Noumi Limited
80 Box Road
Taren Point NSW 2229
Australia
ABN 41 002 814 235

28 February 2022

ASX Market Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

1H FY22 Appendix 4D and Financial Report

Noumi Limited (**ASX: NOU**) provides the following documents for release to the market for the half year period to 31 December 2021:

- Appendix 4D interim report; and
- Financial Report.

The enclosed documents provide the information required by ASX Listing Rule 4.2A and should be read in conjunction with Noumi's Annual Report for the financial year ended 30 June 2021 and any public disclosures made by Noumi in accordance with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act, 2001.

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This announcement was authorised for release by the Board.

About Noumi Ltd

Noumi (**ASX: NOU**) is a leading Australian FMCG company with a mission to create quality, on-trend, responsibly produced dairy and plant-based beverages, nutritional products and ingredients used across the health and fitness industries. The Company operates state-of-the-art manufacturing facilities in Victoria and NSW and produces key brands including the MILKLAB range of shelf-stable dairy and plant-based milks, Australia's Own, So Natural, Crankt, Vital Strength and PUREnFERRIN lactoferrin. **https://noumi.com.au/**

Noumi Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Noumi Limited
ABN:	41 002 814 235
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	14.7%	to	270,725
Revenues from ordinary activities (continuing operations)	down	6.9%	to	265,289
Adjusted EBITDA from continuing operations (pre-AASB 16)[1]	down	78.6%	to	4,578
Loss from ordinary activities after tax attributable to the owners of Noumi Limited[2]	up	175.8%	to	(65,491)
Loss for the half-year attributable to the owners of Noumi Limited[2]	up	175.8%	to	(65,491)
Loss for the half-year from continuing operations attributable to the owners of Noumi Limited[2]	up	338.2%	to	(65,854)
Profit for the half-year from discontinued operations attributable to the owners of Noumi Limited	up	104.2%	to	363

[1]This is non-IFRS financial information and is reconciled to statutory profit in the Financial Report (Refer to Directors' report in the Half Year Financial Report attached).

[2]Loss for the half-year ended 31 December 2021 includes an amount of $50,727,000 related to the settlement of the US litigation.

Dividends
There were no interim dividends paid, recommended or declared for the half-year ended 31 December 2021.

Comments
The loss for the consolidated entity after providing for income tax amounted to $65,491,000 (31 December 2020: $23,744,000 loss restated) includes an amount of $50,727,000 related to the settlement of a litigation.

The loss for the continuing operations after providing for income tax amounted to $65,854,000 (31 December 2020: $15,030,000 loss restated).

The Group has classified Specialty Seafood business as discontinued operation during the half year and the consolidated loss after income tax contain $363,000 profit (31 December 2020 restated: $8,714,000 loss including $8,661,000 related to Cereal and Snacks business) related to the discontinued operation as the sale was completed on 12 November 2021.

For further details, refer to the "Results for announcement to the market"

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(28.40)	(10.20)

**Includes assets and liabilities associated with AASB 16.*

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
Australian Fresh Milk Holdings Pty Limited (AFMH)*	10.00%	10.00%	361	279
Goulburn Valley Nutritionals Pty Limited (GVN)	49.00%	49.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			361	279
Income tax on operating activities			-	-

**Although the Group still holds 10% equity interest in AFMH, it has classified the investment as held for sale during the current half year period, refer notes 10 and 12 to the consolidated financial statements of the half year.*

5. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is unmodified and attached as part of the Financial Report Appendix 4D. The review report refers to a material uncertainty related to events or conditions arising from certain legal proceedings that may cast significant doubt on the Group's ability to continue as a going concern. The Review opinion is not modified in respect of this matter.

6. Signed

Signed ____________________________ Date: 28 February 2022

Genevieve Gregor
Chair
Sydney

Noumi Limited (formerly known as Freedom Foods Group Limited)

Australian Business Number (ABN) 41 002 814 235

Half Yearly Financial Report - 31 December 2021

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Group') consisting of Noumi Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

The financial statements are presented in Australian Dollars.

1. Principal activities

Noumi Limited is a leading consumer branded beverage and nutritional group with over 570 employees with facilities in four locations across Australia and two locations in Asia (Singapore and China).

The principal activities of the Group (on a continuing basis), during the financial year were developing, sourcing, manufacturing, marketing, selling and distributing of plant-based and dairy beverages, dairy and nutritional products to wholesale and consumer markets.

The Group operates marketing, sales and distribution activities in Australia, China and South-East Asia and sells products to retailers and distributors in New Zealand, South Africa and the Middle East.

There were no significant changes in the nature of the principal activities during the half year ended 31 December 2021, with the exception that the Group has exited its Specialty Seafood business and has announced the upcoming divestment of its investment in Australia Fresh Milk Holdings Pty Ltd (AFMH).

2. Going concern

The Group has prepared the financial statements for the half year ended 31 December 2021 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Financial results

The Group made a H1 FY22 loss after tax of $65.5m (H1 FY21 restated loss of $23.7m). Net cash outflows from operating activities in H1 FY22 were $11.1m (H1 FY21 outflows of $21.5m). COVID-19 presented significant challenges during the period and whilst management mitigated many of these challenges, a number could not be mitigated in the short term. Management is anticipating price rises in various products offered by the Group and other mitigants to benefit the business in the H2 FY22. The quantum of the Group's losses from operations in the half year ended 31 December 2021 were higher than the budget approved by the board. The restrictions imposed by COVID-19 impacted sales volumes, productivity and supply chain costs and also caused delays in implementing the Group's transformation program, particularly in relation to the Dairy and Nutritionals business.

Losses in H1 FY22 include $50.7m of US litigation settlement related expenses. Further details on the payment timing are detailed in note 26. The payment liabilities arose once a mediated agreement was reached with the other party in November 2021. The completion of the mediation and agreed settlement marks an important milestone in the turnaround and growth journey of Noumi and provides greater certainty to the Group's operations, brands and future cash flows. Refer to note 26 for further details.

Financial Position

As at 31 December 2021, the Group had net current assets of $20.4m (FY21: net current assets of $40.1m) including non-current assets held for sale of $23m (FY21: $6.5m) and net liabilities of $48.9m (FY21: net assets of $1.5m). The net liabilities at 31 December 2021 includes the unpaid portion of the US litigation settlement and related legal expenses of $48.7m and $239.5m in respect of convertible notes, which were mark-to-market and also credit risk spread re-assessed for H1 FY22 as per the accounting standard requirements. The convertible notes will cease to be a liability at such time when the noteholders convert the notes into equity or are repaid (refer to note 19).

Funding the US litigation settlement

In order to fund the liabilities arising from the US litigation settlement, as announced on 22 February 2022, the Group intends to raise up to $26.7m from the issuance of a further tranche of convertible notes to institutional investors and other eligible wholesale investors. The initial settlement payment will be cash settled in the short-term by loan notes which will be redeemed from the issuance of a further tranche of convertible notes of up to $26.7m. The Company is in the process of obtaining a guarantee for up to $25m from one of its syndicated lenders which will be secured against the expected proceeds from the sale of the Group's investment in AFMH. The Group anticipates the sale of AFMH to occur prior to 30 June 2022. These two measures along with future cashflows from operations will provide funding in full to meet the US litigation settlement liabilities referred to above. Further details are set out in note 26.

Future financial performance

In May 2021, the Group secured a two-year, $36m senior secured revolving facility with its existing financiers. The cash at bank at 31 December 2021 of $16.3m and operating cashflows from operations combined with an undrawn amount of $32m available from the Group's revolving credit facility, together with the debtor financing facilities (recourse and non-recourse), are considered by management and the Board to provide the Group with sufficient liquidity to cater for the day-to-day operations of the business. In order to achieve improvements in the Group's financial position it will be critical the Group is able to pass on supply chain and input cost increases to customers, grow sales in domestic and export markets, and improve the operational efficiencies of its manufacturing sites as part of its transformation program. Should the Group be unsuccessful in achieving the financial improvements specified above, or external factors significantly disrupt the business (such as geopolitical events or further waves of COVID-19), there is a risk the Group's liquidity may be insufficient to meet its liabilities as and when they fall due within the next 12 months, and that the Group will be unable to renew or refinance its loan facilities prior to their maturity in May 2023.

Litigation - Class Actions

Two Class Actions were filed against the Company in respect of alleged breaches of the Corporations Act 2001 (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law. Those proceedings were consolidated in or around November 2021 by order of the Court and now are proceeding as one action, with a consolidated statement of claim filed on 16 December 2021. The Group is defending the litigation and has engaged legal counsel to assist in doing so. The consolidated proceeding is still at a preliminary stage and the claims have not yet been quantified by the claimants. Likely outcomes and potential financial impact are not able to be assessed with certainty at the time of signing of the financial statements.

Should the Group be unsuccessful in its defence of the consolidated proceedings, the Group may become liable for material compensation amounts. There is a risk that the Company and Group will have insufficient funds to be able to pay these compensation amounts and consequently have a material impact on its ability to continue operating as a going concern.

Any potential financial impact and likely outcome cannot be assessed with any certainty at the time of signing the half-year financial statements and, in addition, the Directors are proactively taking steps to manage and mitigate the risks associated with the claims and accordingly, the financial report has been prepared on a going concern basis.

Due to the uncertainty surrounding the above matters which impact the long-term financing of the Group, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it may be able to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

3. Operating and financial review

The Group's continuing operations recorded a loss after income tax for the half year ended 31 December 2021 attributable to the owners of Noumi Limited of $65.8m (H1 FY21 loss of $15.0m). The losses in HY22 include $50.7m for the US litigation settlement related expenses and a fair value expense adjustment of $10.9m for the convertible notes.

The Group's continuing operations recorded an EBITDA of $8.1m (H1 FY21 EBITDA of $16.4m).

3.1 Overview of material matters during the half year and material matters subsequent to 31 December 2021

This section describes:

- the significant events that have occurred in the HY22; and
- the material matters, events, and decisions taken by the Group subsequent to 31 December 2021 and up to the publication of this report

Key Executive changes

Denis Phelps was appointed as Chief Customer Officer in August 2021 and Gerard Smith was appointed Chief Marketing Officer in August 2021.

Operations

Having completed a comprehensive review of the Group's operating performance during the restructure and the refinancing in FY21, the business has now been substantially reset. Management is now executing a company-wide transformation that will continue to be implemented over the FY22 fiscal year and beyond. COVID-19 and in particular the Omicron variant, has had a significant impact in Q2 FY22, continuing into Q3 FY22.

The transformation strategy is designed to deliver best-in-class operating performance across the Company's facilities, driving improved productivity, lower costs and higher margins, earnings and sales – all within a culture of financial discipline. The roll-out of the strategy is underway with improvements being realised, although the speed of the roll-out has been impacted by COVID-19 creating some delays. All efforts are being made to bring this program back on schedule.

COVID-19 pandemic

The emergence of the Omicron strain of COVID-19 across Australia's eastern seaboard in December 2021 continues to have a significant impact on sales in the out-of-home channel and key export markets in Asia. The Group is facing cost pressures related to or caused by COVID-19, namely rising domestic and international transport costs and increases in raw material pricing. COVID-19 impacts on workforce availability and delays in our supply chains have negatively impacted productivity and costs. Noumi is very focussed on managing the impact of these cost pressures on its cashflow, however, the Group anticipates that the Q3 FY2022 cashflow results will not be as favourable as Q2 FY2022.

The COVID-19 pandemic and associated government responses have affected and are likely to continue to affect the Group's businesses. The Board and management are actively assessing the challenges and opportunities affecting the business on a regular basis.

- **Operations and Employee safety**: The Group implemented and enhanced employee health and safety measures, including shift protocols, well-being programs and flexible and remote work practices appropriate for food manufacturing environments. These measures have kept employees safe and minimised COVID-19 related interruptions to operations. All operating sites have implemented QR code sign in for staff and deliveries, with temperature checking to maintain a safe workplace. The Group is strongly encouraging all employees to be vaccinated, as supply of appropriate vaccines relative to their personal situation become available.

- **Consumer response:** COVID-19 and government-imposed lockdowns have influenced consumer behaviours, which we anticipate will continue to be impacted with each new development and lockdown. We expect pandemic events will become part of the new "normal" and are adapting our business model accordingly. Grocery shelf stable beverage sales increased through the lockdown periods. Demand in the domestic out-of-home sector is regionally impacted as areas effectively go in and out of lockdown even when no government mandate, self-imposed lockdowns happening. The Group is developing new digital channels to provide easier access to our products in this new environment.

- **Supply chain:** COVID-19 has disrupted supply chains worldwide with significant impacts on logistics affecting raw material and packaging supplies, freight availability and cost.

- **Financial impact:** COVID-19 has adversely affected revenue and profitability. Margins in the grocery channel are materially lower than out-of-home, with lower than expected out-of-home sales impacting the sales mix and affecting profitability in HY22. Export volume to China and SE Asia have partly rebounded but each lockdown sees an impact on sales depending on the severity of the lockdown implemented in these regions. The Group has not accessed JobKeeper wage subsidies or other government support programs to date.

Prior periods' restatement
During the FY21 year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy and the restated historical financial information to account for the impact of the change on HY21 are disclosed in Note 3 of the financial statements.

The HY21 results have been restated for the divestment of the Cereal and Snacks and Specialty Seafood businesses, so the prior period can be compared on a continuing business basis. Certain costs associated with marketing were reclassified to better align with future treatment of similar costs.

ASIC Investigations
As previously disclosed, the Group continues to cooperate with ASIC in relation to the Investigation and produce materials and information as requested. The investigation has not been concluded as at the date of issuance of these financial statements and hence the outcome is not known and no provision has been recognised.

Class Actions
Various disclosures have been made regarding the Class Actions including in the Prospectus dated 19 March 2021 (and supplementary Prospectuses) and the ASX releases dated 30 September 2020, 8 March 2021, 28 May 2021 and 17 Dec 2021. For further details, refer to note 25 *Capital commitments and contingent Liabilities*.

Divestments

On 12 November 2021, the Group completed the sale of its Specialty Seafood operations and on 17 November 2021, the Group announced its intention to divest its investment in AFMH to partly fund the US litigation settlement.

Except as disclosed above, no matter or circumstance has arisen since 31 December 2021 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.

3.2 Business Strategy
Noumi is undergoing a three-stage transformation journey: Reset, Transform and Grow. The financial, structural, operational and cultural reset of the Group was substantially completed in FY21, providing the Group with the platform and talent to transform and grow the business.

The transformation of the business is well underway, although hampered with lockdowns, reducing the ability for team members and support providers visiting sites. Operational improvements across the business is driving improved productivity, sales and earnings performance. Those improvements provide the springboard to grow the business through three streams: products, channels and geographies.

The Dairy & Nutritionals segment is a significant focus of the board and executive team. As we work towards the transformation of this business with the removal or updated pricing of loss making or low margin products, we also heavily focus on the manufacturing performance to ensure future growth. Improvement of yields and performance are coming through with the change in leadership and culture across the entire business.

At the last AGM, shareholders were asked to approve a new corporate name: Noumi - Imagining a healthier tomorrow. The sale of Cereal and Snacks – which included the Freedom Foods brand name itself – necessitated a corporate rebranding. The new name represents a clean break with the past and the emergence of a reset and refreshed organisation with significant opportunities ahead of it as a leading Australian beverage and Nutritionals company.

3.3. Operating and financial review – continuing operations

Set out below is a summary statement of profit and loss for the half year ended 31 December 2021.

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Net sales	265,289	284,987
EBITDA	8,067	16,434
US litigation settlement and related legal expenses	(50,727)	-
Fair value changes of convertible notes	(10,886)	-
Gain on modification of lease	4,807	-
Impairment of Non-Financial Assets	(4,214)	-
Share of associates profit/(loss)	361	279
Depreciation and amortisation	(13,138)	(13,093)
Net finance costs	(7,666)	(18,650)
Net loss before tax	(73,396)	(15,030)
Income tax benefit	7,542	-
Net loss after tax	(65,854)	(15,030)

Adjusted EBITDA*
The following table adjusts EBITDA for various non-trading and non-recurring items:

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
EBITDA	8,067	16,434
Product recall costs	-	2,181
Restructuring and other litigation expenses	3,644	7,059
Reversal of FY20 debtor provisions	(1,128)	
Discount charge - limited recourse facility	445	714
Unrealised foreign exchange (gain)/loss	(250)	1,449
Other (income)/expense	(231)	-
Adjusted EBITDA (post AASB 16)	10,547	27,837
Adjusted EBITDA (pre AASB 16)	4,578	21,404

*Adjusted EBITDA (Earnings before interest, tax, depreciation and amortisation) is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Adjusted EBITDA is used by management and the directors as the primary measure of assessing the financial performance of the Group and individual segments. Adjusted EBITDA excludes abnormal items including the additional inventory provisions above a normalised level and other abnormal expenses including acquisition costs, restructuring costs and other non-trading expenses.

3.3.1 Commentary on specific items in the profit and loss account

Net sales decreased by 6.9% to $265.3m reflecting material COVID-19 impact. In Australia, net sales decreased 13.2% to $188.0m and in export markets net sales rose 13.1% to $77.3m. Dairy and Nutritionals net sales declined 13.2% to $182.0m with lower sales in Australia and lower sales in Lactoferrin partly offset in export markets where net sales increased 16.2% to $71.6m. When excluding traded milk, Dairy and Nutritionals net sales declined 6.5% to $174.5m. Plant-based net sales of $83.3m rose 10.7% driven by strong growth in MILKLAB plant-based net sales up 34.4%.

Net losses after tax increased by $50.8m from $15.0m to $65.8m reflecting the impact of the US litigation settlement related costs of $50.7m and the fair value expense adjustment for the convertible notes of $10.9m, together with operating challenges with disruptions from COVID-19.

Adjusted Operating EBITDA (pre AASB 16) of $4.6m was lower than HY21 of $21.4m with investment in a dedicated out-of-home sales force, marketing campaigns and new management team with their benefits delayed by COVID restrictions which tampered the growth in key markets and slowed down the turnaround of the Shepparton production plant. Adjustments include restructuring costs, including costs related to legal matters, lender management, accounting restatement and divestment activities.

Impairment of non-financial assets of $4.2m as a result of assessing the fair value of a bottling line yet to be commissioned, in line with accounting standards. Once a business case is in place with corresponding future cash flows, we expect this impairment to reverse.

Gain on modification of lease of $4.8m on the prior corresponding period due to not renewing a lease for an extended term.

Depreciation and amortisation charges of $13.1m are in line with prior year. This reflects a reduction in AASB16 related depreciation due to changing lease arrangements, which is offset by an increase in plant and equipment depreciation. The split in depreciation charges between traditional plant and equipment depreciation and AASB 16-related depreciation is as follows:

Depreciation – buildings, plant and equipment: $10.1m (HY21: $8.7m)
Depreciation – AASB 16 related: $3.0m (HY21: $4.9m)
Amortisation – software: nil

Net finance costs decreased by 58.9% from $18.7m to $7.7m. In HY21, the Group incurred interest, margins and fees charged by the lenders on the debt facilities during the standstill and the transactions costs on convertible notes issuance. Upon successful completion of recapitalisation in May 2021, similar costs are not incurred. The split of finance costs between interest paid, the AASB 16 related finance charge and transaction costs was as follows:

Interest – based on debt facilities: $2.5m (HY21: $9.7m)
Interest – AASB 16 related: $5.2m (HY21: $6.0m)
Transaction financing costs – Convertible notes: nil (HY21: $3.0m)

Fair value changes of convertible notes amounting to a net $11.5m resulted in a 4.6% decrease in the value of convertible notes from $251.0m as at 30 June 2021 to $239.5m. This net change in fair value is recorded in profit or loss ($10.9m expense, an increase in fair value) and the other comprehensive income ($22.4m gain, a decrease in fair value) in accordance with the accounting standards but does not impact the redemption and conversion rights available to the investors under the terms of the convertible notes (refer to note 19).

3.3.2 Segment performance of continuing operations

The Group measures its financial and operating performance by reference to the following segments:

Dairy and Nutritionals	A range of UHT (long life) dairy milk beverage, nutritional products and performance and adult nutritional powders including the Crankt brand. These products are manufactured in Australia and sold in Australia and overseas.
Plant Based Beverages	A range of UHT (long life) food and beverage products including liquid stocks, soy, rice, oat and almond beverages. These products are manufactured in Australia and sold in Australia and overseas.

Set out below is the segment performance for the **continuing operations** of the Group for the half year ended 31 December 2021, together with a segment performance table for the half year ended 31 December 2020.

Consolidated 31 Dec 2021	Dairy and Nutritional Ingredients $'000	Plant Based Beverages $'000	Unallocated Shared Services $'000	Total $'000
Revenue	182,029	83,260	-	265,289
EBITDA	(5,022)	18,703	(5,614)	8,067
Restructuring and other litigation expenses	-	-	3,644	3,644
Reversal of FY20 debtor provision			(1,128)	(1,128)
Discounting charge - limited recourse facility	-	-	445	445
Unrealised foreign exchange (gain)/loss	-	-	(250)	(250)
Other Income/(Expense)	-	-	(231)	(231)
Adjusted EBITDA (post AASB 16)	(5,022)	18,703	(3,134)	10,547
Adjustment for rental expense	(1,888)	(3,168)	(913)	(5,969)
Adjusted EBITDA (pre AASB 16)	(6,910)	15,535	(4,047)	4,578

Consolidated 31 Dec 2020	Dairy and Nutritional Ingredients $'000	Plant Based Beverages $'000	Unallocated Shared Services $'000	Total $'000
Revenue	209,763	75,224	-	284,987
EBITDA	10,489	16,621	(10,676)	16,434
Product recall costs	-	2,181	-	2,181
Restructuring and other litigation expenses	-	-	7,059	7,059
Discounting charge - limited recourse facility	-	-	714	714
Unrealised foreign exchange loss	-	-	1,449	1,449
Adjusted EBITDA (post AASB 16)	10,489	18,802	(1,454)	27,837
Adjustment for rental expense	(2,017)	(3,612)	(804)	(6,433)
Adjusted EBITDA (pre AASB 16)	8,472	15,190	(2,258)	21,404

The 'Unallocated Shared Services' group consists of the Group's shared service functions that are not separately reportable and provide support services to other reportable operating segments.

Consolidated Noumi - Continuing operations

6 Months to 31 December 2021 ('000)	Dec-21	Dec-20	Change $	Change %
Revenue	**265,289**	**284,987**	**(19,698)**	**(6.9%)**
Adjusted EBITDA Pre AASB16	4,578	21,404	(16,826)	(78.6%)
Adjusted Operating EBITDA Pre AASB16 Margin %	1.7%	7.5%		
Adjusted EBITDA Post AASB16	**10,547**	**27,837**	**(17,290)**	**(62.1%)**
Adjusted EBITDA Post AASB16 Margin %	4.0%	9.8%		
Operating EBITDA	**8,067**	**16,434**	**(8,367)**	**(50.9%)**
Operating EBITDA Margin %	3.0%	5.8%		

3.4 Segment performance (H1 FY21 adjusted EBITDA is pre AASB 16)

Dairy and Nutritionals

6 Months to 31 December 2021 ('000)	Dec-21	Dec-20	Change $	Change %
Revenue	**182,029**	**209,764**	**(27,735)**	**(13.2%)**
Revenue excluding traded milk	**174,535**	**186,723**	**(12,188)**	**(6.5%)**
Adjusted EBITDA Pre AASB16	(6,910)	8,472	(15,382)	(181.6%)
Adjusted Operating EBITDA Pre AASB16 Margin %	(3.8%)	4.0%		
Adjusted EBITDA Post AASB16	**(5,022)**	**10,489**	**(15,511)**	**(147.9%)**
Adjusted EBITDA Post AASB16 Margin %	(2.8%)	5.0%		
Operating EBITDA	**(5,022)**	**10,489**	**(15,511)**	**(147.9%)**
Operating EBITDA Margin %	(2.8%)	5.0%		

Revenue for the six months to 31 December 2021 declined 13.2% to $182.0 million with the business significantly impacted by COVID-19. When excluding traded milk, revenue declined $12.2m or 6.5% on the prior corresponding period. This resulted in an adjusted operating EBITDA loss of $6.9 million, a deterioration from positive EBITDA of $8.5 million in the previous corresponding period.

Revenue in the six-month period was affected by COVID-19-related lockdowns and restrictions, which eased at the end of the period before the outbreak of the Omicron wave later in the year together with:

- Sales of lactoferrin fell in the period due to the phasing of customer orders to the second half of FY22 driven by change in overseas specification requirements and the impact of COVID-19 lockdowns in markets such as Europe.
- Sales in the retail channel were down 12 per cent compared to the same period in FY21 following the deletion of unprofitable SKUs (eg 2L format), margins have improved.
- Traded surplus milk sales were down $15.5 million or 68 per cent in the half in line with the Company's improved milk-buying performance.
- Sales of bulk cream were impacted by slightly lower volumes and price.
- While private label sales declined 7 per cent in the period, contract sales rose 61 per cent.
- Sales of consumer nutritionals, which include Vital Strength, UPROTEIN and Crankt, continued to improve despite the impact of COVID-19 lockdowns on gyms and fitness channels. Sales of Crankt protein shakes and bars rose 13 per cent.
- This was partly offset by 27 per cent growth in the out-of-home channel and 16 per cent growth in exports, with sales to China up 26 per cent and Southeast Asia up 11 per cent.
- MILKLAB dairy continued its strong sales momentum, with sales up 24 per cent in the period.

During the period, the Company faced cost pressures related to or caused by COVID-19, namely rising domestic and international transport costs, supply chain delays and increases in raw material pricing. Contract milk supply pricing from farmers continued to rise, which has placed pressure on margins and will continue until the sales contracts are renegotiated.

In addition, COVID-19 created issues with workforce availability that adversely affected productivity and costs. COVID-19 outbreaks in regional Victoria and isolation rules particularly affected the Company's Shepparton operations during the half, reducing productivity and slowing the implementation of some operational improvement initiatives. The transformation and operational turnaround strategy in Dairy and Nutritionals is focused on a number of areas, including reducing wastage, production efficiencies, removing or reducing unprofitable products, optimising milk supply and curtailing losses from the sale of surplus milk as experienced in previous periods.

Plant Based Beverages

6 Months to 31 December 2021 ('000)	Dec-21	Dec-20	Change $	Change %
Revenue	**83,260**	**75,224**	**8,036**	**10.7%**
Adjusted EBITDA Pre AASB16	15,535	15,190	345	2.3%
Adjusted Operating EBITDA Pre AASB16 Margin %	18.7%	20.2%		
Adjusted EBITDA Post AASB16	**18,703**	**18,802**	**(99)**	**(0.5%)**
Adjusted EBITDA Post AASB16 Margin %	22.5%	25.0%		
Operating EBITDA	**18,703**	**16,621**	**2,082**	**12.5%**
Operating EBITDA Margin %	22.5%	22.1%		

Revenue increased 11% to $83.3 million with the plant-based beverages segment overcoming some of the impact of COVID-related restrictions on the out-of-home market to deliver robust growth across all channels and all brands, particularly MILKLAB. Adjusted EBITDA margin percentage pre AASB16 eased slightly to 18.7% with profitability impacted by investments in a focused sales force ($2.7m) and marketing campaigns ($3.6m). MILKLAB plant-based sales increased 34% per cent in the half with MILKLAB plant-based sales growing 32% in Australia and 64% Internationally. The MILKLAB brand continued to win market share, expanding distribution points in Australia, Southeast Asia and China. The new MILKLAB Oat product, which was launched in June, continues to gain market share within the plant-based beverage category. The Group is committed to undertaking disciplined capital investment to increase production innovation to meet growing demand.

3.5 Seafood (discontinued operation) performance

On 4 November 2021, the Group announced the sale of its Seafood operations as part of the ongoing program to simplify the Company's business. Accordingly, the Group has classified the Seafood business as a discontinued operation and disclosed its performance below separately from the continuing operations of the Group:

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Revenue	5,436	6,391
EBITDA	363	(52)
Gain/(loss) on sale of assets/investments	61	-
Adjusted EBITDA (post AASB 16)	424	(52)
Adjustment for rental expense	-	-
Adjusted EBITDA (pre AASB 16)	424	(52)

3.6 Statement of financial position

Set out below is a summary balance sheet as at 31 December 2021 together with summary balance sheet as at 30 June 2021.

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Current assets	121,465	133,791
Assets held for sale	23,045	6,464
Non-current assets	359,116	398,414
Total assets	**503,626**	**538,669**
Current liabilities	(124,070)	(100,198)
Non-current liabilities	(428,479)	(436,978)
Total liabilities	**(552,549)**	**(537,176)**
Net assets/(liabilities)	**(48,923)**	**1,493**
Share capital	598,712	598,712
Reserves	(45,303)	(60,378)
Accumulated losses	(602,332)	(536,841)
Total equity	**(48,923)**	**1,493**

3.6.1 Commentary on specific items in the statement of financial position

Cash and cash equivalents decreased by $15.4m to $16.3m impacted by cost pressures and slowed collections due to COVID impacts.

Trade and other receivables increased by 11% from $50.0m to $55.5m reflecting a reduction in off-balance sheet receivables as well as increased debtor days due to shipment delays causing customers to receive stock late and impacting payment timing. Debtor days increased from 55 days to 56 days as a result.

Inventories remained steady at $47.6m. Whilst finished goods inventories declined, increase in packaging materials inventory to optimise minimum safety stock levels during COVID, challenged supply chain and purchase of critical spares inventory to support improved plant reliability.

Trade and other payables decreased by 9% from $67.5m to $61.1m, reflecting the significant effort that has gone into improving purchasing controls and ensuring suppliers are paid on time.

Property, plant and equipment decreased by 2% from $253.6m to $248.1m, reflecting depreciation and the impairment of a non-financial asset by $4.2m. There is no significant capital expenditure currently under consideration in the near future by the Group, with the focus on maximising efficiencies from the existing asset base.

Net deferred tax assets remain at $nil. The full extent of the potential tax benefit has not been recognised due to the number of years that it will take for tax losses to be utilised. This position will be reassessed on an annual basis.

Borrowings decreased by 4% from $349.9m to $335.4m. Further detail on cashflow and funding is shown in next section.

Net liabilities of $48.9m includes US litigation settlement accrual for the unpaid portion of the $50.7m settlement related expenses and convertible note liability of $239.5m. The convertible notes will cease to be a liability at such time when the noteholders convert the notes into equity or are repaid.

Shareholders' equity decreased from $1.5m to ($48.9m), reflecting primarily the loss incurred by the Group in HY22, which includes the impact of all operating and litigation/restructuring expenses discussed above in section 3.3.

3.6.2 Commentary on cashflow and funding

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Cash flow from operations	**(2,540)**	**4,033**
Cash flow from operations including adjustments and financing costs	(8,574)	(25,566)
Cash flow from operating activities	(11,114)	(21,533)
Cash flow from investing activities	(339)	(4,151)
Cash flow from financing activities	(3,877)	32,805
Net decrease in cash and cash equivalents	(15,330)	7,121
Cash and cash equivalents at the beginning of the financial year	31,668	17,167
Cash and cash equivalents at the end of the financial half year	**16,338**	**24,288**

	Continuing Operations 31 Dec 2021 $'000	Continuing Operations 31 Dec 2020 $'000
Cash flow from operations	**(4,865)**	**12,312**
Cash flow from operations including adjustments and financing costs	(8,574)	(25,481)
Cash flow from operating activities	(13,439)	(13,169)
Cash flow from investing activities	(2,428)	(3,951)
Cash flow from financing activities	(3,877)	33,635
Net decrease in cash and cash equivalents	(19,744)	(16,515)

	Discontinued Operations 31 Dec 2021 $'000	Discontinued Operations 31 Dec 2020 $'000
Cash flow from operating activities	**2,325**	**(8,364)**
Cash flow from investing activities	2,089	(200)
Cash flow from financing activities	-	(830)
Net increase/(decrease) in cash and cash equivalents	4,414	(9,394)

Cash flow from continuing operations before financing and non-recurring adjustments were ($4.9m) reflecting COVID-19 impacts, investment in brands and workforce and phasing of lactoferrin sales to the second half.

- The Plant-based business delivered strong operating cash flows slightly offset by investments in brands and sales workforce together with resetting paying suppliers within trading terms;
- The Dairy & Nutritionals segment, although improving half on half, had negative cash flows. Cash inflows were impacted by lower lactoferrin sales, investment in inventory of critical spares together with manufacturing performance challenges as a result of COVID delays in the transformation initiatives. The turnaround to positive cash flows is management and the Board's number one priority.

Cash flow from investing activities were $1.5m lower in the continuing operations primarily attributable to a reduction in capital expenditure following the completion of capital projects in earlier years.

Cash flow from investing activities of $2.1m in the discontinued operations reflect the proceeds from the sales of the Specialty Seafood business in November 2021.

Cash flow from financing costs reflect the drawdown of $4.0m from the revolving financing facility in November 2021.

As at 31 December 2021, the Company had $335.4m of borrowings and $37.5m drawn in off-balance sheet facilities. Refer to Notes 16 and 18 in the financial statements for further information on assets pledged as security and financing arrangements.

4. Directors

The following persons were Directors of Noumi Limited during the whole of the financial half-year ended 31 December 2021:

Genevieve Gregor – Chair, Independent Non-Executive Director
Anthony M. Perich AM - Deputy Chair and Non-Executive Director
Jane McKellar - Independent Non-Executive Director
Timothy Bryan – Non-Executive Director
Stuart Black AM – Independent Non-Executive Director

5. Rounding of amounts

The Group is of a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016 and in accordance with that Corporations Instrument amounts in the Directors' Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

6. 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 on page 16.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Genevieve Gregor
Chair

28 February 2022
Sydney

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Noumi Limited
80 Box Road
Taren Point NSW 2229

28 February 2022

Dear Board Members

Auditor's Independence Declaration to Noumi Limited (formerly Freedom Foods Group Limited)

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Noumi Limited.

As lead audit partner for the review of the half year financial report of Noumi Limited for the half year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

DR White

David White
Partner
Chartered Accountants

Noumi Limited (formerly known as Freedom Foods Group Limited)

ABN 41 002 814 235

Half Yearly Financial Statements - 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	31 Dec 2020 restated[1] $'000
Revenue			
Revenue from sale of goods	4	265,289	284,987
Cost of sales		(214,963)	(229,354)
Gross margin		50,326	55,633
Selling and marketing expenses		(14,473)	(9,524)
Distribution expenses		(22,229)	(22,265)
Gross profit		13,624	23,844
Other (expense)/income	5	(9,919)	93
Gain on modification of lease	20	4,807	-
Expenses			
Product development expenses		(972)	(855)
Reversal/(allowance) for expected credit losses		940	(336)
Administrative expenses	6	(19,630)	(19,194)
Impairment of non-financial assets	10	(4,214)	-
US litigation settlement related expenses	26	(50,727)	(211)
Net finance costs	6	(7,666)	(18,650)
Share of profits of associates accounted for using the equity method	12	361	279
Loss before income tax benefit from continuing operations		(73,396)	(15,030)
Income tax benefit	7	7,542	-
Loss after income tax benefit from continuing operations		(65,854)	(15,030)
Profit/(loss) after income tax expense from discontinued operations	24	363	(8,714)
Loss after income tax benefit for the half-year attributable to the owners of Noumi Limited		(65,491)	(23,744)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value changes of convertible notes	19,22	22,431	-
Income tax	7	(6,730)	
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	22	(626)	990
Other comprehensive income for the half-year, net of tax		15,075	990
Total comprehensive income for the half-year attributable to the owners of Noumi Limited		(50,416)	(22,754)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(50,779)	(14,040)
Discontinued operations		363	(8,714)
		(50,416)	(22,754)

[1]Refer to note 3 for detailed information on restatement of comparatives.

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

	Note	31 Dec 2021 Cents	31 Dec 2020 restated Cents
Earnings per share for loss from continuing operations attributable to the owners of Noumi Limited			
Basic earnings per share		(23.76)	(5.42)
Diluted earnings per share		(23.76)	(5.42)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Noumi Limited			
Basic earnings per share		0.13	(3.14)
Diluted earnings per share		0.13	(3.14)
Earnings per share for loss attributable to the owners of Noumi Limited			
Basic earnings per share		(23.63)	(8.57)
Diluted earnings per share		(23.63)	(8.57)

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

Noumi Limited
Condensed consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	30 Jun 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		16,338	31,668
Trade and other receivables	8	55,518	50,141
Inventories	9	47,606	48,358
Prepayments		2,003	3,624
		121,465	133,791
Non-current assets classified as held for sale	10	23,045	6,464
Total current assets		144,510	140,255
Non-current assets			
Financial assets at fair value through other comprehensive income	11	5,857	5,857
Investments accounted for using the equity method	12	-	22,684
Property, Plant and Equipment	13	248,098	253,575
Right of use assets	14	75,228	86,534
Intangibles	15	29,764	29,764
Prepayments		169	-
Total non-current assets		359,116	398,414
Total assets		503,626	538,669
Liabilities			
Current liabilities			
Trade and other payables		61,055	67,464
Payable to related parties		2,212	1,103
Bank borrowings	16	23,406	24,316
Lease liabilities	20	1,420	1,427
Income tax	7	3,248	-
Other	17	32,729	5,888
Total current liabilities		124,070	100,198
Non-current liabilities			
Bank borrowings	18	72,505	74,597
Convertible notes	19	239,461	251,006
Lease liabilities	20	97,167	111,047
Other	21	19,346	328
Total non-current liabilities		428,479	436,978
Total liabilities		552,549	537,176
Net (liabilities)/assets		(48,923)	1,493
Equity			
Issued capital		598,712	598,712
Reserves	22	(45,303)	(60,378)
Accumulated losses		(602,332)	(536,841)
Total equity		(48,923)	1,493

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	598,712	(55,851)	(481,862)	60,999
Prior year restatement (note 3)	-	-	(6,919)	(6,919)
Balance at 1 July 2020 - restated	598,712	(55,851)	(488,781)	54,080
Loss after income tax expense for the half-year	-	-	(23,744)	(23,744)
Other comprehensive income for the half-year - net of tax	-	990	-	990
Total comprehensive income for the half-year	-	990	(23,744)	(22,754)
Share-based payments	-	(1,602)	1,602	-
Balance at 31 December 2020	598,712	(56,463)	(510,923)	31,326

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	598,712	(60,378)	(536,841)	1,493
Loss after income tax benefit for the half-year	-	-	(65,491)	(65,491)
Other comprehensive income for the half-year - net of tax	-	15,075	-	15,075
Total comprehensive income for the half-year	-	15,075	(65,491)	(50,416)
Balance at 31 December 2021	598,712	(45,303)	(602,332)	(48,923)

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

Noumi Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 $'000	31 Dec 2020 restated[1] $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		265,005	319,076
Payments to suppliers and employees (inclusive of GST)		(267,545)	(315,043)
		(2,540)	4,033
Product recall related expenses paid		-	(2,181)
Payments for litigation related expenses		(4,904)	(5,211)
Payments for restatement related expenses		-	(3,253)
Interest received	7	586	-
Interest on lease liabilities paid		(4,848)	(5,227)
Other interest and finance costs paid		(3,469)	(9,694)
Income tax refund received	7	4,061	-
Net cash used in operating activities		(11,114)	(21,533)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(2,426)	(4,151)
Net proceeds from disposal of business	24	2,087	-
Net cash used in investing activities		(339)	(4,151)
Cash flows from financing activities			
Payment of share option issue costs		(331)	-
Payments for transaction costs related to issue of convertible notes		-	(379)
Proceeds from revolver financing facilities	18	4,000	45,000
Proceeds from/(repayments) of other bank borrowings		(6,756)	(10,418)
Repayments of leases		(790)	(1,398)
Net cash from/(used in) financing activities		(3,877)	32,805
Net (decrease)/increase in cash and cash equivalents		(15,330)	7,121
Cash and cash equivalents at the beginning of the financial half-year		31,668	17,167
Cash and cash equivalents at the end of the financial half-year		16,338	24,288

[1]Refer to Note 3 for detailed information on restatement of comparatives.

Note 1. General information

The financial statements of Noumi Limited ("Group or "Company" and formerly known as Freedom Foods Group Limited) for the six months ended 31 December 2021 were authorised for issue in accordance with resolution of Directors on 28 February 2022. The Directors have the power to amend, restate and reissue the financial statements.

Noumi Limited is a Company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The Company is trading under the symbol 'NOU'.

Effective 2 August 2021, the Company's share options are also trading on ASX under the symbol 'NOUO'.

During the six months ended 31 December 2021, the Directors and management completed a corporate rebranding process which resulted in a name change from Freedom Foods Group Limited to Noumi Limited. This change to the Group's corporate identity was required following the sale of the Freedom Foods brand with the Cereals and Snacks business in the last financial year.

The nature of the operations and principal activities of the Group are described in note 4. Discontinued operations' results are shown on one line in the Statement of profit and loss for both H1 FY22 and H1 FY21 with the results of the continuing operations reflected above that line. Both the Statement of financial position and cash flows reflect the consolidated results.

Note 2. Significant accounting policies

(a) Statement of compliance

The financial report for the half year ended 31 December 2021 (Half Year Financial Report) has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

(b) Basis of preparation

The Half Year Financial Report does not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(c) Going concern

The Group has prepared the financial statements for the half year ended 31 December 2021 on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Financial results

The Group made a H1 FY22 loss after tax of $65.5m (H1 FY21 restated loss of $23.7m). Net cash outflows from operating activities in H1 FY22 were $11.1m (H1 FY21 outflows of $21.5m). COVID-19 presented significant challenges during the period and whilst management mitigated many of these challenges, a number could not be mitigated in the short term. Management is anticipating price rises in various products offered by the Group and other mitigants to benefit the business in the H2 FY22. The quantum of the Group’s losses from operations in the half year ended 31 December 2021 were higher than the budget approved by the board. The restrictions imposed by COVID-19 impacted sales volumes, productivity and supply chain costs and also caused delays in implementing the Group’s transformation program, particularly in relation to the Dairy and Nutritionals business.

Losses in H1 FY22 include $50.7m of US litigation settlement related expenses. Further details on the payment timing is given in note 26. The payment arose once a mediated agreement was reached with the other party in November 2021. The completion of the mediation and agreed settlement marks an important milestone in the turnaround and growth journey of Noumi and provides greater certainty to the Group’s operations and future cash flows. Refer to note 26 for further details.

Note 2. Significant accounting policies (continued)

Financial Position

As at 31 December 2021, the Group had net current assets of $20.4m (FY21: net current assets of $40.1m) including non-current assets held for sale of $23m (FY21: $6.5m) and net liabilities of $48.9m (FY21: net assets of $1.5m). The net liabilities at 31 December 2021 includes the unpaid portion of the US litigation settlement and related legal expenses of $48.7m and $239.5m in respect of convertible notes which were marked to market and also credit risk spread re-assessed for H1 FY22 as per the accounting standard requirements. The convertible notes will cease to be a liability at such time when the noteholders convert the notes into equity or are repaid (refer to note 19).

Funding

In order to fund the liabilities arising from US litigation settlement, as announced on 22 February 2022, the Group intends to raise upto $26.7m from the issuance of a further tranche of convertible notes to institutional investors and other eligible wholesale investors. The initial settlement payment will be cash settled in the short-term by loan notes which will be redeemed from the issuance of a further tranche of convertible notes of up to $26.7m. The Company is in the process of obtaining a guarantee for up to $25m from one of its syndicated lenders which will be secured against the expected proceeds from the sale of the Group's investment in AFMH. The Group anticipates the sale of AFMH to occur prior to 30 June 2022. These two measures along with future cashflows from operations will provide funding in full to meet US litigation liabilities referred to above. Further details are set out in note 26.

Future financial performance

In May 2021, the Group secured a two-year, $36m senior secured revolving facility with its existing financiers. The cash at bank at 31 December 2021 of $16.3m and operating cashflows from operations combined with an undrawn amount of $32m available from the Group's revolving credit facility together with the debtor financing facilities (recourse and non-recourse), are considered by management and the Board to provide the Group with sufficient liquidity to cater for the day-to-day operations of the business. In order to achieve improvements in the Group's financial position it will be critical the Group is able to pass on supply chain and input cost increases to customers, grow sales in domestic and export markets, and improve the operational efficiencies of its manufacturing sites as part of its transformation program. Should the Group be unsuccessful in achieving the financial improvements specified above, or external factors significantly disrupt the business (such as geopolitical events or further waves of COVID-19), there is a risk that the Group's liquidity may be insufficient to meet its liabilities as and when they fall due within the next 12 months, and that the Group will be unable to renew or refinance its loan facilities prior to their maturity in May 2023.

Litigation - Class Actions

Two Class Actions were filed against the Company in respect of alleged breaches of the Corporations Act 2001 (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law. Those proceedings were consolidated in or around November 2021 by order of the Court and now are proceeding as one action, with a consolidated statement of claim filed on 16 December 2021. The Group is defending the litigation and has engaged legal counsel to assist in doing so. The consolidated proceeding is still at a preliminary stage and the claims have not yet been quantified by the claimants. Likely outcomes and potential financial impact are not able to be assessed with certainty at the time of signing of the financial statements.

Should the Group be unsuccessful in its defence of the consolidated proceedings, the Group may become liable for material compensation amounts. There is a risk that the Company and Group will have insufficient funds to be able to pay these compensation amounts and consequently have a material impact on its ability to continue operating as a going concern.

Any potential financial impact and likely outcome cannot be assessed with any certainty at the time of signing the half-year financial statements and, in addition, the Directors are proactively taking steps to manage and mitigate the risks associated with the claims and accordingly, the financial report has been prepared on a going concern basis.

Due to the uncertainty surrounding the above matters which impact the long-term financing of the Group, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern and therefore whether it may be able to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

Note 2. Significant accounting policies (continued)

(d) New, revised or amended Accounting Standards and Interpretations adopted by the Group
During the period, the Group has applied a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that are effective for an accounting period that begins on or after 1 July 2021, as follows:

- AASB 2020-8 Amendments to Australian Accounting Standards [AASB 9, AASB 139, AASB 7, AASB 4 and AASB 16] – Interest Rate Benchmark Reform – Phase 2
- AASB 2021-3 Amendments to Australian Accounting Standards [AASB 16] – COVID-19 related Rent Concessions beyond 30 June 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

In addition to the amendments listed above, IFRIC issued an agenda decision in April 2021 in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements clarifying its interpretation of how current accounting standards apply to these types of arrangements. This resulted in a change in accounting policy in FY21 and the Group restated the historical financial information to account for the impact of the change which was disclosed in the annual financial statements of FY21. Further the Group has also disclosed the impact of IFRIC agenda decision on HY21 financial statements in note 3.

(e) Critical accounting estimates and judgements
In applying the Group's accounting policies, the Directors are required to make estimates, judgements and assumptions that affect the amounts reported in the financial report.

The estimates, judgements and assumptions are based on historical experience, adjusted for current conditions and other factors that are believed to be reasonable under the circumstances and reviewed on a regular basis. The actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

The estimate and judgements which involve a higher degree of complexity or that have a higher likelihood of causing adjustment to the carrying amounts of assets and liabilities are included in Note 2(h) of the consolidated financial statements for the year ended 30 June 2021.

Note 3. Restatement of comparatives

(a) Change in accounting policy
During FY21, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy and the restated historical financial information to account for the impact of the change are disclosed in note 3 of the consolidated financial statements for the year ended 30 June 2021.

In H1 FY21, the change in accounting policy resulted in a net decrease in loss after tax expense from continuing operations by $0.1m due to the reversal of software amortisation charge partially offset by software asset write off. The intangible assets and net assets in the statement of financial position also reduced by $6.8m.

(b) Reclassifications arising from FY21 financial statements groupings
The Group restated the financial statements for H1 FY21 to apply the following reclassifications in order to conform with the current year presentation. These reclassifications did not result in a change in the loss for H1 FY21 or the net asset position as at 31 December 2020.

(i) Selling expenses:
In the consolidated financial statements for the year ended 30 June 2021, the Group reclassified its selling expenses from distribution expenses (previously called selling and distribution expenses) to selling and marketing expenses (previously called marketing expenses). Accordingly, the statement of profit or loss and other comprehensive income for H1 FY21 is restated to conform with the current year presentation. Selling expenses for H1 FY21 were $4.6m (Continuing operations: $4.0m and Discontinued operations: $0.6m).

(ii) New product development expenses:
To be consistent with the consolidated financial statements for the year ended 30 June 2021, the Group reclassified new product development expenses from cost of sales to product development expenses. Accordingly, the statement of profit or loss and other comprehensive income for H1 FY21 is restated. New product development expenses for H1 FY21 were $0.9m.

(iii) Recapitalisation transaction costs related to convertible notes issue:
To be consistent with the consolidated financial statements for the year ended 30 June 2021, the Group reclassified recapitalisation transaction costs related to convertible notes issue from administrative expenses to net finance costs. Accordingly, the consolidated statement of profit or loss and other comprehensive income for H1 FY21 is restated. Recapitalisation transaction costs related to convertible notes issue for H1 FY21 were $3.0m.

(iv) Inventory spares:
In the consolidated financial statements for the year ended 30 June 2021, the Group reclassified its inventory spares from property, plant and equipment to inventory as they are consumables in nature and do not meet the definition of property, plant and equipment. Accordingly, statement of financial position for H1 FY21 is restated to conform with the current year presentation. Inventory spares for H1 FY21 were $6.0m (Continuing operations: $5.7m and Discontinued operations/non-current assets classified as held for sale: $0.3m).

(c) Prior period classification error
The Group restated the consolidated statement of profit or loss and other comprehensive income for H1 FY21 to correct an error in classification of foreign exchange differences. This correction led to a decrease in cost of sales and an increase in administrative expenses for H1 FY21 by $4.4m. The prior period reclassification error had no net impact on the profit or loss nor the net asset position as at 31 December 2020 and the half-year then ended. Foreign exchange differences were appropriately classified in the consolidated financial statements for the year ended 30 June 2021.

The Group has made the following adjustments which impact the financial performance and position reported at 31 December 2020. It is important to note that the Group has also classified its Seafood business as discontinued operations during H1 FY22, however, below mentioned tables do not contain the adjustments arising from such reclassification.

Note 3. Restatement of comparatives (continued)

Statement of profit or loss for the year ended 31 December 2020 (both continuing and discontinued operations)

	Consolidated			
	31 Dec 2020 Reported $'000	Ref.	Adjusted $'000	31 Dec 2020 Restated $'000
Revenue from sale of goods	291,378		-	291,378
Cost of sales	(240,121)	(b)(ii) (c)	5,290	(234,831)
Gross margin	51,257		5,290	56,547
Other income	93		-	93
Selling and marketing expenses	(5,026)	(b)(i)	(4,600)	(9,626)
Distribution expenses	(27,437)	(b)(i)	4,600	(22,837)
Product development expenses	-	(b)(ii)	(855)	(855)
Expected credit losses	(336)		-	(336)
Administrative expenses	(18,420)	(a) (b)(iii) (c)	(1,278)	(19,698)
Net finance costs	(15,612)	(b)(iii)	(3,038)	(18,650)
Share of profits of associates accounted for using the equity method	279		-	279
Loss before income tax benefit from continuing operations	(15,202)	(a)	119	(15,083)
Income tax benefit/(expense)	-		-	-
Loss after income tax benefit from continuing operations	(15,202)	(a)	119	(15,083)
Loss after income tax benefit from discontinued operations	(8,661)		-	(8,661)
	(23,863)		119	(23,744)
Basic earnings per share	(8.61)		-	(8.57)
Diluted earnings per share	(8.61)		-	(8.57)

Statement of financial position at 31 December 2020

	Consolidated			
	31 Dec 2020 Reported $'000	Ref.	Adjustment $'000	31 Dec 2020 Restated $'000
Current assets				
Inventories	39,946	(b)(iv)	5,735	45,681
Other current assets	100,703		-	100,703
Non-current assets	-		-	-
Property, plant and equipment	275,287	(a) (b)(iv)	(6,853)	268,434
Intangibles	35,532	(a)	(5,682)	29,850
Other non-current assets	196,024		-	196,024
Total assets	647,492		(6,800)	640,692
Current liabilities	(418,473)		-	(418,473)
Non-current liabilities	(190,893)		-	(190,893)
Total liabilities	(609,366)		-	(609,366)
Net assets	38,126		(6,800)	31,326

Note 3. Restatement of comparatives (continued)

	Consolidated			
	31 Dec 2020 Reported $'000	Ref.	Adjustment $'000	31 Dec 2020 Restated $'000
Issued capital	598,712		-	598,712
Reserves	(56,463)		-	(56,463)
Accumulated losses	(504,123)	(a)	(6,800)	(510,923)
Total equity	38,126		(6,800)	31,326

Note 4. Operating segments

The Group is organised into three core business segments which is the basis on which the Group reports. The principal products and services of each of these operating segments are as follows:

Dairy and Nutritionals	A range of UHT (shelf stable) dairy milk beverage, nutritional products and performance and adult nutritional powders. These products are manufactured in Australia and sold in Australia and overseas.
Plant Based	A range of UHT (shelf stable) beverage products including liquid stocks, soy, rice, oat and almond beverages. These products are manufactured in Australia and sold in Australia and overseas.
Specialty Seafood*	A range of canned seafood covering sardines, salmon and specialty seafood. These products are imported and sold in Australia and New Zealand.

*The Specialty Seafood business was disposed of in November 2021 and hence classified as a discontinued operation during the period. The related results, assets and liabilities are shown separately in note 24.

The 'Unallocated Shared Services' group consists of the Group's shared service functions that are not separately reportable and provide support services to other reportable operating segments. The Group's borrowings such as term loan facilities, recourse debtor financing facilities, revolver financing facilities, subordinated financing facilities and equipment financing facilities (together with associated finance costs) are not considered to be segment liabilities but are managed by the central treasury function. Although the equipment financing facilities are not considered to be segment liabilities, the underlying equipment has been appropriately allocated to the related segment.

Operating segments are identified on the basis of internal reports that are regularly reviewed by the Board of Directors, CEO and senior leadership team in their capacity as the chief operating decision maker of the Group in order to allocate resources to the segments and assess their performance.

Set out below is an analysis of the Group's revenue and results by reportable operating segment for the periods under review, together with prior period comparatives. The comparative segment results, assets and liabilities set out below are also restated to take into effect the impact of restatement as detailed in note 3.

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2021	Dairy & Nutritionals $'000	Plant Based Beverages $'000	Specialty Seafood[1] $'000	Unallocated Shared Services $'000	Total $'000
Revenue					
Sales to external customers	182,029	83,260	-	-	265,289
Total revenue	182,029	83,260	-	-	265,289
EBITDA (before US litigation settlement related expenses)	(5,022)	18,703	-	(5,614)	8,067
US litigation settlement related expenses (note 26)	-	(50,727)	-	-	(50,727)
EBITDA (after US litigation settlement related expenses)	(5,022)	(32,024)		(5,614)	(42,660)
Share of associates profits	-	-	-	361	361
Depreciation	(7,989)	(4,043)	-	(1,106)	(13,138)
Fair value changes of convertible notes	-	-	-	(10,886)	(10,886)
Gain on modification of lease	-	-	-	4,807	4,807
Impairment of non-financial assets	-	(4,214)	-	-	(4,214)
Net finance costs	(1,033)	(3,700)	-	(2,933)	(7,666)
Loss before income tax benefit	(14,044)	(43,981)	-	(15,371)	(73,396)
Income tax benefit					7,542
Loss after income tax benefit					(65,854)
Assets					
Segment assets	307,545	145,837	-	21,342	474,724
Financial assets at FVOCI					5,857
Non-current assets classified as held for sale					23,045
Total assets					503,626
Liabilities					
Segment liabilities	77,964	127,629	-	346,956	552,549
Total liabilities					552,549

Note 4. Operating segments (continued)

Consolidated - 31 Dec 2020 restated	Dairy & Nutritionals $'000	Plant Based Beverages $'000	Specialty Seafood[1] $'000	Unallocated Shared Services $'000	Total $'000
Revenue					
Sales to external customers	209,763	75,224	-	-	284,987
Total revenue	209,763	75,224	-	-	284,987
EBITDA	10,489	16,621	-	(10,676)	16,434
Share of associates profits	-	-	-	279	279
Depreciation	(6,559)	(5,205)	-	(1,329)	(13,093)
Net finance costs	(1,053)	(4,390)	-	(13,207)	(18,650)
Profit/(loss) before income tax expense	2,877	7,026	-	(24,933)	(15,030)
Income tax expense					-
Loss after income tax expense					(15,030)
Consolidated - 30 Jun 2021					
Assets					
Segment assets	299,743	157,739	4,893	47,753	510,128
Financial assets at FVOCI					5,857
Investment in associate and joint venture					22,684
Total assets					538,669
Liabilities					
Segment liabilities	84,424	80,799	786	371,167	537,176
Total liabilities					537,176

[1]During H1 FY22, Specialty Seafood Business was classified as discontinued operations. Accordingly, Specialty Seafood segment profit or loss for H1 FY22 and H1 FY21 is disclosed in note 24 whereas segment assets and liabilities continued to be shown as part of Consolidated statement of financial position.

Note 5. Other (expense)/income

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Net foreign exchange gain/(losses)	736	(68)
Net gain on financial derivatives held at fair value through profit or loss	-	1,576
Net loss on financial liabilities held at fair value through profit or loss (note 19)	(10,886)	-
Other	231	(1,415)
	(9,919)	93

Note 6. Expenses

Loss before income tax (both from continuing and discontinued operations) includes the following specific expenses:

Note 6. Expenses (continued)

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 restated $'000
Employee benefits		
Superannuation expenses	2,609	2,870
STI and LTI expense	894	-
Employee benefits expense excluding superannuation and STI and LTI expense	30,541	35,886
Total employee benefits	34,044	38,756
Employee benefits allocated to:		
Continuing	34,044	32,234
Discontinued	-	6,522
	34,044	38,756
Depreciation expense allocated to:		
Continuing	13,138	13,093
Discontinued	-	350
Total depreciation expense	13,138	13,443
Net finance costs		
Interest expense	2,487	8,452
Interest income (note 7)	(586)	-
Interest on lease liabilities	5,176	5,959
Financing costs	589	1,286
Recapitalisation transaction costs related to convertible notes issue[1]	-	3,038
	7,666	18,735
Net finance costs allocated to:		
Continuing	7,666	18,650
Discontinued	-	85
	7,666	18,735

[1]Included in recapitalisation, litigation and redundancy expenses under ref. (2) of significant items below.

Significant items

Significant items included within expenses which have not been separately disclosed in the statement of profit or loss and affect the result for the half year ended 31 December 2021 include the following:

	Ref.	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Product recall costs	(1)	-	2,181
Financial reporting restatement		-	3,253
Recapitalisation, litigation and redundancy expenses	(2)	3,644	7,675
		3,644	13,109

(1) The Group conducted a product recall in September 2020 of certain batches of plant-based beverages. The recall applied only to the specific batches. The operational issues that resulted in this recall were resolved. The Company had insurance to cover the costs of the recall, subject to an excess of $500,000. The insurance claim was finalised in June 2021 and the net amount payable to the Company after deduction of the policy excess, was received in full and was reflected in Other Income in the consolidated financial statements for the year ended 30 June 2021.

(2) Various expenses (grouped under administrative expenses) incurred by the Group on recapitalisation, litigation and redundancy expenses but does not include amounts related to US litigation settlement disclosed separately in the consolidated statement of profit or loss and other comprehensive income which are set out in more detail in note 26.

Note 7. Income tax

Current tax
Following the FY20 restatements, the Group amended its income tax return for FY16 which resulted in a tax refund of $4.1m. In addition to the income tax refund, an interest amount of $0.6m was also received from the ATO.

The refund of income tax resulted in a deficit of $3.2m in the franking account balance at 31 December 2021. Although this obligation will be assessed as at 30 June 2022, the Group recorded an obligation to pay Franking Deficit Tax amounting to $3.2m as it is expected that no income tax payments will be made during FY22.

The net amount of the refund and the obligation to pay is $0.8m and is recorded as a one-off income tax benefit in the consolidated statement of profit or loss and other comprehensive income.

Deferred tax
The Group assesses unused tax losses at each reporting period and records a deferred tax asset only to the extent that it is probable that future taxable profits or taxable temporary differences will be available against which tax losses can be utilised.

During H1 FY22, the Group recorded a deferred tax liability of $6.7m in other comprehensive (OCI) related to fair value changes of convertible notes arising from changes in market credit spreads (refer to note 19). Since the Group has sufficient unused tax losses, an equal amount of deferred tax asset was recorded in profit or loss to offset the deferred tax liability recorded in OCI. The total comprehensive income for H1 FY22 remain unchanged, as income tax benefit arising from recognition of deferred tax asset in profit or loss is offset by income tax expense arising from fair value of convertible notes in OCI.

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
Income tax benefit		
Current tax		
Adjustments for current tax of prior years:		
Income tax refund	4,061	-
Less franking deficit tax payable	(3,249)	-
	812	
Deferred tax		
Deferred tax asset recognised in profit or loss – Unused tax losses	6,730	-
Income tax benefit	7,542	-
Amount recognised directly in OCI and statement of changes in equity		
Deferred tax liability recognised in OCI – Convertible notes	(6,730)	-

Note 8. Current assets - Trade and other receivables

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Trade receivables	54,517	50,032
Less: Allowance for expected credit losses	(742)	(2,631)
	53,775	47,401
Other receivables	1,743	2,740
	55,518	50,141

Note 8. Current assets - Trade and other receivables (continued)

The credit period on sales of goods ranges from 30 to 70 days for domestic sales and up to 120 days for international sales. An allowance has been made for estimated irrecoverable trade receivable amounts arising from past sale of goods, determined by expected credit losses. The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables as well as customers identified to have known issues which might affect recoverability. The Group does not hold any collateral over these balances.

The allowance for expected credit losses decreased during H1 FY22 due to US litigation settlement (refer to note 26) which resulted in reversal of allowance made in FY20 as the related receivable balances are now considered recoverable.

Note 9. Current assets – Inventories

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Raw materials - at cost	11,436	11,953
Work in progress - at cost	3,394	2,227
Finished goods - at cost	19,269	21,396
Finished goods - at net realisable value	3,521	5,620
	22,790	27,016
Inventory spares	9,986	7,162
	47,606	48,358

Total cost of sales (for both continuing and discontinued operations) recognised as an expense during the period was $219.2m (H1 FY21: $267.1m).

During the period, write-downs of inventories amounting to $2.0m (FY21: $1.5m), were recognised as an expense and included in cost of sales in the statement of profit or loss. This write-down mainly arose as a result of slow moving, obsolete and discontinued products.

The Group disposed its Specialty Seafood business during the period (refer to note 24). FY21 inventory balances included $3.5m related to Specialty Seafood business.

Note 10. Current assets - Non-current assets classified as held for sale

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Investment in associate - Australia Fresh Milk Holdings Pty Ltd (AFMH)	23,045	-
Property, plant and equipment – UHT Bottling Line	-	6,464
	23,045	6,464

Investment in associate - AFMH
For the half year ended 31 December 2021, the Group has classified the investment in AFMH as held for sale. The Group intends to enter into a separate bank guarantee facility of US$18m with one of its senior lenders to support future payment under US litigation settlement agreement (refer to note 26). Accordingly, the Board has resolved to divest all of its shares in AFMH, and to apply the proceeds of that sale as security for the bank guarantee facility. The Group's proposed divestment of its shareholding in AFMH is supported by a binding underwriting offer of at least A$25m from Leppington Pastoral Investments Pty Ltd, an entity related to the Group's majority shareholder, Arrovest and which also already own 37% shareholding of AFMH. The divestment process will be undertaken pursuant to the pre-emptive rights requirements contained

Note 10. Current assets - Non-current assets classified as held for sale (continued)

in the AFMH Shareholders' Deed, and if the sale ends up being to a related party of the Group, the sale will be subject to shareholder approval pursuant to the ASX Listing Rules.

As the expected fair value less cost of disposal is higher than the carrying amount, no impairment charge arose at 31 December 2021.

Property, plant and equipment – UHT Bottling Line
In May 2021, the Group decided to sell a complete aseptic bottling line for low acid products which was originally acquired for an expansion of the Plant Based segment. The sale was expected to be completed within 12 months and hence classified as held for sale. In H1 FY22, the Group reviewed its portfolio of assets to align with its strategy to be flexible and agile in its approach to new products and decided to retain the UHT Bottling line. Accordingly, the Group transferred the UHT Bottling Line to Property, Plant and Equipment at its recoverable amount of $2.3m which resulted in recognition of an impairment loss of $4.2m in H1 FY22. The Group has determined the recoverable amount by assessing the fair value less cost of disposal.

Note 11. Non-current assets - Financial assets at fair value through other comprehensive income

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Investment – Shenzhen JiaLile Co. Limited (JLL)	5,857	5,857

The Group is in preliminary discussions with JLL and Guangzhou Langfeng Investment Co. Ltd (majority shareholder in JLL) in relation to a potential sale of the Group's 10% interest in JLL. The terms of a sale are still being negotiated and the Group has not yet agreed to sell its shareholding in JLL.

The determination of the fair value of the investment in JLL requires judgement and the Group determines the fair value by applying the market approach and using prices and other relevant information generated by market transactions involving identical or comparable businesses. At 31 December 2021, the fair value is determined on the basis of most recent negotiations to transact in this investment.

Note 12. Non-current assets - Investments accounted for using the equity method

Information relating to investments that are material to the Group are set out below:

		Ownership interest	
Name	Principal place of business / Country of incorporation	31 Dec 2021 %	30 Jun 2021 %
Goulburn Valley Nutritionals Pty Limited (GVN)	Australia	49.0%	49.0%

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Investment - AFMH (note 10)	-	22,684
Investment - GVN	735	735
	735	23,419
Less: accumulated impairment*	(735)	(735)
	-	22,684

*GVN was impaired in FY20

A reconciliation of the Group's carrying amount in equity accounted investments is given below:

Note 12. Non-current assets - Investments accounted for using the equity method (continued)

	AFMH	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Opening carrying amount	22,684	22,077
Share of profit after income tax	361	607
Reclassified to non-current assets classified as held for sale (note 10)	(23,045)	-
Closing carrying amount	-	22,684

Note 13. Non-current assets - Property, Plant and Equipment

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Freehold Land - at independent valuation	4,200	4,200
Buildings - at independent valuation	5,480	5,480
Less: accumulated depreciation	(3,088)	(2,885)
	2,392	2,595
Plant and Equipment - at cost	323,248	322,426
Less: accumulated depreciation	(85,791)	(75,876)
	237,457	246,550
Capital work in progress	14,973	1,700
Less: accumulated impairment[1]	(10,924)	(1,470)
	4,049	230
	248,098	253,575

[1]The increase in accumulated impairment is attributable to reclassification of UHT bottling line from non-current assets classified as held for sale (refer to note 10). While the Group recorded an impairment of $4.2m on the UHT bottling line during H1 FY22, it had been impaired by $5.3m in prior periods for a total impairment of $9.5m.

Movements in the carrying amounts of each class of property, plant and equipment at the beginning and the end of the current period and prior financial year are set out below:

Consolidated	Freehold Land $'000	Buildings $'000	Plant and equipment $000	Capital work in progress $'000	Total $'000
Balance at 1 July 2020	4,871	10,896	252,689	25,286	293,742
Additions	-	-	3,407	2,640	6,047
Transfers at completion of projects	-	80	19,090	(19,170)	-
Assets classified as held for sale	-	-	-	(8,374)	(8,374)
Disposal of business	(491)	(7,987)	(8,365)	(152)	(16,995)
Revaluation	(180)	-	-	-	(180)
Depreciation expense	-	(394)	(20,271)	-	(20,665)
Balance at 30 June 2021	4,200	2,595	246,550	230	253,575

Note 13. Non-current assets - Property, Plant and Equipment (continued)

Consolidated	Freehold Land $'000	Buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2021	4,200	2,595	246,550	230	253,575
Additions	-	-	-	2,566	2,566
Transfer from held for sale (note 10)	-	-	-	2,250	2,250
Transfers at completion of projects	-	-	997	(997)	-
Adjustment	-	-	(175)	-	(175)
Depreciation expense	-	(203)	(9,915)	-	(10,118)
Balance at 31 December 2021	4,200	2,392	237,457	4,049	248,098

Included in plant and equipment is an amount of $69.4m (FY21: $71.6m) related to equipment obtained under equipment finance facilities as disclosed in note 18.

Note 14. Non-current assets - Right of use assets

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Right-of-use asset - Land and buildings	90,735	105,976
Less: accumulated depreciation	(16,766)	(16,394)
Less: impairment	(74)	(3,793)
	73,895	85,789
Right-of-use asset - Other	3,359	2,430
Less: accumulated depreciation	(1,668)	(1,327)
Less: impairment	(358)	(358)
	1,333	745
	75,228	86,534

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

	Land and buildings $'000	Other $'000	Total $'000
Balance at 1 July 2020	171,328	976	172,304
Additions	201	316	517
Remeasurement of lease liabilities	(78,441)	-	(78,441)
Depreciation expense	(7,299)	(547)	(7,846)
Balance at 30 June 2021	85,789	745	86,534
Additions	-	929	929
Remeasurement of lease liabilities (note 20)	(9,219)	-	(9,219)
Depreciation expense	(2,675)	(341)	(3,016)
Balance at 31 December 2021	73,895	1,333	75,228

During the period, the Group also recognised as expense, rental of short term leases amounting to $0.1m (FY21: $0.2m) and variable lease payments not included in right of use assets and lease liabilities amounting to $0.5m (FY21: nil).

Note 15. Non-current assets - Intangibles

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Goodwill	40,649	45,795
Less: accumulated impairment	(32,330)	(37,476)
	8,319	8,319
Brand names and trademarks	21,445	31,994
Less: accumulated impairment	-	(10,549)
	21,445	21,445
	29,764	29,764

The reduction in goodwill, brand names and trademarks and accumulated impairment is arising from sale of Specialty Seafood business (refer to note 24).

Consolidated	Goodwill $'000	Brand names and trademarks $'000	Total $'000
Balance at 1 July 2020	8,319	22,280	30,599
Disposal of business	-	(835)	(835)
Balance at 30 June 2021	8,319	21,445	29,764

Consolidated	Goodwill $'000	Brand names and trademarks $'000	Total $'000
Balance at 1 July 2021	8,319	21,445	29,764
Balance at 31 December 2021	8,319	21,445	29,764

The carrying amount of goodwill, brand names and trademark is allocated to Consumer Nutritionals cash generating unit.

Brand names and trademarks
The Group carries $21.4m (FY21: $21.4m) of brand names with indefinite useful lives. The brand names relate to established major brands purchased as part of business combinations. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment of goodwill and other intangible assets
Determining whether goodwill or other intangible assets are impaired requires an estimation of the recoverable amount of the cash generating units (CGU) to which the goodwill or other intangible assets have been allocated. The recoverable amount is determined using a value in use or fair value less cost to sell method. The cash generating units are subject to annual impairment testing as they hold indefinite life intangible assets amongst their assets.

Impairment testing requires a high degree of judgement in assessing whether the carrying value of assets is supported by their recoverable amount. The Group uses the relief from royalty method to determine the fair value of the brand names and trademarks and considers this to be a Level 3 treatment of the fair value hierarchy (refer to note 23).

Assessment of the carrying value of cash generating units
During the half year ended 31 December 2021, the Group assessed if there are any indications of impairment. Considering the financial performance of Dairy and Nutritionals CGU and given that there was a small headroom between the recoverable amount and the carrying amount of the CGU at 30 June 2021, the Group carried out an impairment assessment which is detailed below:

Note 15. Non-current assets - Intangibles (continued)

Dairy and Nutritionals
The Dairy and Nutritionals CGU, which forms part of Dairy and Nutritional segment along with Consumer Nutritional CGU, produces branded dairy UHT products under Group owned and third party owned brands. It also produces nutritional products such as lactoferrin for sale to domestic and international customers. The Dairy and Nutritionals CGU forms part of the Dairy & Nutritionals operating segment.

The recoverable amount of the Dairy and Nutritionals CGU has been determined using the discounted cash flow forecast to determine the value-in-use of the CGU as a whole utilising forecast cash flows for the period January 2022 to June 2026 and a terminal cashflow.

Management initiated a transformation program in April 2021 introducing various operational initiatives across the Group which are intended to generate significant cost benefits and ensure future profitability of the business. The carrying value of the assets of the Dairy and Nutritional CGU as at 31 December 2021 is dependent on the realisation of such operational efficiencies and related cost benefits within a specified timeframe. The cash flow forecast used for the purposes of impairment testing of the CGU includes these cost benefits.

In calculating the value-in-use, the recoverable amount exceeded the carrying value by $15.5m (FY21: $2.8m) and as a result no impairment was recognised. While the Dairy and Nutritionals CGU had a challenging H1 FY22, increase in headroom is mainly attributable to change in USD exchange rate assumptions driven by movements in foreign exchange market.

Key assumptions
In calculating the recoverable amount of Dairy and Nutritionals CGU a discounted cash flow model was utilised forecasting cash flows for the period FY22 to FY26. The following key assumptions were made:

Key assumptions used for plant and equipment	Dairy and Nutritionals	
	31 Dec 2021 %	30 Jun 2021 %
Long term growth rate (terminal value)	2.50%	2.50%
Post tax discount rate	8.25%	8.25%
Revenue growth rate(1)	5.25%	5.57%
USD exchange rate(2)	0.72	0.75

(1) Compounded annual growth rate over 4 years from FY23-26.
(2) Applicable to cash flow forecast from FY24-26.

Sensitivities
The impact of the change in any single assumption on the recoverable amount of the Dairy and Nutritional CGU as at 31 December 2021 is summarised below:

Key assumption	Dairy and Nutritionals	
	Change %	Impact $'000
Long term growth rate (terminal value)	+0.25%	8,249
	-0.25%	(7,561)
Post tax discount rate	+0.25%	(9,866)
	-0.25%	10,751
Revenue growth rate (CAGR)[1]	+5.00%	13,232
	-5.00%	(13,232)
USD exchange rate	+0.01	(13,734)
	-0.01	20,621

[1]CAGR sensitivity for FY23 is based on FY22 forecast revenue i.e., H1 FY22 actual and H1 FY22 forecast.

Note 15. Non-current assets - Intangibles (continued)

Since the major proportion of recoverable amount of Dairy and Nutritionals CGU is derived from terminal year cash flows, it remains sensitive to key assumptions. The recoverable amount of the CGU would equal its carrying amount if the key assumptions were to change as follows:

Key assumption	Dairy and Nutritionals From	Dairy and Nutritionals To
Long term growth rate (terminal value)	2.50%	1.96%
Post tax discount rate	8.25%	8.65%
Revenue growth rate (CAGR)	5.25%	5.06%
USD exchange rate	0.72	0.73

Note 16. Current liabilities - Bank borrowings

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Recourse debtor financing facilities	12,030	13,084
Equipment financing liabilities	11,376	11,232
	23,406	24,316

Refer to note 18 for further information on financing arrangements.

Note 17. Current liabilities - Other

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Annual leave	5,810	5,475
Long service leave	427	413
US litigation settlement	26,492	-
	32,729	5,888

The litigation settlement amount represents the current portion of the amount payable under US litigation settlement agreement (refer to note 26) comprising of initial payment of US$17m (A$23.4m) and two instalments of future payment amounting to US$2.25m (A$3.1m) which are due withing the next 12 months.

Note 18. Non-current liabilities - Bank borrowings

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Revolver financing facilities	4,000	-
Equipment financing facilities	68,888	74,597
Less: transaction costs	(383)	-
	72,505	74,597

Note 18. Non-current liabilities - Bank borrowings (continued)

Total drawn secured bank borrowings
The total drawn secured bank borrowings (current and non-current) are as follows:

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Recourse debtor financing facilities	12,030	13,084
Revolver financing facilities	4,000	-
Equipment financing facilities	80,264	85,829
	96,294	98,913

Banking Facilities
The Group's primary bank facilities are arranged with HSBC Bank Australia Limited (HSBC) and National Australia Bank (NAB). They include a syndicated revolving credit facility (from HSBC and NAB), equipment financing facilities (from NAB) and debtor financing facilities (from HSBC).

The Group has other bi-lateral facilities from a range of financiers including equipment finance and other general transactional banking facilities as required for the operations of the Group's business.

Syndicated Revolving Credit Facility
The Group has a $36m revolving credit facility with HSBC and NAB with a maturity date of 26 May 2023 and had utilised $4m at 31 December 2021 with the balance amount undrawn.

The syndicated facility is secured over all the assets and undertaking of the Group (other than low value subsidiaries), as well as mortgages over real property owned by the Group and key property leases.

Equipment Financing Facilities
The equipment financing facilities relate to specific equipment operating at the Company's Shepparton and Ingleburn operating sites. It also includes vehicle financing facilities. The equipment finance facilities are secured over the assets financed under the relevant facility. These facilities are over a period of 1 to 6 years and the final residuals on the current arrangements are due between 2022 and 2027.

Debtor Finance Facilities
HSBC has provided the Group with a limited recourse debtor finance facility of $65m, which is being utilised as a source of working capital. Under this facility, the Group sells receivables of its major grocery retail customers to HSBC in exchange for cash. These receivables are de-recognised as an asset, as the significant risk associated with the collection of the receivables is transferred to HSBC at the time of sale. The amount funded under this facility is not recognised as a liability by the Group. The funded amount under this facility as at 31 December 2021 was $37.5m (FY21: $41.9m).

The Group also has a full recourse debtor finance facility with total limit of $25m. Under this facility, the Group sells receivables from its out-of-home channel. The receivables are recognised as an asset since the risk has not fully transferred to HSBC at the time of sale. The Group is responsible for the collection of the receivables. HSBC has recourse to the Group if the debt is unrecoverable. As at the balance sheet date, the Group utilised an amount of $12m (FY21: $13.1m) from the full recourse debtor finance facility.

Note 18. Non-current liabilities - Bank borrowings (continued)

The total banking facilities as at 31 December 2021 are shown below:

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Total facilities		
Revolver financing facilities	36,000	36,000
Recourse debtor financing facilities	25,000	25,000
Equipment financing liabilities	80,264	85,829
	141,264	146,829
Used at the reporting date		
Revolver financing facilities	4,000	-
Recourse debtor financing facilities	12,030	13,084
Equipment financing liabilities	80,264	85,829
	96,294	98,913
Unused at the reporting date		
Revolver financing facilities	32,000	36,000
Recourse debtor financing facilities	12,970	11,916
Equipment financing liabilities	-	-
	44,970	47,916

Unused financing facilities

The Group had unused banking facilities relating to recourse debtor and revolving financing facilities amounting to $45m (FY21: $47.9m) as at 31 December 2021.

In the statement of cash flows, the funds received from the bank under the limited recourse debtor facility are included in cash flows from operations as receipts from customers. Funding received from the full recourse debtor facility is included in the consolidated statement of cash flows under financing activities as proceeds from borrowings.

Note 19. Non-current liabilities - Convertible notes

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Convertible notes	239,461	251,006

The Group issued 265 million unlisted, subordinated, secured, redeemable convertible loan notes on 27 May 2021. A summary of the key terms of convertible notes is summarised below:

- fully paid – the issue price of $1.00 per note is paid to the Group before the notes are issued;
- maturity – the notes have a maturity date of 6 years from issuance;
- redeemable – the notes may be redeemed, which means the Group may be required to buy back the notes prior to the maturity date at the Make whole Amount ranging between $464m (Year 1) and $610m (Year 6) subject to certain conditions;
- subordinated secured – the notes are secured by security granted by the Group and the Guarantors over all of their assets and undertakings, to the Trustee under the terms of the Transaction Documents;
- ranked, for security purposes, after all Priority Permitted Debt – the notes have priority over the Group's ordinary shares, all Shortfall Debt and the claims of unsecured creditors, however the notes rank behind the Group's Priority Permitted Debt and the claims of other creditors with priority at law in a winding up;
- convertible into shares – the notes are converted into shares calculated by dividing the Equity Conversion Amount by a Conversion Price of $0.70;
- interest – for the first 30 months the Notes bear a cash interest of 7.0% p.a. or of 8.5% p.a. if the interest payment is capitalised. After the first 30 months, the Group can elect to pay 7.0% cash interest p.a. or to pay a total interest rate of 8.5% p.a. but broken down between a minimum 5.0% p.a. cash and 3.5% p.a capitalisation of interest.

Note 19. Non-current liabilities - Convertible notes (continued)

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Movement of the fair values at the beginning and end of the current financial year is set out below:		
Opening balance	251,006	-
Proceeds from issue of convertible notes	-	265,000
Fair value changes through profit or loss	10,886	(13,994)
Fair value changes through OCI	(22,431)	-
	239,461	251,006

The convertible notes are classified entirely as liabilities and as the embedded conversion features of the notes meet the definition of a derivative, the Group has designated the whole convertible note as at fair value through profit or loss.

The Group used a Binomial Tree methodology to determine the convertible notes fair value at 31 December 2021 and in previous financial year. This methodology allows incorporation of the probability of exercising the conversion option and the investor's right to redeem in the valuation. One of the key inputs to this methodology is the current share price of the Group which directly impacts the embedded derivative component of the convertible note. Due to increase in Noumi's share price and credit spread market prior to half year end, the overall value of the convertible notes decreased by $11.5m at 31 December 2021. The decrease in fair value amounting to $22.4m arose from changes in credit spread and has been recorded in OCI in accordance with AASB 9. This is partially offset by increase in fair value amounting to $10.9m which mainly arose from increase in share price and recorded in profit and loss. These fair value changes do not impact the redemption and conversion rights available to the investors under the terms of the convertible notes.

Since the Group has classified the convertible notes as fair value through profit and loss, capitalised interest of $11.6m for H1 FY22 (FY21: $2.1m) is not recorded in profit and loss although implied in the fair value approach. The face value of the convertible notes of $265m with capitalised interest to date of $13.7m equate to $278.7m which is fair valued at $239.5m on the balance sheet as at 31 December 2021.

Note 20. Non-current liabilities - Lease liabilities

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
AASB 16 lease liabilities	97,167	111,047

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Total AASB 16 lease liabilities:		
Current	1,420	1,427
Non-current	97,167	111,047
	98,587	112,474
Movement during the year in total lease liabilities (current and non-current) is as follows:		
Opening balance	112,474	194,645
Additions	929	516
Repayment	(5,968)	(13,569)
Disposal of business	-	(1,939)
Remeasurement of lease liabilities	(14,024)	(78,441)
Interest	5,176	11,262
	98,587	112,474

Note 20. Non-current liabilities - Lease liabilities (continued)

During the half year period, the Group has not exercised the option to extend the lease at Taren Point (NSW) for a further term of 10 years. While a shorter term of the lease is still being negotiated, the lease has a remaining term of 3 months at 31 December 2021 and accordingly the lease term is revised in accordance with AASB 16. This resulted in derecognition of right of use asset of $9.2m and lease liability of $14m with a gain of $4.8m recorded in profit and loss.

Note 21. Non-current liabilities - Other

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Long service leave	332	328
US litigation settlement	19,014	-
	19,346	328

The litigation settlement amount represents the non-current portion of the amount payable under the US litigation settlement agreement (note 26) being the present value of future payments amounting to US$15.75m (A$21.7m) not due within the next 12 months.

Note 22. Equity - Reserves

	Consolidated 31 Dec 2021 $'000	Consolidated 30 Jun 2021 $'000
Common control reserve	(60,878)	(60,878)
Foreign currency translation reserve	(126)	500
Convertible notes reserve	15,701	-
	(45,303)	(60,378)

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

Consolidated	Land and buildings revaluation reserve $'000	Common control reserve $'000	Foreign currency translation reserve $'000	Equity-settled employee benefits reserve $'000	Convertible notes reserve $'000	Total $'000
Balance at 1 July 2020	3,548	(60,878)	(123)	1,602	-	(55,851)
Foreign currency translation	(30)	-	623	-	-	593
Transfer to accumulated losses	(3,518)	-	-	(1,602)	-	(5,120)
Balance at 30 June 2021	-	(60,878)	500	-	-	(60,378)
Foreign currency translation	-	-	(626)	-	-	(626)
Fair value changes (note 19)					22,431	22,431
Deferred tax (note 7)	-	-	-	-	(6,730)	(6,730)
Balance at 31 December 2021	-	(60,878)	(126)	-	15,701	(45,303)

Note 23. Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

For financial instruments measured and carried at fair value, the Group uses the following to categorise the methods used:

- Level 1: fair value is calculated using quoted prices in active markets for identical assets or liabilities.
- Level 2: fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: fair value is estimated using inputs for the asset or liability that are not based on observable market data.

From time to time, the Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including forward foreign exchange contracts and options. Derivative financial instruments are classified as Level 2, as the fair values are calculated based on observable market interest rates and foreign exchange rates. The fair values of interest rate derivatives are calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of the foreign currency forwards are calculated as the difference between the forward rate and the spot exchange rate at the balance sheet date.

The fair value of the Group's investment in JLL is determined by the market approach using prices and other relevant information generated by market transactions involving identical or comparable businesses and interest shown by shareholders. Investment in JLL is classified as Level 3, as the fair value at 31 December 2021 is based on the most recent negotiations to transact in this investment.

The fair value of convertible loan notes is independently determined using a Binomial Tree approach that takes into account the equity conversion options, redemption options, make whole payment scenario, expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the convertible loan notes and interest payment options. Since convertible loan notes are not traded in an active market and the valuation exercise involves a combination of observable market data and unobservable inputs, the convertible loan notes are classified as Level 2.

The Group has not adopted hedge accounting during the financial period or previous corresponding period.

During the period there were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

Note 24. Discontinued operations

Description
On 4 November 2021 the Group entered into a binding sale agreement for the sale of its Specialty Seafood business. The Group reached an agreement to sell the related assets and liabilities of the Specialty Seafood business for $2.5 million in cash. The sale was completed on 12 November 2021 and the net cash proceeds were reduced after deducting costs associated with the transaction ($0.5m) as these costs were settled by the Group.

Specialty Seafood business was an operating segment of the Group and hence considered a major line of business in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. Accordingly, it is reported in the consolidated financial statements for the half year ended 31 December 2021 as a discontinued operation.

Financial performance and cash flow information for discontinued operations for the half year ended 31 December 2020 represent aggregated results of Cereal and Snacks and Specialty Seafood businesses. Cereal and Snacks business was sold on 31 March 2021.

Note 24. Discontinued operations (continued)

Financial performance information

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Revenue from sale of goods	5,436	32,358
Cost of sales	(4,254)	(33,288)
Selling and marketing expenses	(98)	(859)
Distribution expense	(455)	(4,302)
Administrative expenses	(205)	(2,538)
Net finance costs	-	(85)
Total expenses	(5,012)	(41,072)
Profit/(loss) before income tax expense	424	(8,714)
Income tax expense	-	-
Profit/(loss) after income tax expense	424	(8,714)
Loss on disposal before income tax	(61)	-
Income tax expense	-	-
Loss on disposal after income tax expense	(61)	-
Profit/(loss) after income tax expense from discontinued operations	363	(8,714)

Cash flow information

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Net cash from/(used in) operating activities	2,325	(8,364)
Net cash from/(used in) investing activities	2,089	(200)
Net cash used in financing activities	-	(830)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	4,414	(9,394)

Carrying amounts of assets and liabilities disposed

	Consolidated 31 Dec 2021 $'000	Consolidated 31 Dec 2020 $'000
Total sale consideration	2,473	-
Carrying amount of net assets disposed	(2,149)	-
Disposal costs	(385)	-
Loss on disposal before income tax	(61)	-
Loss on disposal after income tax	(61)	-

Note 25. Capital commitments and contingent liabilities

	Consolidated	
	31 Dec 2021 $'000	30 Jun 2021 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Property, plant and equipment	3,149	922

Contingent liabilities

Class Action

Two separate class action proceedings were commenced against the Company and its auditor, Deloitte Touche Tohmatsu, alleging breaches of the Corporations Act 2001 (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law. On 16 December 2021, the Company was served with a consolidated statement of claim following orders made by the Court that the two proceedings be consolidated and conducted as a single proceeding with Slater & Gordon and Phi Finney McDonald acting jointly as solicitors for the plaintiffs.

The consolidated statement of claim does not contain any material new allegations in relation to the Company. The Group has appointed Arnold Bloch Leibler to defend the actions. The class actions are at a very early stage and apart from the associated legal costs incurred as at 31 December 2021, no provision is recognised in the financial statements.

ASIC Investigation

ASIC commenced an investigation under section 13 of the ASIC Act, in relation to suspected breaches of or offences committed under the Corporations Act (including continuous disclosure and financial reporting obligations), the ASIC Act and the Crimes Act by the Company and/or the officers and directors of the Company between 1 July 2014 and 30 June 2020 (ASIC Investigation).

In the course of the investigation, ASIC has issued notices to the Group for the production of books and the provision of reasonable assistance.

The Group continues to cooperate with ASIC in relation to the ASIC Investigation and produce materials and information as requested. The investigation has not concluded as at the date of issuance of these financial statements and hence no provision is recognised.

Note 26. Events after the reporting period

US Litigation Settlement

Following the signing of binding short form agreement in November 2021, Noumi Manufacturing Pty Ltd (a subsidiary of the Company and formerly known as Freedom Foods Pty Ltd) and Blue Diamond Growers (BD) entered into a binding long-form agreement (final agreement) on 22 February 2022 that resolved all disputes between Noumi and all of its subsidiaries and Blue Diamond in relation to a licence agreement to manufacture and distribute Almond Breeze products. Noumi will pay a total of US$35m (A$48.2m) as follows which is recorded as a financial liability at 31 December 2021:

- an initial payment of US$17m (A$23.4m) to be made within 20 business days of signing the final agreement; and
- future payments totalling US$18m (A$24.8m) paid in 16 quarterly instalments over four years commencing on 15 August 2022 and ending on 1 June 2026 supported by the provision of a US$18m bank guarantee (refer below).

All Arbitration and court proceedings between the parties in the US and Australia will be dismissed. The Licence Agreement between both parties will terminate on 30 June 2022 and Noumi and its affiliates have the right to sell nut-based beverages (including MILKLAB) in Australia and elsewhere without restriction.

In addition to the above mentioned settlement amount, the Group has also incurred legal costs of $5.5m during H1 FY22. US litigation settlement related expenses are summarised below:

Note 26. Events after the reporting period (continued)

	Consolidated	
	31 Dec 2021 $'000	31 Dec 2020 $'000
US litigation settlement amount:		
Current (note 17)	26,492	-
Non-current (note 21)	19,014	-
US litigation settlement amount payable at 31 December 2021	45,506	-
Interest accretion and foreign exchange loss	(268)	-
US litigation settlement expense	45,238	
Legal expenses[1]	5,489	211
Total US litigation settlement related expenses	50,727	211

[1]Legal expenses represent costs incurred until 31 December 2021. The Group has also incurred legal costs subsequent to 31 December 2021 as the binding long-form agreement was finalised in February 2022. These costs will be recorded in H2 FY22.

The final agreement was treated as an adjusting post balance sheet event which resulted in adjustments of certain assets and liabilities at 31 December 2021.

Funding of the US Litigation Settlement

Noumi has received binding commitments from several of its existing institutional convertible noteholders to advance A$26m by way of a short-term bridging facility. Noumi intends to use the proceeds to provide it with additional liquidity, including the ability to pay the upfront payment of US$17m. The proceeds will be obtained from the institutional convertible noteholders by way of secured loan notes (**Loan Notes**) with an availability period until 15 March 2022 and a maturity date of 31 May 2022.

Following the issuance of Loan Notes, Noumi will seek to raise up to A$26.7m by way of the issue of unlisted, subordinated secured convertible notes (**Trance B Notes**). The proceeds of the Tranche B Notes will primarily be used to redeem the Loan Notes and any accrued interest expense. The Tranche B Notes will also be offered to all other existing eligible convertible noteholders, excluding Arrovest. The Tranche B Notes will be issued on substantially the same terms as the convertible notes issued by Noumi on 27 May 2021 (**Tranche A Notes**) subject to the following key differences:

- The conversion price for the Tranche B Notes will be A$0.32; and
- The Tranche B Notes are capable of being cash-settled unless and until shareholder approval is obtained.

In addition Noumi has received the requisite approvals from its existing shareholders and senior financiers to amend the terms of issue for the existing Tranche A Notes to align with the Tranche B Notes with effect from the date of issuance of the Loan Notes. A summary of the changes are provided in ASX announcement of "Capital Management Plans Update" dated 22 February 2022.

Bank guarantee facility

In addition to the Company's existing secured debt facilities, the Company will also enter into a separate bank guarantee facility of US$18m with one of its senior lenders, under which the Company will grant first ranking security over its shares in AFMH and the proceeds of the sale of such shares, to secure the bank guarantee facility. The bank guarantee facility will enable the issuance of US$18m bank guarantee which will secure the future litigation settlement payments and will progressively step down from March 2023 until January 2027.

COVID-19 pandemic

The emergence of the Omicron strain of COVID-19 across Australia's eastern seaboard in December 2021 continues to have a significant impact on sales in the out-of-home channel and key export markets in Asia. The Group is facing cost pressure related to or caused by COVID-19, namely rising domestic and international transport costs and increases in raw material pricing. Price reviews are underway with the Group's customers. COVID-19 impacts on workforce availability and delays in our supply chains have negatively impacted productivity and costs. Noumi is very focussed on managing the impact of these cost pressures on its cashflow, however, the Group anticipates that the Q3 FY2022 cashflow results will not be as favourable as Q2 FY2022.

The directors declare that:

- in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Genevieve Gregor
Chair

28 February 2022
Sydney

Deloitte.

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Independent Auditor's Review Report to the Members of Noumi Limited (formerly Freedom Foods Group Limited)

Conclusion

We have reviewed the half-year financial report of Noumi Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual 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 review report.

Material Uncertainty Related to Going Concern

We draw attention to note 2 of the half-year financial report, which indicates that the Group has incurred a consolidated loss after tax of $65.5M and had net cash outflows from operating activities of $11.1M during the half-year ended 31 December 2021. At 31 December 2021 the Group had net current assets of $20.4M which includes $23M of non-current assets classified as held for sale, and net liabilities of $48.9M.

In order to achieve improvements in the Group's financial position it will be critical the Group is able to pass on supply chain and input cost increases to customers, grow sales in domestic and export markets, and improve the operational efficiencies of its manufacturing sites as part of its transformation program. However, should the Group be unsuccessful in achieving the financial improvements specified above, or external factors significantly disrupt the business such as geopolitical events or further waves of COVID-19, there is a risk that the Group's liquidity may be insufficient to meet its liabilities as and when they fall due within the next 12 months, and there

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is also a risk that the Group will be unable to renew or refinance its loan facilities prior to their maturity in May 2023.

The Company is subject to two class actions in respect of alleged breaches of the Corporations Act 2001 (Cth). On 16 December 2021, the Company was served with a consolidated statement of claim following orders made by the Court that the two proceedings be consolidated and conducted as a single proceeding. The outcomes of these legal proceedings have the potential to materially and adversely impact the Group's financial and operating performance. Should the Group be unsuccessful in its defence against these claims, the Group may become exposed to material compensation amounts. There is a risk that the Company and the Group will have insufficient funds to be able to pay these compensation amounts, as well as a risk to the Group's long term funding position.

As stated in the going concern section of note 2 to the half-year report, these events or conditions, along with other matters set out 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 conclusion is not modified in respect of this matter.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants
Sydney, 28 February 2022