

1. Company details

Name of entity:	Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)
ABN:	49 621 970 652
Reporting period:	For the year ended 31 March 2022
Previous period:	For the year ended 31 March 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	18.2% to	59,924,944
Loss from ordinary activities after tax attributable to the owners of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)	down	8.9% to	(7,467,651)
Loss for the year attributable to the owners of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)	down	8.9% to	(7,467,651)

Dividends

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

Comments

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>7.55</u>	<u>8.98</u>

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

4. Control gained over entities

Name of entities (or group of entities)	Halo Food Co Trading Pty Ltd* Halo Food Co Trading NZ Limited*
Date control gained	03/08/2021

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

5. Dividends

Current period

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

Previous period

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

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

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

9. Audit qualification or review

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

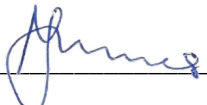
This report is based on the Financial Report for the twelve months ended 31 March 2022. The audit of the financial statements is near complete and the audited financial statements for the period ended 31 March 2022 will be released no later than 30 June 2022. In discussion with Halo Food Co.'s auditors, the Company anticipates an unqualified audit opinion.

10. Attachments

Details of attachments (if any):

The Preliminary Financial Report of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited) for the year ended 31 March 2022 is attached.

11. Signed

Signed  _____
Peter James
Chairman

Date: 31 May 2022

**Halo Food Co. Limited (formerly Keytone Dairy
Corporation Limited)**

ABN 49 621 970 652

Preliminary Financial Report - 31 March 2022

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Directors

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

Company secretary

Heldi Aldred BEco, LLB

Auditor

HLB Mann Judd Assurance (NSW) Pty Ltd

Stock exchange listing

Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited) shares are listed on the Australian Securities Exchange (ASX code: HLF)

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General information

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

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

Registered office

Level 5, 126 Phillip Street
Sydney NSW 2000 Australia

Principal place of business

17 Hynds Drive, Rolleston
Christchurch, 7675 New Zealand
26-28 Bond Street
Mordialloc, VIC 3195 Australia

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



	Note	Consolidated 2022 \$	2021 \$
Revenue	3	59,924,944	50,689,448
Costs of sales		(46,540,332)	(39,959,338)
Gross profit		<u>13,384,612</u>	<u>10,730,110</u>
Other income		1,137,651	1,310,963
Expenses			
Professional service expenses		(1,406,230)	(1,686,296)
Directors and employee benefits expense		(7,580,702)	(8,419,131)
Depreciation and amortisation expense	4	(3,244,083)	(2,702,653)
Write-off of assets	4	(2,459,567)	-
Other expenses		(2,931,180)	(2,236,983)
Finance costs	4	(1,206,063)	(702,016)
Marketing		(419,456)	(788,925)
Occupancy		(224,316)	(341,956)
Administration		(768,906)	(985,551)
Share-based payments expense	18	<u>(2,303,966)</u>	<u>(2,753,444)</u>
Loss before income tax benefit		(8,022,206)	(8,575,882)
Income tax benefit		<u>554,555</u>	<u>380,406</u>
Loss after income tax benefit for the year attributable to the owners of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)	14	(7,467,651)	(8,195,476)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>75,688</u>	<u>(424,018)</u>
Other comprehensive income for the year, net of tax		<u>75,688</u>	<u>(424,018)</u>
Total comprehensive income for the year attributable to the owners of Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited)		<u>(7,391,963)</u>	<u>(8,619,494)</u>
		Cents	Cents
Basic earnings per share	17	(2.69)	(3.25)
Diluted earnings per share	17	(2.69)	(3.25)

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

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



	Note	Consolidated 2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents		7,186,168	4,049,804
Trade and other receivables		9,547,937	9,815,329
Contract assets		1,103,190	-
Inventories	5	11,528,091	11,098,722
Other current assets		282,482	545,612
Total current assets		<u>29,647,868</u>	<u>25,509,467</u>
Non-current assets			
Property, plant and equipment	6	16,267,067	15,182,728
Right-of-use assets	8	11,649,362	13,409,738
Intangibles	7	30,296,915	31,598,082
Other non-current assets		605,522	136,942
Total non-current assets		<u>58,818,866</u>	<u>60,327,490</u>
Total assets		<u>88,466,734</u>	<u>85,836,957</u>
Liabilities			
Current liabilities			
Trade and other payables	9	12,516,395	12,510,831
Borrowings	10	4,760,842	896,180
Lease liabilities	11	1,368,546	1,358,457
Income tax		3,089	3,089
Employee benefits		1,201,480	1,149,776
Other liabilities		71,583	71,583
Contract liabilities		525,486	48,285
Total current liabilities		<u>20,447,421</u>	<u>16,038,201</u>
Non-current liabilities			
Lease liabilities	11	11,960,844	13,311,877
Deferred tax		977,520	1,532,075
Employee benefits		102,551	88,499
Total non-current liabilities		<u>13,040,915</u>	<u>14,932,451</u>
Total liabilities		<u>33,488,336</u>	<u>30,970,652</u>
Net assets		<u>54,978,398</u>	<u>54,866,305</u>
Equity			
Issued capital	12	59,593,832	53,598,230
Reserves	13	19,828,641	20,273,728
Accumulated losses	14	<u>(24,444,075)</u>	<u>(19,005,653)</u>
Total equity		<u>54,978,398</u>	<u>54,866,305</u>

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

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



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2020	41,554,224	17,944,302	(10,810,177)	48,688,349
Loss after income tax benefit for the year	-	-	(8,195,476)	(8,195,476)
Other comprehensive income for the year, net of tax	-	(424,018)	-	(424,018)
Total comprehensive income for the year	-	(424,018)	(8,195,476)	(8,619,494)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 12)	12,044,006	-	-	12,044,006
Share-based payments (note 18)	-	2,753,444	-	2,753,444
Balance at 31 March 2021	<u>53,598,230</u>	<u>20,273,728</u>	<u>(19,005,653)</u>	<u>54,866,305</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2021	53,598,230	20,273,728	(19,005,653)	54,866,305
Loss after income tax benefit for the year	-	-	(7,467,651)	(7,467,651)
Other comprehensive income for the year, net of tax	-	75,688	-	75,688
Total comprehensive income for the year	-	75,688	(7,467,651)	(7,391,963)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 18)	-	2,303,966	-	2,303,966
Contributions of equity, net of transaction costs (note 12)	5,200,090	-	-	5,200,090
Transfer relating to options expired and/or forfeited (note 14)	-	(2,029,229)	2,029,229	-
Transfer relating to options exercised (note 13)	795,512	(795,512)	-	-
Balance at 31 March 2022	<u>59,593,832</u>	<u>19,828,641</u>	<u>(24,444,075)</u>	<u>54,978,398</u>

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

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



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

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These new or amended Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the financial statements. Consequently, no further disclosures have been included.

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

Basis of preparation

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. This report is to be read in conjunction with any public announcements made by Halo Food Co. Limited (formerly Keytone Dairy Corporation Limited) during the reporting period in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the Australian Securities Exchange Listing Rules.

Note 2. Operating segments

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

Operating segment information

	Australia \$	New Zealand \$	Other segments \$	Total \$
Consolidated - 2022				
Revenue				
Proprietary Brands	2,678,560	1,517,161	-	4,195,721
Contract Manufacturing (OEM)	40,988,214	14,705,101	-	55,693,315
	<u>43,666,774</u>	<u>16,222,262</u>	-	<u>59,889,036</u>
Unallocated	-	35,908	-	35,908
Total revenue	<u>43,666,774</u>	<u>16,258,170</u>	-	<u>59,924,944</u>
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	<u>(278,753)</u>	<u>1,242,050</u>	<u>(8,985,503)</u>	<u>(8,022,206)</u>
Income tax benefit				554,555
Loss after income tax benefit				<u>(7,467,651)</u>

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

Note 2. Operating segments (continued)

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

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

Note 3. Revenue

	Consolidated	
	2022	2021
	\$	\$
Sale of proprietary products and third party private label manufacturing	<u>59,924,944</u>	<u>50,689,448</u>

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

Disaggregation of revenue

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

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

Note 4. Expenses

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

Note 5. Inventories

	Consolidated	
	2022	2021
	\$	\$
<i>Current assets</i>		
Raw materials - at cost	5,814,811	3,184,108
Less: Provision for impairment	(633,602)	-
	<u>5,181,209</u>	<u>3,184,108</u>
Packaging material - at cost	2,743,092	2,061,153
Less: Provision for impairment	-	(271,155)
	<u>2,743,092</u>	<u>1,789,998</u>
Finished goods - at cost	3,360,612	6,036,201
Less: Provision for impairment	-	(123,087)
	<u>3,360,612</u>	<u>5,913,114</u>
Work in progress - at cost	243,178	211,502
	<u>11,528,091</u>	<u>11,098,722</u>
Inventories reconciliation	2022	2021
Inventories, gross	12,161,693	11,492,964
Provision for obsolescence	(633,602)	(394,242)
Inventories, net	<u>11,528,091</u>	<u>11,098,722</u>

Note 6. Property, plant and equipment

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

Reconciliations

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

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

Note 6. Property, plant and equipment (continued)

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

In February 2022, Keytone Enterprise (NZ) sold a vacant land located in 18 Hannover Place, Rolleston for \$915,146 (NZD \$970,875), net of costs.

Note 7. Intangibles

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

Reconciliations

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

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

Note 7. Intangibles (continued)

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

Impairment testing

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

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

Note 8. Right-of-use assets

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

Reconciliations

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

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

Note 9. Trade and other payables

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

Note 10. Borrowings

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Trade finance facility	4,712,339	855,113
Funding Company Loan	48,503	41,067
	<u>4,760,842</u>	<u>896,180</u>

Trade finance facility

During the period the consolidated entity increased its available funding with secured debt financing facilities. An increase of NZD\$2,000,000 in the trade facility with Australia and New Zealand Banking Group, increasing the total available debt financing in New Zealand to NZD\$3,500,000 (2021: NZD\$1,500,000). Australia and New Zealand Banking Group has also provided Keytone Enterprises (NZ) Company Limited with an Overdraft for NZD\$1,000,000 during the financial year.

A new trade debtor finance facility was established during the financial year for AUD\$6,000,000 with Moneytech Finance Pty Ltd ('Moneytech') in the Australian Contract Manufacturing and Brand business.

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

Note 11. Lease liabilities

	Consolidated	
	2022	2021
	\$	\$
<i>Current liabilities</i>		
Lease liabilities	1,368,546	1,358,457
<i>Non-current liabilities</i>		
Lease liability	11,960,844	13,311,877
	<u>13,329,390</u>	<u>14,670,334</u>

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

Note 11. Lease liabilities (continued)

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

Note 12. Issued capital

	Consolidated			
	2022	2021	2022	2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>349,181,115</u>	<u>273,096,482</u>	<u>59,593,832</u>	<u>53,598,230</u>

Movements in ordinary share capital

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

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

Note 12. Issued capital (continued)

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

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

Note 13. Reserves

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

Foreign currency reserve

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

Options reserve

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

Note 14. Accumulated losses

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

Note 15. Performance Shares

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

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

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

Note 15. Performance Shares (continued)

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

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

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

Note 15. Performance Shares (continued)

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

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

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

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

Note 16. Events after the reporting period

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

Upfront consideration

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

Earn out

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

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

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

Note 17. Earnings per share

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

Note 18. Share-based payments

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

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

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

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

The weighted average remaining contractual life of options outstanding at the end of the financial period was 1.96 years (2020: 1.90 years).

Note 18. Share-based payments (continued)

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

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

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

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

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

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

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