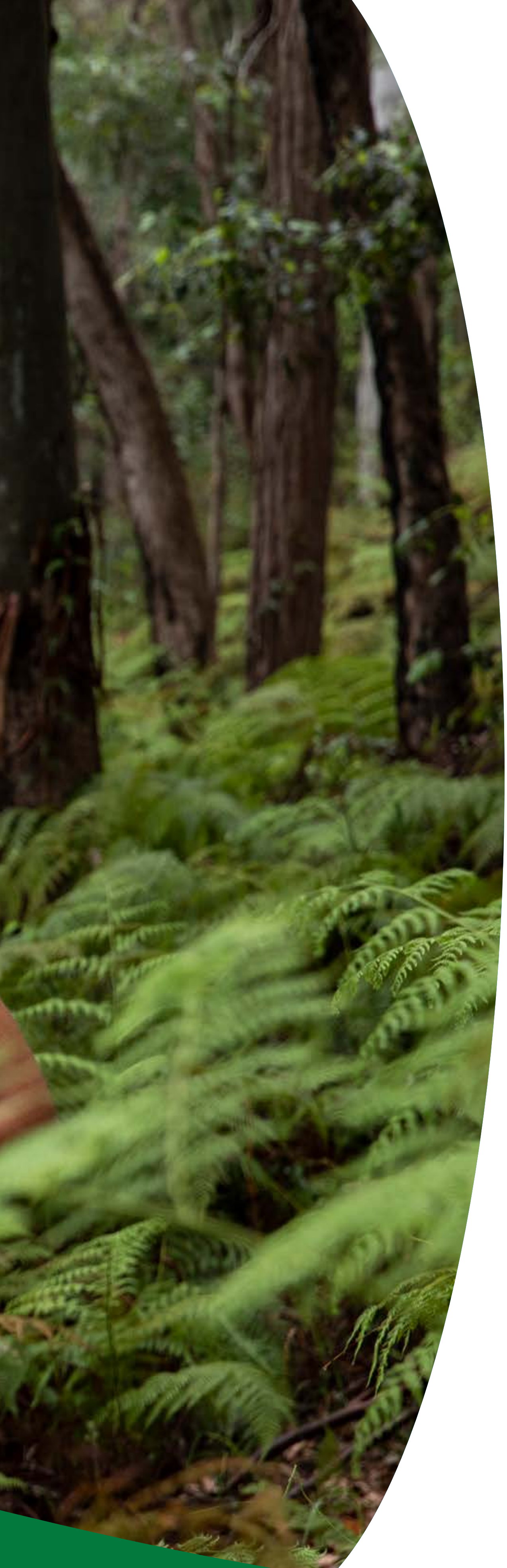
Annual Report 2022

noumi

Imagining a healthier tomorrow

Imagining a Healthier Tomorrow

noumi



Acknowledgment of Country

Noumi acknowledges the traditional custodians of Country throughout Australia and recognises their continuing connection to lands, waters and communities. We pay our respect to Aboriginal and Torres Strait Islander cultures, and to their Ancestors and their descendants, who continue cultural and spiritual connections to Country. We extend that respect to First Nations peoples in all territories in which we operate.

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Message from the Chair

Dear Stakeholders,

The past year has been one of significant progress for Noumi Limited. Despite a number of external challenges – from the ongoing effects of the COVID-19 pandemic to structural changes in the dairy industry, geopolitical instability and the cost pressures being felt across the economy – the Board and Management have remained focused on the turnaround of your Company and building the platform for long-term sustainable growth.

As we have outlined in the past, Noumi is pursuing a three-phase transformation strategy – Reset, Transform and Grow. We largely completed the Reset phase in FY21 and are now into the first year of the Transform phase, which is focused on driving operational and cost improvements across the business to improve sales and earnings performance. While the need to respond to the external challenges of the past year has delayed some improvement initiatives, the substantial work already undertaken has helped Noumi manage the difficult macro-economic conditions and deliver continued strong growth in the important Plant-based Beverages business.

Outside another record result from Plant-based Beverages, our performance in FY22 was disappointing. While there were factors within our control, we were also hit by a series of external events. These events are not unique to Noumi – many companies faced the same challenges – however the compounding nature of the issues had a significant adverse impact on the Dairy and Nutritionals business. Not only did COVID-19 and the resulting local and international lockdowns affect consumer demand and lead to workforce availability issues, there have been severe disruptions to domestic and global supply chains. More recently, geopolitical instability has added to already rising costs for key business inputs, such as transport and energy. In addition, in the second half of FY22 Noumi and other dairy processors were confronted with unprecedented increases in raw milk prices, which have only been able to be passed through to customers since the start of FY23.

Despite these external challenges, there remains much within Noumi's control. We have been particularly pleased with the return on our investments in key brands, through product development and marketing, and in our out-of-home direct sales force, which has supplemented the Company's third-party distributors promoting our core brand, Milklab. These investments are evident in another consecutive record performance from our Plant-based Beverages business, which delivered outstanding FY22 Net Revenue[1] growth of 7% to $164.0m and a 30% increase in Adjusted Operating EBITDA to $33.4m at an EBITDA[2] margin of 20%.

Our Plant-based Beverage sales have grown 24% since 2020 as Milklab and Australia's Own continue their strong growth and as more products and formats become available for health-conscious consumers. The new Milklab Oat and Australia's Own Barista Oat milk products, launched in mid-2021, continue to gain market share within the plant-based beverages category, and the Company expands distribution points in Australia and throughout Asia.

While the FY22 financial performance of our Dairy and Nutritionals business was very disappointing, with revenue and operating EBITDA lower than FY21, our commitment to improving the operational performance of this business is undiminished. In the short term, we have been pleased to be able to offset the sharply higher farmgate milk prices in the domestic market as we entered FY23 and are confident of achieving commendable improvements in export markets. However, as export market prices remain lower than domestic prices, we anticipate not being able to pass through all cost increases. As our CEO explains in his letter to shareholders, these higher domestic milk prices represent a structural shift that affects the competitiveness of the Australian dairy industry and is a contributing factor in our decision to impair the value of the Dairy and Nutritionals business.

In the longer-term, as macro-operating conditions normalise, we expect the turnaround at the Shepparton and Ingleburn operations to regain momentum and deliver improved efficiency and productivity through FY23 and beyond.

The past financial year was marked by a number of strategic milestones, including the resolution of legacy US litigation. The settlement of that litigation, announced in February 2022, is enormously important for our growth plans for plant-based beverages. As part of the settlement, all restrictions on sales of Milklab and nut-based milk in Australia and overseas have been removed, allowing us to further our regional growth and product plans and build a bigger business under our key brands.

Other strategic milestones include the sale of the Specialty Seafood business in November 2021, and the sale of our entire stake in Australian Fresh Milk Holdings (AFMH), which together complete the simplification of the Company's business units.

With the appointment of experienced finance executive Peter Myers as Chief Financial Officer, we focussed on ensuring we have the right commercial leadership to drive the Company forward.

One of the most important tasks of the past year was the development of a comprehensive Environmental, Social and Governance (ESG) strategy to improve Noumi's ESG performance, reporting and profile. This work builds on the fundamental reset of Noumi's governance, policies and procedures through FY21 and is critical to creating an organisation that lives its values and delivers long-term success.

In FY22, we launched our Healthier Tomorrow Plan – a strategic framework for the business to 2025 and beyond. The Plan is built on three pillars:

- Healthier Planet: An ambition to continuously improve our footprint for future generations through initiatives related to sustainability, energy and climate.
- Healthier Workplace: An ambition to ensure our people live our values and are supported through positive work experiences through initiatives related to diversity and inclusion and employee development and wellbeing.
- Healthier Lifestyles: An ambition to create products and offer resources to improve customers' and communities' nutritional and social outcomes.

These pillars, each backed by focus areas and clear 2025 targets, are being embedded in everything we do at Noumi. They are aligned to the interests of all stakeholders in helping Noumi deliver sustainable and profitable long-term growth.

The Board and Management continues to manage legacy issues in the interests of securing the best outcome for all stakeholders. This includes working cooperatively with the Australian Securities and Investments Commission in relation to its continuing investigation into past matters, as well as preparing our defences for the shareholder class actions and other disputes before the courts.

On behalf of the Board, I would like to extend our gratitude to everyone who has supported us through the past year, starting with the 580 talented and committed employees across our facilities in Australia and overseas. Your hard work and dedication are helping to build a progressive, innovative and collaborative organisation – and these values are the key to our future success.

Thank you to all our customers and suppliers, particularly our wonderful farmers, who have worked constructively with us to shoulder the challenges of the past year.

Finally, I would like to thank all stakeholders – our shareholders, senior lenders, and convertible note holders – for your ongoing commitment to Noumi and your patience with our transformation to become a leading Australian and international branded food and beverage business. While macro-economic conditions remain uncertain, the longer-term tailwinds remain firmly in our favour as consumers increasingly turn to healthier lifestyle choices and look for quality brands they know and love.

We are confident the changes we are making across the Company will deliver a return to profitable and sustainable long-term growth.

Genevieve Gregor | Chair

[1] All financials reflect continuing operations, excluding Cereal and Snacks business divested in March 2021 and Specialty Seafood business divested in November 2021

[2] Adjusted for non-trading and non-recurring items (including restructuring costs and other litigation costs, the US litigation settlement and unrealised foreign exchange loss), pre AASB 16


MILKLAB
ALMOND
PLANT-BASED BEVERAGE FOR COFFEE
1 LITRE

Message from the CEO

After a challenging year for Noumi, there are many reasons for optimism about the years ahead. While the year required us to manage several external issues and their impact on the Company through an unrelenting focus on cost control and productivity improvements, this has not been at the expense of the ongoing transformation of Noumi as a leading Australian and international-branded food and beverage business.

Our Plant-based Beverages business continues to go from strength to strength, with the investments in our brands and sales team delivering real performance in a large and attractive market that continues to offer opportunities for growth. In Dairy and Nutritionals, the operational and commercial improvement program underway will result in a more efficient, more productive, and more resilient business.

FY22 highlights

- Revenue down 4.6% to $522.3m, largely due to lower traded milk sales and the removal of unprofitable product lines. Excluding traded milk, group revenue was up 0.4% for the year
- Adjusted Operating EBITDA down 68% to $7.3m, largely due to the impact of COVID-19 and cost inflation on sales volumes, productivity, and expenses
- Another consecutive record performance from Plant-based Beverages, led by Milklab and Australia's Own. Revenue was up 7% to $164m and Adjusted Operating EBITDA up 30% to $33.4m despite the pandemic disruptions to consumer markets
- Operational turnaround and performance of Dairy and Nutritionals was affected by local and international lockdowns, supply chain disruption and input cost inflation. This was partially offset by rigorous cost control, improving productivity gains and price increases where possible. Unfortunately, the structure of long-term customer contracts delayed cost pass-through until the start of FY23
- Exports rose 20% and now represent 30% of revenue, up from 24% in FY21, with a focus on growing Milklab sales to Southeast Asia
- One-off, non-cash asset impairments of $95.7m reflect changes in global capital markets and sharp increases in input prices for Consumer Nutritionals. For the Dairy and Nutritionals business, changing industry conditions, with significant increases in farmgate milk prices being passed on in domestic markets, impacted the competitiveness of Noumi and all Australian processors in export markets
- Statutory Net Loss After Tax of $161.1m including non-cash asset impairments of $95.7m and one-off costs related to the US litigation settlement of $55.6m
- Major strategic milestones include the sale of non-core, Specialty Seafood and the settlement of US litigation, removing all restrictions on the sale of Milklab and plant-based beverages in Australia and overseas

Plant-Based Beverages

Our strategy in this business is clear – to be a category leader and to develop new markets in a sector that continues to grow rapidly in line with consumer demand for healthier and sustainable lifestyle choices.

We were delighted to achieve another record sales and earnings performance for Plant-based Beverages as Milklab continued its stellar run, with sales up 25.2%, and Australia's Own plant-based again delivered double-digit sales growth.

These outstanding results reflect the success of our strategy of product innovation – with Milklab Oat and Australia's Own Barista Oat both continuing to take market share in their category – targeted marketing campaigns and the investment in our direct sales team, which has reduced our reliance on distributors and given us far more control over our future. In addition, the settlement of US Litigation removes all restrictions on the sale of Milklab and our nut milk beverage ranges in Australia and overseas, allowing us to fully capture the significant growth opportunities before us.

Today, plant-based beverage sales represent almost one third of group sales, up from 26% three years ago. We see this percentage continuing to grow in a market that is expanding at 15% a year in Australia alone, and already represents one in four cafe lattes[3].

It is Noumi's ambition to continue building brand awareness and loyalty among health-conscious consumers who are increasingly opting for plant-based milks.

[3] IRI, May 2022; Café Pulse Report

Message from the CEO

Dairy and Nutritionals

We were very disappointed with the performance of Dairy and Nutritionals in FY22, with the impacts of COVID-19 and other macro-economic challenges masking some of the excellent operational improvements already undertaken and with more on the way.

Future earnings will reflect the impact of key operational improvements implemented in the past year to reduce wastage, drive production efficiencies, remove unprofitable products, and optimise milk supply. In addition, we changed our transport provider, delivering immediate savings and resulting in improved service levels to our customers. In Dairy and Nutritionals, as across all our business, we have a continuous focus on quality and getting things right the first time, helping us reduce costs and wastage.

While revenue and EBITDA were lower for the year, this reflected sector-wide factors including the dampening effect of COVID-19 and its related supply chain, workforce availability and market access issues. Our sales performance also reflected the removal of the loss-making product lines and the deliberate and effective strategy of reducing low-margin traded milk sales through more efficient milk-buying practices. Excluding traded milk, revenue in the second half rose 1.5%.

Conditions in the Australian dairy sector changed dramatically in the second half of FY22, with all processors facing unprecedented increases in farmgate raw milk prices, on top of global and domestic supply chain cost pressures. Noumi continues to work cooperatively with its farmers on supply contracts and, in common with other processors, has undertaken negotiation or renegotiation of customer contracts to recover input cost inflation and, in some circumstances, address historical under-pricing.

Negotiations with customers have been positive in the domestic market, with price rises achieved across the Noumi domestic portfolio taking effect from Q1 FY22. While discussions with export customers have been productive, the same level of cost pressures on milk prices is not being felt in overseas markets. Noumi is confident that export market price increases will at least offset cost inflation; however, they may not be sufficient to provide any material contribution to operating margin.

These issues are not unique to Noumi. The recent spike in farmgate raw milk prices, driven by domestic competition for milk, has reduced Australia's competitiveness as a dairy exporter. Without a reduction in the value of the Australian dollar, Noumi expects margins on export sales to remain lower than domestic margins in the medium term, especially for commodity dairy products. This represents a significant structural change in the market compared to historical conditions. While Noumi and industry observers ultimately expect these conditions to moderate, we are unlikely to recover all of the increased prices in FY23. This contributed to our decision to take a non-cash impairment charge against the asset base of the Dairy and Nutritionals business.

One of the undoubted strengths of the Dairy and Nutritionals business is our ability to produce high-quality lactoferrin. While sales of our PUREnFERRIN brand were softer in FY22, largely due to a temporary, and since resolved, pandemic-related interruption to production in the first half, we remain confident of the long-term demand for lactoferrin, given its known health benefits. Noumi is currently supporting clinical research to test lactoferrin's effectiveness in treating symptoms of coronaviruses and rhinoviruses – and we are optimistic about the preliminary results.

Our Consumer Nutritionals business is well placed to benefit from the long-term trend towards healthier lifestyles, notwithstanding the periodic impacts of lockdowns of gyms and fitness channels. Consumer Nutritionals was also affected by a spike in the price of key ingredients in the period, which has been reflected in the Dairy and Nutritionals impairments. Among our flagship brands, UProtein powder sales rose 13.1% in FY22 and Crankt sales were up 2.6%, with the portfolio benefiting from product innovation and focused marketing campaigns. As part of our company-wide efficiency and productivity program, we are consolidating sites by moving the Consumer Nutritionals operations in Sydney from the suburb of Marrickville, to our existing facility at Ingleburn.

Across Dairy and Nutritionals, we remain confident our operational improvement initiatives will regain momentum and deliver results through FY23, assisted by tight cost control, a focus on core, higher-margin brands and renegotiated customer pricing that helps us to recover higher raw milk prices.

Our people

As essential as the financial and operational reset of the business in the past two years has been the cultural reset. Across the business, we are committed to creating a healthier workplace underpinned by clear values that foster safety and quality, innovation, accountability and collaboration. This is particularly important at a time of tight labour markets and increasing competition for talent, particularly in regional Australia – home to more than half of our workforce. Attracting and retaining the right talent is critical to our future success.

As part of this process, we have listened to our 580 people across all our facilities in Australia and overseas. Our regular Our Voice survey reflects our ambition to listen to and learn from our people and to improve employee engagement year after year.

Throughout FY22 we continued to focus on enhancements to our workplace culture and employee well-being practices. We have made a number of safety improvements at our sites – and are proud to have delivered a 50% reduction in the number of reportable incidents compared to FY21. We have introduced an updated whistleblower protection policy and platform, as well as a new career and development framework, a new performance framework and improved leadership training.

One of the challenges through this period has been COVID-19, which has disrupted all Australian families and, for Noumi, created issues with workforce availability that have been exacerbated at times by government lockdowns and influenza outbreaks. I cannot speak highly enough about our team's willingness to adapt to new ways of working with a greater focus on safety and flexibility.

Looking ahead

As we navigate FY23, Noumi continues to face macro-economic challenges, from the structural shifts in the Australian dairy industry, to the lingering effects of the COVID-19 pandemic, global supply chain challenges, higher costs and tight labour markets. Noumi operates in the consumer staples sector, which is made up of products that are not considered discretionary purchases by households. This means we are better placed than many to withstand any contraction in the market economies in which it operates. I am confident that we now have the people, structure, and processes in place to effectively manage these challenges and deliver improved cashflows and earnings through FY23.

Noumi is now firmly in the Transform phase of our five-year Reset, Transform and Grow transformation strategy. Our market-leading, Plant-based Beverage division set new records and while there have been delays to some elements of our operational improvements program as a result of the external challenges we have faced in FY22, these are being overcome as we restore momentum, building the springboard to grow the business in the years ahead.

Thank you again for your continued support.

Michael Perich

Michael Perich | CEO


Australia's Own
EST. 1995
UNSWEETENED
ORGANIC
OAT

Message from the Chair of People & Culture Committee

Dear Stakeholders,

On behalf of the Board of Noumi Limited, I am pleased to report considerable progress in FY22 as we continue to focus on building our talent base, transforming our culture and further embedding the Noumi Values.

Emphasis remains on enabling the success of our people to support our customers and the growth of our business, which includes developing and implementing initiatives that promote the achievement of these important outcomes.

Noumi continues to support the development of culture and people by investing in team member engagement with the Noumi values and business processes, which in turn contributes to delivering the best possible outcomes for our customers, shareholders and our broader stakeholder groups.

In FY22, as with many businesses, Noumi continued to work through the challenges of sourcing talented people in a tight talent market. In response, the business has implemented a 10-point plan for talent attraction, development, engagement and retention as part of the existing People & Culture strategy.

Noumi is pleased to have a talented Executive Leadership Team (ELT), and we welcome the addition of Mr Peter Myers in the role of Chief Financial Officer who brings extensive experience in organisation transformation.

The Noumi Board is pleased to provide its full support to the Healthier Workplace Plan, which also aligns with the sustainability objectives of the business and the People & Culture Strategy. This plan comprises initiatives that support increased diversity and inclusion in our organisation in support of our belonging philosophy.

We look forward to a strong future with our initiatives continuing to add value to the business, our people and all our stakeholders.

Key Highlights for FY22

Ongoing Commitment to Noumi Values

Noumi is continuing to sustain its successful culture change journey through the Noumi Values. Values workshops for frontline team members and the frontline leadership development program, will continue into FY23 as these programs contribute to embedding the values deeper into the Company.

Noumi Executive Key Management Personnel (KMP) Remuneration Framework remains fit for purpose

The Business Performance Metrics and Executive Incentive Framework introduced to our stakeholders last year include Key Performance Indicators (KPIs) designed in the context of the Convertible Notes that the Company issued as part of its successful recapitalisation.

The Board is pleased to confirm that the current Executive KMP remuneration framework remains fit for purpose and continues to support the Convertible Note arrangement. Therefore, the framework will be maintained in its current form into FY23. As part of its ongoing commitment to stakeholders, the Board will continue to assess the effectiveness of the current remuneration framework and may consider a review of the merits of the potential introduction of a performance-based equity plan in replacement of the current Long Term Incentive Plan (LTIP) in future – should such a change to the current framework be deemed to support stakeholder value creation.

Future Focus

The Board acknowledges the considerable progress that has been made across the Company, also noting that the Board and Leadership team will continue their commitment to exploring additional ways to generate value for stakeholders in FY23.

The Noumi Remuneration Report provides an overview of the KMP of Noumi and payments made to this cohort, as well as an overview of the executive remuneration framework and the business performance metrics / key performance indicators.

I invite you to read the Remuneration Report and look forward to your feedback.

The Board wishes to express thanks to our team members for their contributions to the Company and to committing to the health and safety of their fellow team members and communities during what has been a particularly challenging FY22.

Jane McKellar

Jane McKellar | Independent Non-executive Director
Chair, People & Culture Committee

Financial Highlights

Total revenue
from continuing operations of $522.3m, down 4.6% on FY21

Dairy and Nutritionals
revenue down 9.1% to $358.3m, with lactoferrin sales down 34.5%

Adjusted
Operating EBITDA
from continuing operations of $7.3m, down 67.5%

Statutory
Net loss after tax
$161.1m, compared to loss of $38.6m in FY21

Plant-Based Beverages
revenue up **7.2% to $164.0m**, with Milklab sales up 25.2%

Cash at bank $16.2m
plus $19.0m of undrawn facilities provide sufficient liquidity for day-to-day business operations

Strategic Highlights

Noumi is now well-engaged in the 'Transform' phase of our three-part turnaround strategy, making significant advances in FY22 towards returning the Company to long-term sustainable and profitable growth.

The benefits of this approach are already being seen in the continued year-on-year growth performance of our Plant-based Beverages business, which is demonstrating the outcomes possible through our Reset-Transform-Grow strategy.

Success brings fresh opportunities. The ongoing strength of the Milklab and Australia's Own brands provided the consumer platform from which to launch new plant-based products that have already secured strong market share in a growing sector.

The Plant-based Beverages business is poised for further growth as consumers around the world continue to seek healthy lifestyle options.

Workforce training programs are driving productivity improvements. Coupled with targeted changes to our product lines, productivity gains from the fourth quarter are continuing into the new financial year.

Our mission now is to embed those efficiencies across our operations, as well as rebuild our export margins through sustainable cost management.

Our Dairy and Nutritionals business is still in the transformation phase, with financial and operational progress disrupted by the pandemic.

We are rebuilding margins at a volatile time in global and domestic dairy markets and we need to embed the operating improvements which began to get traction in recent months.

We remain committed to pursuing our transformation initiatives to improve the performance of this business.

The success of strategic programs such as the one being pursued at Noumi often comes down to momentum. With the strong result from the Plant-based Beverages business continuing into the new financial year, and productivity gains spreading across operations, the Company is well-placed on its path to growth.

About Noumi

New beginnings bring new opportunities and a positive attitude to the promises of tomorrow.

Noumi – born from 'nourish me' – is about a healthier approach to business, to the planet, and to our customers' lives.

Together – Imagining a Healthier Tomorrow.

8 Brands

Milklab, Australia's Own, Vital Strength, Noumi Nutritionals, Crankt, Uprotein, So Natural, Vitalife

580

talented team members around the globe

Leaders in

UHT Dairy, Plant-Based Beverages, and Sports Nutrition

150+

products

Sold into

31 countries

3 manufacturing sites in Australia

Offices in 3 countries

Australia, Singapore, and China

Our Purpose

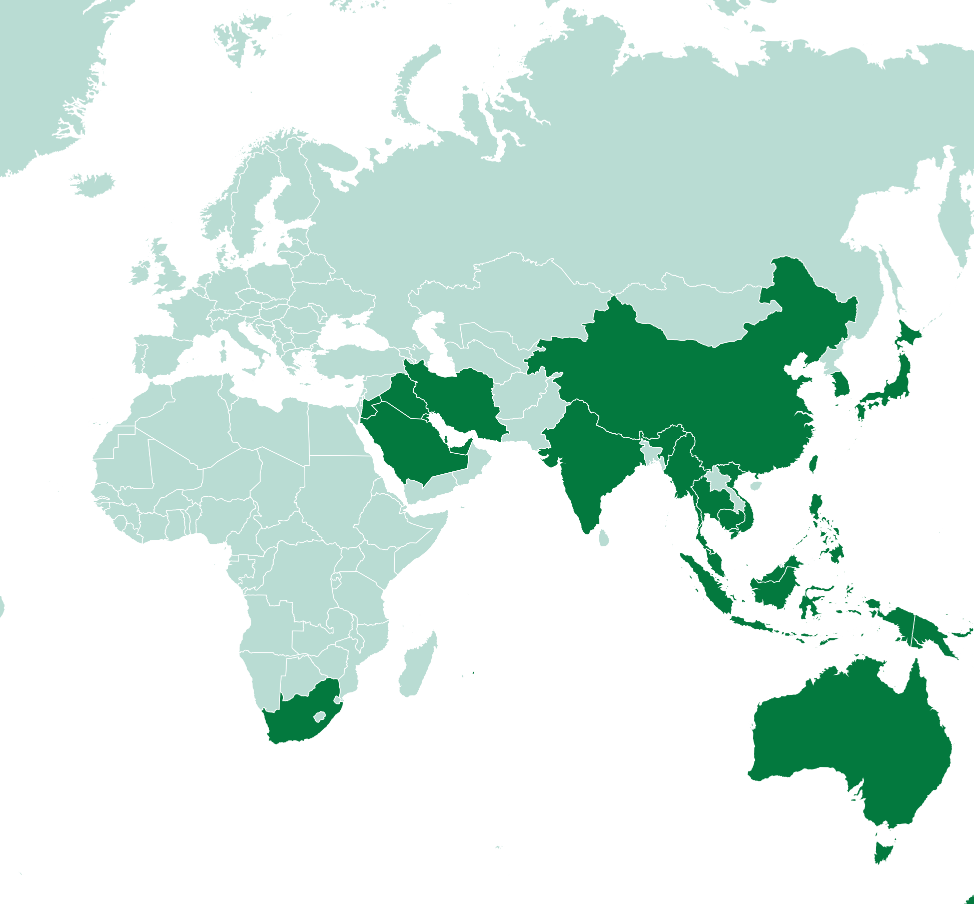
We are an Australian company driven by our purpose of **Imagining a Healthier Tomorrow**.

Our new company name, Noumi (pronounced Noo-me), was inspired by our key principle of Nourish Me.

From its beginnings in 1984 as a small business specialising in plant-based beverages, Noumi has grown to become a global Australian-based company producing a diverse range of dairy and plant-based shelf stable beverages, as well as cutting-edge nutritional protein ingredients and sports supplements.

Noumi brings together world-class research & development, operations, and commercial teams to deliver Noumi-branded products as well as co-manufactured products to consumers in Australia and around the world.

State-of-the-art facilities across New South Wales and Victoria bring unique capabilities that add value to the highest quality ingredients that Australian primary producers have to offer. Our long-term partnerships with our Noumi Farmers enable us to secure, supply and ensure quality Australian ingredients for quality products, bringing healthier choices from Australian farms to consumers' plates.



Around the world, consumers are demanding healthier food options, and Noumi now has offices in Australia, Singapore and Shanghai and exports its products to **31 countries** – spanning across Asia Pacific, the Middle East and China.

Growth Strategy

Delivering a Healthier Tomorrow with a

Strategic Pillars	Transform Dairy & Nutritionals profitability	Accelerate Plant Beverage growth	Deliver world class supply chain
Strategic Priorities	Grow UHT Dairy profitably in domestic and international markets	Invest in Milklab brand to consumers and cafes	Mitigate inflation through value creation
	Build branded portfolio with innovative new products	Invest to grow in international markets and new markets	Transform quality to best in class
	Strengthen Ingredients Customer Partnerships (B2B)	Expand Australia's Own portfolio through new products	Deliver transparency & excellence in customer service
	Broaden Consumer Nutritional's Portfolio	Invest in new packaging formats to target new needs and usage occasions	Drive efficiency to unlock capacity

Key Enablers

Technology roadmap + Governance + People Processes

Healthier Planet, Healthier Lifestyles, Healthier Workplace

Embed High Performance Culture	Develop Next Generation Noumi
Culture & Values driving a high-performance, high-integrity culture	Invest in digital capability, including modernising IT architecture and e-commerce capability
Organisation design supporting growth & efficiency	Deliver clinical validation of PURENFERRIN
Developing people to support retention and business growth	Develop precision fermentation capabilities
Continue to promote safety and quality in all we do	Accelerate growth in international markets

ESG Strategy

Noumi's ESG strategy is to deliver sustainable future growth across all aspects of our operations, for our planet, our people and our products.

Our ESG strategy is brought together in our integrated **Healthier Tomorrow Plan**, which was released in FY22 following extensive consultation with suppliers, business partners and our own team. This plan outlines our commitment to a Healthier Planet, a Healthier Workplace and Healthier Lifestyles for our customers. The plan articulates our sustainability goals and key initiatives to achieve them, producing a framework for positive business practices into the future.

Our ESG strategy is integrated across our value chain — from dealing with our supply partners, to manufacturing, to delivering our products to our customers — we will strive to improve our processes to meet our ESG targets.

We plan to focus our efforts on the areas where we can make the biggest difference for a better future. In subsequent years we will report back on progress made towards achieving these goals.

Healthier planet

We aim to continuously improve our environmental footprint for future generations.

Focus areas

Waste and Packaging

- We minimise the waste we generate, maximizing recyclable materials and encouraging recycling.

Energy and Climate

- We reduce our carbon footprint, investing in renewable energy and supporting our growers to tackle their emissions.

Sustainable water use

- We conserve water across our business, supporting our suppliers to achieve water efficiency.

Sustainable agriculture

- We partner with our growers to protect the land that we source from and the animals in our supply chain.

Healthier lifestyles

We aim to create products and offer resources to improve consumers' and communities' nutritional and social outcomes.

Focus areas

Consumer health, nutrition and education

- We develop quality products that meet the nutritional, cultural and taste needs of our customers, across all life stages.

Community engagement and impact

- We support positive nutrition outcomes among targeted community groups.

Healthier workplace

Our people live our values and are supported through positive work experiences.

Focus areas

Diversity and inclusion

- We celebrate diversity and our business objective to reflect the diversity of the communities in which we operate.

Employee development and wellbeing

- We enable our people to thrive at work through engaging work experiences.

Healthier Planet

As a company that places nourishment at the heart of everything we do, Noumi has a responsibility to protect the natural environments upon which we rely. We will source our ingredients from sustainable growers and farmers and manufacture our food and beverage products to minimise our impact on the environment.

We have made strong progress towards our goals. A 3.8MW solar system installed at the Shepparton site is offsetting about 21% of electricity use, and waste compactors are reducing the amount of waste going to landfill. A third Dissolved Air Floatation (DAF) system has been installed at Shepparton to increase the quality of the site's discharge water. The total system is now saving around 300 tonnes of sludge per month from being sent to the local trade waste authority. A screw press removes water from the sludge allowing more cost-effective transport to farmers for livestock feed.

Our Goals

Waste & Packaging

We will contribute to a waste-free world, minimising the waste we generate, maximising recyclable materials and encouraging recycling at all points in the production process.

- 100% of Noumi packaging is APCO compliant (reusable, recyclable or compostable) by 2025
- 100% of Noumi artwork to contain clear consumer recycling instructions by 2025
- 50% of our packaging from sustainable sources and/or recycled content by 2025
- Zero waste to landfill from our operations by 2030

Energy & Climate

We will reduce our carbon footprint, investing in renewable energy and supporting our growers to tackle emissions.

- 90% of farmers partnering on carbon reduction initiatives by 2030
- Emissions reduction target ~ 50% in Scope 1 & 2 emissions by 2030
- 100% renewable electricity by 2030

Sustainable Agriculture

We will partner with our growers to protect the land from which we source and the animals in our supply chain.

- Compliance to the Australian Dairy Sustainability Framework
- Compliance to the Australian Agricultural Sustainability Framework
- 100% farmer compliance of the Noumi Food Safety Program

Sustainable Water Use

We will conserve water across our business, supporting our suppliers to achieve water efficiency.

- 25% reduction in Noumi's water consumption per tonne of production within operations by 2030
- 50% of discharge water from operations recycled by 2040
- 90% of farmers and growers implementing water efficiency measures on-site by 2030

Healthier Workplace

Our people are the foundation of our ongoing business success, and we want our people to thrive at work, enjoying meaningful experiences at Noumi. To achieve this, we will continue to invest in employee engagement and development programs and wellbeing initiatives. Our ambition is that our business should reflect the communities in which we operate, so diversity and inclusion are fundamental to how we innovate and respond to the needs of our customers.

The emergence of Noumi has given us a new company Purpose and Values that are actively communicated to our people, with a firm focus on engagement and career progression. Talent retention and acquisition is a priority, emphasising diversity, inclusion and belonging.

Our Goals

Employee Development & Wellbeing

We enable our people through engaging work experiences, empowering people to thrive at work.

- 100% employee participation in Achieve & Grow for in-scope employees who will be empowered with their own development plan by 2024
- A 4% year-on-year improvement in employee engagement score
- Awareness and uptake of wellbeing policies and initiatives
- 75% of employees have completed at least one elective development initiative by 2024

Diversity & Inclusion

We celebrate diversity and our business objective is to reflect the diversity of the communities in which we operate.

- The business aims to achieve 40-40-20 gender representation by 2025
- All sites participating in four diversity events per annum
- Unconscious bias training for people leaders by 2023
- Apprenticeship program implemented in regional areas for Aboriginal and Torres Strait Islander demographics by 2025

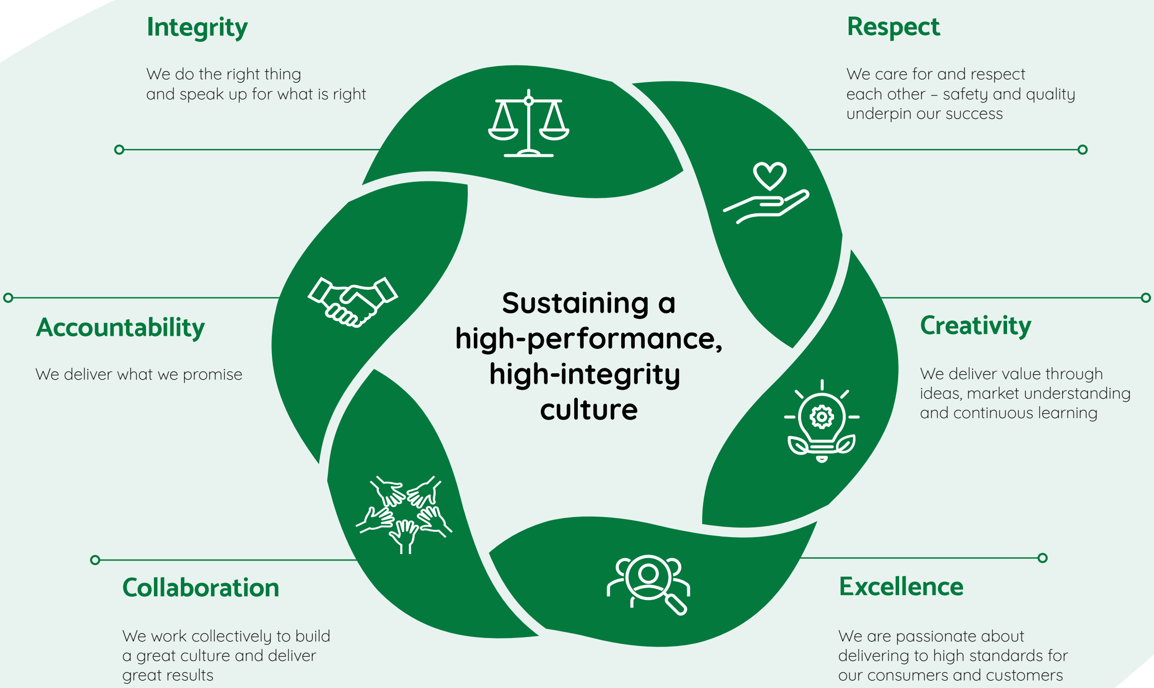
Healthier Workplace

Our Values

Noumi's core values are an integral part of the Company's aim to have a positive impact on those with whom we interact, with Integrity, Respect, Creativity, Excellence, Collaboration and Accountability the foundation for all we do.

Leaders and team members continue to embrace these values as part of transforming the Company to sustain a high-performance, high-integrity culture.

In FY22, Noumi launched a training program to engage team members in the importance of pursing a values-based operation. Team members across the business participated in targeted workshops to reinforce the importance of upholding these values in all aspects of the workplace. These programs are continuing into FY23.



Healthier Workplace

Supporting our leaders to support their team members

Noumi has commenced the implementation of its new framework for frontline leadership development. The design aligns with and supports our Noumi values and enables leaders to coach and mentor their team members to support success in their roles.

For FY23, Noumi will further support its team members by building leaders' communication skills to embed two-way feedback into everyday operations, with a particular focus on company culture, our values, and workplace safety.

We will also invest in workplace inclusion workshops to help people leaders recognise and work through any possible unconscious bias in their decision making and in their day-to-day work.

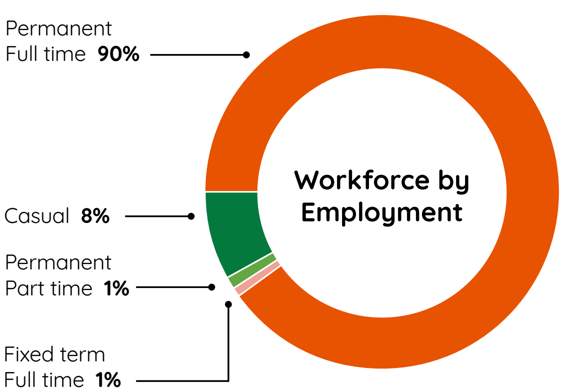
Our team – workforce composition at end of June 2022

Our collaborative team is driven by our purpose of **Imagining a Healthier Tomorrow**.

At the end of June 2022, Noumi employed more than 580 people (including casuals), with 90% of our team employed in permanent full-time roles.

The commitment to internal career development was reinforced in FY22 with 37% of vacancies being filled through internal promotions or movements, reinforcing Noumi's commitment to the career development of our people.

At the end of FY22, women comprised 31% of senior managerial roles and 29% of the overall workforce. With our focus on the 40-40-20 framework for gender representation, the business will increase its investment in building initiatives that support the achievement of this gender representation.



The future of positive nutrition starts right here.

Healthier Lifestyles

Providing people with healthy nourishment is core to our business and in our DNA, and our commitment to healthier lifestyles extends not only to our end-consumers but also to the communities in which we operate.

We want to deliver the best tailored nutrition to our consumers and to employ our people, business, and brands to help our communities live better, healthier lifestyles.

Our Goals

Consumer Health & Nutrition

We develop high-quality dairy and plant products that meet the nutrition, social, cultural and taste preference needs of our customers, across all life stages.

- Development of internal NPD Nutritional Guidelines by 2025
- Continue to maintain our proprietary branded products so more than 75% can carry nutrition & health claims by 2025
- Achieve a minimum 4-HSR on more than 75% of eligible, proprietary branded products by 2025, including full cream milk
- Fortify all proprietary branded plant-based dairy alternative products to match the calcium content of cow's milk by 2025

Community Engagement & Impact

We inspire our communities to **Imagine a Healthier Tomorrow** by supporting positive nutrition choices and outcomes among targeted individuals and communities.

- Establish Food Rescue Partnerships by 2023

Our Brands

Noumi has a broad portfolio of strong brands that meet differing consumer needs and occasions across multiple markets.

Noumi's brands are sold across multiple channels including Retail, Food Service, e-commerce and B2B and are available in 31 countries, including Australia, New Zealand, Singapore, Philippines, Malaysia, Vietnam, South Africa, Middle East, and China.

MILKLAB®

Milklab is a remarkable Australian success story. Developed in colLABoration with experienced baristas and coffee professionals, Milklab complements the flavour of espresso coffee by delivering a delicious, creamy taste that elevates the coffee experience. **Milklab is now the #1 plant-based milk used by Australian cafes** and is available in cafes in more than 22 countries.

Australia's™ EST. Own 1995

Launched in 1995, Australia's Own brings the very best of Australia's natural goodness across a variety of quality dairy beverages, certified organic plant-based beverages and premium barista plant-based beverages. Australia's Own is the #1 Barista plant-based brand in Retail in Australia and sells in more than 10 countries across Asia Pacific and Middle East.

VITAL STRENGTH®

For more than 25 years, Vital Strength has been one of Australia's leading protein powders and sports nutrition brands, providing outstanding quality designed to deliver results. Vital Strength includes a range of sports protein powders and specialised amino blends specifically targeted to individual fitness and lifestyle goals.

UPROTEIN .com.au

Uprotein offers customers premium bulk protein powder and sports supplements exclusively developed for the Australian direct-to-consumer market via ecommerce.

crankt

Crankt offers protein-rich alternatives to sugary drinks and snacks. Nutritious, convenient and ready-to-go, these protein products are perfect for anyone leading a busy active lifestyle. High protein, low carb, packed with vitamins, minerals and natural energy.

noumi nutritionals

Noumi Nutritionals combines the latest science and technology with the purest ingredients to develop high-performing lactoferrin, whey and casein protein ingredients and products. Using Noumi's state-of-the-art filtration system, Noumi's range of Native Proteins are ultra-filtered and gently extracted to maximise their biological value and functional property.

Our Operations

Noumi's premium dairy milk and proteins facility in the regional Victorian town of Shepparton uses the latest Ultra Heat Treatment technology (UHT) to produce quality long-life products in aseptic pack formats.

The dairy farms that supply the site are nearby, ensuring close control on the quality of milk being processed. The site also has integrated warehousing and logistics to maintain cost and quality assurance efficiencies. Our dedicated staff are well experienced in UHT production, and our comprehensive Quality Management Systems ensure that all our products are compliant with the most stringent regulatory requirements.

Noumi is committed to sustainable operations and has invested in renewable energy sources, with a 3.8MW solar system at Shepparton generating more than 5500MWhs of energy per year, supplying over 21% of the total energy needs of the site.

Solar system offsets >3100 tonnes of CO^2 – the equivalent of planting 780 trees

We have also introduced a chemical recovery process from our washdown program that produces environmental benefits through less wastage and fewer bulk chemical deliveries to site, which in turn reduces our carbon footprint.

Noumi has commissioned a screw press to reduce the volume of liquid waste being transported off site. This also provides a greater environmental benefit having been National Association of Testing Authorities (NATA) lab tested as suitable for animal-grade food or as an environmentally friendly composting component.

Water from the cooling cycle of the UHT units is now being captured and recycled for re-use onsite, saving about 30 megalitres of water each year.

In FY22 Shepparton launched in partnership with EY, the Noumi Operational Excellence program. The program is designed to build a world-class continuous improvement culture that has already shown great signs of operational improvement. The Shepparton site has made significant improvements over the last 12 months in quality, yield and line efficiency. With a culture of collaboration and striving for excellence the site is proud of the progress it has made over the financial year. **Through improvements made in efficiency the site has been able to support growth in 1L format of over 29% year-on-year.**

Investments at the site have been targeted at further enhancing our quality credentials, with the ambition to produce the best quality products in the markets in which we operate. Work has focussed on strengthening the products for international markets and ensuring the best sensory products for maximum shelf life. In addition to these developments there have been investments made to separate waste streams to improve recycling and improve the quality of water to trade waste through creating a dry feed source.

Noumi's state-of-the-art facility in Ingleburn, New South Wales, specialises in developing and manufacturing UHT plant-based beverages. We are the experts in developing and producing a wide range of plant-based beverages that include, but are not limited to, almond, oat, soy, rice, macadamia, hazelnut, coconut and plant blends milk varieties. We also produce flavoured beverages, yoghurt drinks, cream and liquid stocks. The site offers a variety of pack and product formats, such as 1L and 200ml.

Shepparton
1L-pack production up **29%**

Ingleburn
1L-pack capacity up **20%**

The Ingleburn site performed well across the last year with its first year of zero lost time injuries, as well as gains in quality and yield improvement. The site is prepared for the launch of the Noumi Operational Excellence Program leading into FY23 and has embraced the rollout of our refreshed corporate values which support building a collaborative culture.

Investments at the site are targeted at supporting the continued strong growth in plant-based milks as well as bringing new capability to support product innovation. **Investments in an almond mix plant, UHT improved booster pump, some minor processing assets as well as an improvement project on palletising has enabled a 20% capacity improvement in the line to support the growth of the core 1L plant-based business.**

Our Farmers

Our Plant-Based Producers

Noumi partners with leading Australian primary producers to ensure our products are made with the highest quality Australian ingredients. Our vision for a healthier tomorrow starts today by selecting the very best ingredients from farms which work sustainably and with long-term consideration for the environment.

Oats

100% sourced from Australian farmers

Macadamias

100% sourced from Australian farmers

Almonds

73% sourced from Australian farmers - growing to 100%

Supplier Spotlight

Select Harvests

Noumi sources almonds from Select Harvests, Australia's largest vertically integrated almond food producer.

As farmers across the country face increased uncertainty about water supplies, Select Harvests is working to make the best use of the water that is available to its orchards. Using the latest technology, irrigation schedules are planned to optimise productivity and cost-efficiency, determining when to irrigate and how much water to apply.

Technologies such as direct plant sensing, aerial imagery and soil sampling have saved the Amaroo Farm in South Australia more than 600 megalitres a year.

By monitoring plants and soil, Select Harvests is able to optimise orchard production and deliver environmental benefits.

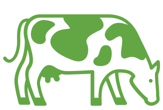
The business is also being creative in recycling and repurposing to minimise waste.

More than 70% of harvested almond fruit is hull, shell (outer layers) and other organic materials, which is inedible for humans and when stored can become a fire risk. In an innovative approach, Select Harvests now generates electricity by burning the hull waste and then converts the resulting ash into a high-quality natural fertiliser. The fertiliser is applied directly to the rootzone of the almond trees, improving soil health, increasing moisture retention and suppressing soil-borne diseases. The power generated is used internally to run processing and irrigation infrastructure and is also linked to the local grid, enabling Select Harvests to provide low- carbon energy to the main power network.

Noumi's commitment to sustainable production incorporates all links in the value chain, starting with our primary produce partners. Our long-term partnerships with our Noumi dairy farmers enable us to secure quality Australian ingredients for our products.

Our Dairy Farmers

Noumi's Shepparton dairy milk processing facility processes approximately 290 million litres of milk a year and boasts a fully integrated supply chain with around 50 dairy farms. Our state-of-the-art facility offers unique capabilities, making Noumi one of the most advanced dairy processors in Australia.



Our farmers are passionate about supplying milk of the highest quality, and animal welfare is a key focus.

To achieve this, some of our farmers have embarked on a number of innovative programs aimed at improving cow comfort, cow health and welfare, and feeding efficiency.

This includes investments in infrastructure to build new sheds, calf-rearing facilities and feed pads. This is complemented with investment in technologies such as the increased use of sexed semen to produce more female calves.

A large proportion of our milk is collected from a lower rainfall region, meaning much of our milk production is underpinned by irrigation. Our farmers are continually evolving their irrigation and feeding systems to meet the challenges of a changing climate environment.

Automated irrigation systems that rely on solar energy and Bluetooth technology are more environmentally efficient while also helping reduce the labour component of irrigating.

With a key focus on water-use efficiency as rainfall and irrigation availability becomes more variable, our farmers have sharpened their focus on using their water more efficiently.

The use of gravity-fed irrigation processes and the introduction of pressurised systems such as centre pivots allow for more precise applications of water to better match plant requirements.

Farmers are replacing leaky open channels with pipe-and-riser systems that prevent ground water losses.

Our producers are actively exploring growing crops that are more water efficient, with double cropping and other techniques to maximise the amount of feed produced per megalitre of water applied.

Farmers are also installing solar panels on the roofs of their dairies to provide a renewable source of energy to run their milking plant and cooling systems.

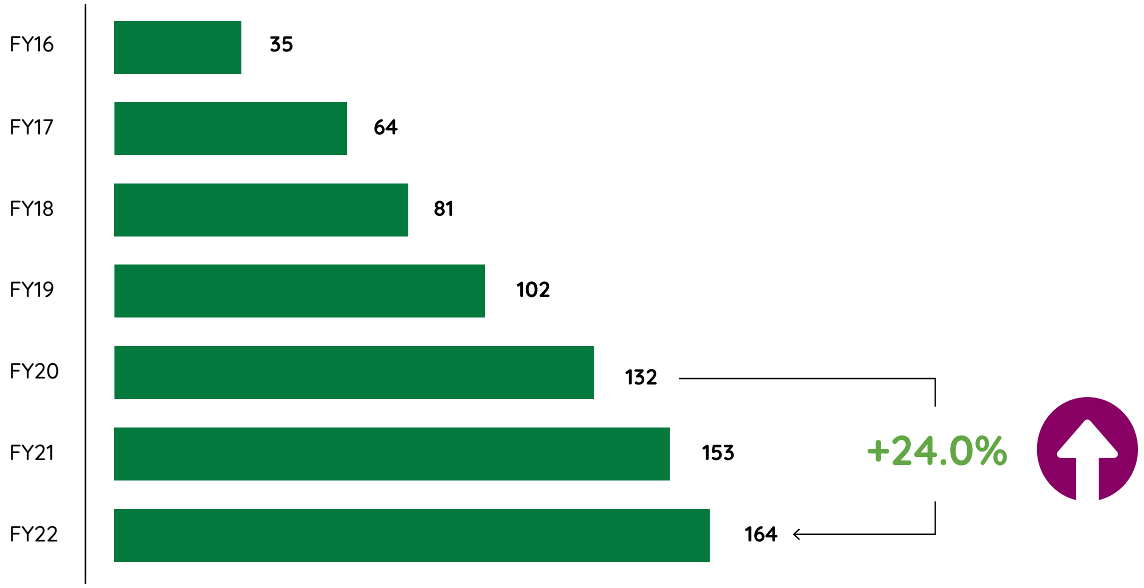
> **"At every step in the process, Noumi works with its partners to improve sustainable production."**

Plant-Based Beverages

Financial Performance

($m)	FY22	FY21[4]	Change ($)	Change (%)
Net Revenue	164.0	152.9	11.1	7.2
Adjusted Operating EBITDA[5,6]	33.4	25.7	7.8	30.3
Adjusted Operating Margin (%)[5,6]	20.4	16.8	-	3.6bps

Plant-Based Revenue ($m)



[4] All FY21 figures restated for reclassification of Specialty Seafood business to discontinued operations
[5] Adjusted for non-trading and non-recurring items (including restructuring costs and other litigation costs, the US litigation settlement and unrealised foreign exchange loss), pre AASB 16
[6] Segment results are post allocation of group shared services overhead except for realised FX and Board/ASX related costs

Milklab

Plant revenue up **25.2%**

Successful launch of

Milklab Oat

Australia's Own

Plant revenue up **16%**


Australia's Own
EST. 1995
PLANT Blends
Delicious NUTRITION
SOY, ALMOND, OAT & HAZELNUT
10G
All Essential Amino Acids
4.5
HEALTH STAR RATING

Plant-Based Beverages

Noumi is one of Australia's leading manufacturers and marketers of plant-based milks, including almond, oat, soy & macadamia.

The plant-based beverage segment has enjoyed strong sustained growth, both in Australia and globally, driven by key consumer trends of health, wellbeing, and sustainability. Global plant-based beverages recorded a Compound Annual Growth Rate (CAGR) of 6% across 2018-2022, with projected CAGR of 12% across 2022-2026 (Source: Statista Consumer Outlook, Milk Substitutes 2022). In Australia, plant-based beverage consumption was approximately 12% of dairy in 2021 (volume sales), and is projected to be 20% of dairy by 2027, highlighting significant headroom for future growth.

To contest the plant beverage segment, Noumi has a dual brand strategy, with **Milklab** brand focusing on the profitable out-of-home cafe segment and **Australia's Own** brand focusing on retail channels. Under this strategy, both brands enjoyed strong growth in FY22, with **Milklab** Plant growing 25.2% year-on-year (YOY) and **Australia's Own** Plant growing 16% YOY.

Milklab is increasingly the plant-based milk of choice in Australia's burgeoning cafe culture, with strong growth both in Australia and across more than 20 international markets, with YOY revenue growing by an incremental $19.3m (up 25%).

Noumi strengthened its marketing and sales investment behind the **Milklab** brand through Brand Ambassador field teams, partnership marketing to support distributors and cafes, and consumer programs incorporating digital, social, out-of-home and sampling.

To build on that success, in FY22 **Milklab** successfully extended the brand by launching **Milklab** Oat.

Internationally, **Milklab** Plant brand grew 48% through strengthening its presence across key South East Asian markets, and expanding into South Africa, Middle East, India and Japan.

Milklab also enjoyed strong growth in the direct-to-consumer e-commerce channel, with revenue up 4 times that of the prior year.

Underpinned by its most significant brand and innovation investment in over 10 years, **Australia's Own** plant milks revenue grew 16% YOY. The investment included modernising the brand's packaging and visual design, major new product launches and an integrated consumer marketing campaign.

In the retail channel, **Australia's Own** is the market leader of the fast growing and profitable barista plant-milk segment, with 31% market share.

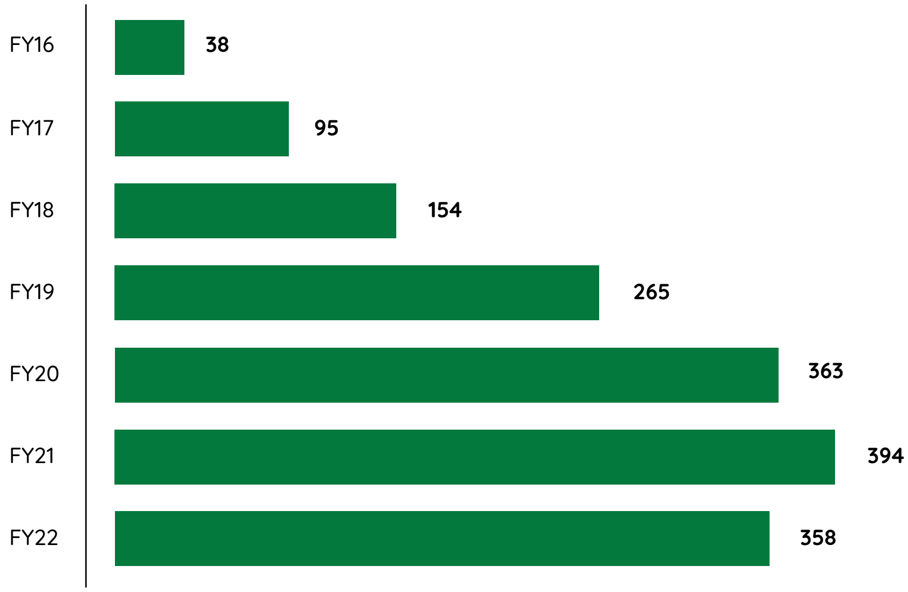
Leveraging the brand's strong consumer recognition, **Australia's Own** successfully launched a new oat range, hazelnut range and the unique Plant Blends product that delivers a delicious and nutritious dairy alternative.

Dairy & Nutritionals

Financial Performance

($m)	FY22	FY21[7]	Change ($)	Change (%)
Net Revenue	358.3	394.3	(36.0)	(9.1)
Adjusted Operating EBITDA[8,9]	(20.6)	(4.1)	(16.6)	n.m
Adjusted Operating Margin (%)[8,9]	(5.8)	(1.0)	-	(4.8bps)

Dairy & Nutritionals Revenue ($m)



[7] All FY21 figures restated for reclassification of Specialty Seafood business to discontinued operations
[8] Adjusted for non-trading and non-recurring items (including restructuring costs and other litigation costs, the US litigation settlement and unrealised foreign exchange loss), pre AASB 16
[9] Segment results are post allocation of group shared services overhead except for realised FX and Board/ASX related costs

Australia's leading

UHT dairy processor & UHT milk exporter

A leading global player in specialised **Lactoferrin**


UPROTEIN
UPROTEIN
.com.au
WHEY
ISOLATE
PREMIUM+XHL
UXL PRO
TRUSTED

Dairy & Nutritionals

UHT Dairy Milk

Processing approximately 290 million litres of quality Australian milk makes Noumi Australia's largest UHT dairy processor and Australia's largest exporter of UHT milk, with over 100ML of Noumi's quality Australian milk exported and enjoyed by millions of consumers across China and South East Asia in FY22.

Total Noumi UHT dairy milk revenue was up 1.2% on reduced volume (down 3.8% overall), primarily due to exiting lower margin business in Australia.

Noumi continued to enjoy strong growth in international markets, with China up 12.1% and total South East Asian growth at 40.6%. Domestically, Noumi UHT dairy volume declined by 17.9% with the exit of some unprofitable volume.

In international markets, Noumi enjoyed strong growth in its branded dairy portfolio through **Milklab** and **Australia's Own / So Natural** (China). **Milklab** Dairy grew 34% (up $4.0m in revenue), driven by strong lactose-free growth of 32%. **So Natural** brand grew in international markets by 14%.

Noumi strengthened its partnerships with its key customers across all key markets and established new customers in China.

Nutritional Ingredients

Noumi's investment in a state-of-the-art protein filtration and drying plant enables Noumi to contest the premium protein ingredient market (B2B). Noumi's portfolio of premium specialised protein ingredients include **PUREnFERRIN Lactoferrin**, **PUREnWPI Native Whey Protein Isolate**, **PUREnWPC Native Whey Protein Concentrate** and recently **PUREnMCC Native Micellar Casein**.

PUREnFERRIN Lactoferrin is Noumi's flagship B2B protein ingredient, delivering $21.1m in revenue.

Delays in the delivery of filtration resin due to COVID-19 impacted manufacturing, affecting first half revenue. However, with manufacturing restored in the second half, revenue of **PUREnFERRIN** was $13.3m, almost double the first half result.

To further unlock the value of Noumi's Lactoferrin, Researchers from The University of Newcastle and the Hunter Medical Research Institute are currently conducting clinical human trials as part of a Noumi and Federal Government-funded grant to evaluate the immune and anti-viral effects of the **PUREnFERRIN Lactoferrin** product. Results are expected in FY23.

Noumi has also vertically integrated its specialised proteins into high-margin functional foods. Noumi's **Crankt** Protein and Energy bars include **PUREnWPI Native Whey Protein Isolate** & **PUREnMCC Native Micellar Casein**.

Consumer Nutritionals

The growth of the sports and active nutrition segment is underpinned by the trend of active lifestyles and the increasing popularity of high-protein diets.

Vital Strength expanded its product range within the higher margin and growing Aminos & Sports Blends segment, gaining 3 percentage points in market share within the pharmacy channel, consolidating **Vital Strength** as a strong #3 brand in this growing segment.

Vital Strength also launched its first plant protein product to enter the growing non-dairy protein powder segment.

Noumi expanded its range of **Crankt** Protein and Energy bars in supermarkets, out-of-home and achieved new distribution in pharmacies.

Crankt Protein and Energy drink range became the #1 protein ready-to-drink (RTD) brand in the retail channel, with 16% growth.

Company Leadership

Board of Directors

Ms Genevieve Gregor

Chair of the Board and Independent, Non-Executive Director
Qualifications: B. Economics (UQ), Graduate Diploma Applied Finance & Investment (SIA), Honorary Doctorate of Letters (WSU), GAICD

Genevieve is a Senior Advisor and Founding Partner of Colinton Capital Partners, a mid-market private equity firm investing in Australian growth companies. Prior to this, Genevieve was the co-head and Managing Director of the Asia Special Situations Group in Australia for Goldman Sachs for eight years. Genevieve has over 30 years' experience working with corporates and in banking and finance. Prior to joining Goldman Sachs, Genevieve was head of the Australian loan capital markets business at Citigroup and earlier at MIM Holdings, now Xstrata Australia Limited. Genevieve was previously the Deputy Chancellor of Western Sydney University, Chair of the Finance and Investment Committee and Trustee at WSU for over 10 years. She is on the board of two public unlisted companies, Moneytech Group Limited and Monoova Limited. She was appointed as a Director in March 2020.

Special responsibilities: Member of the Risk and Compliance Committee, Member of the Finance and Audit Committee and Member of the People and Culture Committee).

Mr Tony M. Perich AM

Deputy Chair and Non-Executive Director

Tony is a Member of the Order of Australia. He is joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Co Pty Ltd, one of Australia's largest dairy producers, and various other entities in the Perich Group. He is also a property developer, farmer and business entrepreneur. Outside of the Perich Group, Tony holds a number of other directorships which include Greenfields Narellan Holdings Pty Limited, and Ingham Institute for Applied Medical Research. Memberships include Greater Narellan Chamber of Commerce, Narellan Rotary Club, Urban Development Institute of Australia, Urban Taskforce, Property Council of Australia, past President of Narellan Rotary Club and past President of Dairy Research at Sydney University. He was appointed as a Director in July 2006.

Special responsibilities: Member of the Risk and Compliance Committee.

Mr Tim Bryan

Non-Executive Director
Qualifications: BCom; CA, GAICD

Tim is the Chief Executive Officer of the Perich Group. He was formerly managing partner of the chartered accounting firm Kelly & Partners South West Sydney. Outside of the Perich Group, Tim holds a number of other directorships, which include Kids of Macarthur Health Foundation and Ingham Institute for Applied Medical Research, where he also chairs the finance and audit committee. He was appointed as a Director in January 2021.

Special responsibilities: Member of the Finance and Audit Committee and Chair of the Risk and Compliance Committee and Member of the People and Culture Committee.

Company Leadership

Board of Directors

Ms Jane McKellar

Independent, Non-Executive Director
Qualifications: MA (Hons) University of Aberdeen, GAICD, CISL

Jane is an experienced non-executive director in both public and private companies in Australia and the US, bringing deep international consumer, digital, brand and marketing experiences to bear. Jane's executive experience as both a CEO and Chief Marketing Officer spans the consumer-focused FMCG, luxury and retail industries and she is one of the original 'digital natives' in Australia. She has held senior roles in Unilever, Microsoft, Elizabeth Arden and Stila Corporation. Jane has extensive global experience, particularly in Asia, Europe and North America and she has built a strong reputation over the years for leading teams and transforming businesses in difficulty back to profitability and growth. Her key contributions are in customer and consumer-focused business transformation, digital, brand and marketing performance and sustainability. She was appointed as a Director in May 2020.

Special responsibilities: Chair of the People and Culture Committee and member of the Finance and Audit Committee and the Risk & Compliance Committee.

Mr Stuart Black AM

Independent, Non-Executive Director
Qualifications: FCA, FAICD, BA (Accounting)

Stuart is a Chartered Accountant with extensive experience in business. He retired in 2013 as managing partner of an accounting practice specialising in agribusiness to concentrate his time on non-executive director roles and has over twenty years' experience as an ASX non-executive director. He is a Past President of the Institute of Chartered Accountants of Australia, the inaugural Chair and a past board member of the Accounting Professional and Ethical Standards Board and served as the Australian representative on the International Federation of Accountants SMP Committee. Stuart is former Chair of the Chartered Accountants Benevolent Fund Limited and a former director of the Country Education Foundation of Australia Limited. In 2012, Stuart was appointed a Member of the Order of Australia for services to the profession of accounting, to ethical standards, as a contributor to professional organisations and to the community. He was appointed as a Director in March 2021.

Special responsibilities: Chair of the Finance and Audit Committee and a Member of the Risk and Compliance Committee.

Company Leadership

Executive Team

Mr Michael R. Perich

Chief Executive Officer
Qualifications: B AppSci (SysAg)

Michael is an experienced executive with over 25 years' experience working within the dairy industry. Michael currently holds directorships in Arrovest Pty Ltd and various other entities associated with Perich Entities. He held previous directorships in Leppington Pastoral Co. Pty Ltd as well as Contract Beverages Packers of Australia Pty Ltd, a joint venture controlled equally by the Company and Arrovest. Michael also had a previous role as joint Managing Director of Australian Fresh Milk Holdings, Australia's largest dairy producer. Michael is a graduate Member of the Australian Institute of Company Directors post nominals. He was appointed as an Alternative Director for Noumi in March 2009 and in August 2020 was appointed Interim Chief Executive Officer. Michael assumed the permanent position of Chief Executive Officer in March 2021.

Mr Peter Myers

Chief Financial Officer
Qualifications: Bachelor of Business, CPA

Mr Myers is an experienced chief financial officer of both ASX-listed companies and private enterprises. He brings extensive experience leading business turnarounds, financial restructuring, and corporate transformation across a variety of industries, including retailing, media, manufacturing and leisure and tourism. Mr Myers' experience includes senior executive roles at Speedcast International Limited, Amart Furniture, Billabong International Limited, APN News and Media Limited, Network Ten Limited, Schroeders Australia and Century Yuasa Batteries.

Mr Justin Coss

Group General Counsel & Company Secretary
Qualifications: BA LLB, Dip CII, ANZIIF (Fellow) CIP, FGIA, FCIS, Adv Dip (Management)

Justin has over 25 years' experience as a legal practitioner in private practice and in-house, including over 15 years experience as a company secretary. Justin holds bachelor degrees in arts and law from the University of Queensland and a postgraduate Diploma in Insurance from the Chartered Insurance Institute in the United Kingdom. He is a Fellow of the Australian and New Zealand Institute of Insurance and Finance, the Institute of Chartered Secretaries and Administrators and of the Governance Institute of Australia. Justin possesses a postgraduate Diploma in Applied Corporate Governance from the Governance Institute of Australia and an Advanced Diploma in Management from the Australian Institute of Management. Justin is an active participant in the legal industry and currently serves as as a Director and Immediate Past President of the Association of Corporate Counsel Australia.

Company Leadership

Executive Team

Mr Stuart Muir

Chief Operating Officer
Qualifications: BE (Hons) Engineering. Master Engineering Management

Stuart is a senior operations executive with extensive dairy, FMCG and food manufacturing experience. His background spans end-to-end supply chain management and he is a proven leader of large multi-functional teams covering manufacturing, safety, planning, logistics, environment, quality, research, and development. Stuart has had an extensive career in both Unilever and most recently as Director of Supply Chain, Quality and Research & Development at Lion Dairy and Drinks.

Ms Fiona McGregor

Chief People & Culture Officer
Qualifications: Post Graduate Diploma (Distinction) Strategy and Innovation, BA

Fiona is a senior people and culture executive, with extensive experience leading culture change, organisation development and transformation initiatives across large multi-country organisations. Fiona was promoted to the role of Chief People & Culture Officer of the Company in September 2020 after joining Noumi in November 2019 to lead strategic organisation development and culture change initiatives. Fiona brings ASX listed company experience across multiple industries and companies – including telecommunications, building products, branded consumer products (including dairy industry experience), and experience in multi-national companies across transport, logistics, international engineering, environmental science, and project management.

Mr Gerard Smith

Chief Marketing Officer
Qualifications: B. Business, MBA

Gerard joins Noumi to lead our marketing, innovation, and sustainability strategies across the Company – bringing marketing for Australia, China, Middle East, New Zealand, and Southeast Asia under one team. Gerard brings extensive experience across several consumer goods organisations including Lion, PepsiCo, and Goodman Fielder. His prior experience includes strategic brand marketing, innovation, sales, and general management roles across multiple geographies, including Australia and New Zealand and leading PepsiCo's snack brands across Global Markets. Gerard also brings significant digital strategy experience for the enhancement of our digital strategy.

Mr Denis Phelps

Chief Customer Officer
Qualifications: B. Business

Denis leads the customer and category strategies for Noumi – bringing sales for Australia, China, Middle East, New Zealand, and Southeast Asia under one team. His prior experience includes extensive strategic sales, marketing, and general management leadership roles in the developed and emerging markets of Australia, Malaysia, Cambodia, Japan, and New Zealand– for companies such as Danone, Unilever, and Clorox.

Financial Report 2022

Directors' Report

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 year ended 30 June 2022.

The financial statements are presented in Australian Dollars.

1. Principal activities

Noumi Limited is a leading consumer branded beverage and nutritional group with 580 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 plant-based and dairy beverages, dairy and nutritional products, to wholesale and consumer markets.

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

2. Going concern

The Group has prepared the consolidated financial statements for the year ended 30 June 2022 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 FY22 loss after tax of $160.7m (FY21 loss of $53.2m) including US litigation settlement related expense of $55.6m (FY21: $6.0m) and non-cash impairment of non-financial assets of $95.7m (FY21: $1.9m). Net cash outflows from operating activities in FY22 were $40.9m (FY21 outflows of $52.8m) including payments for US litigation settlement expenses of $31.8m (FY21 payments of $4.7m). COVID-19, rising input costs, and geopolitical events presented significant challenges during the year and whilst management mitigated many of these challenges, a number could not be mitigated in the short term.

Management was successful in obtaining price rises from a majority of domestic wholesale customers and certain export customers and is anticipating further price increases and other actions to benefit the business in FY23. The restrictions imposed by COVID-19 impacted sales volumes, productivity and supply chain and other input costs caused delays in fully implementing the Group's transformation program, particularly in relation to the Dairy and Nutritionals business.

Further details regarding the timing of payments relating to US litigation settlement related expenses further details are given in note 7 of the consolidated financial statements.

Financial Position

At 30 June 2022, the Group had net current assets of $39.0m (FY21: net current assets of $40.1m) including assets held for sale of $29.7m (FY21: $6.5m) and net liabilities of $149.0m (FY21: net assets of $1.5m). The net liabilities at 30 June 2022 includes the unpaid portion of the US litigation settlement of $23.8m and $253.1m in respect of convertible notes which were marked to market. Amongst other factors the marked to market for FY22 also included market movements of credit spread in accordance with the requirements of the accounting standards. The convertible notes will cease to be a liability when the noteholders convert the notes into equity or are repaid (refer to note 28 of the consolidated financial statements).

US Litigation Settlement Funding

In order to fund the liabilities arising from US litigation settlement, as announced on 22 February 2022, the Group raised $27m from the issuance of a further tranche (Tranche B) of convertible notes on 4 May 2022 to institutional investors and other eligible wholesale investors. On 17 March 2022, the initial settlement payment was cash settled in the short-term by loan notes which were redeemed from the issuance of Tranche B convertible notes. In relation to the deferred component of the US litigation settlement the Company entered into a separate bank guarantee facility of US$18m with one of its senior lenders, under which the Company granted first ranking security over its shares in AFMH and the proceeds of the sale of such shares, to secure the bank guarantee facility. The sale of the AFMH shares was completed on 23 August 2022 and $25m of the proceeds were collateralised as security for the bank guarantee facility. The bank guarantee facility was used for the issuance of a US$18m bank guarantee which secures the balance of US litigation settlement payments. These two measures along with future cashflows from operations are expected to provide funding in full to meet US litigation liabilities referred to above. Further details are set out in note 7 of the consolidated financial statements.

Directors' Report

Future financial performance

The Group extended its $36m senior secured revolving facility with its existing bank financiers by 12 months with a revised maturity date of May 2024. This was undrawn to the extent of $19m at 30 June 2022 which, together with the cash at bank at 30 June 2022 of $16.2m, operating cashflows and the debtor financing facilities (recourse and non-recourse), are considered by management and the Board to provide the Group with sufficient liquidity for the day-to-day operations of the business, based on current market conditions and expectations.

The Group recorded cash outflow for the Dairy and Nutritionals segment during FY22 and has experienced significant cost increases of inputs including increase in farm gate milk prices. The Group expects to be able to pass on supply chain and input cost increases to customers and in some instances address historical under-pricing while maintaining sales volumes and improving the operational efficiencies of its manufacturing sites as part of its transformation program. To date, the Group has been successful in passing on these higher costs to key domestic dairy customers and the negotiations with export dairy customers are in progress.

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 impacting markets or disrupting supply chain), 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.

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. Pleadings have closed in the consolidated proceeding and the parties are engaged in the process of discovery which is currently scheduled to be completed by January 2023. No evidence has been filed nor have the plaintiffs quantified their claims as yet so the proceeding is still in its early stages. The 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 proceedings, the Group may become liable for material compensation amounts. There is material risk that the Company and Group will have insufficient funds to be able to pay these compensation amounts.

The Directors are proactively taking steps to manage and mitigate the risks associated with the claims.

Due to the uncertainty surrounding the above matters, 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.

Notwithstanding the above, based on the current information and actions being taken, the Directors consider that it is appropriate for the financial report to be prepared on a going concern basis

The consolidated 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 year ended 30 June 2022 attributable to the owners of Noumi Limited of $161.1m (FY21 loss of $38.6m). The losses include $55.6m (FY21: $6.0m) for the US litigation settlement related expenses and non-cash impairment of plant and equipment, right of use assets and intangibles of $95.7m (FY21: $1.9m).

The Group's continuing operations recorded an adjusted operating EBITDA (pre-AASB 16) of $7.3m (FY21: $22.5m). For adjusted operating EBITDA (pre-AASB 16) refer to section 3.3.

The Group's continuing operations recorded an adjusted EBITDA loss of $41.8m (FY21 adjusted EBITDA profit of $15.9m). For adjusted EBITDA refer to note 3 of the consolidated financial statements.

3.1 Overview of material matters during the year and material matters subsequent to 30 June 2022

This section describes:

- the significant events that have occurred in FY22; and
- the material matters, events, and decisions taken by the Group subsequent to 30 June 2022 and up to the publication of this report

Directors' 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. Josée Lemoine's role as Chief Financial Officer concluded on 25 March 2022 and Peter Myers was appointed as Chief Financial Officer on 28 March 2022.

Change of Auditor

Deloitte Touche Tohmatsu's appointment as auditor concluded on 13 April 2022 and KPMG was appointed as auditor on 2 May 2022.

Operations

The Group has faced significant external challenges through FY22, in particular the ongoing and unpredictable impacts of the COVID-19 pandemic and geopolitical uncertainty. These impacts have included rising transport and energy costs, workforce availability and productivity issues and domestic and global supply chain disruptions. More recently, all milk processors in Australia have experienced unprecedented increases in raw milk prices.

During this period, the Group has remained focused on the continued growth of its key brands, particularly the flagship Milklab range, and on implementing the Transform phase of the Reset, Transform and Grow strategy.

This Transformation phase includes;

- Simplification of the business with the sale of non-core assets such as Specialty Seafoods and the Group's shareholding in AFMH, and resolution of the US litigation relating to Milklab distribution.
- Cost reduction initiatives through yield and other productivity improvements, which were initially delayed due to COVID-19 lockdowns and restrictions, but which have shown improvement in the final quarter of the year.
- Supply Chain improvements which benefited in FY22 from a new domestic freight tender and change of supplier, which produced savings and partly offset cost inflation pressures.
- Continued investment in key brands such as Milklab and Australia's Own including the expansion of the direct sales force for Milklab which reduced reliance on distributors and created greater control over the future of the brand.

The Dairy and Nutritionals, segment was impacted by the COVID-19 pandemic, which affected sale volumes, drove higher raw material and transport costs, created supply chain blockages and issues with workforce availability. These conditions were exacerbated in the second half of FY22 by unprecedented increases in raw milk prices, which have affected all milk processors. Whilst the Group has increased prices to offset the increased cost in domestic markets it has not yet finalised negotiations for price increases in all its export markets.

In addition to the change in circumstances in relation to the challenging operating environment, the segment was also impacted by increases in cost of capital assumptions and as a result the Group recognised non-cash asset impairments of $95.7m. This segment is expected to benefit in future periods from the productivity improvements outlined above and from renegotiated customer pricing. Upon improvement of business performance in future, the non-cash impairment will be available for reversal.

COVID-19 pandemic

The COVID-19 pandemic and associated government and community 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.

The emergence of the Omicron strain of COVID-19 across Australia's eastern seaboard in December 2021 had a significant impact on sales in the out-of-home channel and disrupted sales to key export markets in Asia. The Group has been impacted by 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 supply chain, all of which have negatively impacted productivity and costs.

- **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 which have kept employees safe and minimised COVID-19 related interruptions to operations were gradually relaxed during H2 FY22. All sites require all visitors to sign in, with the food manufacturing sites implementing automatic temperature checking to maintain a safe workplace. The Group mandated vaccinations and is strongly encouraging all employees to continue to keep their boosters up to date.

Directors' Report

- **Consumer response**: COVID-19 and government responses, as well as self-imposed lockdowns have influenced consumer behaviours, which are expected to continue to be impacted by new developments and further lockdowns. 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.
- **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 FY22. Export volume to China and SE Asia have been impacted as lockdowns have been implemented in these regions. The Group has not accessed JobKeeper wage subsidies or other government support programs to date.

Geopolitical Conditions

The Group has been impacted by cost increases and disruption to its supply chain arising from the Geopolitical instability. The Group continues to be subject to these influences and as well could be impacted by changes in circumstances or policies affecting its ability to trade in key export markets.

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 and other litigation

Various disclosures have been made regarding the Class Actions including in the Prospectus dated 19 March 2021 and 11 April 2022 (and supplementary Prospectuses) and the ASX releases dated 30 September 2020, 8 March 2021, 28 May 2021 and 17 December 2021.

In its ASX release dated 11 August 2022, Company disclosed a claim by Sunday Collab International Limited in relation to a contractual dispute.

Consideration has been given to these matters, which are being defended, and it has been determined that they are not at a stage to support any material financial impact being provided at the reporting date.

For further details, refer to note 37 Capital commitments and contingent Liabilities.

Divestments

On 12 November 2021, the Group completed the sale of its Specialty Seafood operations and on 23 August 2022, the Group divested its investment in AFMH to partly fund the US litigation settlement.

Except as disclosed above, no material matter or circumstance has arisen since 30 June 2022 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

As previously outlined, Noumi is pursuing a three-phase transformation strategy – Reset, Transform and Grow.

The Group largely completed the Reset phase in FY21 and is now into the first year of the Transform phase, which is focused on driving operational and cost improvements across the business to improve sales and earnings performance.

The transformation of the business is well underway, although hampered with lockdowns, reducing the ability for team members and support providers visiting sites. Whilst it was not until the final quarter of FY22 that operational improvements began to deliver improved productivity, the strategy to invest in sales and marketing, especially in the Plant based Beverage segment is showing positive results.

The Dairy & Nutritionals segment remains a significant focus of the board and executive team. In addition to the transformation work underway focussed on manufacturing performance, more recently it has been necessary to extend the transformation activity to margin structures to take account of global and domestic cost inflation that has impacted the Group's cost structures.

Together, these transformation improvements provide the platform to grow the business by expanding channels, geographies and margins.

Directors' Report

3.3. Operating and financial review – continuing operations

Set out below is a summary statement of profit and loss for the year ended 30 June 2022.

Adjusted EBITDA

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

	Continuing Operations	
	30 June 2022 $'000	30 June 2021 $'000
Net sales	522,340	547,294
Adjusted EBITDA (before US litigation settlement related expenses)	13,795	21,975
US litigation settlement related expenses	(55,621)	(6,048)
Adjusted EBITDA (after US litigation settlement related expenses)	(41,826)	15,927
Share of associates profit	294	607
Fair value changes of convertible notes	9,461	13,994
Gain on remeasurement of leases	4,936	-
Depreciation and amortisation	(26,289)	(27,700)
Impairment of non-financial assets	(95,688)	(1,910)
Net finance costs	(17,449)	(39,535)
Net loss before tax	(166,561)	(38,617)
Income tax expense	5,466	(17)
Net loss after tax	(161,095)	(38,634)

Adjusted Operating EBITDA[1]

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

	Continuing Operations	
	30 June 2022 $'000	30 June 2021 $'000
Adjusted EBITDA (after US litigation settlement related expenses)	(41,826)	15,927
Onerous contracts provision	4,683	-
Product recall costs	-	(998)
Restructuring expenses	6,494	9,216
US litigation settlement related expenses	55,621	6,048
Other litigation expenses	1,327	1,330
Fair value changes of assets held for sale	(6,672)	-
Reversal of FY20 debtor provision	(1,128)	-
Discount charge - limited recourse facility	954	1,319
Unrealised foreign exchange loss	354	770
Employee incentives	547	753
Other non-trading (income)/expenses	(961)	126
Adjusted Operating EBITDA (post AASB 16)	19,393	34,491
Adjustment for rental expense	(12,068)	(11,950)
Adjusted Operating EBITDA (pre AASB 16)	7,325	22,541

[1] Adjusted Operating 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 Operating EBITDA is used by management and the directors as one of the key measures of assessing the financial performance of the Group and individual segments. Adjusted Operating EBITDA excludes restructuring costs, US litigation settlement and associated costs, onerous contracts provision and other non-trading items.

Directors' Report

3.3.1 Commentary on specific items in the profit and loss account

Net sales decreased by 4.6% year on year to $522.3m. Domestic net sales decreased 12.5% year on year to $367.5m and export net sales rose 21.4% year on year to $154.8m. Dairy and Nutritionals net sales declined 9.1% year on year to $358.3m largely due to lower traded milk sales, the removal of unprofitable product lines and the impact of COVID-19. Sales of lactoferrin products were lower due to a pandemic-related interruption in sales momentum in H1 FY22 that has since been resolved, with H2 FY22 sales comparable to the previous corresponding period. When excluding traded milk, Dairy and Nutritionals net sales declined 2.5% to $350m. Notwithstanding the impact of COVID-19 lockdowns, Plant-based net sales rose 7.2% year on year to $164.0m driven by strong growth in Milklab plant-based net sales.

Net losses after tax increased by $122.5m from $38.6m to $161.1m reflecting the impact of the US litigation settlement related costs of $55.6m, non-cash impairment of non-financial assets of $95.7m and the fair value gain adjustment for the convertible notes of $9.5m, together with operating challenges with disruptions from COVID-19, domestic and global supply chain and increase in key input costs.

Adjusted Operating EBITDA (pre AASB 16) of $7.3m was lower than FY21 of $22.5m largely due to the impact of the challenging macro operating environment on sales volumes, cost inflation, productivity, and expenses. Adjusted Operating EBITDA excludes restructuring costs, US litigation settlement and associated costs, onerous contracts provision and other non-trading items.

Impairment of non-financial assets of $95.7m was recognised during FY22 having regard to the change in circumstances in relation to rising input prices in Dairy and in Consumer Nutritionals, customer price increases, cost of capital assumptions and the challenging operating environment. As noted above, the Dairy and Nutritionals segment has recently experienced significant increases in farm gate milk prices and other input costs, and whilst the Group has increased prices to offset the increased cost in domestic dairy markets it has not yet finalised negotiations for price increases in all its export markets. The components of impairment charge are as follows:

Plant and equipment - $62.4m
Right of use assets – $9.4m
Goodwill - $8.3m
Brand - $15.6m

Gain on remeasurement of lease of $4.9m on the prior corresponding period due to not renewing leases for an extended term.

Depreciation and amortisation charges of $26.3m are slightly lower than prior year. This reflects a reduction in AASB16 related depreciation due to changing lease arrangements. The components of the depreciation charge are as follows:

Depreciation – buildings, plant and equipment: $20.0m (FY21: $19.9m)
Depreciation – AASB 16 related: $6.2m (FY21: $7.8m)
Amortisation – software: $0.1m (FY21: nil)

Net finance costs decreased by 55.9% from $39.5m to $17.4m. In FY21, the Group incurred substantial finance costs in the lead up to recapitalisation of the Group in May 2021. The components of FY22 finance costs are as follows:

Interest – based on debt facilities: $7.0m (FY21: $18.7m)
Interest – AASB 16 related: $10.0m (FY21: $11.3m)
Transaction financing costs – convertible notes: $1.0m (FY21: $9.6m)
Interest income - $0.6m (FY21: nil)

Fair value changes of convertible notes amounting to a net $24.9m resulted in a 9.0% decrease in the value of convertible notes from $278m (Tranche A: $251m and Tranche B: $27m) to $253.1m. (Tranche A: $227.3m and Tranche B: $25.8m). This net change in fair value is recorded in profit or loss ($9.5m gain, a decrease in fair value) and the other comprehensive income ($15.5m 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 28 of the consolidated financial statements).

Since the Group has classified the convertible notes as fair value through profit and loss, capitalised interest of $25.9m for FY22 (FY21: $2.1m) is not recorded in profit and loss as interest expense although implied in the fair value approach. The face value of the convertible notes of $292m with capitalised interest to date of $25.9m equate to $317.9m which is fair valued at $253.1m on the balance sheet as at 30 June 2022.

Directors' Report

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 shelf stable dairy milk beverage, nutritional products and performance and adult nutritional powders including the Crankt, Vital Strength and Uprotein brands. These products are manufactured in Australia and sold in Australia and overseas.

Plant-Based Beverages - A range of UHT shelf stable food and beverage products including almond, oat, soy, rice, coconut, hazelnut and other nut-based beverages and liquid stocks. These products are manufactured in Australia and sold in Australia and overseas and include Milklab, and Australia's Own brands.

Set out below is the segment performance for the **continuing operations** of the Group for the year ended 30 June 2022, together with a segment performance table for the year ended 30 June 2021.

Continuing Operations 30 June 2022	Dairy and Nutritional Ingredients $'000	Plant-Based Beverages $'000	Unallocated Shared Services $'000	Total Continuing Operations $'000
Revenue	358,331	164,009	-	522,340
Adjusted EBITDA (after US litigation settlement related expenses)	(20,183)	(15,244)	(6,399)	(41,826)
Onerous contracts provision	4,683	-	-	4,683
Restructuring expenses	-	-	6,494	6,494
US litigation settlement related expenses	-	55,621	-	55,621
Other litigation expenses	-	-	1,327	1,327
Fair value changes of asset held for sale	-	-	(6,672)	(6,672)
Reversal of FY20 debtor provision	-	-	(1,128)	(1,128)
Discounting charge - limited recourse facility	-	-	954	954
Unrealised foreign exchange loss	-	-	354	354
Employee incentives	-	-	547	547
Other non-trading income	-	-	(961)	(961)
Adjusted Operating EBITDA (post AASB 16)	(15,500)	40,377	(5,484)	19,393
Adjustment for rental expense	(5,126)	(6,942)	-	(12,068)
Adjusted Operating EBITDA (pre AASB 16)	(20,626)	33,435	(5,484)	7,325

Directors' Report

Continuing Operations 30 June 2021	Dairy and Nutritional Ingredients $'000	Plant-Based Beverages $'000	Unallocated Shared Services $'000	Total Continuing Operations $'000
Revenue	394,344	152,950	-	547,294
Adjusted EBITDA (after US litigation settlement related expenses)	342	27,680	(12,095)	15,927
Product recall costs	-	(980)	(18)	(998)
Restructuring expenses	-	-	9,216	9,216
US litigation settlement related expenses	-	6,048	-	6,048
Other litigation expenses	-	-	1,330	1,330
Discounting charge - limited recourse facility	-	-	1,319	1,319
Unrealised foreign exchange loss	-	-	770	770
Employee incentives	-	-	753	753
Other non-trading expenses	140	300	(314)	126
Adjusted Operating EBITDA (post AASB 16)	482	33,048	961	34,491
Adjustment for rental expense	(4,555)	(7,395)	-	(11,950)
Adjusted Operating EBITDA (pre AASB 16)	(4,073)	25,653	961	22,541

3.4 Segment performance

Dairy and Nutritionals

12 Months to ('000)	June 2022	June 2021	Change $	Change %
Revenue	**358,331**	**394,344**	**(36,013)**	**(9.1%)**
Adjusted Operating EBITDA Pre AASB16	**(20,626)**	**(4,073)**	**(16,553)**	**(406.4%)**
Adjusted Operating EBITDA Pre AASB16 Margin %	(5.8%)	(1.0%)		
Adjusted Operating EBITDA Post AASB16	(15,500)	482	(15,982)	(n.m)
Adjusted Operating EBITDA Post AASB16 Margin %	(4.3%)	0.1%		
Adjusted EBITDA	**(20,183)**	**342**	**(20,525)**	(n.m)
Adjusted EBITDA Margin %	(5.6%)	0.1%		

Revenue for the 12 months to 30 June 2022 declined 9.1% to $358.3 million. In addition to the COVID-19 effects, revenue was affected by the deliberate strategy to reduce traded milk sales and the removal of unprofitable 2L format product lines. Excluding traded milk sales, H2 FY22 Dairy and Nutritionals revenue rose 1.5% year on year.

Sales in the Australian and New Zealand retail channel were down 15.2% compared to FY21 partly offset by 19.5% growth in the out-of-home channel and 20.3% growth in exports. Milklab dairy continued its strong sales momentum, with sales up 33.5% in the period.

Sales of lactoferrin products were lower due to a pandemic-related interruption in sales momentum in H1 FY22 that has since been resolved, with H2 FY22 sales comparable to the previous corresponding period.

COVID-19 created issues with workforce availability that adversely affected productivity and costs, particularly at the Company's Shepparton operations in Victoria in H1 FY22. The Company reprioritised management of these issues, resulting in delays to the implementation of some operational improvement initiatives.

The Dairy and Nutritionals segment adjusted operating EBITDA loss was $20.6 million for FY22, a deterioration from a loss of $4.1 million in FY21.

Directors' Report

Plant-Based Beverages

12 Months to ('000)	June 2022	June 2021	Change $	Change %
Revenue	**164,009**	**152,950**	**11,059**	**7.2%**
Adjusted Operating EBITDA Pre AASB16	**33,435**	**25,653**	**7,782**	**30.3%**
Adjusted Operating EBITDA Pre AASB16 Margin %	20.4%	16.8%		
Adjusted Operating EBITDA Post AASB16	40,377	33,048	7,329	22.2%
Adjusted Operating EBITDA Post AASB16 Margin %	24.6%	21.6%		
Adjusted EBITDA (after US litigation settlement related expenses)	**(15,244)**	**27,680**	**(42,924)**	**(155.1%)**
Adjusted EBITDA Margin %	(9.3%)	18.1%		

Revenue for FY22 rose 7.2 % to $164.0 million driven by growth in the out-of-home channel and Asian export markets. Adjusted Operating EBITDA increased 30.3% to $33.4 million, with EBITDA margins rising to 20.4% from 16.8% in FY21.

The strong growth, achieved notwithstanding the impact of COVID-19, reflects both the ongoing consumer demand for healthier lifestyle choices and Noumi's strategic investments in its market-leading brands and its out-of-home direct sales force, which has supplemented the Company's partnership with third-party distributors to promote its core brand Milklab.

Importantly, the resolution of US litigation in February 2022 has removed all restrictions on sales of Milklab and nut-based milk in Australia and overseas.

Plant-based Beverages sales have now achieved a compound annual growth rate of 7.4% since FY20 as more products and formats become available for health-conscious consumers. The new Milklab Oat and Australia's Own Oat milk products, which were launched in mid-2021, continue to gain market share within the plant-based beverage category. The Company continues to expand distribution points in Australia and Asia.

Sales in the out-of-home channel rose 17.4%, while exports to Asia jumped 38.0%, more than offsetting a 5.3% decline in the Australia and New Zealand retail sales channel. Milklab continued its strong growth with sales of its plant-based range up 25.2% in FY22, with Australia's Own plant-based sales up 16.0%, offsetting declines in private label sales.

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:

	Discontinued Operations	
	30 June 2022 $'000	30 June 2021 $'000
Revenue	5,427	11,775
Adjusted EBITDA	414	(141)
Gain on sale of assets	-	-
Adjusted Operating EBITDA (post AASB 16)	414	(141)
Adjustment for rental expense	(5)	(43)
Adjusted Operating EBITDA (pre AASB 16)	409	(184)

Directors' Report

3.6 Statement of financial position

Set out below is a summary balance sheet as at 30 June 2022 together with summary balance sheet as at 30 June 2021.

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Current assets	131,150	133,791
Assets held for sale	29,651	6,464
Non-current assets	259,327	398,414
Total assets	**420,128**	**538,669**
Current liabilities	(121,770)	(100,198)
Non-current liabilities	(447,369)	(436,978)
Total liabilities	**(569,139)**	**(537,176)**
Net assets/(liabilities)	**(149,011)**	**1,493**
Share capital	598,712	598,712
Reserves	(50,140)	(60,378)
Accumulated losses	(697,583)	(536,841)
Total equity	**(149,011)**	**1,493**

3.6.1 Commentary on specific items in the statement of financial position

Cash and cash equivalents decreased by $15.4m to $16.2m impacted by cost pressures and payment of litigation expenses partially offset by drawdown of revolver finance facility.

Trade and other receivables increased by 14% from $50.1m to $57.3m reflecting a change in mix of sales in favour of out of home customers as well as increased debtor days due to supply chain disruption causing delay in export sales and impacting payment timing. Debtor days increased from 55 days to 58 days as a result.

Inventories increased by 9.7% from $48.3m to $53m. 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 increased by 0.6% from $67.5m to $67.9m, reflecting increase in input costs.

Property, plant and equipment decreased by 27.7% from $253.6m to $183.3m, reflecting depreciation ($20m) and the impairment of non-financial assets ($62.4m) partially offset by additions ($6.0m) and transfer from assets held for sale ($6.4m). 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.

Right of use assets decreased by 26.9% from $86.5m to $63.2m, reflecting depreciation ($6.2m), remeasurement of lease ($9.8m) and the impairment of right of use assets ($9.4m) partially offset by additions ($2.1m).

Net deferred tax assets remain at $nil. Change in fair value of convertible notes resulted in recognition of deferred tax liability amounting to $4.6m. A corresponding deferred tax asset was recognised of the same amount. 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 is reassessed on an annual basis.

Borrowings increased by 2.1% from $349.9m to $357.3m. Borrowings include convertible notes which increased by 0.8% from $251m to $253.1m. As detailed in note 28, the convertible notes balance does not include capitalised interest of $28m (FY21: $2.1m) although implied in the fair value approach. Further detail on cashflow and funding is shown in next section.

Net liabilities of $149.0m includes US litigation settlement accrual for the unpaid portion of the $23.8m settlement related expenses and convertible note liability of $253.1m. 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 positive $1.5m to negative $149.0m, reflecting primarily the loss incurred by the Group in FY22. The loss during the year includes the impact of US litigation settlement related expenses ($55.6m) and non-cash impairment of non-financial assets ($95.7m).

Directors' Report

3.6.2 Commentary on cashflow and funding

	Consolidated	
	30 June 2022 $'000	30 June 2021 $'000
Cash flow from operations	**5,981**	**(5,523)**
Cash flow from operations including adjustments and financing costs	(46,840)	(47,274)
Cash flow from operating activities	(40,859)	(52,797)
Cash flow from investing activities	(3,928)	13,500
Cash flow from financing activities	29,329	53,798
Net (decrease) / increase in cash and cash equivalents	(15,458)	14,501
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 year	**16,210**	**31,668**

	Continuing operations	
	30 June 2022 $'000	30 June 2021 $'000
Cash flow from operations	3,580	12,253
Cash flow from operations including adjustments and financing costs	(46,840)	(46,738)
Cash flow from operating activities	(43,260)	(34,485)
Cash flow from investing activities	(6,015)	(2,658)
Cash flow from financing activities	29,329	61,817
Net (decrease) / increase in cash and cash equivalents	**(19,946)**	**24,674**

	Discontinued operations	
	30 June 2022 $'000	30 June 2021 $'000
Cash flow from operating activities	2,401	(18,312)
Cash flow from investing activities	2,087	16,158
Cash flow from financing activities	-	(8,019)
Net increase / (decrease) in cash and cash equivalents	**4,488**	**(10,173)**

Cash flow from operations before financing and non-recurring adjustments were $11.5m higher than prior year. Last year included significant losses from Cereals and Snacks business which was disposed during FY21.

Cash flow from investing activities were $17.4m lower in the continuing operations primarily attributable to proceeds from disposal of the Cereals & Snacks business amounting to $16.2m during FY21.

Cash flow from financing activities include $27m receipts from convertible notes Tranche B issuance and drawdown of $17m from revolver finance facility partially offset by repayment of borrowings and leases and payment of financing transaction costs.

4. Dividends

There were no dividends declared for FY22 and FY21.

Directors' Report

5. Environmental, Social and Governance

The Group has developed a comprehensive Environmental, Social & Governance (ESG) strategy to improve its ESG performance, reporting and profile. As part of the transformation underway, a focus on the refresh of Noumi's ESG aspirations was identified: what we must do; what we should do; what we could do. These strategic aspirations will drive the ESG strategy and reporting going forward and enable the measurement and management of key ESG indicators such as carbon emissions, workforce diversity, and supply chain sustainability.

5.1 Environmental regulation

The Group's operations are subject to environmental regulation under the laws and regulations of the Commonwealth of Australia, and various Australian State and local regulatory bodies. The Group has conformed to environmental laws, regulations, standards and other requirements such as site permits to operate or waste management

5.2 Environment and Sustainability Statement

The Group is committed to making a distinctive and positive contribution to its communities and its operating environments. Sustainability is a business method that ensures safety, efficiency and responsibility in a manner that protects the Group's employees, communities, shareholders, and the environment, now and in the future. Daily operations align business performance with a commitment to environmental, social and community stewardship.

Some of the key targets for the business are set out below:

- 50% reduction in Scope 1 and Scope 2 emissions by 2030
- 100% renewable electricity by 2030
- 90% of farmers partnering on carbon reduction initiatives by 2030
- 100% of all Noumi packaging APCO compliant (reusable, recyclable or compostable) by 2025
- Zero Waste to landfill from operations by 2030

5.3 Quality and food safety

Quality and food safety is an important foundation for the ongoing success of the Group. The Group strives to achieve quality across the business through its products, services and people. Quality and food safety is intrinsic to the business philosophy and culture. The quality and safety of the products, as well as meeting the requirements of customers, are high priorities of the Group.

The Group has a range of certification and regulatory bodies independently auditing its sites based on standards including:

- State-based Food Authority audits and Export Registered Facilities audit via the Department of Agriculture, Water, and the Environment;
- Global Food Safety Initiative (GFSI) Standards such as Safe Quality Food (SQF) and British Retail Consortium (BRC);
- HACCP Certification;
- Retailer and customer standards; and
- Product-specific standards, such as Australian Certified Organics

Certification requirements are continually reviewed for export markets. Noumi has a continuous improvement focus on quality processes and practices and continues to be in compliance with all food safety standards. The group has continued to improve in consumer complaints and first-time quality increasing to 93.3% across the 12 months of the reporting period.

5.4 Safety

Statement of commitment

The Group is committed to providing a workplace that enables all work activities to be carried out safely.

6. Risks

Approach

The Group considers risk management integral to the successful achievement of its mission, vision, and values. It is committed to protecting itself, its people, its customers, its suppliers, and the public while conducting its business activities. It recognises that effective risk management is critical for anticipating and managing situations or events that could prevent it from achieving its objectives.

Key to this is to ensure that the processes of risk identification, assessment and management are embedded in every aspect of the Group's businesses. The Risk and Compliance Committee has, during FY22, undertaken a comprehensive review of the Group's risk appetite statement (RAS), its risk management framework and its key risk Indicators (KRI's) and how they are being managed.

Directors' Report

Measuring and Managing Risk

The Group's Risk Management Framework (RMF) aims to ensure that risk management is undertaken throughout the business and managed in a structured and systematic manner. The RMF describes the key elements that govern the Group's approach to managing risk and the strategy for managing its material risks. The RMF, together with the approved risk appetite, supporting policies and culture provide a consistent approach to managing risk to reasonably practicable levels which enables the achievement of the Group's strategy and business plans.

Risk appetite refers to the amount and type of risk that the Group considers reasonable to accept to achieve its objectives. It balances the benefits of change or innovation with the threats that the change may bring. It sets the boundaries for the risks that can be tolerated in the Group's activities and helps find the balance between risk taking and risk avoidance. Overall, the Group has a balanced approach to risk. Risk appetite is based on core values and aligned with strategic objectives.

It's important to remember that risk management is not purely about the avoidance of risk. Noumi's vision and strategic objectives require that risk is managed based on value. Noumi accepts that risk is commensurate with potential reward such as growth, transformation and innovation.

There are a number of material business risks that have the potential to impact the Group's ability to achieve its objectives. These risks are summarised below and are each accompanied by the details of how the Group responds to and manages the risk in each category.

Risk Type	Description of the risks	How risks are managed
Access to financial resources	The Group's business activities require access to equity and debt markets to finance its day to day working capital and invest in long term income producing assets. Access to these markets can change from time to time based on economic and financial markets conditions, geopolitical issues in the markets in which the Group operates in, the risk appetite of banks and other credit providers, the investment appetite of equity investors, and the view of the Group as a suitable party to extend credit to or invest in.	This financial year, the Group's board and management have devoted significant time and resources to improving the financial management of the Group to allow it to obtain ongoing access to equity and debt markets to assist financing the Group's activities and to meet future needs. The Board has sought additional input from external advisors. The Finance & Audit Committee is focused on continuing to improve the overall financial management of the Group in future periods.
Changing consumer preferences in competitive markets	Consumer tastes and buying preferences in relation to the Group's products are constantly changing. These preference changes can be in response to a range of factors, including new products entering the market, environmental factors, health and nutritional advices, regulation, sales and marketing initiatives by the Group's competitors, and product price changes by the Group and its competitors. The capacity of the Group's competitors to introduce competing products with those of the Group is high. The Group can be at risk of its products being replaced in key channels by products produced by its competitors. Any reduction in the Group's product sales and market shares in each segment may impact its financial performance in the short, medium and long term.	The Group focuses on being a leading innovator in its chosen product and channel segments. This focus has, in recent years, seen the launch of numerous products in existing and new segments. The Group seeks to maintain and grow market share by having consistently high-quality and consumer-relevant products. The Group strives to be at the forefront of changes in market trends at the consumer level and understanding the response from competitors to these changes. It uses consumer insights, research and data in its development of new products and optimising the existing portfolio. A rigorous new product development process has been implemented.

Directors' Report

Risk Type	Description of the risks	How risks are managed
Impact of climate change and environmental risks	The Group is exposed to the short, medium, and long-term climate change and environment related risks. These risks include: • physical climate-related event risks, extreme weather events, increased volatility and change in weather patterns including drought, floods and bushfires; • restricted availability, use and pricing of water in manufacturing activities • the impact of climate change events on the supply and cost of milk and other agricultural products, • treatment and disposal of waste from manufacturing processes; and • increased energy costs, increased taxation and other environmental and climate related transactions costs as operating economics change and adapt to environmental and climate change impacts; These risks could adversely affect the Group's operations, business practices, financial performance and reputation if not adequately managed.	The Group has been proactive in its operational activities to reduce the impact on the environment through capital investment in chemical treatment and removal programs, factory site rooftop solar energy generation to replace electricity, and increasing efficiencies in production and reducing the amount of waste needing to be processed off site. Further projects are planned to increase the sustainability of the production sites. The Group develop a more comprehensive approach to sustainability and climate change strategy in 2022. It also intends to include in its corporate disclosures climate and environment related risks and related financial impacts, in line with market practices. The climate change and environment strategy addresses a range of issues including emission reduction targets, benchmarks for business partnership agreements, and other initiatives.
Cultural	Among other things, poor corporate culture can lead to unethical practices, lack of trust, poor decision-making, increased employee turnover and reduced motivation.	The Group's Board and management are laying the groundwork for a positive and inclusive culture. A new remuneration structure has been established to align with business strategy and desired behaviours. The People and Culture Committee has refreshed its policy documentation, including the Committee Charter.
Biological Risks	During the year there have been a number of issues regarding the bee varroa mite incursion into Australia as well as the heightened risk of Foot and Mouth Disease (FMD) and also Lumpy Skin Disease (LSD). These risks can impact supply of the raw materials and may also impact Group's ability to sell due to restrictions, mainly in export markets.	The Group continues to work with suppliers and encourage the relevant government agencies to establish the highest standards of prevention and mitigation in respect of biological threats.
Pandemic Risks	The COVID-19 pandemic that emerged in March 2020 in Australia has impacted most businesses. The Group has been impacted by the COVID-19 pandemic including the loss of revenue, mainly in the sale of Lactoferrin and out-of-home products. The length and duration of the current pandemic and the economic impact remain uncertain. The pandemic will continue to have an ongoing and unknown impact on the Group. Any further virus outbreaks in Australia or overseas may adversely affect the Group's business operations and financial performance.	The Group put in place measures in early 2020 to protect its key sites and employees. The Group has detailed protocols in place for any virus outbreaks in the states and regions in which it operates. As a result of the measures put in place, production disruptions at the Group's manufacturing sites were minimised. The Group closely monitors the markets and geographic regions in which it distributes its products to assess the impact of COVID-19. The Group continues to seek better ways to serve its consumers and has enhanced distribution and sales via digital channels.

Directors' Report

Risk Type	Description of the risks	How risks are managed
Doing Business in Export Markets	The Group is exposed to a range of risks doing business in international markets, particularly in China and Southeast Asian markets. Business practices and local laws and regulations differ greatly from country to country. There is also risk that changes in international circumstances or policies could impact Australian exporters, or more specifically, the Group's ability to operate in its key markets which may adversely affect the Group's business operations and financial performance. There are also personal risks to the Group's employees operating in or travelling to these countries that can include arbitrary detention, criminal or civil charges, or fines for alleged illegal business practices.	The Group seeks to manage these risks in a number or ways: • Employing experienced local personnel and working with long-established business partners and customers to assist, understand and navigate the local business environment in each market; • Ongoing monitoring for any adverse geopolitical, business and regulatory developments in each market; • Ensuring business decisions, business partnerships and other contractual arrangements do not place employees or the Group at risk; • Managing over reliance on one single customer or country by monitoring customer and country limits; and • Contracting with offshore buyers to take delivery of products within Australia as opposed to at the country of destination.
Quality and Food Safety	The Group supplies a range of food products for human consumption. As a result, the Group is inherently exposed to risks in the entire production chain from receipt of ingredients through to dispatch to the end consumer. Risks can include food safety, product or packaging quality and/or food integrity issues (including interference by third parties) that may result in injury or harm to consumers. In addition, any food quality or safety incidents may cause disruption to business activities, result in increased costs, lead to potential litigation, and damage the Group's reputation.	The Group has measures in place to manage and minimise food quality, packaging and safety risks using the latest technologies, including: • rigorous food safety and quality management systems, using the latest technologies, which are the subject of continuous review; • staff training and communication; • reputable third-party suppliers and partners; • compliance with food safety and standard laws and accreditation processes; and • established food safety incident and product recall policies and procedures (including trial runs).
Legal action	Legal action arises from time to time in the normal business activities of the Group. Litigation can arise from commercial disputes between the Group and it business partners, suppliers, employees and other third parties, and government bodies for alleged or actual failures to adhere to government regulations. Litigation can, at times take a long time to emerge, such that reputational and other negative impacts can be experienced in the present in respect of issues that are not contemporary matters. Litigation is costly and consumes board and management time and resources. It creates reputational risk, brand damage and potential liabilities for the Group, its Directors and Officers, and employees.	The Group is conscious of the reputational and financial impacts that can arise from litigation and takes all practical measures to manage potential or actual legal disputes. This includes endeavouring to prevent disputes from escalating, ensuring advice is taken on matters to address a dispute, seeking to avoid the use of court processes and, where appropriate, having insurance in place to limit the financial impact. The Group actively manages the communication of disputes with the objective of minimising reputational impacts.

Directors' Report

Risk Type	Description of the risks	How risks are managed
Manufacturing disruption	Production and sale of the Group's products rely on the continued operation of the Group's manufacturing facilities and consistent delivery of product volumes to meet the Group's contractual requirements and demand growth. Any material disruption to key parts of the manufacturing or supply chain process may result in a failure to meet contractual sales volumes, loss of sales and revenue, termination of contracts and business partnership agreements, litigation and reputation damage.	The Group seeks to manage these risks in a number or ways: • Employing experienced personnel; • Well-designed manufacturing plant and equipment; • Well-designed operating systems; and • Industry best practice in relation to maintenance and business continuity planning. Property and business interruption insurance is in place for operations.
Regulatory investigations and other action	The Group may be the subject of regulatory investigations that may result in an adverse impact on the Company and stakeholders. The outcomes of any such investigations can be litigation, civil or criminal prosecution and/or lead to fines, compensation, remediation expense and/or restrictions on the Group's ability to operate its businesses.	The Group seeks to manage all its risks to avoid adverse events that may lead to regulatory investigations and other actions. The Group's organisation structure includes specific operational teams focused on financial, quality, workplace health and safety and people and culture matters. The overall management of risk is governed by the Group's Risk Management Framework. The Risk and Compliance Committee has oversight of operation of the Risk Management Framework and the management of risk across the Group.
Technology and Security	This concerns the risk of a material cyber intrusion which could severely disrupt operations or otherwise compromise critical information	The Group uses reputable providers of security services and regularly performs penetration testing. The group is increasing its cyber education and compliance testing to meet the changing cyber environment.

Directors' Report

7. Information on Directors

The Directors of Noumi in office at any time during the financial year and up to the date of this report together with information on their qualifications and experience are set out on pages 40 to 41. Directors interest in Noumi's shares and details of other directorship are set out below:

Name:	**Ms Genevieve Gregor**
Other current listed directorships:	None
Former listed directorships (last 3 years):	None
Interests in shares:	Indirect interest in 23,500 ordinary shares, 150,000 convertible notes and 7,291 listed options.

Name:	**Mr Tony M. Perich AM**
Other current listed directorships:	None
Former listed directorships (last 3 years):	None
Interests in shares:	Indirect interest in 145,556,000 ordinary shares and 126,142,300 convertible notes

Name:	**Mr Tim Bryan**
Other current listed directorships:	None
Former listed directorships (last 3 years):	None
Interests in shares:	Indirect interest in 54,126 ordinary shares and 25,000 convertible notes

Name:	**Ms Jane McKellar**
Other current listed directorships:	GWA Group Limited, McPhersons Limited and a Non-Executive Director of the NRMA.
Former listed directorships (last 3 years):	None
Interests in shares:	Direct interest in 1,605 ordinary shares and 74,910 convertible notes.

Name:	**Mr Stuart Black AM**
Other current listed directorships:	Australian Agricultural Company Limited
Former listed directorships (last 3 years):	Palla Pharma Limited (appointed in 2016 and resigned in 2021)
Interests in shares:	Indirect interest in 25,000 convertible notes

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

8. Company secretary

Mr Justin Coss was appointed Group General Counsel and Company Secretary on 23 November 2020 and continues to perform that role.

Directors' Report

9. Meetings of Directors

The number of meetings of the Company's Board of Directors ('Board') and of each Board committee held during the year ended 30 June 2022 and the number of meetings attended by each Director were:

	Board		Finance and Audit Committee		Risk and Compliance Committee		People & Culture Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Genevieve Gregor	20	20	10	10	4	4	3	3
Tony Perich[1]	20	20	4	10	1	4	-	3
Jane McKellar	19	20	9	10	4	4	3	3
Tim Bryan	20	20	9	10	4	4	3	3
Stuart Black[2]	20	20	10	10	4	4	3	3

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Notes:
[1] Tony Perich attended four Finance and Audit Committee meetings as an observer.
[2] Stuart Black attended three People & Culture Committee meetings as an observer.

10. Remuneration Report (Audited)

Overview

This remuneration report for the year ended 30 June 2022 details the remuneration arrangements of the Key Management Personnel (KMP) of the Company in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company. In the interests of investors and stakeholders, this Remuneration Report sets out the design for the Company's Executive KMP remuneration framework and governance in alignment with the Convertible Note arrangement and in support of stakeholder value creation.

This remuneration report is presented under the following sections:

- 10.1. Key Management Personnel (KMP) in this Report
- 10.2. KMP Remuneration Framework and Governance
- 10.3. KPIs and Balanced Scorecard – the Link Between Company Performance and Executive KMP Remuneration
- 10.4. Executive KMP Remuneration Mix
- 10.5 Executive KMP Remuneration and STIP and LTIP outcomes
- 10.6 Executive KMP Remuneration Tables
- 10.7 Contractual Arrangements with Executive KMP at 30 June 2022
- 10.8 Non-executive Director Remuneration

Directors' Report

10.1 Key Management Personnel (KMP) in this Report

The following persons acted as Directors and KMP of the Company during or since the beginning of FY22:

Name	Position	Period as KMP
Executive KMP		
Michael Perich	Chief Executive Officer	Full Year
Josée Lemoine[1]	Chief Financial Officer	From 19 February 2021 to 25 March 2022
Peter Myers[2]	Chief Financial Officer	From 28 March 2022
Stuart Muir	Chief Operations Officer	Full Year
Non-executive Directors		
Genevieve Gregor	Chair and Independent Non-executive Director	Full Year
Tony Perich AM	Deputy Chair and Non-executive Director	Full Year
Jane McKellar	Independent Non-executive Director	Full Year
Tim Bryan	Non-executive Director	Full Year
Stuart Black AM	Independent Non-executive Director	Full Year

Notes:
[1] Josée Lemoine's role as Chief Financial Officer and executive KMP concluded on 25 March 2022, however her employment with the Company terminated on 30 June 2022, where the period between 25 March 2022 and 30 June 2022 was notice period served.
[2] Company commencement date for Peter Myers.

10.2. KMP Remuneration Framework and Governance

The People and Culture Committee Charter states that:

The People and Culture Committee makes recommendations to the Board, in line with the Board Charter, to ensure that the Company has effective remuneration policies and practices, in order to attract and retain high calibre Directors, CEO and KMP for the Company.

Remuneration Principles

The Company remuneration strategy is designed to attract, engage and retain talented people by aligning market competitive remuneration with sustainable business performance.

The objectives are to have a remuneration framework that:

- Aligns with shareholder/stakeholder value creation
- Aligns with strategy and goal achievement
- Is clear and fit for purpose
- Attracts, retains, and motivates talented executives
- Is always subject to Board discretion and approval in the interests of strong governance.

Engagement of Independent Remuneration Advisors to the Board

The Company continues to operate under the remuneration framework outlined in its FY21 Annual Report and as applied in FY22. As noted in the FY21 Annual Report, the Board of Noumi Limited engaged independent advisors Ernst & Young (EY) to provide market guidance on the proposed new business performance metrics and Short-Term Incentive Plan (STIP) and Long-Term Incentive Plan (LTIP) for FY22. The resulting remuneration framework was endorsed by shareholders at the Annual General Meeting (AGM) on 18 November 2021 and the framework has not been changed since this endorsement.

EY completed their review in August 2021 and were paid on completion of the work in the amounts of:

- $40,096 including GST for advice to the Board on the Executive KMP remuneration framework; and
- $51,286 including GST for advice to the Board on CEO remuneration benchmarking (and CEO contract review) and Prospectus support relating to Non-executive Director fees.

Directors' Report

KMP Remuneration Framework and Executive Incentive Structure

The executive incentive framework was re-designed for FY21 and was reviewed and refined for FY22 and remains unchanged. The design for the relevant financial year is described below:

FY21

The FY21 remuneration framework changes were outlined in the FY20 annual report. Crichton + Associates were engaged by the Board in FY20 to provide independent advice on the FY21 remuneration framework.

The principles of the Company's revised remuneration strategy for FY21 included the objectives to:

- Provide market competitive fixed annual remuneration for KMP positions under a transparent framework and review procedures;
- Provide market competitive remuneration opportunities for intra-year performance if financial, customer and employee key performance indicators (KPI) are met;
- Link executive rewards to shareholder value accretion by providing appropriate equity (or equivalent) incentives to selected senior executives and employees linked to long-term company performance and core values;
- Provide competitive total rewards to attract and retain appropriately skilled employees and executives;
- Have a meaningful portion of remuneration 'at risk', dependent upon meeting pre-determined benchmarks, both short (annual) and long term (3+ years), or paid at Board discretion for talent retention or other purposes;
- Establish appropriate, demanding performance hurdles for any executive equity incentive remuneration;
- Drive the right senior leadership behaviours and outcomes to build a constructive culture through balanced scorecard measures; and
- Introduce malus forfeiture (claw back) guidelines to LTIP, addressing financial and non-financial matters. The strategy has been drafted in such a way as to enable the Company to navigate the complexity of managing remuneration across varying job roles and geographies.
- It was also announced that salary reviews for Board approval will be undertaken each year. However, given the impacts of COVID-19 and prevailing market conditions, no company-wide salary review or general increase pool was awarded across the business for FY21.

FY22 and FY23

In support of the recapitalisation and transformation, and under independent guidance from EY, who completed their review in August 2021, the People and Culture Committee reviewed the remuneration framework for FY22 and on 26 August 2021 the Board resolved to adopt the new business performance metrics and the new executive incentive framework. This established the link between executive KMP incentives with the Company's business plans and objectives.

The new executive incentive framework provides discrete performance measures for the STIP and LTIP. This framework ensures short-term performance is assessed against operational and financial metrics and long-term performance is assessed against value creation.

Under the new LTIP arrangement for FY22, all LTIP awards are to be awarded, deferred and paid in cash or equity at Board's discretion (under the Convertible Note arrangement) subject to achievement of key performance criteria, or at Board discretion, for example, for talent retention purposes.

This framework remains in place for FY23 without change.

Key features of the framework for FY22 and FY23 are set and awarded at Board discretion and are described as having the following objectives:

- That the remuneration framework can consist of the option to apply a fixed remuneration and an executive incentive structure. The executive incentive structure has the potential to comprise STIP and LTIP at Board discretion.
- Performance hurdles for the STIP and LTIP are set at the commencement of Year 1 of each performance period. The STIP and LTIP are subject to discrete sets of performance metrics. Any award which does not vest lapses immediately and is not retested.
- Performance would be measured once over a one-year performance period for the STIP and LTIP, with a deferral period applying to the LTIP for a maximum of three years ("service period").
- Performance would ordinarily be weighted across safety, quality, financial, operational and cultural metrics to create a balanced scorecard approach to assess remuneration.

Directors' Report

Governance

Board discretion is an overarching driver for performance-based awards, and the objectives are for:

- Any STIP or LTIP payment to be approved by the Board and released after audited accounts are confirmed.
- The board to retain discretion to award any subsequent incentives in cash or equity.
- Both STIP and LTIP may be subject to malus and/or clawback in cases of employee misconduct including but not limited to fraud; gross misconduct; and solicitation of employee and/or customer for 12 months following termination. In addition, the LTIP may only be paid if the executive remains employed by the business and is not under notice, usually three years after the LTIP is initially granted.
- The Board of Directors to maintain absolute discretion over all invitations and awards (pay-outs) under any incentive scheme.

Performance gateways are to be achieved for related incentives to be paid, unless Board discretion determines an alternative approach under particular circumstances such as, but not limited to, Executive KMP talent retention during tight economic conditions.

10.3. KPIs and Balanced Scorecard – the Link Between Company Performance and Executive KMP Remuneration

STIP and LTIP performance measures are designed to support stakeholder value creation and to drive the Company's financial, operational and cultural transformation in the short, medium and long term.

The design for the Executive KMP STIP and LTIP enables an arrangement where metrics would not be replicated between short- and long-term incentives to avoid the potential for "double dipping" on performance outcomes. The objective is for each metric to be assessed individually, with threshold, target, and stretch outcomes paid on each line item in the scorecard - and subject to the achievement of minimum gateways. The Company has adopted the balanced scorecard framework to set performance targets and measure performance, with KPIs adopted across the following metrics:

- Financial (50% of target): Includes cash conversion, EBITDA, NPAT and return on assets.
- Non-Financial (50% of target): Includes safety and quality targets, customer service and employee engagement

Independence

The Board is satisfied that any recommendations on the remuneration framework as adopted by the People and Culture Committee and the Board in FY22 and as carried through to FY23 were made free from undue influence from any member of the KMP to whom the recommendations related.

Performance

For the period up to 30 June 2022, KMPs received fixed annual remuneration and variable performance-based remuneration in the form of cash, linked to key milestones achieved by the business. These key milestones included variable remuneration awards to KMP who have contributed significant effort and expertise to the performance of the organisation during challenging conditions for the Company. The tables below provide the notations regarding any such Executive KMP awards.

The earnings of the Company for the five years to 30 June 2022 are summarised below:

	2022[1] $'000	2021[1] $'000	2020 restated $'000	2019 restated $'000	2018[3] $'000
Net sales revenue	522,340	547,294	516,651	461,768	
Adjusted Operating EBITDA[2]	7,325	22,541	(53,988)	(88,482)	Not restated
Loss after income tax	(161,095)	(38,634)	(136,361)	(145,827)	

Notes:
[1] Earnings from continuing operations.
[2] Adjusted for non-trading and non-recurring items (including restructuring costs, product recall claim and unrealised foreign exchange loss), pre AASB 16. It is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Operating EBITDA is a term defined in the offer letters to employees which is used by management and directors as a key measure of assessing the financial performance of the Company and individual segments. The Operating EBITDA is equivalent to the Adjusted Operating EBITDA as set out in the directors' report excluding AASB16 adjustments i.e. Adjusted Operating EBITDA (pre-AASB16).
[3] Restatement of the FY19 revenue and Adjusted Operating EBITDA has consequently resulted in the prior year announced results being non-comparable. These amounts have therefore not been restated.

Directors' Report

Adjusted Operating EBITDA

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

	Continuing operations	
	30 June 2022 $'000	30 June 2021 $'000
Adjusted EBITDA	(41,826)	15,927
Onerous contracts provision	4,683	-
Product recall costs	-	(998)
Restructuring expenses	6,494	9,216
US litigation settlement related expenses	55,621	6,048
Other litigation expenses	1,327	1,330
Fair value changes of assets held for sale	(6,672)	-
Reversal of FY20 debtor provision	(1,128)	-
Discount charge - limited recourse facility	954	1,319
Unrealised foreign exchange loss	354	770
Employee incentives	547	753
Other non-trading (income)/expenses	(961)	126
Adjusted Operating EBITDA (post AASB 16)	19,393	34,491
Adjustment for rental expense	(12,068)	(11,950)
Adjusted Operating EBITDA (pre AASB 16)	7,325	22,541

10.4 Executive KMP Remuneration Mix

Salary reviews for Board approval will be undertaken each year. KMP salary increases are at the discretion of the Board.

The following remuneration mix is targeted by level:

Position	Fixed Remuneration (FR) - at target	Short Term Incentive Plan (STIP)[3] – at target	Long Term Incentive Plan (LTIP)[3] – at target	Total Targeted Remuneration (TTR)
Chief Executive Officer[1]	Up to 50%	Up to 25%	Up to 25%	100%
Chief Financial Officer[2]	Up to 50%	Up to 30%	Up to 20%	100%
Chief Operating Officer	Up to 60%	Up to 20%	Up to 20%	100%

Notes:

[1] While CEO performance and accountability remains aligned with the business performance metrics of the Company, the Chief Executive Officer, Michael Perich, elected not to participate in the STIP and LTIP in FY21 and FY22. Michael Perich has again elected not to participate in the STIP and LTIP for FY23.

[2] Peter Myers was appointed as CFO from 28 March 2022 and hence his executive incentive plan is effective from the beginning of FY23.

[3] Executive incentive plan (STIP and LTIP) is performance based and the payment is subject to Board discretion.

The Board has approved an executive remuneration malus and claw back provision in relation to performance-based remuneration.

The objective is for the People & Culture Committee to review the performance measures, remuneration framework and associated guiding principles once per annum, or more frequently if required for a specific purpose. The remuneration philosophy is to review the Executive KMP remuneration framework in future to incorporate a higher at-risk component (as a percentage of overall package), if appropriate.

Directors' Report

10.5 Executive KMP Remuneration and STIP and LTIP outcomes

In assessing the KMP, a review of the roles performed by KMP is undertaken by the People and Culture Committee and Board. This review takes into consideration KMP ability to plan, direct and control the principal activities of the Company.

The statutory disclosures required by the Corporations Act 2001 (Cth), as amended, and its regulations are set out below.

The tables below set out the total cash value of remuneration realised for the KMP and provide shareholders with details of the "take-home" pay received/receivable during the year. These earnings include cash salary, and where applicable, other benefits, directors' fees, bonus, superannuation and the value of shares issued to, or acquired on behalf of KMP following the vesting and exercise of options during the financial year. It is noted that there are no remaining employee options plans and all past options plans have now vested or expired.

10.6 Executive KMP Remuneration Tables

Non-statutory disclosures are as follows:

Executive KMP FY2022	Salary [(a)] $	Other benefits $	STIP & LTIP [(b)] $	Superannuation $	Total $
Michael Perich	739,584	-	-	23,568	763,152
Josée Lemoine[1]	555,962	-	(45,000)	23,568	534,530
Peter Myers[2]	116,084	-	-	5,892	121,976
Stuart Muir	452,239	-	34,308	23,568	510,115
	1,863,869	-	(10,692)	76,596	1,929,773

Notes:

[1] Josée Lemoine's role as Chief Financial Officer and executive KMP of the Company concluded on 25 March 2022 and Ms Lemoine's last day with the Company was 30 June 2022 (the period between 26 March 2022 and 30 June 2023 was paid notice period). The LTIP amount awarded to Josée Lemoine in FY21 lapsed during FY22 as the condition for 3-year service period was not met. Bonus amounts for other executives for FY22 were awarded at Board discretion.

[2] Peter Myers commenced employment in FY22, therefore no prior year comparison is shown. Amounts reflect time in KMP role.

[(a)] Fixed cash salary.

[(b)] Bonus amounts for FY22 were awarded at Board discretion given market challenges relating to COVID-19, as well as supply chain and inflationary pressures caused by global economic conditions. While significant progress was made, it was impacted by these external challenges and therefore, the Board endorsed a discretionary award of LTIP under the plan rules for FY22 in the interests of retaining Executive KMP talent. The LTIP amount awarded to Stuart Muir is: $137,230 LTIP, representing a 100% payout post confirmation of audited accounts. The LTIP is subject to the 3-year service period being met and hence an amount of $34,308 being the component attributable to FY22 service is recorded.

Executive KMP FY2021	Salary[(a)] $	Other benefits $	STIP & LTIP (restated)[(b)] $	Superannuation $	Total (restated)[3] $
Michael Perich[1]	657,342	-	-	21,694	679,036
Josée Lemoine[2]	204,000	-	225,000	5,789	434,789
Stuart Muir[2]	96,214	-	-	5,424	101,638
	957,556	-	225,000	32,907	1,215,463

Notes:

[1] Michael Perich was an Executive KMP effective 6 August 2020, therefore no prior year comparison is shown for FY21.

[2] Josée Lemoine and Stuart Muir commenced employment in FY21. Amounts reflect time in KMP role for FY21.

[3] The total remuneration expense reported for Josée Lemoine was $569,789, which has reduced by $135,000 to $434,789 (refer note b below).

[(a)] Fixed cash salary.

[(b)] Bonus amounts for FY21 were awarded at Board discretion. The STIP and LTIP amounts awarded to Josée Lemoine are: $180,000 STIP and $180,000 LTIP, representing a 100% payout post confirmation of audited accounts. In respect of the LTIP, the amount reported in FY21 relating to Josée Lemoine's LTIP was $180,000 which represented 100% of the total performance incentive although still subject to the 3 year service requirement and has been restated to $45,000 to reflect only the component attributable to FY21 service.

Directors' Report

Statutory disclosures are as follows:

Executive KMP FY2022	Short Term Benefits: Salary $	Short Term Benefits: Other benefits $	Short Term Benefits: Short Term Incentives $	Post-employment benefits: Super-annuation $	Long Term Benefits: Long Service Leave $	Long Term incentives: Cash (paid in 3 yrs) $	Total $	Performance related proportion (variable) %
Key Management Personnel:								
Michael Perich[1]	739,584	-	-	23,568	-	-	763,152	-
Josée Lemoine[2,3]	555,962	-	-	23,568	-	(45,000)	534,530	-
Peter Myers	116,084	-	-	5,892	-	-	121,976	-
Stuart Muir[4]	452,239	-	-	23,568	-	34,308	510,115	20
	1,863,869	-	-	76,596	-	(10,692)	1,929,773	

Notes:

[1] While CEO performance and accountability remains aligned with the business performance metrics of the Company, the Chief Executive Officer, Michael Perich, elected not to participate in the STIP and LTIP in FY21 and FY22. Michael Perich has again elected not to participate in the STIP and LTIP scheme for FY23.

[2] Eligible termination payments.

[3] The LTIP amount awarded to Josée Lemoine in FY21 lapsed during FY22 as the condition for 3-year service period was not met.

[4] Bonus amounts for FY22 were awarded at Board discretion given market challenges relating to COVID-19, as well as supply chain and inflationary pressures caused by global economic conditions. While significant progress was made, it was impacted by these external challenges and therefore, the Board endorsed a discretionary award of LTIP under the plan rules for FY22 in the interests of retaining Executive KMP talent. The LTIP amount awarded to Stuart Muir is: $137,230 LTIP representing a 100% payout post confirmation of audited accounts. The LTIP is subject to the 3-year service period being met and hence an amount of $34,308 being the component attributable to FY22 service is recorded.

No share options were awarded or exercised in the period.

Executive KMP FY2021	Short Term Benefits: Salary $	Short Term Benefits: Other benefits $	Short Term Benefits: Short Term Incentives $	Post-employment benefits: Super-annuation $	Long Term Benefits: Long Service Leave $	Long Term incentives (restated)[2]: Cash (paid in 3 yrs) $	Total (restated)[2] $	Performance related Proportion (variable) (restated)[2] %
Key Management Personnel:								
Michael Perich[1]	657,342	-	-	21,694	-	-	679,036	-
Josée Lemoine[2]	204,000	-	180,000	5,789	-	45,000	434,789	52
Stuart Muir	96,214	-	-	5,424	-	-	101,638	-
	957,556	-	180,000	32,907	-	45,000	1,215,463	

Notes:

[1] While CEO performance and accountability remains aligned with the business performance metrics of the Company, the Chief Executive Officer, Michael Perich, elected not to participate in the STIP and LTIP in FY21 and FY22. Michael Perich has again elected not to participate in the STIP and LTIP scheme for FY23.

[2] Bonus amounts for FY21 were awarded at Board discretion. The STIP and LTIP amounts awarded to Josée Lemoine are: $180,000 STIP and $180,000 LTIP, representing a 100% payout post confirmation of audited accounts. In respect of the LTIP, the amount reported in FY21 relating to Josée Lemoine's LTIP was $180,000 which represented 100% of the total performance incentive although still subject to the 3 year service requirement and has been restated to $45,000 to reflect only the component attributable to FY21 service. The total remuneration expense reported for Josée Lemoine was $569,789, which has reduced by $135,000 to $434,789.

No options were awarded or exercised in the period, all share scheme interests issued prior to FY21 have now lapsed.

Directors' Report

Executive KMP shareholdings

Of note, no share scheme interests were issued under the Executive Incentive Plan in FY21 and all share scheme interests issued prior to FY21 have now lapsed.

The number of shares in the Company held during the financial year by each Executive KMP of the Company, including their related parties, is set out below:

	Balance at the start of the year	Received on exercise of options	Dividend reinvestment plan	Other changes	Balance at the end of the year
Number of ordinary shares					
Michael Perich[1]	145,556,000	-	-	-	145,556,000
Stuart Muir[2]	-	-	-	194,117	194,117
	145,556,000	-	-	194,117	145,750,117

Notes:
[1] Michael Perich is a Director of Arrovest Pty Limited, an entity holding a direct interest in the Company.
[2] Interests acquired via on-market purchases.

	Balance at the start of the year	Notes acquired	Notes converted	Other changes	Balance at the end of the year
Number of convertible notes[1]					
Michael Perich[2]	126,142,300	-	-	-	126,142,300
	126,142,300	-	-	-	126,142,300

Notes:
[1] Refer to note 28 of the consolidated financial statements.
[2] Michael Perich is a Director of Arrovest Pty Limited, an entity holding a direct interest in the Company.

Directors' Report

10.7 Contractual Arrangements with Executive KMP at 30 June 2022

Component	CEO Description	CFO Description	COO Description
Fixed remuneration	$766,911	$550,000	$456,937
Contract type	Executive Service Agreement	Ongoing Executive Service Agreement	Ongoing Executive Service Agreement
Notice by individual / company	12 weeks	12 weeks	12 weeks
Termination of employment (without cause)	CEO has elected not to participate in the Executive KMP Incentive scheme for FY21, FY22 and FY23. Should the CEO participate in future financial years: In order to be entitled to incentives, the KMP must be employed, and not serving a period of notice, when the payment is due and paid. The incentives will not be paid on a pro rata basis. The Board has the sole discretion to vary the terms of the incentive plans.	In order to be entitled to incentives, the KMP must be employed, and not serving a period of notice, when the payment is due and paid. The incentives will not be paid on a pro rata basis. The Board has the sole discretion to vary the terms of the incentive plans.	In order to be entitled to incentives, the KMP must be employed, and not serving a period of notice, when the payment is due and paid. The incentives will not be paid on a pro rata basis. The Board has the sole discretion to vary the terms of the incentive plans.
Termination of employment (with cause or by the individual)	CEO has elected not to participate in the Executive KMP Incentive scheme for FY21, FY22 and FY23 Should the CEO participate in future financial years: No incentive payment will be paid if, on the due date for payment, the Executive's employment has ended or the Executive has given or has been given notice of termination of employment. The Executive is not entitled to any pro rata payment under an incentive scheme if the Executive's employment terminates for any reason. All payments under the Incentive Plans are subject to malus and/or clawback, as determined by the Company in its sole discretion, in cases of employee misconduct.	No incentive payment will be paid if, on the due date for payment, the Executive's employment has ended or the Executive has given or has been given notice of termination of employment. The Executive is not entitled to any pro rata payment under an incentive scheme if the Executive's employment terminates for any reason. All payments under the Incentive Plans are subject to malus and/or clawback, as determined by the Company in its sole discretion, in cases of employee misconduct.	No incentive payment will be paid if, on the due date for payment, the Executive's employment has ended or the Executive has given or has been given notice of termination of employment. The Executive is not entitled to any pro rata payment under an incentive scheme if the Executive's employment terminates for any reason. All payments under the Incentive Plans are subject to malus and/or clawback, as determined by the Company in its sole discretion, in cases of employee misconduct.

Directors' Report

10.8 Non-executive Director Remuneration

The maximum aggregate amount of fees that can be paid to Non-executive Directors is subject to approval by shareholders at an Annual or Extraordinary General Meeting. Total fees for all Non-executive Directors, last voted upon by shareholders at the 2019 AGM was not to exceed $1,050,000 in total. To align director interests with shareholder/stakeholder interests, the Directors are encouraged to hold shares in the Company. The Executive Incentive Plan (EIP) allows the Company to grant a range of different salary sacrifice share scheme interests to all Non-executive directors (excluding Tony M. Perich and his Alternates), although no arrangements have been put in place to date.

Non-executive Directors do not receive performance-related remuneration. Directors' fees cover all main Board activities including Committee Fees. Other than contributions towards superannuation funds, there are no termination or retirement benefits available to Non-executive Directors. From time to time, the Board may deem it appropriate for Non-executive Directors to receive Company securities or exertion payments as consideration for work performed over-and-above the typical duties of a Director. From time to time, the Board may deem it be acceptable for past Directors to be engaged and paid as consultants to assist the Company.

	Short Term Benefits			Post-employment benefits			
Non-Executive Directors FY22	Director's Fees $	Committee Chair Fee$	Short Term Incentives $	Super-annuation $	Total (excluding exertion payment) $	Exertion payments $	Total $
Genevieve Gregor	227,273	-	-	22,727	250,000	-	250,000
Tony Perich AM	159,091	-	-	15,909	175,000	-	175,000
Jane McKellar	127,273	9,091	-	13,636	150,000	-	150,000
Tim Bryan	127,273	9,091	-	13,636	150,000	-	150,000
Stuart Black AM	127,273	9,091	-	13,636	150,000	-	150,000
	768,183	27,273	-	79,544	875,000	-	875,000

The Directors voluntarily reduced their Board fees by 20% for FY21 (commencing 1 July 2020 to 30 June 2021).

	Short Term Benefits			Post-employment benefits			
Non-Executive Directors FY21	Director's Fees $	Committee Chair Fee[6]$	Short Term Incentives $	Super-annuation $	Total (excluding exertion payment) $	Exertion payments $	Total $
Perry Gunner[1]	68,189	-	-	6,478	74,667	-	74,667
Genevieve Gregor[2]	138,659	1,288	-	10,006	149,953	300,000	449,953
Tony Perich AM	117,199	-	-	11,134	128,333	-	128,333
Ronald Perich[1]	59,665	-	-	5,668	65,333	-	65,333
Trevor Allen[1]	64,523	-	-	810	65,333	-	65,333
Jane McKellar	103,903	3,805	-	8,097	115,805	150,000	265,805
Tim Bryan[3]	57,833	3,805	-	5,856	67,494	-	67,494
Stuart Black AM[4]	28,718	2,663	-	2,981	34,362	-	34,362
Michael Perich[5]	2,174	-	-	206	2,380	-	2,380
	640,863	11,561	-	51,236	703,660	450,000	1,153,660

Notes:

[1] Perry Gunner, Ronald Perich and Trevor Allen retired from the Board on 29 January 2021

[2] Genevieve Gregor was an Independent Non-executive Director for the full year and was appointed as Chair effective 29 January 2021, and her remuneration reflects time in the Chair role

[3] Tim Bryan was appointed as Non-executive Director effective 29 January 2021 and was an Alternate Director to Ronald Perich up to that date

[4] Stuart Black AM was appointed as Independent Non-executive Director effective 22 March 2021 and his remuneration reflects time in the role

[5] Michael Perich was appointed as Chief Executive Officer from 6 August 2020 and resigned as an Alternate Director to Ronald Perich from that date.

[6] Committee Chair fees were introduced in FY21 and were paid as pro-rata for the period February to June 2021.

Board exertion payments

In recognition of significant additional contributions made during FY21 in their roles as part of the recapitalisation process, the Board determined to pay exertion payments of $300,000 to Board Chair Ms Genevieve Gregor and $150,000 to the Chair of the People & Culture Committee Ms Jane McKellar. Additional payments are in recognition of additional days worked by Ms Gregor and Ms McKellar during the recapitalisation process above those typically required of a Director. Ms Gregor and Ms McKellar agreed to reinvest the after tax amount of the additional payments to acquire Notes under the wholesale investor offer. Ms Gregor and Ms McKellar acquired Notes up to the after-tax amounts of the exertion payment (i.e. up to approximately $150,000 for Ms Gregor and up to approximately $75,000 for Ms McKellar).

Directors' Report

Non-Executive Director shareholdings

The number of shares in the Company held during the financial year by each Non-executive Director of the Company, including their personally related parties, is set out below:

	Balance at the start of the year	Received on exercise of options	Dividend reinvestment plan	Other changes during the year	Balance at the end of the year
Number of ordinary shares					
Tony M. Perich AM[1]	145,556,000	-	-	-	145,556,000
Genevieve Gregor	23,500	-	-	-	23,500
Jane McKellar	1,605	-	-	-	1,605
Tim Bryan	54,126	-	-	-	54,126
	145,635,231	-	-	-	145,635,231

Notes:
[1] Tony M. Perich is Director of Arrovest Pty Limited, an entity holding direct interest in the Company.

	Balance at the start of the year	Notes acquired	Notes converted	Other changes during the year	Balance at the end of the year
Number of convertible notes[1]					
Tony M. Perich AM[2]	126,142,300	-	-	-	126,142,300
Genevieve Gregor	150,000	-	-	-	150,000
Jane McKellar	74,910	-	-	-	74,910
Tim Bryan	25,000	-	-	-	25,000
Stuart Black AM	25,000	-	-	-	25,000
	126,417,210	-	-	-	126,417,210

Notes:
[1] Refer to note 28 of the consolidated financial statements.
[2] Tony M. Perich is Director of Arrovest Pty Limited, an entity holding direct interest in the Company.

	Balance at the start of the year	Options acquired	Options exercised	Other changes during the year	Balance at the end of the year
Number of listed options					
Genevieve Gregor[1]	7,298	-	-	-7	7,291
	7,298	-	-	-7	7,291

[1] Off market sale of nil consideration to correct administrative error.

This completes the audited remuneration report.

Directors' Report

11. Indemnity and insurance of Officers

Under the Company's Constitution, to the maximum extent permitted by law, the Company indemnifies the Officers and former Officers of the Company against all losses, liabilities, costs, charges and expenses incurred by the Officer in the execution of the officer's duties as an Officer of the Company.

The Company has entered a Deed of Access and Indemnity with each of its Directors and Officers (each an Officer). This Deed:

- indemnifies the Officer to the maximum extent permitted by law against liabilities incurred by the Officer arising from the person's position as an Officer of the Company;
- requires the Company to maintain, and pay the premium for, a D&O insurance policy in respect of the Officer; and
- provides the Officer access to books of the Company for a purpose permitted by the Deed.

During the financial year, the Group paid premiums to insure each of the Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of an Officer of the Group. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not, during the financial year, in respect of any person who is or has been an Officer of the Company, indemnified or agreed to indemnify that person in respect of any liability described in section 199A(2) or (3) of the Corporations Act 2001 (Cth).

12. Indemnity and insurance of auditor

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

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

13. Proceedings on behalf of the Company

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

14. Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 45 to the consolidated financial statements.

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

The directors are of the opinion that the services as disclosed in Note 45 to the consolidated financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by The Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

15. 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.

16. 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 75. 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
29 August 2022, Sydney

Auditor's Independence Declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Noumi Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Noumi Limited for the financial year ended 30 June 2022 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Julie Cleary

Partner

Sydney

29 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Notes	Consolidated	
		2022 $'000	2021[1] $'000
Revenue			
Revenue from sale of goods	4	522,340	547,294
Cost of sales		(423,922)	(451,707)
Gross profit		98,418	95,587
Other income	5	22,754	19,332
Other expense	5	(4,683)	-
Selling and marketing expenses		(27,536)	(21,885)
Distribution expenses		(45,891)	(42,558)
Product development expenses		(2,038)	(1,831)
Administrative expenses	6	(38,861)	(40,723)
Net finance costs	6	(17,449)	(39,535)
Impairment of non-financial assets	6	(95,688)	(1,910)
US litigation settlement related expenses	7	(55,621)	(6,048)
Expected credit losses	11	(260)	347
Share of profits of associates accounted for using the equity method	16	294	607
Loss before income tax benefit/(expense) from continuing operations		(166,561)	(38,617)
Income tax benefit/(expense)	8	5,466	(17)
Loss after income tax benefit/(expense) from continuing operations		(161,095)	(38,634)
Profit/(loss) after income tax expense from discontinued operations	35	353	(14,543)
Loss after income tax benefit/(expense) for the year attributable to the owners of Noumi Limited		(160,742)	(53,177)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value changes of convertible notes	28, 34	15,509	-
Income tax on fair value changes of convertible notes	8, 34	(4,653)	-
Loss on revaluation of land, net of tax	34	-	(30)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	34	(618)	623
Other comprehensive income for the year, net of tax		10,238	593
Total comprehensive income for the year attributable to the owners of Noumi Limited		(150,504)	(52,584)
Total comprehensive income for the year is attributable to:			
Continuing operations		(150,857)	(38,041)
Discontinued operations		353	(14,543)
		(150,504)	(52,584)

[1] During FY22 the Group classified and presented Speciality Seafood business as discontinued operation (refer to note 35) and represented comparative numbers to confirm with the current year presentation

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	Notes	2022 Cents	2021 Cents
Earnings per share for loss from continuing operations attributable to the owners of Noumi Limited			
Basic earnings per share	9	(58.13)	(13.94)
Diluted earnings per share	9	(58.13)	(13.94)
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of Noumi Limited			
Basic earnings per share	9	0.13	(5.25)
Diluted earnings per share	9	0.13	(5.25)
Earnings per share for loss attributable to the owners of Noumi Limited			
Basic earnings per share	9	(58.00)	(19.19)
Diluted earnings per share	9	(58.00)	(19.19)

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

Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	Consolidated 2022 $'000	2021 $'000
Assets			
Current assets			
Cash and cash equivalents	10	16,210	31,668
Trade and other receivables	11	57,284	50,141
Inventories	12	53,026	48,358
Derivative financial instruments	13	1,342	-
Prepayments		3,288	3,624
		131,150	133,791
Assets classified as held for sale	14	29,651	6,464
Total current assets		160,801	140,255
Non-current assets			
Financial assets at fair value through other comprehensive income	15	5,857	5,857
Investments accounted for using the equity method	16	-	22,684
Property, plant and equipment	17	183,286	253,575
Right of use assets	18	63,218	86,534
Intangibles	19	6,647	29,764
Prepayments		319	-
Total non-current assets		259,327	398,414
Total assets		420,128	538,669
Liabilities			
Current liabilities			
Trade and other payables	20	67,994	67,464
Payable to related parties	20	2,554	1,103
Lease liabilities	21	1,243	1,427
Bank borrowings	22	24,743	24,316
Income tax	8	3,248	-
Employee benefit obligations	23	6,105	5,888
Provisions	24	9,351	-
Other financial liabilities	25	6,532	-
Total current liabilities		121,770	100,198
Non-current liabilities			
Lease liabilities	26	96,501	111,047
Bank borrowings	27	79,462	74,597
Convertible notes	28	253,060	251,006
Employee benefit obligations	29	1,074	328
Other financial liabilities	30	17,272	-
Total non-current liabilities		447,369	436,978
Total liabilities		569,139	537,176
Net (liabilities)/assets		(149,011)	1,493
Equity			
Issued Capital	32	598,712	598,712
Reserves	34	(50,140)	(60,378)
Accumulated losses		(697,583)	(536,841)
Total equity		(149,011)	1,493

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Notes	Consolidated 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		521,522	596,693
Payments to suppliers and employees (inclusive of GST)		(515,541)	(602,216)
		5,981	(5,523)
Payments for US litigation settlement expenses		(31,828)	(4,683)
Payments for litigation related expenses		(2,857)	(1,899)
Payments for restatement and recapitalisation related expenses		-	(8,513)
Interest received		586	-
Interest on lease liabilities paid		(9,523)	(11,262)
Other interest and finance costs paid		(7,279)	(20,917)
Income taxes refund received	8	4,061	-
Net cash used in operating activities	43	(40,859)	(52,797)
Cash flows from investing activities			
Payments for property, plant and equipment	44	(6,015)	(2,658)
Disposal of a discontinued operation	35	2,087	16,158
Net cash (used in)/from investing activities	44	(3,928)	13,500
Cash flows from financing activities			
Payment of share option issue costs		(331)	-
Payments for transaction costs related to issue of convertible notes		(904)	(8,963)
Payments for other finance related transaction costs		-	(1,214)
Proceeds from issue of convertible notes	28	27,024	265,000
Proceeds from revolver financing facilities	27	17,000	-
Repayment of leases		(2,133)	(4,240)
Repayments of bank borrowings		(11,327)	(196,785)
Net cash from financing activities	44	29,329	53,798
Net (decrease)/increase in cash and cash equivalents		(15,458)	14,501
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 year	10	16,210	31,668

Refer to note 44 for non-cash investing and financing activities.

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2020	598,712	(55,851)	(488,784)	54,077
Loss after income tax expense for the year	-	-	(53,177)	(53,177)
Other comprehensive income for the year, net of tax	-	593	-	593
Total comprehensive income for the year	-	593	(53,177)	(52,584)
Land and buildings revaluation (note 34)	-	(3,518)	3,518	-
Share based payments	-	(1,602)	1,602	-
Balance at 30 June 2021	598,712	(60,378)	(536,841)	1,493

	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Consolidated				
Balance at 1 July 2021	598,712	(60,378)	(536,841)	1,493
Loss after income tax benefit for the year	-	-	(160,742)	(160,742)
Other comprehensive income for the year, net of tax	-	10,238	-	10,238
Total comprehensive income for the year	-	10,238	(160,742)	(150,504)
Balance at 30 June 2022	598,712	(50,140)	(697,583)	(149,011)

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

Notes to the Consolidated Financial Statements | 30 June 2022

Note 1. General information

The financial statements of Noumi Limited ("Group" or "Company" and formerly known as Freedom Foods Group Limited) for the year ended 30 June 2022 were authorised for issue in accordance with resolution of Directors on 29 August 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 Group's share options are also trading on ASX under the symbol 'NOUO'.

During the year ended 30 June 2022, 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 during the previous financial year.

The nature of the operations and principal activities of the Group are described in note 3. Discontinued operations' results are shown on one line in the Statement of profit and loss for both FY22 and 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

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

The following accounting policies have been adopted in the preparation and presentation of the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards refers to Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

(b) Basis of preparation

The consolidated financial statements of the Group have been prepared as a going concern on the historical cost basis, except for certain non-current assets and financial instruments measured at fair value or revalued amount. Cost is based on the fair values of the consideration given in exchange for assets.

The Company is of the kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, relating to the "rounding off" of amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

The consolidated financial statements are presented in Australian dollars.

Going concern

The Group has prepared the consolidated financial statements for the year ended 30 June 2022 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 FY22 loss after tax of $160.7m (FY21 loss of $53.2m) including US litigation settlement related expense of $55.6m (FY21: $6.0m) and non-cash impairment of non-financial assets of $95.7m (FY21: $1.9m). Net cash outflows from operating activities in FY22 were $40.9m (FY21 outflows of $52.8m) including payments for US litigation settlement expenses of $31.8m (FY21 payments of $4.7m). COVID-19, rising input costs and geopolitical events presented significant challenges during the year and whilst management mitigated many of these challenges, a number could not be mitigated in the short term.

Management was successful in obtaining price rises from a majority of domestic wholesale customers and certain export customers and is anticipating further price increases and other actions to benefit the business in FY23. The restrictions imposed by COVID-19 impacted sales volumes, productivity and supply chain and other input costs caused delays in fully implementing the Group's transformation program, particularly in relation to the Dairy and Nutritionals business.

Further details regarding the timing of payments relating to US litigation settlement related expenses are given in note 7.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 2. Significant accounting policies (cont.)

Financial Position

At 30 June 2022, the Group had net current assets of $39.0m (FY21: net current assets of $40.1m) including assets held for sale of $29.7m (FY21: $6.5m) and net liabilities of $149.0m (FY21: net assets of $1.5m). The net liabilities at 30 June 2022 includes the unpaid portion of the US litigation settlement of $23.8m and $253.1m in respect of convertible notes which were marked to market. Amongst other factors the marked to market for FY22 also included market movements of credit spread in accordance with the requirements of the accounting standards. The convertible notes will cease to be a liability when the noteholders convert the notes into equity or are repaid (refer to note 28).

US Litigation Settlement Funding

In order to fund the liabilities arising from US litigation settlement, as announced on 22 February 2022, the Group raised $27m from the issuance of a further tranche (Tranche B) of convertible notes on 4 May 2022 to institutional investors and other eligible wholesale investors. On 17 March 2022, the initial settlement payment was cash settled in the short-term by loan notes which were redeemed from the issuance of Tranche B convertible notes. In relation to the deferred component of the US litigation settlement the Company entered into a separate bank guarantee facility of US$18m with one of its senior lenders, under which the Company granted first ranking security over its shares in AFMH and the proceeds of the sale of such shares, to secure the bank guarantee facility. The sale of the AFMH shares was completed on 23 August 2022 and $25m of the proceeds were collateralised as security for the bank guarantee facility. The bank guarantee facility was used for the issuance of a US$18m bank guarantee which secures the balance of US litigation settlement payments. These two measures along with future cashflows from operations are expected to provide funding in full to meet US litigation liabilities referred to above. Further details are set out in note 7.

Future financial performance

The Group extended its $36m senior secured revolving facility with its existing bank financiers by 12 months with a revised maturity date of May 2024. This was undrawn to the extent of $19m at 30 June 2022 which, together with the cash at bank at 30 June 2022 of $16.2m, operating cashflows and the debtor financing facilities (recourse and non-recourse), are considered by management and the Board to provide the Group with sufficient liquidity for the day-to-day operations of the business, based on current market conditions and expectations.

The Group recorded cash outflow for the Dairy and Nutritionals segment during FY22 and has experienced significant cost increases of inputs including increase in farm gate milk prices. The Group expects to be able to pass on supply chain and input cost increases to customers and in some instances address historical under-pricing while maintaining sales volumes and improving the operational efficiencies of its manufacturing sites as part of its transformation program. To date, the Group has been successful in passing on these higher costs to key domestic dairy customers and the negotiations with export dairy customers are in progress.

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 impacting markets or disrupting supply chain), 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.

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. Pleadings have closed in the consolidated proceeding and the parties are engaged in the process of discovery which is currently scheduled to be completed by January 2023. No evidence has been filed nor have the plaintiffs quantified their claims as yet so the proceeding is still in its early stages. The 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 proceedings, the Group may become liable for material compensation amounts. There is a material risk that the Company and Group will have insufficient funds to be able to pay these compensation amounts.

The Directors are proactively taking steps to manage and mitigate the risks associated with the claims.

Due to the uncertainty surrounding the above matters, 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.

Notwithstanding the above, based on the current information and actions being taken, the Directors consider that it is appropriate for the financial report to be prepared on a going concern basis.

The consolidated 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.

Notes to the Consolidated Financial Statements I 30 June 2022

New and amended standards adopted by the Group

During the year, the Group has applied a number of new and revised 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.

The Group also elected to adopt the following amendments early:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual improvements 2018-2020 and Other Amendments AASB 137

The amendments to AASB 137 clarify the application and measurement rules as they apply to onerous contracts, clarifying that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs that relate directly to fulfilling contracts. Further, the amendments clarify that any impairment losses on assets used in fulfilling the contract are recognised before a separate provision is established for an onerous contract.

The Group has early adopted the AASB 137 amendment for all contracts for which it had not yet fulfilled all its obligations on 1 July 2021. There was no impact on amounts recognised in prior periods arising from the early adoption of the amendment, accordingly no adjustments were required to the opening balance of retained earnings at the date of application.

As at 30 June 2022, in early adopting the amendment the Group recognised an onerous contract provision of $4.7m (grouped under other expenses, refer to note 5) and a corresponding increase in loss before income tax of the same amount, this provision was recognised due to a significant increase in input costs experienced during the second half of the year.

The Group did not elect to early adopt any of the other amendments in AASB 2020-3 *Amendments to Australian Accounting Standards – Annual improvements 2018 -2020 and Other Amendments*, the effect of which is not expected to significantly affect the current or future periods.

(c) Basis of consolidation

The Consolidated financial statements incorporate the financial statements of Noumi Limited and entities controlled by the Group and its subsidiaries ('the Group'). The Group controls an entity when:

- it has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of profit or loss and comprehensive income from the date on which the Company obtains control and until such time at the Company ceases to control such entity.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The amounts attributable to the non-controlling interests are not separately disclosed as the financial statements are rounded to the nearest thousand dollars under Australian Securities and Investments Commission Corporations Instrument 2016/191.

Associates are all entities over which the Group has significant influence but not control or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the Company and usually exists where the Group holds between 20% and 50% of the voting rights or representation on the Board of Directors. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses on intercompany transactions are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements I 30 June 2022

Note 2. Significant accounting policies (cont.)

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(e) Foreign currency

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of the transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation are recognised in the statement of profit or loss and other comprehensive income, except for qualifying cash flow hedges which are deferred to equity.

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date except the foreign currency translation reserve (FCTR) which is calculated at the reporting date rate

Foreign exchange differences resulting from translation are initially recognised in the foreign currency translation reserve and subsequently transferred to the profit or loss on disposal of the foreign operation.

(f) Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income "OCI" or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

The measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI or those elected to be held at P&L are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group measures all investments in equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the instrument. Dividends from such instruments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 2. Significant accounting policies (cont.)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 11 for further details.

(g) Impairment of non-financial assets including investments accounted for using the equity method

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets, including investments accounted for using the equity method, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) 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 the following notes:

- Note 2 (b): Going Concern
  The Group has considered the consequences of various events and conditions, and exercised judgement in determining whether they create a material uncertainty that casts significant doubt upon the Goup's ability to continue as a going concern. Refer to note 2 (b) for further information on such events and conditions and management's assessment of their impact on going concern.
- Note 11: Estimation of expected credit losses
  The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.
- Note 12: Estimation of net realisable value of inventories
  The Group reviews net realisable value (NRV) of inventories regularly to determine that it is stated at the lower of cost and NRV. Factors that could affect NRV and hence future realisation of inventories include competitor actions and market trends. Changes in the NRV of inventory could affect profit in the future period.
- Note 14: Assets held for sale - Australian Fresh Milk Holdings Pty Limited (AFMH)
  The Group's ownership interest in AFMH reduced from 10% to 9.4% and while it is classified as held for sale, it is no longer considered an equity accounted investment hence requiring it to be measured at fair value at 30 June 2022. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of the Group's investment in AFMH 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.
- Note 15: Financial assets at fair value through other comprehensive income
  The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The fair value of the Group's investment in Shenzhen JiaLiLe Co. Limited (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.

Notes to the Consolidated Financial Statements | 30 June 2022

- Note 17: Estimates of useful lives of assets
  The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other events. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.
- Note 17: Determining the recoverable amount of tangible assets
  If there is any indication that an asset may be impaired, the Group estimates the recoverable amount for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs. It is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of an asset's CGU involves judgement. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or groups of assets), the Group considers various factors including product lines, businesses, individual locations, regional areas or how the decisions are made about continuing or disposing of the Group's assets and operations.
- Note 18: Determining the lease term
  The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. These factors are difficult to assess and require judgement. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.
- Note 19: Determining the recoverable amounts of intangible assets
  The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 19. The recoverable amounts of cash-generating units ('CGUs') have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.
- Note 24: Onerous contract provisions
  Valuation of provision reflects management's best estimate of future cash outflow at the reporting date being the unavoidable costs of meeting the obligations under the contract. Determination of unavoidable costs is dependent on various factors and require judgement in establishing an appropriate amount.
- Note 26: Determining the incremental borrowing rate (IBR) to measure lease liabilities
  When measuring its lease liability, the Group discounts its remaining lease payments using IBR if the interest rate implicit in the lease cannot be readily determined. Determination of an appropriate IBR requires consideration of various factors including lease asset type, currency, term, funding amount and the economic environment in which the lease asset is obtained.
- Note 28: Valuation of convertible notes
  Convertible notes are not traded in an active market so the fair value is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used see note 28.
- Note 31: Recognition of deferred tax asset
  The Group estimates future taxable profits based on approved budgets and forecasts. Future taxable profits are influenced by a variety of general economic and business conditions, which are outside the control of the Group. A change in any of these assumptions could have an impact on the future profitability of the Group and may affect the recognition and/or recovery of deferred tax assets. The potential business impacts of COVID-19 have been reflected in the current forecasts. The recognition of deferred tax assets including those arising from tax losses has been determined with reference to these forecasts.
- Note 37: Contingent liabilities
  A possible obligation exists in relation to pending class action proceedings and ASIC investigation in which the Group is a defendant. The amount of liability, if any, cannot be estimated with reliability and hence no provision is recognised in the financial statements.

Notes to the Consolidated Financial Statements I 30 June 2022

Note 2. Significant accounting policies (cont.)

Coronavirus (COVID-19) pandemic and key economic developments

Judgement has been exercised in considering the impacts of a series of events outside of the Group's control which has, or may have, impacted the historical, and may impact the future, performance of the Group. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and productivity, noting that the impacts may be different in the geographic regions in which the Group operates. Key impacts are summarised below:

- COVID-19 lockdowns and outbreaks impacting consumer demand and workforce availability and productivity issues;
- Global and domestic supply chain disruptions impacting timing and cost of inbound and outbound logistics movements;
- Geopolitical instability arising from conflict in Europe or changes in circumstances or policies impacting or ability to trade in key export markets or adding to already rising key input costs such as transport and energy; and
- Unprecedented increase in raw milk prices in late FY22.

New accounting standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting period and have not been early adopted by the Group. These include:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current [AASB 101]
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates [AASB 7, AASB 101, AASB 108, AASB 134 & AASB Practice Statement 2]*
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction [AASB 112]
- AASB 2014-10 Amendments to Australian Accounting Standards: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*

These standards, amendments or interpretations are not expected to have a material impact on the Group's consolidated financial statements.

Note 3. Operating segments

The Group was 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 including the Crankt, Vital Strength and U-Protein brands. These products are manufactured in Australia and sold in Australia and overseas.
Plant-Based Beverages
A range of UHT (shelf stable) beverage products including almond, soy, rice, oat, coconut, hazelnut and other nut-based beverages plus liquid stocks. These products are manufactured in Australia and sold in Australia and overseas and include Milklab, Australia's Own brands.
Specialty Seafood[1]
A range of canned seafood covering sardines, salmon and specialty seafood. These products are imported and sold in Australia and New Zealand.

[1] The Specialty Seafood business was disposed of in November 2021 and hence classified as a discontinued operation during the year. The related results, assets and liabilities are shown separately in note 35.

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 CEO in his capacity as the chief operating decision maker of the Group in order to allocate resources to the segments and assess their performance.

Notes to the Consolidated Financial Statements I 30 June 2022

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 year comparatives:

	Dairy and Nutritionals $'000	Plant-Based Beverages $'000	Unallocated Shared Services $'000	Total $'000
Consolidated - 2022				
Revenue				
Sales to external customers	358,331	164,009	-	522,340
Total revenue	358,331	164,009	-	522,340
Adjusted EBITDA (before US litigation settlement)	(20,183)	40,377	(6,399)	13,795
US litigation settlement (note 7)	-	(55,621)	-	(55,621)
Adjusted EBITDA (after US litigation settlement)	(20,183)	(15,244)	(6,399)	(41,826)
Share of associates profits	-	-	294	294
Fair value changes of convertible notes	-	-	9,461	9,461
Gain in remeasurement of leases	-	-	4,936	4,936
Depreciation and amortisation	(16,211)	(8,051)	(2,027)	(26,289)
Impairment of non-financial assets	(89,842)	(5,846)	-	(95,688)
Net finance costs	(2,113)	(9,035)	(6,301)	(17,449)
Loss before income tax expense	(128,349)	(38,176)	(36)	(166,561)
Income tax expense	-	-	5,466	5,466
(Loss)/profit after income tax expense	(128,349)	(38,176)	5,430	(161,095)
Assets				
Segment assets	206,397	151,945	26,278	384,620
Non-current assets classified as held for sale	-	-	29,651	29,651
Financial assets at FVOCI	-	-	5,857	5,857
Total assets	206,397	151,945	61,786	420,128
Liabilities				
Total segment liabilities	88,397	107,205	373,537	569,139

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Note 3. Operating segments (cont.)

	Dairy and Nutritionals $'000	Plant-Based Beverages $'000	Seafood $'000	Unallocated Shared Services $'000	Total $'000
Consolidated - 2021					
Revenue					
Sales to external customers	394,344	152,950	-	-	547,294
Total revenue	394,344	152,950	-	-	547,294
Adjusted EBITDA (before US litigation settlement)	342	33,728	-	(12,095)	21,975
US litigation settlement (note 7)	-	(6,048)	-	-	(6,048)
Adjusted EBITDA (after US litigation settlement)	342	27,680	-	(12,095)	15,927
Share of associates profits	-	-	-	607	607
Depreciation	(15,799)	(9,759)	-	(2,142)	(27,700)
Fair value changes of convertible notes	-	-	-	13,994	13,994
Impairment of non-financial assets	-	(1,910)	-	-	(1,910)
Net finance costs	(2,090)	(8,181)	-	(29,264)	(39,535)
Profit/(loss) before income tax expense	(17,547)	7,830	-	(28,900)	(38,617)
Income tax expense					(17)
Loss after income tax expense					(38,634)
Assets					
Segment assets	299,743	157,739	4,893	47,753	510,128
Financial assets at FVOCI	-	-	-	5,857	5,857
Investments in associates	-	-	-	22,684	22,684
Total assets	299,743	157,739	4,893	76,294	538,669
Liabilities					
Total segment liabilities[1]	84,424	80,799	786	371,167	537,176

[1] Unallocated shared services liabilities include convertible notes, equipment finance, debtor finance facilities and revolver financing facilities which are not allocated to relevant operating segments.

All operations are conducted in Australia, except for Dairy and Nutritionals (Noumi Shanghai Co. Ltd and Noumi Singapore Pte. Ltd).

Non-current assets of the Group are based in Australia except for investment in JLL which is based in China. See note 15 for details on investment in JLL.

Revenue generated by equity accounted associates from external sales is not consolidated, instead under the equity method of accounting, the carrying amounts of interest in such entities are increased or decreased to recognise the Group's share of post-acquisition profits or losses and other changes in net assets of the associates.

70% of total external sales of the Group are generated in Australia (FY21: 77%) with 18% generated from China (FY21: 14%) and 12% generated from other overseas countries (FY21: 9%).

Information about major customers

Included in total revenues (both continuing and discontinued operations) arising from external sales of $527.8m (FY21: $594.4m) are revenues of approximately $166.8m (FY21: $197.6m), generated from the top three retail customers representing 32% (FY21: 33%) of total revenue. This revenue relates to both Plant Based Beverages and Dairy and Nutritionals segments.

Notes to the Consolidated Financial Statements I 30 June 2022

Note 4. Revenue

	Consolidated 2022 $'000	2021 $'000
Revenue		
Continuing operations (note 3)	522,340	547,294
Discontinued operations (note 35)	5,427	47,095
Total revenue	527,767	594,389

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for trading terms, rebates and other similar allowances.

The Group recognises its revenue from contracts with customers for the transfer of goods at a point in time i.e., when the goods are delivered, and the customer takes ownership.

Significant accounting policies

The Group applies AASB 15 - Revenue from Contracts with Customers for revenue recognition. Revenue is recognised when control of the product has transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the product. For domestic sales, the control is transferred when the product is delivered to the customer. Delivery occurs when the product has been shipped to the location specified by the customer and the customer accepts the product. For international sales, the transfer of control varies from order to order depending on the nature of the sales contract and the revenue is recognised when the goods are delivered and the customer takes ownership either when they are picked up from the Group's warehouse, delivered to the departure port or shipped to the destination port.

For segment information, refer to note 3 and discontinued operations, refer to note 35.

Note 5. Other income/(expense)

	Consolidated 2022 $'000	2021 $'000
Other income:		
Fair value changes of asset held for sale (note 14)	6,673	-
Gain on remeasurement of leases (note 26)	4,936	-
Fair value changes of convertible notes (note 28)	9,461	13,994
Net foreign exchange gain	730	5,117
Other	1,015	221
	22,815	19,332
Other expense:		
Onerous contracts provision (note 24)	(4,683)	-
Other income/(expense)	18,132	19,332
Other income/(expense) attributable to:		
Continuing operations	18,071	19,332
Discontinued operations (note 35)	61	-
	18,132	19,332
	18,132	19,332

Notes to the Consolidated Financial Statements | 30 June 2022

Note 6. Expenses

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

	Consolidated	
	2022 $'000	2021 $'000
Employee benefits		
Superannuation expenses	5,298	5,737
STI and LTI expenses	547	753
Employee benefits expense excluding superannuation, STI and LTI expenses	62,275	70,170
Total employee benefits	68,120	76,660
Employee benefits allocated to:		
Continuing operations	68,120	67,373
Discontinued operations	-	9,287
	68,120	76,660
Depreciation and amortisation		
Depreciation expense of property, plant and equipment (note 17)	20,024	20,665
Depreciation expense of right of use assets (note 18)	6,180	7,846
Amortisation expense (note 19)	85	-
Total depreciation and amortisation	26,289	28,511
Depreciation and amortisation allocated to:		
Continuing operations	26,289	27,701
Discontinued operations	-	810
	26,289	28,511
Depreciation and amortisation allocated to:		
Cost of sales	24,392	26,457
Administrative expenses	1,897	2,054
	26,289	28,511
Impairment of non-financial assets		
Property, plant and equipment (note 17)	62,439	-
Right of use assets (note 18)	9,367	-
Intangibles (note 19)	23,882	-
Assets classified as held for sale (note 14)	-	1,910
Total impairment of non-financial assets	95,688	1,910
Impairment of non-financial assets allocated to		
Continuing operations	95,688	1,910
Discontinued operations	-	-
	95,688	1,910

Notes to the Consolidated Financial Statements | 30 June 2022

	Consolidated	
	2022 $'000	2021 $'000
Administrative expenses		
Salaries and wages	15,223	16,830
Transformation, financial reporting restatement and recapitalisation expenses	6,494	8,680
Insurance	4,844	3,334
IT related expenses	3,741	3,791
Audit, legal and professional fees	2,576	2,471
Depreciation and amortisation expenses	1,897	2,054
STI and LTI expenses	547	753
Litigation expenses[1]	1,327	1,330
Other expenses	2,417	3,186
Total administrative expenses	39,066	42,429
Administrative expenses allocated to:		
Continuing operations	38,861	40,723
Discontinued operations (note 3)	205	1,706
	39,066	42,429
Net finance costs:		
Interest expense	5,828	16,860
Interest on lease liabilities	10,048	11,262
Financing costs	1,181	1,861
Recapitalisation transaction costs related to convertible notes issue	978	9,638
	18,035	39,621
Interest income (note 8)	(586)	-
	17,449	39,621
Net finance costs allocated to:		
Continuing operations	17,449	39,535
Discontinued operations	-	86
	17,449	39,621

[1]Litigation expenses amounting to $6.0m incurred in FY21 reclassified to US litigation settlement related expenses (note 7).

Notes to the Consolidated Financial Statements | 30 June 2022

Note 6. Expenses (cont.)

Significant items

Significant items affecting the result for the financial year ended 30 June 2022 include the following impacts:

	Ref.	Consolidated 2022 $'000	2021 $'000
Impairment of non-financial assets	(1)	95,688	1,910
US litigation settlement related expenses (note 7)	(2)	55,621	-
Financial reporting restatement related professional and consulting costs	(2)	-	4,077
Litigation, transformation and recapitalisation	(2)	8,799	15,571

(1) During the year, the Group has recognised impairment on certain non-financial assets which is described in more detail in notes 17, 18 and 19.

(2) Various expenses (included under administrative expenses, US litigation settlement related expenses and net finance costs) incurred by the Group on litigation, transformation and recapitalisation.

Note 7. US litigation settlement related expenses

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 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$35.0m (A$48.2m) as follows:

- an initial payment of US$17.0m (A$23.3m) was made on March 2022; and
- future payments totalling US$18.0m (A$24.8m) will be 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$18.0m bank guarantee (refer to note 37).

All Arbitration and court proceedings between the parties in the US and Australia were dismissed. The Licence Agreement between both parties terminated 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.

The Group was also obligated to purchase 1.0m pounds of almond base between 1 July 2021 and 30 June 2022. While the Group has placed purchase orders, 0.6m pounds of almond base is not received at 30 June 2022. Since the above market amount payable on this purchase obligation is part of the litigation settlement agreement, the Group has also estimated this premium amount and recorded a provision of $3.9m at 30 June 2022.

In addition to the above-mentioned settlement amount, the Group has also incurred legal costs of $6.2m (FY21: $6.0m). US litigation settlement related expenses are summarised below:

	Consolidated 2022 $'000	2021 $'000
Settlement amount:		
Initial payment	23,339	-
Present value of future payments	22,086	-
	45,425	-
Other related expenses:		
Premium on purchase obligation (note 24)	3,948	-
Legal expenses	6,248	6,048
	10,196	6,048
	55,621	6,048

The above-mentioned table does not contain foreign exchange difference of the US litigation settlement liability ($1.4m) and interest expense on future payments ($0.6m). Foreign exchange difference forms part of overall net foreign exchange gain (as disclosed in note 5) and interest expense is included in net finance costs (as disclosed in note 6). The Group has entered into forward exchange contract to minimise the impact of foreign exchange differences on US litigation settlement liability.

Notes to the Consolidated Financial Statements | 30 June 2022

Funding of the US Litigation Settlement

Noumi obtained a short-term bridging facility of $26.0m from several of its existing institutional convertible noteholders and used the proceeds for the payment of the upfront amount of US$17.0m ($23.3m). The proceeds were obtained from the institutional convertible noteholders by way of secured loan notes (Loan Notes).

Following the issuance of Loan Notes, Noumi raised $27.0m by way of the issue of unlisted, subordinated secured convertible notes (Trance B Notes). The proceeds of the Tranche B Notes were used to redeem the Loan Notes and any accrued interest expense. The Tranche B Notes were offered to all other existing eligible convertible noteholders, excluding Arrovest. The Tranche B Notes were issued on substantially the same terms as the convertible notes issued by Noumi on 27 May 2021 (Tranche A Notes), refer to note 28.

In relation to the deferred component of the US litigation settlement the Company entered into a separate bank guarantee facility of US$18.0m with one of its senior lenders, under which the Company granted first ranking security over its shares in AFMH and the proceeds of the sale of such shares, to secure the bank guarantee facility. The sale of the AFMH shares was completed on 23 August 2022 and $25.0m of the proceeds were collateralised as security for the bank guarantee facility. The bank guarantee facility was used for the issuance of US$18.0m bank guarantee which will secure the future litigation settlement payments and will progressively step down from March 2023 until January 2027.

Note 8. Income tax (benefit)/expense

	Consolidated 2022 $'000	Consolidated 2021 $'000
Income tax expense/(benefit)		
Income tax refund[1]	(4,061)	-
Franking deficit tax payable[2]	3,248	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences and unused tax losses	(4,653)	17
Aggregate income tax (benefit)/expense	(5,466)	17
Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate		
Loss before income tax benefit/(expense) from continuing operations	(166,561)	(38,617)
Profit/(loss) before income tax expense from discontinued operations	353	(14,543)
	(166,208)	(53,160)
Tax at the statutory tax rate of 30%	(49,862)	(15,948)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Fair value changes in convertible notes through profit or loss	(2,838)	-
Impairment of intangibles	2,496	-
Effect of other expenses that are not deductible in determining taxable profit	158	289
Over-provision in respect of prior years	152	-
Non-assessable income	(88)	(3,659)
	(49,982)	(19,318)
Current year tax losses not recognised	16,962	13,929
Current year temporary differences not recognised (note 31)	27,554	5,690
Effect of overseas tax rates	-	(284)
Income tax (benefit)/expense	(5,466)	17
Amounts recognised in OCI and statement of changes in equity		
Fair value changes of convertible notes	4,653	-
Revaluation surplus on land and building	-	(17)
	4,653	(17)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

[1] 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.

[2] The refund of income tax resulted in a deficit of $3.2m in the franking account balance at 30 June 2022. Accordingly, the Group recorded an obligation to pay Franking Deficit Tax amounting to $3.2m as no income tax payments were made during FY22.

Notes to the Consolidated Financial Statements I 30 June 2022

Note 8. Income tax (benefit)/expense (cont.)

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 FY22, the Group recorded a deferred tax liability of $4.6m in other comprehensive (OCI) related to fair value changes of convertible notes arising from changes in market credit spreads (refer to note 28). 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 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.

Significant accounting policies

Current tax

Current tax is calculated as the expected amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting date.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The amount of the benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or bargain purchase.

Uncertain tax position

If the Group concludes that it is not probable the tax authorities will accept a tax position, it uses the “most likely amount” or “expected value” in determining its tax balances. Any subsequent variation between the “most likely amount/expected value” and the amount recorded in the consolidated financial statements are adjusted in the period in which such variation occurs.

Note 9. Earnings per share

	Consolidated	
	2022 $’000	2021 $’000
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of Noumi Limited	(161,095)	(38,634)
	Cents	Cents
Basic earnings per share	(58.13)	(13.94)
Diluted earnings per share	(58.13)	(13.94)

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	Consolidated	
	2022 $'000	2021 $'000
Earnings per share for profit/(loss) from discontinued operations		
Profit/(loss) after income tax attributable to the owners of Noumi Limited	353	(14,543)

	Cents	Cents
Basic earnings per share	0.13	(5.25)
Diluted earnings per share	0.13	(5.25)

	Consolidated	
	2022 $'000	2021 $'000
Earnings per share for loss		
Loss after income tax attributable to the owners of Noumi Limited	(160,742)	(53,177)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	277,109,319	277,109,319
Weighted average number of ordinary shares used in calculating basic earnings per share	277,109,319	277,109,319

	Cents	Cents
Basic earnings per share	(58.00)	(19.19)
Diluted earnings per share	(58.00)	(19.19)

At 30 June 2022, there were 277,109,319 ordinary shares (FY21: 277,109,319) on issue and 101,130 convertible redeemable preference shares (FY21: 101,130).

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share. These anti-dilutive potential ordinary shares are calculated after taking into consideration principal and capitalised interest on convertible notes at 30 June 2022.

	Consolidated	
	2022 Number	2021 Number
Convertible notes (note 28)		
Tranche A	415,050,747	378,571,429
Tranche B	85,570,699	-
	500,621,446	378,571,429

On 30 July 2021, the Group issued 27,698,189 options which were quoted on the ASX from 2 August 2021. The options are exercisable at $0.98 per option any time during the period commencing on the business day immediately following the release of FY23 annual report and 30 July 2027. Accordingly, these options are not considered as dilutive potential ordinary shares for determination of diluted earnings per share for FY22.

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Noumi Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus issues.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares.

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Note 10. Current assets - Cash and cash equivalents

	Consolidated	
	2022 $'000	2021 $'000
Cash	16,210	31,668

Note 11. Current assets - Trade and other receivables

	Consolidated	
	2022 $'000	2021 $'000
Trade receivables	56,255	50,032
Less: loss allowance	(1,329)	(2,631)
	54,926	47,401
Other receivables	2,358	2,740
	57,284	50,141

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 loss allowance for trade receivables as at 30 June 2022 and 30 June 2021 was determined as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2022 %	2021 %	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Not overdue	0.85%	0.02%	46,368	35,714	395	7
0 to 3 months overdue	11.26%	0.12%	8,291	11,399	934	14
3 to 6 months overdue	-	52.52%	1,104	556	-	292
Over 6 months overdue	-	98.10%	492	2,363	-	2,318
			56,255	50,032	1,329	2,631

The allowance for expected credit losses decreased during FY22 mainly due to US litigation settlement (refer to note 7) which resulted in reversal of allowance made in FY20 as the related receivable balances were recovered.

47% of year end receivables are concentrated to the top five customers (FY21: 50%).

The Group holds letters of credit over export receivables of $1.8m (2021: $1.2m). The letters of credit held equals the carrying amount of the relevant receivables. Refer to note 36 for further details on the Group's exposure to, and management of, credit risk.

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Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2022 $'000	2021 $'000
Opening balance	2,631	5,555
Additional provisions recognised	1,443	428
Receivables written off during the year as uncollectable	(1,562)	(2,577)
Unused amounts reversed	(1,183)	(775)
Closing balance	1,329	2,631

Significant accounting policies

Trade receivables are recognised initially at the amount of consideration that is unconditional.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This approach also considers the qualitative factors surrounding the debtors and the risks that they may have or will be facing as a result of the impact of unusual situations (such as COVID-19) on their business operations and financial position. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

Note 12. Current assets - Inventories

	Consolidated	
	2022 $'000	2021 $'000
Raw materials and packaging - at cost	15,896	11,953
Work in progress - at cost	1,926	2,227
Finished goods - at cost	18,743	21,396
Finished goods - at net realisable value	4,074	5,620
	22,817	27,016
Inventory spares and consumables – at cost	12,387	7,162
	53,026	48,358

Total cost of sales (for both continuing and discontinued operations) recognised as an expense during the year was $428.2m (FY21: $499.9m).

During the year, write-downs of inventories amounting to $0.4m (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 Speciality Seafood business during the year (refer to note 35). FY21 inventory balances included $3.5m related to Speciality Seafood business.

Significant accounting policies

Inventories are measured at the lower of cost and net realisable value ('NRV').

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials, packaging and inventory spares: purchase cost on a first in, first out basis.
- Manufactured finished goods: cost of direct materials, direct labour and an appropriate proportion of manufacturing variable and fixed overheads based on normal operating capacity but excluding borrowing costs.
- Purchased finished goods: purchase cost on a weighted average cost basis.
- Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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Note 13. Current assets - Derivative financial instruments

	Consolidated	
	2022 $'000	2021 $'000
Forward foreign exchange contracts	1,342	-

Significant accounting policies

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

Refer to note 36 for further information on financial instruments.

Note 14. Current assets - Assets classified as held for sale

	Consolidated	
	2022 $'000	2021 $'000
Investments in Australia Fresh Milk Holdings Pty Ltd (AFMH)	29,651	-
Property, plant and equipment	-	6,464
	29,651	6,464

Investment in AFMH

During the year ended 30 June 2022, the Group decided to sell its investment in AFMH and use the proceeds to fund certain future payments under the US litigation settlement. Accordingly, the investment in AFMH has been classified as held for sale.

As part of the US litigation settlement, the Group entered into a separate bank guarantee facility of US$18m (A$24.8m) with one of its senior lenders to support future payment under US litigation settlement agreement (refer to note 7). The AFMH shares (and the subsequent proceeds of a sale of up to US$18m), were provided as security for the bank guarantee facility.

The Group did not participate in AFMH's capital call in March 2022 which lead to the dilution of Group's equity interest from 10% to 9.4%. Such a reduction in equity interest resulted in the Group losing the right to appoint a Board member and hence significant influence over AFMH. Accordingly, the Group remeasured its investment in AFMH at fair value in accordance with AASB 9 resulting in the recognition of a gain of $6.7m in FY22. On 23 August 2022, the Group entered into a sale agreement for disposal of AFMH (note 46) and the fair value at 30 June 2022 is based on the agreed sale price.

Property, plant and equipment

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. During 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 bottling line. Accordingly, the Group transferred the 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 based on assessment performed at the time of transfer during FY22. The Group has determined the recoverable amount by assessing the fair value less cost of disposal. Fair value was based on the basis of orderly liquidation given absence of any comparable transactions.

Significant accounting policies

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset (or disposal group) is recognised at the date of derecognition.

Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

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Note 15. Non-current assets - Financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments, and the Group considers this classification to be more relevant.

Equity investments at FVOCI comprise the following individual investment:

	Consolidated	
	2022 $'000	2021 $'000
Investment - JLL	5,857	5,857

The Group is in negotiations with JLL and Guangzhou Langfeng Investment Co. Ltd (majority shareholder in JLL) in relation to a potential sale of the Group's 9.24% 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 30 June 2022, the fair value is determined on the basis of most recent negotiations to transact in this investment.

Note 16. Investments accounted for using the equity method

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2022 %	2021 %
Goulburn Valley Nutritionals Pty Limited (GVN)	Australia	49.00%	49.00%

	Consolidated	
	2022 $'000	2021 $'000
Investment in AFMH - (note 14)	-	22,684
Investment in joint venture - GVN	735	735
	735	23,419
Less: accumulated impairment	(735)	(735)
	-	22,684

The Group's interest in associates represent entities over which the Group exercises significant influence and have been measured by applying the equity method of accounting. Under the equity method of accounting the carrying amounts of interests in associates are increased or decreased to recognise the Group's share of the post-acquisition profits or losses and other changes in net assets of the associates.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 16. Investments accounted for using the equity method (cont.)

Goulburn Valley Nutritionals Pty Limited (GVN)

The shareholders of GVN comprises NewAustralia Holdings Pty Limited (NA) and Noumi Nutritionals Pty Limited (formerly known as Freedom Foods Group Nutritionals Pty Limited). The Group acquired its 49% interest in GVN in 2019 for $0.7 million.

Although the Group held 49% of the equity shares of GVN, the Group exercised joint control by virtue of a joint venture agreement that requires unanimous consent of both the venturers to all key decisions of GVN. The commercial operations of GVN did not commence and it remained dormant during FY22 and FY21. Accordingly, the shareholders resolved to deregister GVN and filed an application for voluntary deregistration with ASIC on 30 June 2022.

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

	AFMH	
	2022 $'000	2021 $'000
Reconciliation of the Group's carrying amount		
Opening carrying amount	22,684	22,077
Share of profit after income tax	294	607
Reclassification to non-current assets classified as held for sale (note 14)	(22,978)	-
	-	22,684

No cash dividends were received during FY22 or FY21 from investments accounted for using the equity method.

Note 17. Non-current assets - Property, plant and equipment

	Consolidated	
	2022 $'000	2021 $'000
Freehold land - at independent valuation	4,200	4,200
Buildings - at cost	5,680	5,480
Less: accumulated depreciation	(3,312)	(2,885)
	2,368	2,595
Plant and equipment - at cost	321,917	322,426
Less: accumulated depreciation	(92,494)	(75,876)
Less: accumulated impairment[1]	(58,226)	-
	171,197	246,550
Capital work in progress	16,445	1,700
Less: accumulated impairment[2]	(10,924)	(1,470)
	5,521	230
	183,286	253,575

[1] During FY22, the Group recognised a total impairment expense of $58.2m on plant and equipment as detailed below:

Plant and equipment in operation
Having regard to the change in circumstances in relation to rising input prices and customer price increases, cost of capital assumptions and the challenging operating environment for Dairy and Nutritionals, the Group recognised non-cash asset impairments of $55.6m. As noted above, this segment has recently experienced significant increases in farm gate milk prices and other input costs, and whilst the Group has increased prices to offset the increased cost in domestic dairy markets it has not yet finalised negotiations for price increases in all its export markets. This resulted in an impairment charge of $55.6m (refer to note 19).

Other plant and equipment
The Group carried out a review of the plant and equipment assets within the CGUs as detailed in note 19. The review led to the recognition of impairment of plant and equipment which is not currently in operation amounting to $2.6m based on the fair value of the relevant assets, as determined by management's estimate.

Capital work in progress
[2] The increase in accumulated impairment is attributable to reclassification of UHT bottling line from assets classified as held for sale (note 14). The Group also recorded an impairment of $4.2m on the UHT bottling line during FY22.

Notes to the Consolidated Financial Statements | 30 June 2022

Movements in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current financial year:

	Freehold land $'000	Buildings $'000	Plant and equipment[1] $'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)	-
Asset classified as held for sale (note 35)	-	-	-	(8,374)	(8,374)
Discontinued operation (note 35)	(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
Additions	-	200	138	5,640	5,978
Transfer from held for sale (note 14)	-	-	-	6,464	6,464
Transfers at completion of projects	-	-	2,600	(2,600)	-
Write off / adjustment of assets	-	-	(268)	-	(268)
Impairment (notes 14 and 19)	-	-	(58,226)	(4,213)	(62,439)
Depreciation expense	-	(427)	(19,597)	-	(20,024)
Balance at 30 June 2022	4,200	2,368	171,197	5,521	183,286

[1] Included in plant and equipment is net book value of $51.1m (FY21: $71.6m) related to equipment obtained under equipment finance facilities as disclosed in Note 27.

Significant accounting policies

Land is recognised at fair value, less any subsequent accumulated depreciation and impairment. A revaluation surplus is credited to reserves in shareholders' equity.

Plant and equipment, motor vehicles and equipment obtained under equipment finance facilities are stated at cost less accumulated depreciation and impairment.

Capital work in progress ("CWIP") represents asset under construction and not yet commissioned and includes all expenditure directly attributable to bringing the asset to its working condition for its intended use which are incremental and unavoidable as a result of the construction of the asset. CWIP is assessed for impairment at each reporting period.

Costs include installation costs, delivery costs, consultancy costs incurred to install the asset, fit out costs, interest on associated borrowings, project labour costs and commissioning costs. Start-up costs and similar pre-production costs do not form part of the cost of an asset unless they are necessary to bring the asset to its working condition. Initial operating losses incurred prior to an asset achieving planned performance must be recognised as an expense. Estimated expenditure of dismantling and site restoration (where applicable) is included in the cost of the asset.

The costs will be initially recognised as CWIP from the time that it satisfies the general recognition criteria for assets under the accounting standards.

The Group formally assesses whether project costs are to be reclassified from CWIP to Plant and Equipment. An asset is considered to be capable of operating in the manner intended by management when it is consistently capable of producing saleable product. This assessment is done periodically taking into consideration when the commissioning phase of each asset has been completed i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. At this point, it is classified as property, plant and equipment, to be depreciated from the date of reclassification over the useful life of the asset.

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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Note 17. Non-current assets - Property, plant and equipment (cont.)

Accounting estimates

The following depreciation rates are used in the calculation of depreciation:

- Buildings 20-40 years
- Plant and equipment 5-20 years
- Leased plant and equipment 5-20 years

Freehold land is not depreciated.

Note 18. Non-current assets – Right of use assets

	Consolidated	
	2022 $'000	2021 $'000
Right of use asset – Land and buildings	90,172	105,976
Less: accumulated depreciation	(18,043)	(16,394)
Less: accumulated impairment	(9,367)	(3,793)
	62,762	85,789
Right of use asset – Other	2,171	2,430
Less: accumulated depreciation	(1,357)	(1,327)
Less: accumulated impairment	(358)	(358)
	456	745
	63,218	86,534

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

Consolidated	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 (note 26)	(78,441)	-	(78,441)
Depreciation expense	(7,299)	(547)	(7,846)
Balance at 30 June 2021	85,789	745	86,534
Additions	-	2,013	2,013
Impairment (note 19)	(9,367)	-	(9,367)
Remeasurement of lease liabilities (note 26)	(9,782)	-	(9,782)
Depreciation expense	(3,878)	(2,302)	(6,180)
Balance at 30 June 2022	62,762	456	63,218

The Group leases land and buildings for its offices, warehouses and manufacturing plant under agreements of between 2 to 20 years with, in some cases, options to extend to 30 years. The leases have various rental escalation clauses. On renewal or option extension, the rent can be renegotiated. The Group also leases plant and equipment, motor vehicles and office equipment under other right of use agreements (previously described as operating leases) of between 2 to 5 years.

During the year, the Group also recognised as expense, rental of short-term leases amounting to $1.8m (FY21: $0.2m) and variable lease payments not included in right of use assets and lease liabilities amounting to $1m (FY21: nil).

As detailed in notes 17 and 19, the Group carried out impairment assessment of Dairy and Nutritional CGU which resulted in an impairment of $65m. The Group allocated $9.4m of the total impairment charge to right of use asset.

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Significant accounting policies

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives and any initial direct costs incurred by the lessee
- An estimate of the costs to dismantle and remove underlying asset or to restore the underlying asset

Subsequently the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is depreciated over the shorter period of the lease term and the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group will exercise a purchase option, the asset will be depreciated from the commencement date to the end of the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

If the recoverable amount of a right-of-use asset is less than its carrying value, an impairment charge is recognised in the profit or loss account, and the carry value of asset written-down to its recoverable amount. Should the recoverable amount increase in future periods the carrying value may be adjusted to the lower of the recoverable value or the amortised cost of the asset had it not been impaired.

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

Note 19. Non-current assets – Intangibles

	Consolidated	
	2022 $'000	2021 $'000
Goodwill	40,649	45,795
Less: accumulated impairment	(40,649)	(37,476)
	-	8,319
Brand names and trademarks	21,445	31,994
Less: accumulated impairment	(15,563)	(10,549)
	5,882	21,445
Software acquisition and development	850	-
Less: accumulated amortisation	(85)	-
	765	-
	6,647	29,764

The movement in accumulated impairment for goodwill, brand names and trademarks reflect the disposal of the Specialty Seafood business (refer to note 35), in addition to the impairment of $23.9m recorded during FY22.

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Note 19. Non-current assets – Intangibles (cont.)

Consolidated	Goodwill $'000	Brand names and trademarks $'000	Software $'000	Total $'000
Balance at 1 July 2020	8,319	22,280	-	30,599
Discontinued operation (note 35)	-	(835)	-	(835)
Balance at 30 June 2021	8,319	21,445	-	29,764
Additions	-	-	850	850
Impairment	(8,319)	(15,563)	-	(23,882)
Amortisation expense	-	-	(85)	(85)
Balance at 30 June 2022	-	5,882	765	6,647

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

Brand names and trademarks

The Group carries $5.9m (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. Carrying value does not include internally generated brand names or trademarks.

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.

Assessment of the carrying value of cash generating units

During the year ended 30 June 2022, the Group assessed if there are any indications of impairment. Considering the financial performance of Dairy and Nutritionals and Consumer Nutritional CGUs, the Group carried out an impairment assessment which is detailed below:

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 a discounted cash flow forecast to determine the value-in-use of the CGU as a whole utilising forecast cash flows for the period FY23 to FY27 and a terminal cashflow.

Due to the change in circumstances in relation to rising input prices and customer price increases, cost of capital assumptions and the challenging operating environment for Dairy and Nutritionals, the Group recognised further non-cash asset impairments of $95.7m. This segment has recently experienced significant increases in farm gate milk prices and other input costs, and whilst the Group has increased prices to offset the increased cost in domestic dairy markets it has not yet finalised negotiations for price increases in all its export markets. Accordingly, based on the revised assessment of expected future cashflows, the Group recorded an impairment expense of $65.0m in FY22 with $55.6m recorded on plant and equipment and $9.4m on right of use assets.

Consumer Nutritionals: The Consumer Nutritionals CGU produces branded protein powders for sale mainly to domestic customers, predominantly through the pharmacy and grocery channels and includes Vital Strength and Crankt brands. This CGU forms part of the Dairy and Nutritionals operating segment.

The recoverable amount of the Consumer Nutritionals CGU has been determined using discounted cash flow forecast to determine the value-in-use of the CGU, utilising forecast cash flows for the period FY23 to FY27 and a terminal cash flow.

The Group has recognised impairment of goodwill of $8.3m and of brands of $15.6m as at 30 June 2022 as a result of the decline in profitability arising from sharp rise in input costs and the latest cash flow forecast not supporting the total carrying value of the intangible assets in this CGU.

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Key assumptions

In calculating the recoverable amount of the CGUs a discounted cash flow model was utilised forecasting cash flows for the period FY23 to FY27. The following key assumptions were made:

	Dairy and Nutritionals		Consumer Nutritionals	
Key assumptions	**2022**	**2021**	**2022**	**2021**
Long term growth rate (terminal value)	2.50%	2.50%	2.50%	2.50%
Post tax discount rate	9.25%	8.25%	9.75%	9.25%
Revenue growth rate	6.21%	5.57%	6.15%	6.00%
Year 5/terminal year USD exchange rate	0.66	0.75	-	
Year 5/terminal year operational efficiencies ($'m)	3.50	17.40	1.40	

The Group has determined the values assigned to each of the above key assumptions as follows:

Long term growth rate
This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

Post tax discount rate
Reflect specific risks relating to the relevant segments and the countries in which they operate.

Revenue growth rate
Revenue growth rate is a combination of sales volume and sales price assumptions:

- Sales volume: The Group has not considered any growth in sales volume over the five-year forecast period.
- Sales price: Based on the recent price negotiations with customers which is incorporated in FY23 cash flows and average annual growth rate over the remaining four-year forecast period based on long term inflation forecasts.

USD exchange rate
Reflects the market expectation of USD exchange rate in year 5.

Operational efficiencies
Based on management expectation of realisation of future cost savings from transformation program.

Judgment has been exercised in determining the best estimate of cash flow forecasts used for impairment testing which reflects reasonable and supportable assumptions at the reporting date. Future profitability and cash flow forecasts may be impacted by further risks and uncertainties associated with geopolitical events.

Sensitivities
The impact of the change in any single assumption on the recoverable amount of the Dairy and Nutritional and Consumer Nutritional CGUs as at 30 June 2022 is summarised below:

	Dairy and Nutritionals		Consumer Nutritionals	
Key assumptions	**Change**	**Impact $000**	**Change**	**Impact $000**
Long term growth rate (terminal value)	0.25%	4.329	0.25%	227
	(0.25%)	(4,019)	(0.25%)	(211)
Post tax discount rate	0.25%	(5,013)	0.25%	(291)
	(0.25%)	5,396	(0.25%)	311
Revenue growth rate (CAGR)	5.00%	10,800	5.00%	684
	(5.00%)	(10,800)	(5.00%)	(684)
Year 5/terminal year USD exchange rate (cents)	US$0.01	(7,443)	-	-
	US$(0.01)	7,221	-	-
Year 5/terminal year operational efficiencies ($'m)	0.50	3,717	0.50	3,406
	(0.50)	(3,717)	(0.50)	(3,406)

Plant Based
No impairment indicators were noted in relation to Plant-based CGU.

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Note 19. Non-current assets – Intangibles (cont.)

Software

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over the asset's estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Employee benefit expenses and interest costs are not capitalised into the cost of intangible assets.

Software-as-a-service (Saas) arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received unless such costs are incurred for the development of software code that is under the Groups control.

The costs incurred for the development of software code that enhances or modifies or creates additional capability to existing on-premise systems and is under the Group's control meet the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

In a contract where the cloud provider provides both the SaaS configuration and customisation, and the SaaS access over the contract term, judgement is applied to determine whether these services are distinct from each other or not, and therefore, whether the configuration and customisation costs incurred are expensed as the software is configured or customised (i.e. upfront), or over the SaaS contract term. Specifically, where the configuration and customisation activities significantly modify or customise the cloud software, these activities will not be distinct from the access to the cloud software over the contract term. Judgement has been applied in determining whether the degree of customisation and modification of the cloud-based software that would be deemed significant. During the year, the Company recognised $0.3m (FY21: nil) as prepayments in respect of customisation and configuration activities undertaken in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS access over the contract term.

Note 20. Current liabilities - Trade and other payables

	Consolidated	
	2022 $'000	2021 $'000
Trade payables	53,081	48,703
Accrued expenses	12,492	14,748
Other payables	2,421	4,013
	67,994	67,464
Payable to related parties (note 41)	2,554	1,103

Trade payables, including amounts payable for capital expenditure and are paid on average within 60 days of invoice date (FY21: 60 days).

Significant accounting policies

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Note 21. Current liabilities - Lease liabilities

	Consolidated	
	2022 $'000	2021 $'000
AASB 16 lease liabilities	1,243	1,427

Refer to note 26 for further information on leasing arrangements.

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Note 22. Current liabilities - Bank borrowings

	Consolidated	
	2022 $'000	2021 $'000
Recourse debtor financing facilities	13,114	13,084
Equipment financing facilities	11,629	11,232
	24,743	24,316

Refer to note 27 for further information on financing arrangements.

Note 23. Current liabilities - Employee benefit obligations

	Consolidated	
	2022 $'000	2021 $'000
Annual leave	5,590	5,475
Long service leave	515	413
	6,105	5,888

Significant accounting policies

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Note 24. Current liabilities - Provisions

	Consolidated	
	2022 $'000	2021 $'000
Onerous contracts provision	4,683	-
US litigation settlement related provision	3,948	-
Lease make good provision	200	-
Other restructuring provisions	520	-
	9,351	-

Onerous contracts provision

Onerous contract provisions are arising in Dairy and Nutritional segment of the Group. Due to recent increase in input costs (mainly milk prices), certain export customer contracts are not expected to generate a profit margin under current contractual terms. While the Group is in discussions with these customers to pass through the rise in input costs, the provision at 30 June 2022 represent the current best estimate of net unavoidable cost obligation under these contracts.

US litigation settlement related provision

This provision represents best estimate of the premium payable on almond base purchase obligation under US litigation settlement agreement (refer to note 7).

Lease make good and other restructuring provisions

Lease make good and other restructuring provisions are arising from a decision made by the Group during FY22 to relocate and consolidate its Marickville (NSW) manufacturing facility with the Ingleburn (NSW) manufacturing site. This will enable the Group to realise benefits arising from optimum utilisation of assets, unlock capacity for future expansion and save fixed overheads by utilising group functions.

Movement in provisions during the year solely comprise of recognition of closing balances.

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Note 24. Current liabilities - Provisions (cont.)

Significant accounting policies

Onerous contracts provision

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs of meeting the obligations under the contract are the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. Onerous contract provision represents the present value of net unavoidable costs that will be incurred until the end of the contract where the obligation is expected to exceed the economic benefit to be received.

Provision for legal claims, make good obligations and restructuring expenses

Provisions for legal claims, make good obligations and restructuring expenses are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Note 25. Current liabilities - Other financial liabilities

	Consolidated	
	2022 $'000	2021 $'000
US litigation settlement liability	6,532	-

The litigation settlement amount represents the current portion of the amount payable under the US litigation settlement agreement (note 7) being the future payments due within the next 12 months.

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Note 26. Non-current liabilities - Lease liabilities

	Consolidated	
	2022 $'000	**2021 $'000**
AASB 16 lease liabilities	96,501	111,047
Current	1,243	1,427
Non-current	96,501	111,047
	97,744	112,474
Movement during the year in total lease liabilities (current and non-current) is as follows:		
Opening balance	112,474	194,645
Additions	2,013	517
Repayment	(12,073)	(13,569)
Discontinued operation (note 35)	-	(1,939)
Remeasurement of lease liabilities[1]	(14,718)	(78,441)
Interest	10,048	11,261
Closing balance	97,744	112,474
The following table presents the contractual undiscounted cash flows for lease obligations as at 30 June 2022:		
Within one year[2]	10,817	11,752
One to five years[2]	41,138	47,497
More than five years[3]	82,165	86,132
More than five years - extension options assumed to be exercised[4]	153,404	171,974
	287,524	317,355

[1] During FY22, the Group has not exercised the option to extend the lease at Taren Point and Marickville (NSW) for further terms of 10 years and 1 year respectively. This resulted in derecognition of right of use asset of $9.8m and lease liability of $14.7m with a gain of $4.9m recorded in profit and loss.
Although Taren Point lease has expired on 31 March 2022 and a shorter-term renewal of the lease is still being negotiated, the lease property is occupied by the Group on a month-to-month basis.
[2] Non-cancellable lease payments.
[3] Non-cancellable lease payments, subject to market review.
[4] Cancellable lease but extension options are considered reasonably certain to be exercised, subject to market review.

Refer to note 36 for further information on financial instruments.

Significant accounting policies

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Variable lease payments not included in the initial measurement of the lease liability are recognised directly in the statement of profit or loss.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index of rate or a change in the amount expected to be payable under a residual value guarantee; or
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 27. Non-current liabilities - Bank borrowings

	Consolidated	
	2022 $'000	2021 $'000
Revolver financing facilities	17,000	-
Equipment financing facilities	62,980	74,597
Less: transaction costs	(518)	-
	79,462	74,597

Refer to note 36 for further information on financial instruments.

Total drawn secured bank borrowings

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

	Consolidated	
	2022 $'000	2021 $'000
Recourse debtor financing facilities	13,114	13,084
Revolver financing facilities	17,000	-
Equipment financing facilities	74,609	85,829
	104,723	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 2024. The Group had utilised $17m at 30 June 2022 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 Group'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 2023 and 2027.

Debtor Finance Facilities

HSBC has provided the Group with a limited recourse debtor finance facility of $65m (FY21: $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. Accordingly, the amount funded under this facility is not recognised as a liability by the Group. The funded amount under this facility as at 30 June 2022 was $36.2m (FY21: $41.9m).

The Group also has a full recourse debtor finance facility with total limit of $25m (FY21: $25m). Under this facility, the Group sells mainly 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 $13.1m (FY21: $13.1m) from the full recourse debtor finance facility. An equal amount of trade receivables is held as collateral against utilised facility.

Notes to the Consolidated Financial Statements | 30 June 2022

The total banking facilities as at 30 June 2022 are shown below:

	Consolidated 2022 $'000	2021 $'000
Total facilities		
Recourse debtor financing facilities	25,000	25,000
Revolving financing facilities	36,000	36,000
Equipment financing facilities	74,609	85,829
	135,609	146,829
Utilised at the reporting date		
Recourse debtor financing facilities	13,114	13,084
Revolving financing facilities	17,000	-
Equipment financing facilities	74,609	85,829
	104,723	98,913
Unutilised at the reporting date		
Recourse debtor financing facilities	11,886	11,916
Revolving financing facilities	19,000	36,000
Equipment financing facilities	-	-
	30,886	47,916

The above-mentioned table does not contain the limited recourse debtor finance facility.

Unutilised financing facilities

The Group had unutilised banking facilities relating to recourse debtor and revolving financing facilities amounting to $30.9m (FY21: $47.9m) as at 30 June 2022.

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 28. Non-current liabilities - Convertible notes

	Consolidated 2022 $'000	2021 $'000
Convertible notes		
Tranche A	227,262	251,006
Tranche B	25,798	-
	253,060	251,006

Notes to the Consolidated Financial Statements I 30 June 2022

Note 28. Non-current liabilities - Convertible notes (cont.)

Tranche A

The Group issued 265 million unlisted, subordinated, secured, redeemable convertible loan notes on 27 May 2021. Key terms of convertible notes are 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 Makewhole Amount ranging between $464m in Year 1 to $610m in Year 6 ($1.75 in Year 1 to $2.3 in Year 6 per note) 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 27 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.

The Group obtained the requisite approvals from its existing shareholders and senior financiers and amended 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.

Tranche B

The Group issued 27 million unlisted, subordinated, secured, redeemable convertible loan notes on 4 May 2022. 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 5 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 $47m in Year 1 to $62m in Year 5 ($1.74 in Year 1 to $2.3 in Year 5 per note) 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 $0.32;
- interest – for the first 27 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 27 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.

The net cash received from the issue of the convertible loan notes was mainly used to repay a bridging facility which was obtained to pay US litigation settlement and transaction costs incurred on the Tranche B issuance.

Movement of the fair values at the beginning and end of the current financial year is set out below:

	Consolidated	
	2022 $'000	2021 $'000
Opening balance	251,006	-
Proceeds from issue of convertible notes	27,024	265,000
Fair value changes through profit or loss	(9,461)	(13,994)
Fair value changes through other comprehensive income	(15,509)	-
	253,060	251,006

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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.

Given the complex structure of the convertible notes, the Group obtains assistance from professional valuers to estimate the fair value at the reporting date. For the purposes of estimating fair value at 30 June 2022, Monte Carlo Simulation Option Pricing Model was applied which used option pricing mathematics to simulate future equity values. This methodology allows incorporation of the probability of exercising the conversion option and the investor's right to redeem in the valuation. Due to decrease in Noumi's share price and increase in credit spread market prior to yearend, the overall value of the convertible notes decreased by $25.0m at 30 June 2022. The decrease in fair value amounting to $15.5m arose from changes in credit spread and has been recorded in OCI in accordance with AASB 9. The remaining decline in fair value of $9.5m mainly arose from reduction in Noumi's share price at 30 June 2022 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 $25.9m for FY22 (FY21: $2.1m) is not recorded in profit and loss as interest expense although implied in the fair value approach. The face value of the convertible notes of $292m with capitalised interest to date of $25.9m equate to $317.9m which is fair valued at $253.1m on the balance sheet as at 30 June 2022.

Significant accounting policies

The convertible notes are classified entirely as liabilities because they were issued with the conversion features that are not closely related to the debt host contract. As the instrument contains an embedded derivative, it has been designated as at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred.

The component of fair value changes relating to the Group's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when upon redemption or conversion. Fair value changes relating to market risk are recognised in the statement of profit or loss.

Note 29. Non-current liabilities - Employee benefit obligations

	Consolidated	
	2022 $'000	2021 $'000
Long service leave	355	328
Long term incentive	719	-
	1,074	328

Significant accounting policies

Long term employee benefits

The Group also has liabilities for long service leave and long-term incentive plan that are not expected to be settled wholly within 12 months after the end of the period. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

Note 30. Non-current liabilities - Other financial liabilities

	Consolidated	
	2022 $'000	2021 $'000
US litigation settlement liability	17,272	-

The litigation settlement amount represents the non-current portion of the amount payable under the US litigation settlement agreement (note 7) being the present value of future payments not due within the next 12 months.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 31. Non-current liabilities - Deferred tax

Deferred tax comprises temporary differences attributable to the following:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Deferred tax asset/(liabilities)		
Lease liabilities	29,315	33,705
Finance facilities	22,180	25,527
Provisions	6,731	6,863
Property, plant and equipment	1,987	(18,972)
Right of use assets	(19,018)	(25,923)
Convertible notes	(12,419)	(629)
Intangibles	(1,768)	(6,437)
Other	6,236	(8,444)
	33,244	5,690
Unrecognised temporary differences	(33,244)	(5,690)
Deferred tax recognised	-	-

Carry forward tax losses of $591m (FY21: $455m), have not been recognised in deferred tax.

Deferred tax movements are as follows:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Opening balance	-	-
Property, plant and equipment	20,959	1,022
Intangibles	4,669	-
Right of use asset	6,905	25,760
Provisions	(132)	110
Lease liabilities	(4,390)	(24,680)
Finance facilities	(3,347)	(4,325)
Convertible notes	(11,790)	(629)
Other	14,680	8,432
	27,554	5,690
Deferred tax not recognised	(27,554)	(5,690)
Closing balance	-	-

Note 32. Equity - Issued Capital

	Consolidated 2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares - fully paid	277,109,319	277,109,319	598,698	598,698
Convertible redeemable preference shares - fully paid	101,130	101,130	14	14
	277,210,449	277,210,449	598,712	598,712

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Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends. The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Convertible redeemable preference shares (CRPS)

The CRPS are perpetual with no maturity, but redeemable after 3 years from the issuance date at the option of the Company. The CRPS are transferable and are convertible at the option of the CRPS holder. The dividend rate is 9.0% p.a. on the issue price of $0.30. It is a preferred, discretionary and non-cumulative dividend and CRPS holders have no claim or entitlement in respect of a non-payment.

If the dividend is declared by the Directors, it will be payable half-yearly in arrears i.e., in April and November each year. CRPS holders who convert their CRPS prior to a dividend payment date will not be entitled to any dividend for that part period in respect of that CRPS. However, upon conversion to ordinary shares a holder who is on the register on the record date for a dividend payable in respect of ordinary shares will be entitled to the full ordinary dividend for that period. CRPS holders are entitled to receive dividends in priority to holders of ordinary shares and equally with the holders of other CRPS that may be issued by Company on these terms.

CRPS are convertible into fully paid ordinary shares in the Company on the basis that each CRPS is convertible at the election of the CRPS holder into one ordinary share, subject to any restrictions imposed by the Corporations Act and ASX Listing Rules. There is no time limit within which CRPS must be converted. No additional consideration is payable on conversion.

Notwithstanding the right of holders of CRPS to convert at any time, all CRPS will convert into ordinary shares automatically on the occurrence of certain trigger events including certain transactions involving a change in control of Company, such as a takeover of Company or a scheme or merger between Company and another body.

The Company may redeem the CRPS, 3 years from the date of issue of the CRPS, being 16 December 2013, at its option for the payment per CRPS of the higher of:

- the issue price of $0.30; and
- an amount determined by the Board of the Company with reference to the value of a CRPS as determined by an independent expert appointed by the Board.

The Company at this time has no plans to redeem the remaining CRPS still on issue.

Share options

On 1 June 2021, the Company issued a prospectus offering 40,816,326 share options to eligible shareholders in order to provide them with the opportunity to participate in the recapitalisation plan. The Group received applications for a total of 27,698,189 options which were issued on 30 July 2021. The options were quoted on the ASX from 2 August 2021.

The options are exercisable at $0.98 per option any time during the period commencing on the business day immediately following the release of FY23 annual report and 30 July 2027. If all 27,698,189 options are exercised before 30 July 2027, the Group will raise approximately $27,144,225 which will be used for working capital purposes.

Note 33. Equity - Dividends

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

The Dividend Reinvestment Plan (DRP) is no longer open.

Franking credits

	Consolidated	
	2022 $'000	2021 $'000
Franking credits available at the reporting date based on a tax rate of 30%	-	812
Net franking credits available	-	812

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Note 34. Equity - Reserves

	Consolidated 2022 $'000	Consolidated 2021 $'000
Common control reserve	(60,878)	(60,878)
Foreign currency translation reserve	(118)	500
Convertible notes reserve	10,856	-
	(50,140)	(60,378)

Land revaluation reserve

The land revaluation reserve arises on the revaluation of land. Where a revalued land is sold that portion of the asset revaluation reserve which relates to the asset and is effectively realised, is transferred directly to retained earnings.

Common control reserve

The common control reserve is used to account for the acquisition of Pactum Australia and Pactum Dairy Group by the Group. The difference between the fair value of the consideration paid and the existing book values of the assets & liabilities of Pactum Australia has been debited to a common control reserve ($5,464,000). On 31 January 2017, the reserve was increased due to the additional interest acquired in Pactum Dairy Group. The difference between the fair value of the consideration paid and the non-controlling interest balance on that date has been debited to a common control reserve ($55,414,000). Upon disposal of all interests in Pactum Australia or Pactum Dairy Group by the Group, the applicable reserve would be transferred to retained earnings.

Foreign currency translation reserve

The foreign currency translation reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Equity-settled employee benefits reserve

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the Employee Share Option Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Currently, the Group does not have an Employee Share Option Plan.

Convertible notes reserve

The convertible notes reserve represents fair value changes arising from Group's own credit risk which are recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss but are transferred to retained earnings when realised.

Movements in reserves

Movements in each class of reserve during the current and previous financial 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)
Land and building revaluation	(30)	-	-	-	-	(30)
Foreign currency translation	-	-	623	-	-	623
Transfer to accumulated losses	(3,518)	-	-	(1,602)	-	(5,120)
Balance at 30 June 2021	-	(60,878)	500	-	-	(60,378)
Foreign currency translation	-	-	(618)	-	-	(618)
Fair value changes (note 28)	-	-	-	-	15,509	15,509
Deferred tax (notes 8 and 31)	-	-	-	-	(4,653)	(4,653)
Balance at 30 June 2022	-	(60,878)	(118)	-	10,856	(50,140)

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Note 35. Discontinued operations

Discontinued Operations - Speciality Seafood

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 ($0.4m) 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 year ended 30 June 2022 as a discontinued operation.

Financial performance and cash flow information for discontinued operations for the year ended 30 June 2021 represent aggregated results of Cereal and Snacks and Specialty Seafood businesses. Cereal and Snacks business was a discontinued operation in FY21 up until it was sold on 31 March 2021.

	Discontinued Operations	
Financial performance information	**2022 $'000**	**2021 $'000**
Revenue from sale of goods	5,427	47,095
Cost of sales	(4,280)	(48,205)
Selling and marketing expenses	(98)	(4,837)
Distribution expenses	(430)	(5,910)
Administrative expenses	(205)	(1,706)
Net finance costs	-	(86)
Total expenses	(5,013)	(60,744)
Profit/(loss) before income tax expense	414	(13,649)
Income tax expense	-	-
Profit/(loss) after income tax expense	414	(13,649)
Loss on disposal before income tax	(61)	(894)
Income tax expense	-	-
Loss on disposal after income tax expense	(61)	(894)
Profit/(loss) after income tax expense from discontinued operations	353	(14,543)

FY22 financial performance for Speciality Seafood business represents 5 months operations. FY21 financial performance for Cereal and Snacks business represent 9 month operations and 12 months of Speciality Seafood business.

	Discontinued Operations	
Cash flow information	**2022 $'000**	**2021 $'000**
Net cash from/(used in) operating activities	2,401	(18,312)
Net cash from investing activities	2,087	16,158
Net cash used in financing activities	-	(8,019)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	4,488	(10,173)

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Note 35. Discontinued operations (cont.)

Carrying amounts of assets and liabilities disposed	Discontinued Operations 2022 $'000	Discontinued Operations 2021 $'000
Inventories	2,149	3,905
Property, plant and equipment	-	16,995
Intangibles	-	835
Total assets	2,149	21,735
Lease liability	-	1,934
Provisions	-	2,749
Total liabilities	-	4,683
Net assets	2,149	17,052

Details of the disposal	Discontinued Operations 2022 $'000	Discontinued Operations 2021 $'000
Total sale consideration	2,473	19,346
Carrying amount of net assets disposed	(2,149)	(17,052)
Disposal costs	(385)	(3,188)
Loss on disposal before income tax	(61)	(894)
Loss on disposal after income tax	(61)	(894)

Significant accounting policies

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 36. Financial instruments

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balances.

The capital structure of the Group consists of debt, which includes borrowings, convertible loan notes, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in their respective notes.

Operating cash flows are used to maintain and expand the Group's manufacturing and distribution assets, as well as to make routine payments for tax, dividends and repayment of debt. The Group's policy is to borrow centrally; using a variety of capital market issues and borrowing facilities, to meet anticipated funding requirements.

Market risk

The Group's activities expose it primarily to the financial risk of changes in foreign currency exchange rates and interest rates. The Group adopts a natural hedge approach and at times enters into forward exchange and option contracts to manage net foreign currency risk on its imports and exports.

Significant accounting polices

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Forward foreign exchange contracts

At times, the Group enters into forward foreign exchange contracts to hedge specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward exchange contracts is to protect the Group against unfavourable exchange rate movements for the contracted purchases and sales undertaken in foreign currencies.

The following table details the forward foreign exchange contracts outstanding as at reporting date in Australian dollars:

	Sell Australian dollars		Average exchange rates	
	2022 $'000	2021 $'000	2022 $	2021 $
Buy US dollars				
Maturity:				
0-3 months	24,776	-	0.7265	-

The following table details the forward foreign exchange contract at fair value as at reporting date in Australian dollars:

	Consolidated	
	2022 $'000	2021 $'000
Buy US dollars - less than 3 months	1,342	-

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

	Assets		Liabilities	
Consolidated	2022 $'000	2021 $'000	2022 $'000	2021 $'000
US Dollar	20,285	23,876	12,018	12,319
Canadian Dollar	-	5	-	-
Euro	-	-	610	1,125
New Zealand Dollar	-	-	1	579
Chinese Yuan	3,121	2,350	35	596
Singapore Dollar	154	43	313	390

Notes to the Consolidated Financial Statements | 30 June 2022

Note 36. Financial instruments (cont.)

Foreign currency sensitivity analysis

The following table details the sensitivity to an increase/decrease in the Australian dollar against the relevant currencies in relation to foreign exchange exposures. Sensitivity rates of 5% (USD), 3% (EUR), 4% (CNY) and 3% (SGD) have been used as these represent management's assessment of a likely maximum change in foreign exchange rates.

A positive number indicates an increase in profit where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and the balances below would be negative.

The foreign currency sensitivity analysis sets out the sensitivity to variations in exchange rate on foreign currency receivables, payables and cash and cash equivalents at year end in the Group.

	AUD strengthened			AUD weakened		
Consolidated - 2022	**% change**	**Effect on loss before tax**	**Effect on equity**	**% change**	**Effect on loss before tax**	**Effect on equity**
US dollar	5%	(394)	(394)	5%	435	435
Euro	3%	18	18	3%	(19)	(19)
Chinese Yuan	4%	(119)	(119)	4%	129	129
Singapore dollars	3%	5	5	3%	(5)	(5)
		(490)	(490)		540	540

	AUD strengthened			AUD weakened		
Consolidated - 2021	**% change**	**Effect on loss before tax**	**Effect on equity**	**% change**	**Effect on loss before tax**	**Effect on equity**
US dollar	5%	(552)	(552)	5%	610	610
Euro	3%	33	33	3%	(35)	(35)
Chinese Yuan	4%	(68)	(68)	4%	73	73
Singapore dollars	3%	10	10	3%	(10)	(10)
		(577)	(577)		638	638

Interest rate risk management

At 30 June 2022, the Group's borrowings are largely at fixed rates (convertible loan notes and equipment finance facilities):

	2022		2021	
	Weighted average effective interest rate %	**Balance $'000**	**Weighted average effective interest rate %**	**Balance $'000**
Cash and cash equivalents	-	16,210	-	31,668
Recourse debtor financing facilities (variable interest rate)	4.69%	(13,114)	3.49%	(13,084)
Revolving financing facilities (variable interest rate)	5.21%	(17,000)	-	-
Equipment financing facilities (fixed interest rate)	4.74%	(74,609)	4.71%	(85,829)
Convertible notes (fixed interest rate)[1]	8.50%	(253,060)	8.50%	(251,006)
		(341,573)		(318,251)

[1] The Group is capitalising interest payments on convertible notes and hence subject to a fixed interest rate of 8.5% p.a. Since the Group designated convertible notes at fair value through profit or loss and the interest is capitalised, no interest expense is recognised separately in the consolidated income statement.

Notes to the Consolidated Financial Statements | 30 June 2022

Interest rate sensitivity analysis

Since the Group's borrowings are largely at fixed rates, it does not have a material exposure to interest rate changes and hence sensitivity analysis is not included in the financial statements.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties.

For trade receivables, the Group has applied the simplified approach in AASB 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Note 11 includes further details on the loss allowance for these assets.

The credit risk on liquid funds is limited because the Group only deposits monies with Australian banking counterparties with high credit ratings assigned by international credit rating agencies.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at statement of financial position date, to recognised financial assets of the Group which have been recognised on the statement of financial position is the carrying amount, net of any allowance for doubtful debts.

Liquidity risk management

Liquidity risk arises from the possibility that the Group may be unable to settle a transaction on the due date. The ultimate responsibility for liquidity risk management rests with the Board of Directors and executive management. The Group's Treasury manages risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Included in Note 27 is detail of the current status of funding facilities.

			Contractual cash flow			
Consolidated - 2022	**Carrying amount**	**Weighted average effective interest rate**	**Less than 1 year $'000**	**Between 1 and 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Non-interest bearing						
Trade and other payables	67,994	-	67,994	-	-	67,994
Payable to related parties	2,554	-	2,554	-	-	2,554
Other financial liabilities	23,804	-	6,532	19,596	-	26,128
	-	-	-	-	-	-
Interest bearing - variable	-	-	-	-	-	-
Recourse debtor financing facilities	13,114	4.69%	13,114	-	-	13,114
Revolver financing facilities	17,000	5.21%	886	17,812	-	18,698
	-	-	-	-	-	-
Interest bearing - fixed	-	-	-	-	-	-
Equipment financing facilities	74,609	4.74%	14,932	71,194	-	86,126
Convertible notes[1]	253,060	8.50%	-	731,211	-	731,211
	452,135		106,012	839,813	-	945,825

[1] The convertible notes provide redemption and equity conversion options. Given the number of potential alternatives and the timing of the potential cash repayment, the amount shown in the above table is indicative and the actual cash flows may be different.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 36. Financial instruments (cont.)

Consolidated - 2021	Carrying amount	Weighted average effective interest rate	Contractual cash flow Less than 1 year $'000	Between 1 and 5 years $'000	More than 5 years $'000	Total $'000
Non-interest bearing						
Trade and other payables	67,464	-	67,464	-	-	67,464
Payable to related parties	1,103	-	1,103	-	-	1,103
	-	-	-	-	-	-
Interest bearing - variable	-	-	-	-	-	-
Recourse debtor financing facilities	13,084	3.49%	13,084	-	-	13,084
	-	-	-	-	-	-
Interest bearing - fixed	-	-	-	-	-	-
Equipment financing facilities	85,829	4.71%	15,094	70,587	14,316	99,997
Convertible notes [1]	251,006	8.50%	-	42,631	566,869	609,500
	418,486		96,745	113,218	581,185	791,148

[1] The convertible notes provide redemption and equity conversion options. Given the number of potential alternatives and the timing of the potential cash repayment, the amount shown in the above table is indicative and the actual cash flows may be different.

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 is 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 investments in JLL and AFMH are 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. These investments are classified as Level 3, as the fair values at 30 June 2022 are based on most recent negotiations to transact.

The fair value of convertible loan notes is independently determined using a Monte Carlo Simulation Option Pricing Model (MCSOPM) 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 year or previous corresponding period.

Notes to the Consolidated Financial Statements | 30 June 2022

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2022 and 30 June 2021.

As at 30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment at fair value through OCI - JLL	-	-	5,857	5,857
Investment at fair value through profit or loss - AFMH	-	-	29,651	29,651
	-	-	35,508	35,508
Liabilities				
Convertible notes	-	253,060	-	253,060

As at 30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment at fair value through OCI - JLL	-	-	5,857	5,857
Liabilities				
Convertible notes	-	251,006	-	251,006

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

Financial risk management objectives

The Group's Treasury provides services to each of the group businesses, and co-ordinates access to domestic and international financial markets, for the purpose of monitoring and managing the financial risks relating to the operations of the Group.

The Group seeks to minimise the effects of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk and interest rate hedging risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

	Consolidated	
	2022 $'000	2021 $'000
Debt[1]	104,205	98,913
Convertible notes	253,060	251,006
Lease liabilities - AASB 16	97,744	112,474
Cash and cash equivalents	(16,210)	(31,668)
Net debt	438,799	430,725
Equity[2]	(149,011)	1,493

[1] Debt is defined as long and short-term borrowings, as detailed in the notes to the financial statements.
[2] Equity includes all capital and reserves.

If the convertible notes are converted to equity, the net debt will reduce to $186m (FY21: $180m) and equity will increase to $104m (FY21: $253m).

Notes to the Consolidated Financial Statements | 30 June 2022

Note 37. Capital commitments and contingent liabilities

	Consolidated 2022 $'000	2021 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Plant and equipment	3,483	922

	Consolidated 2022 $'000	2021 $'000
Contingent liabilities		
Contingencies at the reporting date but not recognised as liabilities:		
Bank guarantees related to US litigation settlement	26,129	-

Bank guarantee related to US Litigation Settlement

The Company entered into a separate bank guarantee facility of US$18.0m with one of its senior lenders, under which the Company granted first ranking security over its shares in AFMH and the proceeds of the sale of such shares, to secure the bank guarantee facility. The sale of the AFMH shares was completed on 23 August 2022 and $25.0m of the proceeds were collateralised as security for the bank guarantee facility. The bank guarantee facility was used for the issuance of US$18.0m bank guarantee which will secure the future litigation settlement payments and will progressively step down from March 2023 until January 2027.

ASIC Investigation

ASIC has 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) by the Group and the officers and directors of the Group 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 been concluded as at the date of issuance of these financial statements and hence no provision is recognised.

Class Action and other litigation

Two separate class action proceedings were commenced against the Company and its previous 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.

On 11 August 2022, the Group received a claim from Sunday Collab International Limited in relation to an ongoing contractual dispute.

Consideration has been given to these matters which are being defended, and it has been determined that they are not at a stage to support any material financial impact being provided at the reporting date. Accordingly, apart from the associated legal costs incurred as at 30 June 2022, no provision is recognised in the financial statements.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 38. Interests in subsidiaries

The Group's principal subsidiaries at 30 June 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

	Principal place of business / Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
Paramount Seafoods Pty Limited [1]	Australia	100.00%	100.00%
Noumi Operations Pty Ltd (formerly Freedom Foods Group Operations Pty Ltd)[2]	Australia	100.00%	100.00%
Noumi Financing Pty Ltd (formerly Freedom Foods Group Financing Pty Ltd)[2]	Australia	100.00%	100.00%
Noumi Manufacturing Pty Ltd (formerly Freedom Foods Pty Ltd)*	Australia	100.00%	100.00%
Pactum Australia Pty Ltd[2]	Australia	100.00%	100.00%
Pactum Dairy Group Pty Ltd[2]	Australia	100.00%	100.00%
Noumi IP Pty Ltd (formerly Freedom Foods Group IP Pty Ltd)[2]	Australia	100.00%	100.00%
Thorpedo Foods Group Pty Ltd[2]	Australia	100.00%	100.00%
Thorpedo Foods Pty Ltd	Australia	100.00%	100.00%
Thorpedo Seafoods Pty Limited	Australia	75.00%	75.00%
Noumi Ingleburn Pty Ltd (formerly Freedom Foods Group Ingleburn Pty Ltd)[2]	Australia	100.00%	100.00%
Noumi Nutritionals Pty Ltd (formerly Freedom Foods Group Nutritionals Pty Ltd)[2]	Australia	100.00%	100.00%
Noumi Trading Pty Ltd (formerly Freedom Foods Group Trading Pty Ltd)[2]	Australia	100.00%	100.00%
Crankt Protein International Pty Limited	Australia	100.00%	100.00%
Noumi Shanghai Co. Ltd (formerly Freedom Foods Shanghai Co. Ltd)	China	100.00%	100.00%
Noumi Singapore Pte. Ltd. (formerly Freedom Foods Singapore Pte Ltd)	Singapore	100.00%	100.00%

(1) This company is a member of the tax consolidated group. Legal entity is retained post disposal of the seafood business during the year. Refer to note 35 for details.

(2) These companies are members of the tax consolidated group.

Notes to the Consolidated Financial Statements I 30 June 2022

Note 39. Deed of cross guarantee

The following companies in the Group have entered into a deed of cross guarantee as a condition to obtaining relief under ASIC Class Order 98/1418 from the Corporations Act 2001 requirements to prepare and lodge audited financial statements and a directors' report.

Noumi Limited (formerly Freedom Foods Group Limited)
Paramount Seafoods Pty Ltd
Noumi Operations Pty Ltd (formerly Freedom Foods Group Operations Pty Ltd)
Noumi Financing Pty Ltd (formerly Freedom Foods Group Financing Pty Ltd)
Noumi Pty Ltd (formerly Freedom Foods Pty Ltd)
Pactum Australia Pty Ltd
Thorpedo Foods Group Pty Ltd
Noumi Nutritionals Pty Ltd (formerly Freedom Foods Group Nutritionals Pty Ltd)
Pactum Dairy Group Pty Ltd
Noumi Trading Pty Ltd (formerly Freedom Foods Group Trading Pty Limited)

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Noumi Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2022 of the closed group.

Consolidated statement of comprehensive income

	Consolidated	
	2022 $'000	2021 $'000
Revenue from sale of goods	516,657	571,802
Cost of sales	(399,632)	(462,383)
Gross margin	117,025	109,419
Other income	11,598	3,755
Other expense	(4,683)	-
Selling and marketing expenses	(25,237)	(22,937)
Distribution expenses	(45,891)	(48,069)
Product development expenses	(2,038)	(1,831)
Administrative expenses	(31,249)	(31,546)
Net finance costs	(9,363)	(31,367)
Impairment of non-financial assets	(120,783)	(31,538)
US litigation settlement related expenses	(55,621)	-
Expected credit losses	(260)	347
Share of profits of associates accounted for using the equity method	294	607
Loss before income tax	(166,208)	(53,160)
Income tax benefit/(expense)	5,466	(17)
Loss after income tax	(160,742)	(53,177)

Notes to the Consolidated Financial Statements I 30 June 2022

Consolidated statement of financial position

	Consolidated	
	2022 $'000	**2021 $'000**
Assets		
Current assets		
Cash and cash equivalents	14,894	31,122
Trade and other receivables	59,065	56,854
Receivable from related parties	84,620	90,296
Loan due from a related party	-	13,116
Inventories	34,494	34,569
Derivative financial instruments	1,342	-
Prepayments	3,225	3,530
Non-current assets classified as held for sale	29,651	-
Total current assets	227,291	229,487
Non-current assets		
Financial assets at fair value through other comprehensive income	5,857	5,857
Investments accounted for using the equity method	-	22,684
Property, Plant and Equipment	72,315	137,952
Right-of-use assets	19,568	39,396
Intangibles	6,647	30,529
Prepayments	319	-
Total non-current assets	104,706	236,418
Total assets	331,997	465,905
Liabilities		
Current liabilities		
Trade and other payables	47,212	59,197
Bank borrowings	24,743	24,316
Lease liabilities	1,213	1,958
Income tax	3,248	-
Employee benefit obligations	6,105	6,652
Provisions	7,601	-
Other financial liabilities	6,532	-
Total current liabilities	96,654	92,123
Non-current liabilities		
Bank borrowings	79,462	74,597
Convertible notes	253,060	251,006
Lease liabilities	33,368	46,633
Provisions	1,192	53
Other financial liabilities	17,272	-
Total non-current liabilities	384,354	372,289
Total liabilities	481,008	464,412
Net assets	(149,011)	1,493

Notes to the Consolidated Financial Statements | 30 June 2022

Note 39. Deed of cross guarantee (cont.)

Consolidated statement of financial position (cont.)

	Consolidated	
	2022 $'000	2021 $'000
Equity		
Issued Capital	598,712	598,712
Reserves	(50,140)	(60,378)
Accumulated losses	(697,583)	(536,841)
Total equity	(149,011)	1,493

Note 40. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2022 $'000	2021 $'000
Loss after income tax	(160,742)	(53,177)
Other comprehensive income for the year, net of tax	10,238	593
Total comprehensive income	(150,504)	(52,584)

Statement of financial position

	Parent	
	2022 $'000	2021 $'000
Total current assets		
Total non-current (liabilities)/assets	(149,011)	1,493
Total current liabilities	-	-
Net assets	(149,011)	1,493
Equity		
Issued capital	598,712	598,712
Accumulated losses	(747,723)	(597,219)
	(149,011)	1,493

Noumi Limited on 30 June 2022, provided a letter of support stating it will provide financial support to certain controlled entities, at their request, to ensure that those subsidiaries are at all times able to pay all debts and liabilities owed by them, as they become due and payable in the normal course of business.

Notes to the Consolidated Financial Statements I 30 June 2022

Note 41. Related party transactions

Majority Shareholder

Arrovest Pty Limited is the majority shareholder of the Group with controlling interest.

Subsidiaries

Interests in subsidiaries are set out in note 38.

Associates

Interests in associates are set out in note 16.

Joint ventures

Interests in joint ventures are set out in note 16.

Key management personnel

Disclosures relating to key management personnel are set out in note 42 and the remuneration report included in the Directors' report.

Transactions with related parties

Other related parties include:

- entities with joint control or significant influence over the Group;
- joint ventures in which the entity was a venturer;
- subsidiaries; and
- other related parties.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 41. Related party transactions (cont.)

The following transactions occurred with related parties:

	Consolidated 2022 $	Consolidated 2021 $
Sale of goods and services during the year:		
Sale of pallet racking to Perich Property Holdings	-	273,133
Proceeds from/(reimbursements) related to convertible loan notes:		
Amount received from Arrovest Pty Limited	-	126,142,210
Reimbursement of legal advice to Arrovest Pty Limited	-	(253,000)
Amount received from Directors	-	275,000
Reimbursement for capital costs deemed to be landlord costs during the year:		
Reimbursement of capital costs incurred by the Group that were deemed to be landlord costs of Perich Property Holdings at Shepparton (related entity through common Directors)	-	263,865
Purchase of goods and services during the year:		
Milk purchases from Fresh Dairy Four Pty Limited (wholly owned subsidiary of AFMH)	(26,095,619)	(8,142,206)
Payment for rent and interest during the year:		
Payment of rent and outgoings under a lease commitment with Perich Property Holdings at Shepparton and Head Office (related entity through common Directors)	(4,307,331)	(5,199,589)
Payment of rent and outgoings under a lease commitment with Perich Property Unit Trust at Ingleburn (related entity through common Directors)	(8,569,695)	(9,619,434)
Payment for Director and Officer insurance and reimbursement of other legal costs to Leppington Pastoral Company	(594,546)	(1,330,242)
Amount payable at the end of the year:		
AASB 16 Lease liability with Perich Property Holdings at Shepparton and Head Office (related entity through common Directors)	(32,546,666)	(48,080,697)
AASB 16 Lease liability with Perich Property Unit Trust at Ingleburn (related entity through common Directors)	(63,062,506)	(61,827,983)
Payable for Director and Officer insurance to Leppington Pastoral Company	(54,050)	-
Payable for rent and outgoings under a lease commitment with Perich Property Holdings at Shepparton and Head Office (related entity through common Directors)	-	(60,136)
Payable for milk purchases from Fresh Dairy Four Pty Limited (wholly owned subsidiary of AFMH)	(2,500,440)	(1,042,747)

* On 30 July 2021, the Group has issued 7,291 listed share options to the Chair of the Board, which related to the Chair's underlying ordinary shareholding. The options are not funded upfront.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 42. Key management personnel disclosures

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

	Consolidated	
	2022 $	2021 $
Short-term employee benefits	2,659,325	2,408,222
Board exertion payments	-	450,000
Post-employment benefits (superannuation contribution)	156,140	120,964
Termination benefits	-	304,359
Long term incentives[1]	(10,692)	45,000
	2,804,773	3,328,545

[1] Negative expense for the year arising from reversal of FY21 long term incentive upon completion of service of previous CFO of the Group in March 2022.

Note 43. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022 $'000	2021 $'000
Loss after income tax benefit/(expense) for the year	(160,742)	(53,177)
Adjustments for:		
Depreciation and amortisation	26,289	28,504
Impairment of non-current assets	95,688	1,910
Provision for customer claims	2,023	-
Transaction costs related to financing/recapitalisation[1]	1,309	9,637
Unrealised exchange loss	354	770
Expected credit losses (note 11)	260	(347)
Loss on sale of assets	147	514
Fair value changes of assets held for sale (note 14)	(6,672)	-
Gain on re-measurement of leases (note 26)	(4,936)	-
Fair value changes of convertible notes (note 28)	(9,461)	(13,994)
Deferred tax movement (notes 8 and 31)	(4,653)	17
Share of profit of associates	(294)	(607)
Revaluation loss on land	-	137
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(9,426)	2,304
(Increase)/decrease in inventories	(4,668)	15,317
Increase in derivative assets	(1,342)	-
Decrease/(increase) in prepayments	17	(280)
Increase in amount due to related parties	1,451	858
Decrease in other operating assets	-	175
Increase/(decrease) in trade and other payables	(321)	(42,553)
Increase(decrease) in provision	10,314	(1,982)
Increase/(decrease) in other financial liabilities	23,804	-
Net cash used in operating activities	(40,859)	(52,797)

[1] These costs are classified as cash flow from financing activities and hence not forming part of net cash used in operating activities.

Notes to the Consolidated Financial Statements | 30 June 2022

Note 44. Reconciliation of assets and liabilities arising from investing and financing activities

The table below details changes in the Group's assets and liabilities arising from investing and financing activities, including both cash and non-cash changes. Liabilities arising from investing and financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statement of cash flows as cash flows from financing activities.

Movements in financing activities:

			Other changes			
Consolidated 2022	**Balance 1 July 2021 $'000**	**Financing cash flows $'000**	**Lease remeasurement $'000**	**Fair value changes $'000**	**Other changes $'000**	**Balance 30 June 2022 $'000**
AASB 16 lease liabilities (note 26)	(112,474)	2,133	14,718	-	(2,121)	(97,744)
Recourse debtor financing facilities (note 22)	(13,084)	-	-	-	(30)	(13,114)
Revolving financing facilities (note 27)	-	(17,000)	-	-	-	(17,000)
Equipment financing facilities (note 27)	(85,829)	11,327	-	-	(107)	(74,609)
Convertible loan notes (note 28)	(251,006)	(27,024)	-	24,970	-	(253,060)
Transaction costs	-	1,235	-	-	(1,235)	-
Share capital (note 32)	(598,712)	-	-	-	-	(598,712)
	(1,061,105)	(29,329)	14,718	24,970	(3,493)	(1,054,239)

			Other changes			
Consolidated 2021	**Balance 1 July 2020 $'000**	**Financing cash flows $'000**	**Lease remeasurement $'000**	**Fair value changes $'000**	**Other changes $'000**	**Balance 30 June 2021 $'000**
AASB 16 lease liabilities (note 26)	(194,645)	4,240	78,441	-	(510)	(112,474)
Term loan facilities (note 27)	(141,174)	141,174	-	-	-	-
Recourse debtor financing facilities (note 22)	(15,466)	2,382	-	-	-	(13,084)
Revolving financing facilities (note 27)	(36,176)	36,176	-	-	-	-
Equipment financing facilities (note 27)	(99,508)	17,085	-	-	(3,406)	(85,829)
Convertible loan notes (note 28)	-	(265,000)	-	13,994	-	(251,006)
Transaction costs	-	10,145	-	-	(10,145)	
Share capital (note 32)	(598,712)	-	-	-	-	(598,712)
	(1,085,681)	(53,798)	78,441	13,994	(14,061)	(1,061,105)

Notes to the Consolidated Financial Statements I 30 June 2022

Movements in investing activities:

Consolidated 2022	Balance 1 July 2021 $'000	Investing cash flows $'000	Other changes: Depreciation, amortisation and impairment $'000	Other changes: Lease remeasurement $'000	Other changes: Discontinued operations / held for sale $'000	Other changes: Other changes $'000	Balance 30 June 2022 $'000
Property, plant and equipment (note 17)	253,575	6,015	(82,463)	-	6,464	(305)	183,286
Right of use asset (note 18)	86,534	-	(15,547)	(9,782)	-	2,013	63,218
Intangibles (note 19)	29,764	-	(23,967)	-	-	850	6,647
Assets classified as held for sale (note 14)	6,464	-	-	-	16,220	6,967	29,651
Financial assets at FVOCI (note 15)	5,857	-	-	-	-	-	5,857
Investment accounted for using the equity method (note 16)	22,684	-	-	-	(22,684)	-	-
Sale of discontinued operation (note 35)	-	(2087)	-	-	2,087	-	-
	404,878	3,928	(121,977)	(9,782)	2,087	9,525	288,659

Consolidated 2021	Balance 1 July 2020 $'000	Investing cash flows $'000	Other changes: Depreciation, amortisation and impairment $'000	Other changes: Lease remeasurement $'000	Other changes: Discontinued operations / held for sale $'000	Other changes: Other changes $'000	Balance 30 June 2021 $'000
Property, plant and equipment (note 17)	293,742	2,658	(20,664)	-	(25,369)	3,208	253,575
Right of use asset (note 18)	172,304	-	(7,840)	(78,441)	-	511	86,534
Intangibles (note 19)	30,599	-	-	-	(835)	-	29,764
Assets classified as held for sale (note 14)	-	-	(1,910)	-	8,374	-	6,464
Financial assets at FVOCI (note 15)	-	-	-	-	-	5,857	5,857
Investment accounted for using the equity method (note 16)	27,934	-	-	-	-	(5,250)	22,684
Sale of discontinued operation (note 35)	-	(16,158)	-	-	16,158	-	-
	524,579	(13,500)	(30,414)	(78,441)	(1,672)	4,326	404,878

Notes to the Consolidated Financial Statements | 30 June 2022

Note 45. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditors of the Group:

	Consolidated	
	2022 $	2021 $
Deloitte Touche Tohmatsu:		
Audit or review of financial reports:		
- Group H1 FY22 review	253,000	-
- Group FY21 audit	90,250	829,000
- Group FY20[1] audit	-	540,300
- Subsidiaries and joint operations	60,000	57,673
	403,250	1,426,973
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	-	19,525
KPMG:		
Audit of financial report:		
- Group FY22 audit	656,000	-
	1,059,250	1,446,498

[1] Group FY20 audit fees incurred in 2021 relate to audit of financial statements restatement.

Note 46. Events after the reporting period

Sale of investment in AFMH

Subsequent to year-end, following the approval at an Extraordinary General Meeting held on 17 August 2022, the Group completed the sale of its shares in AMFH on 23 August 2022 for consideration of $1.45 per AFMH share, representing a total consideration of $29.7m. This included the sale of 11.5m AFMH shares to Leppington Pastoral Investments Pty Ltd (a related party of the Group, through its majority shareholder, Arrowvest Pty Limited) for $1.45 per AFMH share representing $16.7m.

Other than as disclosed in the consolidated financial statements, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- 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
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 28 to the financial statements.

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

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

Genevieve Gregor | Chair
29 August 2022, Sydney

Independent Auditor's Report

Independent Auditor's Report

To the shareholders of Noumi Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Noumi Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2022;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent Auditor's Report

KPMG

Material uncertainty related to going concern

We draw attention to Note 2(b), "Going Concern" in the financial report. The conditions disclosed in Note 2(b) indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events and conditions casting significant doubt in the Group's assessment of going concern, with particular attention paid to forecasted improvement in the Group's financial performance and position and ongoing legal matters. These procedures included:

- Assessing the forecast financial impact of significant uncertain future events, including potential outcomes of the legal matters as disclosed in Notes 2 and 37 for feasibility, quantum and timing. We used information obtained from inquiries with the Group's internal and external legal counsel, inspection of third party correspondence and reports, to inform our understanding of the current status of legal matters, in order to assess the level of associated uncertainty, which we consider to be fundamental to readers of the Group's financial report;
- Analysing the cash flow projections by:
  - Evaluating the underlying data used to generate the projections for consistency with other information tested as part of the audit, our understanding of the Group's intentions, and past results and practices;
  - Assessing the Group's planned levels of operating and capital expenditures, in particular those related to it's transformation program to realise manufacturing operational efficiencies, for feasibility, timing, consistency of relationships and trends to the Group's historical results, particularly in light of loss making operations. We used our understanding of the business, industry and economic conditions impacting the Group in making this assessment.
- Assessing the Group's significant cash inflow assumptions and judgements to improve gross margin currently achieved in the domestic and export markets through increased prices to customers to recover supply chain and cost increases, for feasibility and timing. We used our knowledge of the Group, impact of current economic conditions and customer pricing behaviours to assess the level of associated uncertainty;
- Reading minutes of the Board meetings and relevant correspondence with the Group's advisors to understand the Group's ability to raise additional shareholder funds, and assess the level of associated uncertainty;
- Reading facility agreements with existing financiers to understand the Group's compliance obligations contained in those agreements, and the Group's ability to satisfy those compliance obligations; and
- Evaluating the Group's going concern disclosures in the financial report by comparing them to our understanding of the matters, events and conditions, the Group's plans to address those matters, events and conditions, and the requirements of the Australian Accounting Standards.

Independent Auditor's Report

Key Audit Matters

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the ***Key Audit Matters***:

- Provisions and contingent liabilities – estimation uncertainty; and
- Impairment assessment of non-financial assets.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provisions and contingent liabilities – estimation uncertainty (Legal and regulatory matters)

Refer to Note 2 and 37 of the Financial Report

The key audit matter	How the matter was addressed in our audit
Provisions and contingent liabilities as they relate to legal and regulatory matters are a key audit matter. Applying AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (AASB 137) requires significant judgement for each of the fundamental principles. The principles we considered were: 1. Does a present obligation exist; 2. If so, can it be reliably measured, leading to recording a provision; and 3. If not, a contingent liability is reported with sufficient information disclosed to provide the users of the financial statements with an understanding of the matter and where practical the uncertainties and potential timing. When assessing ongoing legal and regulatory matters, as compared to known contractual liabilities, these principles are complex and prone to greater uncertainty. The Group has a number of significant ongoing legal matters and regulatory investigations related to Class actions and ASIC investigation, the status of which remain open with no known or certain quantifications. Given the nature and status of these matters, and the uncertainty associated with each matter, we focused our effort on how the Group complied with the requirements of the accounting standard and the	Our procedures included: • Evaluating the Group's assessment of whether a present obligation exists arising from past events, against the criteria in AASB 137 based on the facts and circumstances available; • Reading board minutes to identify matters relevant to the Group's accounting and disclosure considerations; • Inquiring and meeting with the Group's senior management and internal legal counsel to understand the legal matters; • Independently obtaining and inspecting the Group's external lawyers letters against knowledge obtained from our other procedures; • Meeting with the Group's external legal counsel for consistency and understanding the legal matters; • Obtaining specific management representations in relation to compliance with laws and regulations and the status of various investigations; • Assessing the appropriateness of disclosures against the requirements of the accounting standards, with a particular focus on the qualitative information included in Note 2 and 37 to the Financial Report.

Independent Auditor's Report

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information used to form its judgements. Due to the subjective nature of interpreting the accounting standard and any resultant measurement of these types of provisions, assumptions tend to be prone to greater risk of potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us. We involved our senior audit team members in assessing this key audit matter.	

Impairment assessment of non-financial assets

Refer to Note 17, 18 and 19 of the Financial Report (Goodwill, tangible assets and intangible assets of $253m)

The key audit matter	How the matter was addressed in our audit
Impairment testing of non-financial assets is a key audit matter, given the size of the balance (being 60% of total assets) and due to the significantly higher estimation uncertainty continuing from disruptions to the Group by current economic conditions and COVID-19. Certain conditions, described below, impacting the Group, increased the judgement applied by us when evaluating the evidence available. The Group assesses impairment using an estimate of future cash flows for each cash generating unit ("CGU") which uses forward looking assumptions in a value in use model. The Group's value in use models are internally developed and use a range of internal and external data as inputs. We focused on the significant forward-looking assumptions the Group applied in their value in use model, including: • forecast cash flows, growth rates and terminal growth rates applied to those forecasts. The Group has experienced challenging market conditions and significant business disruption in the current year as a result of impacts from current economic conditions, in particular, increasing farmgate milk prices as well as inflationary cost increases in other input costs and the impacts of these to customer pricing. In addition, further non-standard estimations are identified by the Group in their cash flow forecasts, including operational efficiencies. These factors increase the estimation	Our procedures included: • Considering the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill and intangible assets for impairment against the requirements of the accounting standards; • Meeting with management to understand the impacts of the current economic conditions and COVID-19 to the Group; • Assessing the accuracy of the Group's previous forecasts to inform our evaluation of forecasts incorporated in the model and applied increased scepticism to assumptions in areas where previous forecasts were not achieved; • Comparing the forecast cashflows contained in the value in use model to Board approved forecasts; • Challenging the Group's significant forecast cashflows and growth assumptions in light of customer price increases due to the expected continuation of increasing farmgate milk prices, and inflationary cost increases of other input costs. We applied increased scepticism to forecasts in the areas where previous forecasts were not achieved. We used our knowledge of the Group, their past performance, business, customer pricing behaviours, and our industry experience when assessing these assumptions.

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uncertainty and provide a risk of inaccurate forecasts, increasing the possibility of goodwill, intangible and tangible assets being impaired.
• forecast growth rates, including terminal growth rates – In addition to the uncertainties described above, the Group's models are highly sensitive to small changes in these assumptions, indicating likely impairment. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy.
• discount rate - these are complex in nature and vary according to the conditions and environment the CGU operates. The Group's modelling is highly sensitive to small changes in the discount rate.
• forecast US dollar exchange rates – Whilst observable in nature, the Group's model is highly sensitive to small changes in the US dollar exchange rate. As a result, this drives additional audit effort.
We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.
In addition to the above, the Group recorded an impairment charge of $96 million against goodwill, intangible and tangible assets, as a result of challenging market conditions described above, increasing the sensitivity of the model to small changes. This further increased our audit effort in this key audit area.
Also, the Group is required to assess as at year end whether there are any indicators that individual assets may be impaired. Judgement is required to be exercised by us in assessing the Group's impairment of under-utilised and inactive assets (plant and equipment), particularly related to future planned use of these assets in the Group's operations.
	• Challenging the forecasted operational efficiencies by comparing it to those achieved to date as part of the Group's overall transformation program. Also, checking the consistency of realisation of these forecasted operational efficiencies with senior management and external advisors leading the transformation program;
	• Comparing the forecast milk commodity prices to published views of market commentators on future trends;
	• Working with our valuation specialists, we
	  • independently developing a discount rate range taking into consideration publicly available market data for comparable entities and adjusting for risk factors specific to the Group and the industry it operates in;
	  • compare the forecast US dollar exchange rates to published views of market commentators on future trends;
	  • compare terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations;
	  • assessed the integrity of the value in use model used, including the accuracy of the underlying calculation formulas.
	• Considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates, discount rates and US dollar exchange rates, within a reasonably possible range. We considered the interdependencies of key assumptions when performing the sensitivity analysis and what the Group considers to be reasonably possible. We did this to identify those assumptions at higher risk of bias which may give rise to impairment and to focus our further procedures;
	• Recalculating the impairment charge against the recorded amount disclosed;
	• Checking the Group's planned use of under-utilised and inactive plant and equipment to the existence of formalised processes, timelines and board approval for the use of these assets in the Group's operations to meet sales and production

Independent Auditor's Report

	levels; • Attending the Group's major manufacturing sites, inspecting a sample of plant and equipment and meeting with operational site personnel to compare positions taken in the financial records; • Assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Noumi Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor’s Report

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Auditor’s responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor’s Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor’s Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Noumi Limited for the year ended 30 June 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors’ responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 63 to 73 of the Directors’ report for the year ended 30 June 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Julie Cleary

Partner

Sydney

29 August 2022

Shareholder Information

The shareholder information set out below was applicable as at 3 August 2022.

Number of holders / Classes of equity securities

There were:

- 7,494 shareholders, holding 277,109,319 fully paid ordinary shares (ASX: NOU);
- 20 holders of 101,130 convertible redeemable preference shares; and
- 2,485 holders of 27,698,189 options (ASX:NOUO)

Distribution schedule

Ordinary fully paid shares (ASX: NOU)

Range	Securities	%	Number of holders	%
100,001 and over	227,590,014	82.13%	173	2.31%
10,001 to 100,000	35,455,675	12.79%	1,198	15.99%
5,001 to 10,000	6,230,387	2.25%	825	11.01%
1,001 to 5,000	6,750,493	2.44%	2,699	36.02%
1 to 1,000	1,082,750	0.39%	2,599	34.68%
	277,109,319		7,494	

There are 4,285 shareholders holding an unmarketable parcel of the Company's ordinary shares.

Convertible redeemable preference shares

Range	Securities	%	Number of holders	%
100,001 and over	0	-	-	0
10,001 to 100,000	70,102	69.32%	3	15.00%
5,001 to 10,000	8,000	7.91%	1	5.00%
1,001 to 5,000	19,090	18.88%	7	35.00%
1 to 1,000	3,938	3.89%	9	45.00%
	101,130		20	

Listed options (ASX:NOUO)

Range	Securities	%	Number of holders	%
100,001 and over	16,745,858	60.46%	45	1.81%
10,001 to 100,000	7,258,792	26.21%	225	9.05%
5,001 to 10,000	1,293,802	4.67%	183	7.36%
1,001 to 5,000	1,895,150	6.84%	832	33.48%
1 to 1,000	504,587	1.82%	1,200	48.29%
	27,698,189		2,485	

There are 2,427 option holders holding an unmarketable parcel of the Company's ordinary shares.

Unquoted securities

The Company has the following unquoted securities:

Class of unquoted securities	Number
Convertible redeemable preference shares	101,130

Shareholder Information

20 largest holders of quoted equity securities

The 20 largest holders of ordinary fully paid shares were as follows:

Name	Number held	% Issued Capital
1. Arrovest Pty Ltd	145,556,000	52.53
2. HSBC Custody Nominees (Australia) Limited - A/C 2	13,839,706	4.99
3. 3rd Wave Investors Pty Ltd	5,250,000	1.89
4. Medich Capital Pty Ltd	5,102,803	1.84
5. HSBC Custody Nominees (Australia) Limited	4,157,760	1.50
6. J P Morgan Nominees Australia Pty Limited	4,148,461	1.50
7. Citicorp Nominees Pty Limited	3,469,598	1.25
8. Best Safety Glass International (Australia) Pty Ltd	2,630,000	0.95
9. BPC Custody Pty Ltd	1,566,374	0.57
10. Mutual Trust Pty Ltd	1,414,315	0.51
11. BNP Paribas Nominees Pty Ltd	1,103,201	0.40
12. Moorebank Property Management Pty Ltd	1,100,000	0.40
13. Mrs Elizabeth Anne Fogarty & Mrs Caitlyn Elizabeth Embley	1,000,000	0.36
Mr William Mark Olsen & Mrs Janet Therese Olsen	1,000,000	0.36
14. Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	800,493	0.29
15. Mrs Susan Michelle Hooton	750,000	0.27
16. Goldacre Investments Pty Limited	702,569	0.25
17. Mr Mark McInnes	642,652	0.23
18. Econotick Superannuation Pty Limited	550,000	0.20
19. Netwealth Investments Limited	535,109	0.19
20. Official Intelligence Pty Ltd	530,000	0.19
	195,849,041	70.68

Shareholder Information

The 20 largest holders of the convertible redeemable preference shares is as follows:

Name	Number held	% Issued Capital
1. R & M Gugliotta Pty Limited	30,000	29.66%
2. Lewis Little River Pty Limited	23,438	23.18%
3. Mr Hugh Middendorp & Mr Peter Charles Nicholas Middendorp	16,664	16.48%
4. Alan Ong Enterprises Pty Limited	8,000	7.91%
5. Mrs Enid May Hartigan	5,000	4.94%
6. Mr Craig Sargent	3,394	3.36%
7. GWG Investments Pty Limited	3,125	3.09%
8. Lokit Investments Pty Limited	2,214	2.19%
9. Mr Robert William Russell	1,924	1.9%
10. Mr Robert David Napier Nicholls	1,736	1.72%
11. Palatine Holdings Pty Limited	1,697	1.68%
12. Mr Gerald Millman	1,000	0.99%
13. Mr Tjeerd Veenstra & Mrs Susan Lesley Veenstra	963	0.95%
14. Mrs Michelle Louise Farrell	640	0.63%
15. Mr Andrew Jonathon Achilles	500	0.49%
16. Mr Neville Thiele	273	0.27%
17. Mrs Dianne Joan Thiele	219	0.22%
18. Mr Andrew Macfarlane	200	0.2%
19. Mr Kim Wigram Jones	133	0.13%
20. Mrs Bronwyn Itchins	10	0.01%
	101,130	

Shareholder Information

The 20 largest holders of listed options was as follows:

Name		Number held	% Issued Capital
1.	HSBC Custody Nominees (Australia) Limited - A/C 2	4,305,501	15.54
2.	Medich Capital Pty Ltd	2,115,055	7.64
3.	HSBC Custody Nominees (Australia) Limited	1,149,536	4.15
4.	3rd Wave Investors Pty Ltd	1,102,484	3.98
5.	Mr Sureshbir Krishna Kaushal & Mrs Meenakshi Kaushal	536,738	1.94
6.	BPC Custody Pty Ltd	486,452	1.76
7.	Citicorp Nominees Pty Limited	436,300	1.58
8.	Mr Peter Theodore Van De Burgt & Mrs Jacoba Johanna Van De Burgt	367,401	1.33
9.	Aya International Pty Ltd	344,766	1.24
10.	Layuti Pty Ltd	288,888	1.04
11.	First Samuel Ltd	286,399	1.03
12.	Mr Wayne Stephen Glynne & Mrs Carol-Anne Glynne	252,154	0.91
13.	Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	248,600	0.90
14.	Best Safety Glass International (Australia) Pty Ltd	248,447	0.90
15.	Cathy and Simon Super Pty Ltd	220,657	0.80
16.	Goldacre Investments Pty Limited	218,189	0.79
17.	Dover Downs Pty Ltd	201,242	0.73
18.	Mrs Elizabeth Anne Fogarty & Mrs Caitlyn Elizabeth Embley	195,186	0.70
19.	Mr Christophe Nkurunziza	178,541	0.64
20.	Netwealth Investments Limited	171,930	0.62
	Total	**13,354,466**	**48.21**

As at 3 August 2022, there was one substantial holder of the Company's ordinary fully paid shares that the company is aware of as follows:

Name	Number of ordinary shares	%
Arrovest Pty Limited	145,556,000	52.53%

Voting Rights

The voting rights relating to each class of equity securities is as follows:

Ordinary Shares

On a show of hands at a general meeting of the Company, every member present in person or by proxy shall have one vote and upon poll each person present in person or by proxy shall have one vote for each ordinary share held.

Convertible Redeemable Preference Shares

On a show of hands at a general meeting of the Company, every member present in person or by proxy shall have one vote and upon poll each person present in person or by proxy shall have one vote for each convertible redeemable preference share held.

Options

Options holders do not have any voting rights.

On-market Buy-Back

There is currently no on-market buy back.

Company Directory

Name of Entity:
Noumi Limited (formerly Freedom Foods Group Limited until 18 November 2021)

Directors
Genevieve Gregor – Chair (Independent, Non-Executive)
Tony M. Perich AM - Deputy Chair (Non-Executive)
Jane McKellar – Director (Independent, Non-Executive)
Tim Bryan – Director (Non-Executive)
Stuart Black AM – Director Independent, Non-Executive)

Officers
Chief Executive Officer
- Michael Perich

Chief Financial Officer
- Peter Myers (appointed 28 March 2022)
- Josée Lemoine (until 25 March 2022)

Chief Operations Officer
- Stuart Muir

Group General Counsel and Company Secretary
- Justin Coss

Notice of Annual General Meeting
The details of the Annual General Meeting of Noumi Limited are:
29 November 2022

Registered office
80 Box Road, Taren Point, NSW 2229
Tel: +61 2 9526 2555

Principal place of business
80 Box Road, Taren Point, NSW 2229
Tel: +61 2 9526 2555

Share register
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Tel: +61 2 8280 7111
Fax: +61 2 9287 0303

Auditors
KPMG
Level 38 Tower Three
300 Barangaroo Avenue
Sydney NSW 2000
Tel: +61 2 9335 7000

Solicitors
Ashurst
Level 11, 5 Martin Pl
Sydney NSW 2000

Arnold Bloch Leibler
Chifley Tower, Level 24,
2 Chifley Square
Sydney NSW 2000

Bankers
HSBC Australia Limited
Level 27, 100 Barangaroo Ave
Sydney NSW 2000

National Australia Bank Limited
Level 3, 255 George Street
Sydney NSW 2000

Stock exchange listing
Noumi Limited ordinary fully paid shares and options are listed on the Australian Securities Exchange (ASX code: NOU and NOUO)

Website
www.noumi.com.au

ABN
41 002 814 235

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