## Note 11. Inventories

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Current assets* | | |
| Raw materials - at cost | 5,543,773 | 5,814,811 |
| Less: Provision for obsolescence | (543,840) | (633,602) |
| | 4,999,933 | 5,181,209 |
| Packaging material - at cost | 2,791,026 | 2,743,092 |
| Less: Provision for obsolescence | (271,155) | - |
| | 2,519,871 | 2,743,092 |
| Finished goods - at cost | 4,984,582 | 3,360,612 |
| Less: Provision for obsolescence | (62,942) | - |
| | 4,921,640 | 3,360,612 |
| Work in progress - at cost | 215,032 | 243,178 |
| | 12,656,476 | 11,528,091 |

| **Inventories reconciliation** | **2023** | **2022** |
|---|---|---|
| | **$** | **$** |
| Inventories, gross | 13,534,413 | 12,161,693 |
| Provision for obsolescence | (877,937) | (633,602) |
| Inventories, net | 12,656,476 | 11,528,091 |

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## Note 12. Other assets

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Current assets* | | |
| Prepayments | 453,769 | 1,292,601 |
| Other current assets | 148,924 | 93,071 |
| | 602,693 | 1,385,672 |
| *Non-current assets* | | |
| Security deposits | 741,924 | 605,522 |
| | 1,344,617 | 1,991,194 |

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

## Note 13. Non-current assets classified as held for sale

In February 2023, as part of the Group's strategic review of its operations, the Directors decided to make available for sale its New-Zealand property and its bar production line. 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. 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 45% 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. The net proceeds after transaction costs were used to repay the Australia and New Zealand Banking Group trade finance and overdraft facilities and to provide working capital to the Company.

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## Note 14. Property, plant and equipment

| | Consolidated | |
|---|---|---|
| | **2023** | **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 14. 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 34) | - | - | 104,117 | - | - | - | 104,117 |
| Classified as held for sale (note 13) | (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 | 8,583 | (57,844) |
| Transfers in/(out) | - | (1,643,086) | 1,643,086 | - | - | - | - |
| Depreciation expense | (140,148) | - | (1,694,634) | (22,735) | (16,404) | (72,479) | (1,946,400) |
| Balance at 31 March 2023 | 681,281 | - | 6,363,888 | 54,873 | 47,007 | 132,772 | 7,279,821 |

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## Note 15. Intangibles

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Non-current assets* | | |
| Goodwill - at cost | 31,523,727 | 24,794,393 |
| Less: Accumulated impairment | (31,523,727) | (646,044) |
| | - | 24,148,349 |
| Website - at cost | 1,883,295 | 58,920 |
| Less: Accumulated amortisation | (773,535) | - |
| 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 | (2,724,500) | (308,000) |
| | 3,060,092 | 3,092,000 |
| | 9,699,980 | 30,296,915 |

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**Note 15. 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 34) | 6,729,334 | 1,693,400 | 166,535 | 571,000 | 5,456,600 | 2,416,500 | 17,033,369 |
| Disposals | - | - | - | - | - | (31,908) | (31,908) |
| Impairment of assets | (30,877,683) | (297,616) | - | (1,072,400) | (1,390,861) | (2,416,500) | (36,055,060) |
| 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 |

* Of the additions to Patents and trademarks figure of $358,256, $322,126 relates to actual cash outflows in the period.

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 2023 $ | Consolidated 2022 $ |
|---|---|---|
| **Cash-generating units** | | |
| Contract Manufacturing (OEM) - Australia | - | 24,148,349 |
| The Healthy Mummy (THM) | - | - |
| | - | 24,148,349 |

The recoverable amount of the Group'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 THM division:

- Discount rates (pre-tax): 21.5%
- Terminal growth rate: 2.5%
- EBITDA base on forecast for year ending 31 March 2024 increase at average of: 47% in subsequent years.

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**Note 15. Intangibles (continued)**

The following key assumptions were used in the discounted cash flow model for the OEM division:

- Discount rates (pre-tax): 27.4% (2022: 11.5%)
- Terminal growth rate: 2.5% (2022: 2%)
- EBITDA base on forecast for year ending 31 March 2024 increase at average of: 29.3% in subsequent years (2022: 9%)

Based on these assumptions the Directors have determined that an impairment charge of $30,877,683 is required to be recorded in the current financial year. 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 27.4% compared to FY22 WACC of 11.5%) 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.

The calculation of value-in-use is most sensitive to the following assumptions:

- EBITDA
- Discount rate
- Terminal growth rate

EBITDA growth - Revenue projections have been constructed with reference to the FY24 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.

Terminal growth rate - A terminal growth rate of 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.

**Note 16. Right-of-use assets**

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Non-current assets* | | |
| Plant and equipment - right-of-use | 1,465,660 | 1,465,660 |
| Less: Accumulated depreciation | (1,129,158) | (968,878) |
| | 336,502 | 496,782 |
| Buildings - right-of-use | 15,101,619 | 14,376,082 |
| Less: Accumulated depreciation | (4,420,422) | (3,223,502) |
| | 10,681,197 | 11,152,580 |
| | 11,017,699 | 11,649,362 |

## Note 16. 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 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 |
| Additions | - | 577,373 | 577,373 |
| Disposals | - | (193,031) | (193,031) |
| Re-assessments/modifications | - | 341,195 | 341,195 |
| Depreciation expense | (160,280) | (1,196,920) | (1,357,200) |
| Balance at 31 March 2023 | 336,502 | 10,681,197 | 11,017,699 |

## Note 17. Trade and other payables

| | **Consolidated** | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Current liabilities* | | |
| Trade payables | 13,493,861 | 9,450,782 |
| Accrued expenses | 190,571 | 267,523 |
| Other payables | 4,482,660 | 2,798,090 |
| | 18,167,092 | 12,516,395 |

Refer to note 28 for further information on financial instruments.

## Note 18. Borrowings

| | **Consolidated** | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Current liabilities* | | |
| Senior debt facility | 3,250,168 | - |
| Trade finance facility | 3,044,372 | 4,712,339 |
| Funding company loan | - | 48,503 |
| | 6,294,540 | 4,760,842 |
| *Non-current liabilities* | | |
| Senior debt facility | 8,980,833 | - |
| | 15,275,373 | 4,760,842 |

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## Note 18. Borrowings (continued)

*Senior debt and trade finance facilities*
During the year the Group established a senior debt facility with Arrowpoint Capital Pty Limited. The senior debt facility has a 36-month term ending 31 March 2025 and a total facility limit of $12,350,000 (originally $13,000,000) which was fully drawn at 31 March 2023. Transaction costs of $357,500 including a loan establishment fee and loan mandate fee were offset against the carrying amount of the senior debt facility and are amortised across the life of the loan using the effective interest rate method. Interest charged on the senior debt facility at 31 March 2023 is 9.75%. The facility is secured over all assets of the Group.

The Group's financial covenants on the senior debt facility include:
(1) Minimum cash balance – cannot be less than $2,000,000 at all times;
(2) Leverage Ratio - cannot exceed 3.5 times at the end of each quarter;
(3) Debt Service Cover Ratio – cannot be less than 1.3 times at the end of each quarter;
(4) Interest Cover Ratio – cannot be less than 3.0 times at the end of each quarter; and
(5) Capital expenditure of the Group cannot exceed 110% of the forecasted capital expenditure of the Group set out in the Budget for the relevant financial year (reviewed at the end of each quarter).

On 30 March 2023 the Group entered into a waiver agreement (the "waiver agreement") in relation to the senior debt facility. The waiver agreement waived the financial covenants that would otherwise have been breached at 31 March 2023 and deferred a $650,000 principal repayment due 31 March 2023 to the earlier of the sale of its New Zealand land and building assets or the Bar Line assets and 31 May 2023.

On 31 May 2023, the Group varied the waiver arrangement dated 30 March 2023 (the "standstill arrangement"). The standstill arrangement waives the obligation for the Group to pay principal repayments during the period 31 May 2023 to 30 November 2023 (including the 31 March 2023 $650,000 principal repayment deferred in the waiver agreement) other than in the event of an asset sale. Also, as part of the standstill agreement, Arrowpoint Capital Pty Ltd, has agreed to take no action for any breaches of financial covenants during the period from 31 May 2023 to 30 November 2023 as long the conditions noted under the standstill arrangement are complied with by the Group.

The Group has been in breach of the minimum cash balance financial covenant in June 2023.

*Trade finance facilities*
The Australian trade debtor finance facility which had a total facility limit of $6,000,000 and was held with Moneytech for the Australian Contract Manufacturing and Brand business was fully repaid during the financial year.

The New Zealand trade finance facility which has a total facility limit of NZD$3,500,000 and is held with Australia and New Zealand Banking Group is drawn to NZD$3,379,786 (AUD$3,044,372) at 31 March 2023. The Group also has access to an overdraft facility for NZD$1,000,000 which is undrawn at 31 March 2023. Interest charged on the New Zealand trade finance facility at 31 March 2023 is 7.97%. The facility is secured over all assets of Keytone Enterprises (NZ) Company Limited.

## Note 19. Other liabilities

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Current liabilities* | | |
| Deferred consideration | 176,333 | 71,583 |

*Deferred consideration*
Deferred consideration represents the obligation to pay following the acquisition of a business or assets, as set out in note 34. It is measured at the fair value of the estimated liability.

## Note 20. Contract liabilities

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Current liabilities* | | |
| Amounts received in advance on sale of proprietary products and third party private label manufacturing | 79,714 | 525,486 |
| Amounts received in advance on sale of digital application subscriptions | 1,542,895 | - |
| | 1,622,609 | 525,486 |

Revenue from contacts with customers is recognised when the underlying performance obligations are satisfied. 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 the majority of the transaction price allocated to the unsatisfied contracts as of the year ended 31 March 2023 will be recognised as revenue during the next reporting period. There are limited amounts of unsatisfied contracts that will be recognised in the reporting period after next.

## Note 21. Lease liabilities

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Current liabilities* | | |
| Lease liabilities | 1,182,103 | 1,490,673 |
| *Non-current liabilities* | | |
| Lease liabilities | 11,779,400 | 11,838,717 |
| | 12,961,503 | 13,329,390 |

Lease liabilities represent leases relating to right-of-use assets as set out in note 16.

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% (2022: 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 2023, potential future cash outflows of $5,311,795 (2022: $6,040,346) (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:

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## Note 21. Lease liabilities (continued)

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Depreciation charge on right-of-use assets: | | |
| Land & buildings | 1,196,920 | 1,280,175 |
| Plants & equipment | 160,280 | 484,627 |
| Total depreciation charge on right-of-use assets | 1,357,200 | 1,764,802 |
| | | |
| Interest expense (included in finance costs) | 665,119 | 656,677 |
| Expense relating to short-term leases (included in occupancy expenses) | 334,404 | 224,316 |

## Note 22. Deferred tax

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| *Non-current liabilities* | | |
| Deferred tax comprises temporary differences attributable to: | | |
| | | |
| Amounts recognised in profit or loss: | | |
| Property, plant and equipment | - | 201,654 |
| Intangible assets | - | 1,655,958 |
| Employee benefits | - | (197,406) |
| Lease liabilities | - | (414,825) |
| Stock obsolescence provision | - | (232,007) |
| Accrued expenses | - | (35,854) |
| | | |
| Deferred tax liability | - | 977,520 |
| | | |
| *Movements:* | | |
| Opening balance | 977,520 | 1,532,075 |
| Credited to profit or loss (note 8) | (892,134) | (554,555) |
| Additions through business combinations (note 34) | (181,379) | - |
| Adjustments recognised for prior periods | 95,993 | - |
| | | |
| Closing balance | - | 977,520 |

At 31 March 2023, the Group is in a deferred tax asset position (net) which has not been recognised in the statement of financial position as the recovery of this benefit is uncertain. Refer to note 8 for further details regarding deferred tax assets and liabilities not recognised.

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## Note 23. Issued capital

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

*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 note 34 | 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 Group's objectives when managing capital is to safeguard its ability to continue as a going concern (note 2), 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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## Note 24. 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 senior debt facility (note 18). 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 34 and note 23); 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.

## Note 25. Reserves

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Foreign currency reserve | (267,219) | (294,099) |
| Options reserve | 5,365,056 | 5,612,149 |
| Contingent consideration reserve | 14,510,591 | 14,510,591 |
| | 19,608,428 | 19,828,641 |

*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.

*Contingent consideration reserve*
The reserve is used to recognise the fair value of contingent consideration relating to the acquisition of Halo Manufacturing Pty Limited (formerly Omniblend Pty Limited). The contingent consideration was in the form of performance shares. The applicable performance milestones associated with the performance shares were not met and as such the performance shares lapsed in the current financial year.

## Note 26. Accumulated losses

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (24,444,075) | (19,005,653) |
| Loss after income tax benefit for the year | (50,073,001) | (7,467,651) |
| Transfer from options reserve | 591,470 | 2,029,229 |
| Accumulated losses at the end of the financial year | (73,925,606) | (24,444,075) |

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## Note 27. Dividends

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

## Note 28. 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 Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group'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 Group is not exposed to any significant price risk.

***Credit risk***
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group 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 Group does not hold any collateral.

The Group 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 Group 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 Group 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.

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## Note 28. Financial instruments (continued)

*Remaining contractual maturities*
The following tables detail the Group'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 - 2023** | 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 | - | 18,167,092 | - | - | - | 18,167,092 |
| *Interest-bearing - fixed rate* | | | | | | |
| Borrowings | 8.84% | 6,294,540 | 9,100,166 | - | - | 15,394,706 |
| Lease liability | 5.00% | 2,043,103 | 1,899,001 | 5,449,483 | 6,693,833 | 16,085,420 |
| Total non-derivatives | | 26,504,735 | 10,999,167 | 5,449,483 | 6,693,833 | 49,647,218 |

| **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 |

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

## Note 29. Key management personnel disclosures

*Directors*
The following persons were directors of Halo Food Co. Limited during the financial year:

Peter Richard James
Andrew Reeves
Susan Klose
Daniel Rotman (resigned 10 October 2022)

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

| | |
|---|---|
| Jourdan Thompson | Chief Executive Officer (prior to 11 October 2022, Chief Financial Officer) |
| Shane Furness | Head of Operations, Australia and New Zealand |
| Daniel Rotman | Chief Revenue Officer (appointed 10 October 2022) |
| Neil Hayward | Interim Chief Financial Officer (appointed 8th December 2022) |

## Note 29. Key management personnel disclosures (continued)

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

| | Consolidated | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Short-term employee benefits | 1,806,063 | 1,484,833 |
| Post-employment benefits | 119,662 | 179,742 |
| Long-term benefits | 41,730 | 19,228 |
| Share-based payments | 333,346 | 2,300,189 |
| | 2,300,801 | 3,983,992 |

## Note 30. 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 | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| *Audit services - HLB Mann Judd Assurance (NSW) Pty Ltd* | | |
| Audit or review of the financial statements | 161,316 | 128,092 |

## Note 31. Commitments

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

## Note 32. Related party transactions

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

*Subsidiaries*
Interests in subsidiaries are set out in note 35.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 29 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.

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## Note 33. Parent entity information

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

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Loss after income tax | (80,126,760) | (4,864,208) |
| Total comprehensive loss | (80,126,760) | (4,864,208) |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | **2023** | **2022** |
| | **$** | **$** |
| Total current assets | 161,620 | 4,604,074 |
| Total assets | 217,420 | 49,037,286 |
| Total current liabilities | 4,466,508 | 1,047,061 |
| Total liabilities | 13,227,155 | 1,149,612 |
| Equity | | |
| Issued capital | 63,179,237 | 57,612,919 |
| Warrants | 132,353 | - |
| Options reserve | 5,365,056 | 5,612,149 |
| Accumulated losses | (81,686,381) | (15,337,394) |
| Total equity/(deficiency) | (13,009,735) | 47,887,674 |

*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 2023:

- Bank Guarantee Facility of $230,000 in the name of Omniblend Pty Ltd. (2022: $2.13m)

*Contingent liabilities*
The parent entity had no contingent liabilities as at 31 March 2023 and 2022.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 31 March 2023 and 2022.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the Group, 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.

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## Note 34. Business combinations

***Current period acquisition***

On 1 April 2022 the Group acquired 100% of the issued share capital in leading digital health and wellness business, The Healthy Mummy ("THM"). THM was acquired to broaden the Group's range of higher margin proprietary branded products, e-commerce direct to consumers digital service offering, distribution channels to cross sell proprietary branded products and customer base in the health and wellness market. The goodwill of $6,729,334 represents the expected synergies that are expected to be derived through streamlining the processes, supply chains and workforce of both Halo and THM businesses as well the cost savings that will be realised through the vertical integration of THM and manufacture of THM products in-house at Halo's existing manufacturing facilities. Goodwill will not be deductible for tax purposes.

Details of consideration transferred are as follows:

*Upfront consideration*

- $12.46 million in cash to the vendors. $8.96 million to Whiteoak and $3.5 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 |
| Customer contracts | 571,000 |
| Software and website | 7,150,000 |
| Brand name | 2,416,500 |
| 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) |
| Deferred tax liability | (896,200) |
| Net assets acquired | 9,522,600 |
| Goodwill | 6,729,334 |
| Acquisition-date fair value of the total consideration transferred | 16,251,934 |
| Representing: | |
| Cash paid or payable to vendor | 12,460,684 |
| Halo Food Co. Limited shares issued to vendor | 3,686,500 |
| Contingent consideration | 104,750 |
| | 16,251,934 |

## Note 34. Business combinations (continued)

* The gross contractual amount for trade receivables due is $83,402. All trade receivables are expected to be collected.

The acquired business was acquired on 1 April 2022 and therefore was part of the Group for the full year and contributed to a revenues of $14,000,816 and net profit of $1,920,918 to the Group for the period from 1 April 2022 to 31 March 2023.

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 of certain assets (being goodwill, customer contracts, software and website and brand name) has been impaired as described within 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.

Net cash used for the acquisition was $10,273,497 represented by the fair value of total cash consideration transferred of $12,460,684 less cash and cash equivalents of $2,187,187 acquired.

## Note 35. 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:

| | | Ownership interest | |
|---|---|---|---|
| **Name** | **Principal place of business / Country of incorporation** | **2023 %** | **2022 %** |
| Keytone Enterprises (NZ) Company Limited | New Zealand | 100.00% | 100.00% |
| Halo Manufacturing Pty Limited (formerly Omniblend Pty Limited) | Australia | 100.00% | 100.00% |
| Omni Brands Pty Limited | Australia | 100.00% | 100.00% |
| Halo Food Co. Trading Pty Limited | Australia | 100.00% | 100.00% |
| Halo Food Co. Trading NZ Limited | New Zealand | 100.00% | 100.00% |
| The Healthy Mummy Pty Limited | Australia | 100.00% | - |
| The Healthy Mummy (USA) Pty Limited | Australia | 100.00% | - |
| The Healthy Mummy UK Limited | United Kingdom | 100.00% | - |
| The Healthy Mummy Retail Pty Limited | Australia | 100.00% | - |
| The Healthy Mummy Holdings Pty Ltd | Australia | 100.00% | - |

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## Note 36. Events after the reporting period

On 8 May 2023, 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 Group. 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 Group as a whole, including divestment, other M&A and/or partnership opportunities, in order to maximise shareholder value.

On 29 May 2023, the Group completed the sale of its New Zealand land and building assets for NZD3.35m. The purchase price reflects a 45% 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 market-based rent. The net sale proceeds were used to repay all the outstanding principal on the Group's New Zealand finance facilities held with the ANZ bank (31 March 2022: $3,163,705) and reduce the senior debt facility to $11,050,000 (31 March 2022: $12,350,000). The remaining balance of net proceeds after the repayment of debt (approximately $300,000) was retained for general working capital purposes.

On 31 May 2023, the Group varied the waiver agreement dated 30 March 2023 (refer to note 18) with its lender, Arrowpoint Capital Pty Ltd in relation to its senior debt facility (the “standstill arrangement”). The standstill arrangement waives the obligation for the Group to pay principal repayments during the period 31 May 2023 to 30 November 2023 (including the 31 March 2023 $650,000 principal repayment deferred in the waiver agreement) other than in the event of an asset sale. Also, as part of the standstill agreement, Arrowpoint Capital Pty Ltd, has agreed to take no action for any breaches of financial covenants during the period from 31 May 2023 to 30 November 2023 as long as the conditions noted under the standstill arrangement are complied with by the Group. The Group has been in breach of the minimum cash balance financial covenant in June 2023.

No other matter or circumstance has arisen since 31 March 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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## Note 37. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated 2023 $ | Consolidated 2022 $ |
|---|---|---|
| Loss after income tax benefit for the year | (50,073,001) | (7,467,651) |
| Adjustments for: | | |
| Depreciation and amortisation | 5,205,192 | 3,244,083 |
| Impairment of customer contracts | 1,072,400 | - |
| Impairment of brand name | 2,416,500 | 308,000 |
| Impairment of goodwill | 30,877,683 | 646,044 |
| Impairment of other intangibles | 1,688,477 | - |
| Share-based payments | 344,377 | 2,303,966 |
| Foreign exchange differences | 200,988 | - |
| Net loss/(gain) on disposal of property, plant and equipment | 165,676 | (366,462) |
| Net loss on disposal of intangibles | 31,908 | - |
| Provision for obsolescence of inventory | 244,335 | 572,505 |
| Fair value loss on warrants | 132,353 | - |
| Change in operating assets and liabilities: | | |
| Decrease in trade and other receivables | 3,021,139 | 165,505 |
| Increase in contract assets | - | (1,103,190) |
| Decrease/(increase) in inventories | 522,348 | (1,001,875) |
| Decrease in other assets | 737,768 | 285,075 |
| Increase/(decrease) in trade and other payables | 4,005,467 | (20,403) |
| Increase/(decrease) in contract liabilities | (2,011,004) | 477,201 |
| Decrease in employee benefits | (194,678) | - |
| Increase in employee benefits | - | 65,756 |
| Decrease in tax liabilities | (857,614) | (554,555) |
| Increase in borrowings | 238,501 | - |
| Net cash used in operating activities | (2,231,185) | (2,446,001) |

## Note 38. 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) |

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## Note 39. Share-based payments

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Board of Directors, grant options over ordinary shares in the company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board of Directors.

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 | $0.30 | 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 |
| 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 | $0.30 | 3,695,331 | - | - | - | 3,695,331 |
| 19/05/2020 | 31/03/2025 | $0.30 | 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 |
| 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 |
| Weighted average exercise price | | | $0.23 | $0.18 | $0.00 | $0.51 | $0.26 |

The weighted average remaining contractual life of options outstanding at the end of the financial period was 1.68 years (2022: 1.96 years).

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 |

**Note 39. Share-based payments (continued)**

| | | | | | |
|---|---|---|---|---|---|
| Weighted average exercise price | $0.29 | $0.21 | $0.10 | $0.37 | $0.23 |

Using the Binomial method, 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).

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**Halo Food Co. Limited**
**Directors' declaration**
**31 March 2023**

Halo Food Co.

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 Group's financial position as at 31 March 2023 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 2023

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**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 2023, 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 2023 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

**Material Uncertainty Regarding Going Concern**

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of $50,073,001 during the year ended 31 March 2023 and has net operating cash outflows of $2,231,185. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**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. In addition to the matter described in the *Material Uncertainty Regarding Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Business combination** | |
| As described in Note 34 "Business combination", On 1 April 2022, the Group acquired 100% of the issued share capital of The Healthy Mummy ("THM") for the total consideration of $16.3m, including $12.5m cash consideration, $3.7m ordinary shares and $0.1m performance shares (contingent consideration). The fair value of identifiable net assets at purchase date was $9.6m. The acquisition resulted in recognition of goodwill of $6.7m.<br><br>The purchase price allocation performed requires the Directors to make discretionary decisions, estimates and assumptions. Changes in these assumptions may have a material impact on the fair values.<br><br>Due to the matter described, we considered the business combination and in particular the purchase price allocation as a key audit matter in our audit. | Our audit procedures included but were not limited to the following:<br>• Assessed the Group's determination and application of Australian Accounting Standards to the acquisition transaction.<br>• Assessed the reasonableness of the adopted acquisition date and the fair value of purchase consideration by agreeing to the relevant purchase agreements and other supporting documents.<br>• Performed audit procedures to evaluate the reasonableness of the fair value of the acquisition date assets acquired and liabilities assumed.<br>• Assessed the calculation of the fair value of the non-cash consideration.<br>• Reviewed management's expert's report, including key assumptions used, in determining the fair value of intangible assets, excluding goodwill, acquired.<br>• Assessed the adequacy of the Group's disclosures in the financial statements. |
| **Carrying amount of intangible assets** | |
| As disclosed in Note 15 of the financial statements, at 31 March 2023, the Group's intangible asset net balance is $9.7m after recognition of a $36.1m impairment expense during the year.<br><br>As required by Australian Accounting Standards an impairment assessment of the recoverable amount of the Cash Generating Unit's ("CGU") to which the intangible assets relates has been performed by management.<br><br>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:<br><br>• the selection of the appropriate model to be used;<br>• assessment and determination of the expected cash flows from the CGUs;<br>• selecting appropriate growth rates;<br>• selection of the appropriate discount rate.<br><br>We considered this to be a key audit matter due to the significant judgement involved in estimating the carrying amount of the intangible assets well as the significance of | Our audit procedures included but were not limited to the following:<br>• Assessed the identification and determination of the Group's CGUs based on our understanding of the nature of the Group's business.<br>• Tested the integrity and mathematical accuracy of the discounted cash flow models used by management for value in use assessments.<br>• 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.<br>• Assessed the Group's assumptions in developing the discount and terminal growth rates with reference to external sources.<br>• Performed sensitivity analysis and evaluated whether a reasonably possible change in assumptions could |

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| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| intangible assets and impairment expense to the Group's assets. | cause the carrying amount of a CGU to exceed its recoverable amount.<br>• Assessed the adequacy of the disclosures the financial statements. |
| **Inventory valuation** | |
| As at 31 March 2023, the Group holds inventories with a carrying value of $12.6m as disclosed in Note 11 of the financial statements.<br><br>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.<br><br>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:<br>• Assessing the Group's methodology for determining standard costs and allocating manufacturing and price variances to inventory items.<br>• Testing on a sample basis the recorded cost of a sample of inventory items to supplier invoice or other relevant documentation.<br>• Attended stocktakes at a sample of warehouse locations to validate the existence and saleability of inventory on a sample basis.<br>• 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.<br>• 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.<br>• Assessing the adequacy of the disclosures in the financial statements. |

**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 2023, 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.

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**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.

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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 2023.

In our opinion, the Remuneration Report of Halo Food Co. Limited for the year ended 31 March 2023 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**

**S Grivas**
**Director**

**30 June 2023**

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**Halo Food Co. Limited**
**Shareholder information**
**31 March 2023**

The shareholder information set out below was applicable as at 26 June 2023.

## 1. Securities on issue

| | |
|---|---|
| Shares and Option as at 27 June 2022 | |
| Ordinary shares on issue | 400,769,743 |
| Unquoted options on issue | 60,238,327 |
| Unquoted warrant | 44,117,648 |

## 2. Distribution of quoted ordinary shares and small holdings

| Range | Securities | % | No. of holders |
|---|---|---|---|
| 100,001 and Over | 334,846,071 | 83.55% | 547 |
| 10,001 to 100,000 | 58,231,639 | 14.53% | 1,498 |
| 5,001 to 10,000 | 5,141,927 | 1.28% | 616 |
| 1,001 to 5,000 | 2,482,264 | 0.62% | 817 |
| 1 to 1,000 | 67,842 | 0.02% | 144 |
| | 400,769,743 | | 3,622 |

## 3. Top 20 registered shareholders

| Name | Number of shares | Percentage |
|---|---|---|
| RHIAN ALLEN | 21,070,234 | 5.26 |
| MLLW PTY LTD | 16,886,346 | 4.21 |
| WHITEOAK PTY LTD | 10,346,991 | 2.58 |
| MR BRETT RAYMOND GREENE | 9,500,000 | 2.37 |
| MS KENG YOKE LEE | 6,800,000 | 1.70 |
| MR OWEN JAMES BOSTON | 5,500,000 | 1.37 |
| MR ANDREI KALUGIN | 5,000,000 | 1.25 |
| MR PAUL SZE YUEN CHEUNG & MRS PAULINE KWOK SIM CHEUNG | 4,970,000 | 1.24 |
| MR DAVID WILLIAMS | 4,500,000 | 1.12 |
| CHRISTOPHER MERVYN MAW | 4,269,971 | 1.07 |
| BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | 3,676,128 | 0.92 |
| WHITEOAK PTY LTD | 3,448,996 | 0.86 |
| ARNA CONSULTING PTY LTD | 3,105,347 | 0.77 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 3,031,137 | 0.76 |
| PERKAY PTY LTD | 3,006,000 | 0.75 |
| CLIMPSON PTY LTD | 3,000,000 | 0.75 |
| BFB HOLDINGS PTY LTD | 2,500,000 | 0.62 |
| MR PRAMOD KUMAR & MRS PUSHPA MITTAL | 2,472,502 | 0.62 |
| HYLEC INVESTMENTS PTY LIMITED | 2,367,647 | 0.59 |
| MR ANDREW RICHARD JACKSON BALL | 2,321,128 | 0.58 |
| Total | 117,772,427 | 29.39 |

*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 | 21,070,234 | 5.26% | 6 April 2022 |

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**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.

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