Noumi Limited
8a Williamson Road
Ingleburn NSW 2565
Australia
ABN 41 002 814 235

28 February 2023

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

1H FY23 Appendix 4D and Financial Report

Noumi Limited (**ASX: NOU**) provides the following documents for release to the market for the half year period to 31 December 2022:

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

The enclosed documents provide the information required by ASX Listing Rule 4.2A and should be read in conjunction with Noumi's Annual Report for the financial year ended 30 June 2022 and any public disclosures made by Noumi in accordance with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act, 2001.

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This announcement was authorised for release by the Board.

About Noumi Ltd

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

Noumi Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Noumi Limited
ABN:	41 002 814 235
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	3.3%	to	279,820
Revenues from ordinary activities (continuing operations)	up	5.5%	to	279,820
Adjusted EBITDA from continuing operations (pre-AASB 16)[1]	up	149.1%	to	11,405
Loss from ordinary activities after tax attributable to the owners of Noumi Limited	down	64.0%	to	(23,570)
Loss for the half-year attributable to the owners of Noumi Limited	down	64.0%	to	(23,570)
Loss for the half-year from continuing operations attributable to the owners of Noumi Limited	down	64.2%	to	(23,570)
Profit for the half-year from discontinued operations attributable to the owners of Noumi Limited	down	100%	to	-

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

Dividends
There were no interim dividends paid, recommended or declared for the half-year ended 31 December 2022.

Comments
The loss for the consolidated entity after providing for income tax amounted to $23,570,000 (31 December 2021: $65,491,000 including an amount of $50,727,000 related to the settlement of a litigation).

The loss for the continuing operations after providing for income tax amounted to $23,570,000 (31 December 2022: $65,854,000).

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(64.42)	(56.17)

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

4. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
Goulburn Valley Nutritionals Pty Limited (GVN)[2]	-	49.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	361
Income tax on operating activities			-	-

[2]Deregistered during the half year ended 31 December 2022.

5. Audit qualification or review

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

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

6. Signed

Signed ______________________________ Date: 28 February 2023

Genevieve Gregor
Chair
Sydney

Noumi Limited

Australian Business Number (ABN) 41 002 814 235

Half Yearly Financial Report - 31 December 2022

Contents

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Group') consisting of Noumi Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

The financial statements are presented in Australian Dollars.

1. Principal activities

Noumi Limited is a leading consumer branded beverage and nutritional group with over 547 employees with facilities in three locations across Australia and two locations in Asia (Singapore and China).

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

The Group 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.

There were no significant changes in the nature of the principal activities during the half year ended 31 December 2022.

2. Going concern

The Group has prepared the financial statements for the half year ended 31 December 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 H1 FY23 loss after tax of $23,570,000 (H1 FY22 loss of $65,491,000). Net cash inflows from operating activities in H1 FY23 were $949,000 (H1 FY22 outflows of $11,114,000) including payments for US litigation settlement of $6,846,000 (H1 FY22 payments of $2,917,000). Trading improved during H1 FY23 compared to prior period.

The Plant based beverages business continues to perform well, with another period of strong growth for Milklab products. For the six months to 31 December 2022, sales were increased by 10.8% excluding certain discontinued products now largely replaced with higher-margin sales of the Group’s own brands.

In Dairy and Nutritionals segment, the recovery of significant increases in farmgate milk prices began to be reflected in the Group’s improved financial performance, particularly through price increases agreed with domestic retail customers. However, some export markets have not been prepared to accept the price increases required to achieve positive margins and, accordingly, the Group has seen reduced volume and lower than expected margins in such markets.

The Group continued to implement a cost-reduction program to streamline support costs.

Financial Position

At 31 December 2022, the Group had net current assets of $24,280,000 (FY22: net current assets of $39,031,000). The change in net current assets reflects the realisation in H1 FY23 of the asset held for sale at 30 June 2022.

At 31 December 2022, the Group had net liabilities of $171,950,000 (FY22: net liabilities of $149,011,000) which includes $272,856,000 (FY22: $253,060,000) in respect of convertible notes that are carried at fair value. Amongst other factors the fair value for H1 FY23 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 upon the conversion of the notes into equity or upon repayment (refer to note 19 of the consolidated financial statements).

During H1 FY23, the cash flow was favourably impacted by approximately $9.0m due to timing of certain supplier payments that moved into H2 FY23. The Group also made supplier payments of approximately $8.0m in H1 FY23 which related to FY22.

Future financial performance

At 31 December 2022, the Group’s unrestricted cash position was $24,057,000, plus an undrawn revolving credit facility of $8,000,000. Since 31 December 2022, the Group has reached agreement with its bankers to increase the limit of its revolving credit facility by $10,000,000. This undrawn revolving credit facility along with unrestricted cash balance, operating cash flows and debtor financing facilities (recourse and non-recourse), are considered by the management and the Board to provide the Group with sufficient liquidity for the day-to-day operations of the business for a period of at least 12 months from the date of this report, based on current market conditions and expectations.

The Group expects to make further operating and margin improvements in H2 FY23 including the benefit of price rises in Plant based beverages and the full year effect of the Domestic dairy price increases achieved progressively through H1 FY23. Freight costs, which were elevated in H1 FY23, are expected to moderate in H2 FY23.

The Group's H1 FY23 cash flow was impacted by continuing restructuring costs which are expected to moderate in H2 FY23.

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 or adverse outcomes resulting from the matters described in note 22 of the consolidated financial statements), 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.

Litigations - 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 in 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.

3. Operating and financial review

The Group's continuing operations recorded a loss after income tax for the half year ended 31 December 2022 attributable to the owners of Noumi Limited of $23.6m (H1 FY22: $65.9m). The losses in H1 FY23 includes a fair value expense adjustment of $20.7m for the convertible notes.

The Group's continuing operations recorded an adjusted operating EBITDA (pre-AASB 16) of $11.4m (H1 FY22 EBITDA of $4.6m). For adjusted operating EBITDA (pre-AASB 16) refer to section 3.3.

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 the primary measure of assessing the financial performance of the Group and individual segments. Adjusted Operating EBITDA excludes abnormal items including acquisition costs, restructuring costs and other non-trading expenses.

The Group's continuing operations recorded an adjusted EBITDA of $17.0m (H1 FY22 adjusted EBITDA loss of $42.7m). For adjusted EBITDA refer to note 3 of the consolidated financial statements.

3.1 Overview of material matters during the half year and material matters subsequent to 31 December 2022

This section describes:

- the significant events that have occurred in the H1 FY23; and
- the material matters, events, and decisions taken by the Group subsequent to 31 December 2022 and up to the publication of this report.

Operations

The Group has achieved significant progress during H1 FY23 despite challenging macro-economic conditions.

During the period, the Group;

- grew adjusted operating EBITDA (pre-AASB 16) by 149.1% to $11.4m;
- achieved a record adjusted operating EBITDA (pre-AASB 16) for the Plant based beverage business of $18.6m, up 19.8% on the prior year;
- reduced the adjusted operating EBITDA loss (pre-AASB 16) in Dairy and Nutritionals by 38.0% to $4.3m.

In the Plant based beverage segment revenue was $81.9m. After excluding certain discontinued products from the prior period revenue was up 10.8%. Sales of the Group's key Milklab brand grew 11.2% during the half compared to the prior year following the significant investment made in 2022 to expand the direct sales force for Milklab which reduced reliance on distributors and created greater control over the future of the brand. Adjusted Operating EBITDA (Pre-AASB 16) margin grew from 18.7% to 22.7%.

Dairy and Nutritionals business is showing significant signs of recovery, with Noumi's ability to recover the impact of unprecedented increases in farmgate milk prices through retail markets translating into strong sales growth and a reduction in operating losses. Export markets, which have not experienced the same inflationary pressures, have been less willing to accept higher prices, prompting the decision to wind back low-margin or unprofitable international sales. While Noumi have been able to reduce its Dairy and Nutritionals losses, margins need to continue to improve, particularly in export, to achieve reasonable returns on the capital invested in the Group's facilities.

Operational performance has improved during H1 FY23, improving yields and most key performance metrics as COVID-19 disruptions have abated.

During H1 FY23, floods in regional Victoria caused some disruption to Group's dairy operations in Shepparton. While no material property losses were incurred, there was significant disruption to customer supply lines, site operations and supplier farms. Most of these disruptions have now been overcome, although there is likely to be extended pressure on milk volumes off farm in the region.

The Group has remained focused on the continued growth of its key brands in H1 FY23, particularly the flagship Milklab range, and on implementing the Transform phase of the Reset, Transform and Grow strategy.

Key transformation achievements during H1 FY23 include;

- Further simplification of the business with the successful sale of the Group's non-core investment in Australian Fresh Milk Holdings (AFMH) to help fund the resolution of the Company's US litigation;
- The consolidation of Noumi's three NSW operations at a single site at Ingleburn in Western Sydney is well advanced and is scheduled for completion in H2 FY23;
- Subsequent to the end of the H1 FY23 reporting period, the Company announced that it reached full and final settlement of a claim by Sunday Collab International Limited in relation to a contractual dispute for $400,000;
- The growth of the Group's own Plant Based brands to largely offset the products discontinued following the US litigation settlement last year; and
- Operational performance improvements contributing to the improved margins.

Macro economic conditions

Noumi's business is also subject to the impact of various macro-economic factors. These factors include rising cost of inputs such as labour, transport and energy, supply chain disruptions, geopolitical instability and changing consumer needs. In addition, increases in raw milk prices, which have generally been able to be passed through to domestic customers since the start of FY23, represent a structural shift that affects the competitiveness of the Australian dairy industry making it more difficult to pass on these cost increases to export customers and consequentially may have an impact on the volume of sales into export markets.

ASIC Investigations

As previously disclosed, the Group has cooperated with ASIC in relation to the investigations that ASIC commenced in 2020.

ASIC commenced civil penalty proceedings on 24 February 2023 against Noumi and two of the Company's former officeholders in the Federal Court of Australia in relation to alleged historic breaches of continuous disclosure obligations and associated matters including alleged failures to disclose material information to the ASX regarding the value of Noumi's inventories in its Financial Report for the full year ended 30 June 2019 (FY19) and regarding the value of Noumi's inventories, reported sales revenue, gross profit and profit after tax in its FY19 Financial Report, and its Financial Report for the half year ended 31 December 2019 (H1 FY20).

ASIC is seeking declarations that, during the period from 29 August 2019 to 25 May 2020, Noumi contravened section 674(2) of the Corporations Act, and orders for civil penalties and costs.

The Company is still reviewing the statement of claim and how it will respond. The statement of claim does not detail the quantum of the penalties sought by ASIC. Based on the information available at the date of this report, the Company cannot determine the likelihood and quantum of a liability arising. Accordingly, no provision for these proceedings has been recognised in the consolidated financial statements.

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

The Group has appointed Arnold Bloch Leibler to defend the actions and filed its defence on 8 April 2022. In November 2022, a group costs order was made by the Court permitting the legal costs payable to the class action law firms acting for the plaintiffs and group members to be paid as a percentage of any award or settlement that may be recovered, with that percentage fixed at 22% (inclusive). The legal proceedings are ongoing and apart from the associated legal costs incurred as at 31 December 2022, no provision is recognised in the financial statements.

In its ASX release dated 9 February 2023, the Company disclosed settlement of claim by Sunday Collab International Limited in relation to a contractual dispute.

Consideration has been given to these matters and, apart from recognition of a settlement provision of $0.4m for contractual dispute with Sunday Collab International Limited, it has been determined that other litigations are not at a stage to support any material financial impact being provided at the reporting date.

For further details, refer to note 22 Capital commitments and contingent liabilities.

Divestments
The Group divested its non-core investment in AFMH on 23 August 2022 to partly fund the US litigation settlement.

Except as disclosed above, no matter or circumstance has arisen since 31 December 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-stage transformation strategy: Reset, Transform and Grow.

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

The Dairy and Nutritionals segment remains a significant focus of the board and executive team. In addition to the transformation work underway focussed on production 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.

The Plant based beverage business has moved to the Growth phase of the strategy. Opportunities exist to grow sales both domestically and internationally. Domestic opportunities include growth in plant based domestic beverage market segments such as Oat milk where the Group's market share is lower than in the Almond segment. The Group currently generates 7.2% of its plant-based sales from more than 22 countries but opportunities exist to increase sales in the current and new export markets.

3.3. Operating and financial review – continuing operations
Set out below is a summary statement of profit and loss for the half year ended 31 December 2022.

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Net sales	279,820	265,289
Adjusted EBITDA (after US litigation settlement related expenses)	16,992	(42,660)
Fair value changes of convertible notes	(20,719)	(10,886)
Gain on remeasurement of lease	-	4,807
Impairment of Non-Financial Assets	-	(4,214)
Share of associates profit	-	361
Depreciation and amortisation	(10,268)	(13,138)
Net finance costs	(9,856)	(7,666)
Net loss before income tax benefit	(23,851)	(73,396)
Income tax benefit	281	7,542
Net loss after income tax benefit	(23,570)	(65,854)

Adjusted Operating EBITDA

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 the primary measure of assessing the financial performance of the Group and individual segments. Adjusted Operating EBITDA excludes abnormal items including acquisition costs, restructuring costs and other non-trading expenses.

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

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Adjusted EBITDA (after US litigation settlement related expenses)	16,992	(42,660)
Onerous contract provision	(3,975)	-
US litigation settlement related expenses	-	50,727
Restructuring expenses	2,481	2,438
Other litigation expenses	655	1,206
Reversal of FY20 debtor provisions	-	(1,128)
Discount charge - limited recourse facility	-	445
Unrealised foreign exchange loss/(gain)	637	(250)
Other non-trading expense/(income)	302	(231)
Adjusted Operating EBITDA (post AASB 16)	17,092	10,547
Adjustment for rental expense	(5,687)	(5,969)
Adjusted Operating EBITDA (pre AASB 16)	11,405	4,578

3.3.1 Commentary on specific items in the profit and loss account

Net sales increased by 5.5% period on period to $279.8m. Domestic net sales increased 11.4% period on period to $208.4m and export net sales decreased 8.6% year on year to $71.4m. Dairy and Nutritionals net sales increased 8.7% period on period to $198.0m largely due to price increases agreed with domestic customers. Sales of lactoferrin products were higher following resolution of a pandemic-related interruption in sales momentum in H1 FY22. Export sales were down 10.6% compared to the previous corresponding period. Plant based net sales were $81.9m in H1 FY23 compared to $83.3m in H1 FY22. Excluding certain discontinued products, Plant based net sales increased by 10.8% compared to prior period.

Net losses after tax reduced by $42.3m from $65.9m to $23.6m. H1 FY22 result included the impact of the US litigation settlement related costs of $50.7m. The fair value expense relating to the convertible notes increased from $10.9m in H1 FY22 to $20.7m in H1 FY23.

Adjusted Operating EBITDA (pre AASB 16) of $11.4m was higher than H1 FY22 of $4.6m for reasons set out in section 3.4 of this Directors Report.

Depreciation and amortisation decreased by 21.4% from $13.1m to $10.3m. Variance is arising from reduced depreciation post impairment of non-financial assets recognised in FY22. The components of the depreciation charge are as follows:

Depreciation – buildings, plant and equipment: $7.8m (H1 FY22: $10.1m)
Depreciation – AASB 16 related: $2.4m (H1 FY22: $3m)
Amortisation – software: $0.1m (H1 FY22: nil)

Net finance costs increased by 28.6% from $7.7m to $9.9m because of increase in borrowings arising from the drawdown of revolver facility and higher interest rates. The breakdown of finance costs is as follows:

Interest – based on debt facilities: $3.5m (H1 FY22: $2.5m)
Interest – AASB 16 related: $4.9m (H1 FY22: $5.2m)
Other financing costs: $1.7m (H1 FY22: $0.6m)
Interest income - $0.2m (H1 FY22: $0.6m)

Fair value changes of convertible notes amounting to a net $19.8m resulted in a 7.8% increase in the value of convertible notes from $253.1m (Tranche A: $227.3m and Tranche B: $25.8m) to $272.9m (Tranche A: $245.2m and Tranche B: $27.7m). This net change in fair value is recorded in profit or loss ($20.7m loss, an increase in fair value) and the other comprehensive income ($0.9m gain, a decrease in fair value) in accordance with the accounting standards but does not impact the redemption and conversion rights available to the investors under the terms of the convertible notes (refer to note 19 of the consolidated financial statements).

Since the Group has classified the convertible notes as fair value through profit and loss, capitalised interest of $13.8m for H1 FY23 (FY22: $25.9m) 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 $39.7m equate to $331.7m which is fair valued at $272.9m on the balance sheet as at 31 December 2022.

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 beverages, 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) 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.

Set out below is the segment performance for the **continuing operations** of the Group for the half year ended 31 December 2022, together with a segment performance table for the half year ended 31 December 2021.

Consolidated 31 Dec 2022	Dairy and Nutritional Ingredients $'000	Plant Based Beverages $'000	Unallocated Shared Services $'000	Total $'000
Revenue	197,950	81,870	-	279,820
Adjusted EBITDA	1,780	21,219	(6,007)	16,992
Onerous contract provision	(3,975)	-	-	(3,975)
Restructuring and other litigation expenses	-	691	2,445	3,136
Unrealised foreign exchange (gain)/loss	-	-	637	637
Other expense/(income)	318	(92)	76	302
Adjusted operating EBITDA (post AASB 16)	(1,877)	21,818	(2,849)	17,092
Adjustment for rental expense	(2,409)	(3,204)	(74)	(5,687)
Adjusted Operating EBITDA (pre AASB 16)	(4,286)	18,614	(2,923)	11,405

Consolidated 31 Dec 2021	Dairy and Nutritional Ingredients $'000	Plant Based Beverages $'000	Unallocated Shared Services $'000	Total $'000
Revenue	182,029	83,260	-	265,289
Adjusted EBITDA (after US litigation settlement related expenses)	(5,022)	(32,024)	(5,614)	(42,660)
US litigation settlement related expenses	-	50,727	-	50,727
Restructuring and other litigation expenses	-	-	3,644	3,644
Reversal of FY20 debtor provision			(1,128)	(1,128)
Discounting charge - limited recourse facility	-	-	445	445
Unrealised foreign exchange (gain)/loss	-	-	(250)	(250)
Other Income/(Expense)	-	-	(231)	(231)
Adjusted operating EBITDA (post AASB 16)	(5,022)	18,703	(3,134)	10,547
Adjustment for rental expense	(1,888)	(3,168)	(913)	(5,969)
Adjusted Operating EBITDA (pre AASB 16)	(6,910)	15,535	(4,047)	4,578

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.

3.4 Segment performance

Dairy and Nutritionals

6 Months to 31 December ('000)	Dec-22	Dec-21	Change $	Change %
Revenue	**197,950**	**182,029**	**15,921**	**8.7**
Adjusted Operating EBITDA Pre AASB16	**(4,286)**	**(6,910)**	**2,624**	**38.0**
Adjusted Operating EBITDA Pre AASB16 Margin %	(2.2%)	(3.8%)		
Adjusted Operating EBITDA Post AASB16	(1,877)	(5,022)	3,145	62.6
Adjusted Operating EBITDA Post AASB16 Margin %	(0.9%)	(2.8%)		
Adjusted EBITDA	**1,780**	**(5,022)**	**6,802**	**135.4**
Adjusted EBITDA Margin %	(0.9%)	(2.8%)		

The Dairy and Nutritionals business delivered an improved financial performance in the 6 months to 31 December 2022, with net revenue up 8.7% to $197.9 million and the Adjusted Operating EBITDA loss reduced from $6.9 million to $4.3 million.

During the half-year, the Group was able to recover unprecedented industry-wide increases in farmgate milk costs through price rises agreed with domestic retail customers. Some export markets have not been prepared to accept the price increases required to achieve positive margins and in response the Group chose to reduce unprofitable volumes. Accordingly, the Group has seen reduced volume and lower than expected margins in some export markets.

In addition to improved retail pricing, the Group continued its operational and commercial improvement strategy and implemented a cost-reduction program. Together, these programs have streamlined support cost and driven improvements in yields and most key performance metrics.

Floods in regional Victoria caused some disruption to Group's dairy operations in Shepparton in the half year. While no material property losses were incurred, there was significant disruption to customer supply lines, site operations and supplier farms. Most of these disruptions have now been overcome, although there is some residual pressure on off farm milk volumes in the region.

The Dairy and Nutritionals business delivered sales growth in all domestic channels, with retail sales up 5.5% and out-of-home sales up 54%. Milklab Dairy sales rose 37.8%.

Nutritional Ingredients sales were up 46.5%, with sales of PUREnFERRIN lactoferrin returning to growth with a 70.6% rise to $13.4 million for in 1H FY23. Sales of consumer nutritionals benefitted from the reopening of gyms post-COVID, improved pricing and effective marketing strategies, with sales of UPROTEIN powders and supplements up 26.4%, Crankt protein bars and shakes up 8.1% and Vital Strength protein powders up 7.2%.

Plant Based Beverages

6 Months to 31 December ('000)	Dec-22	Dec-21	Change $	Change %
Revenue	**81,870**	**83,260**	**(1,390)**	**(1.7)**
Adjusted Operating EBITDA Pre AASB16	**18,614**	**15,535**	**3,079**	**19.8**
Adjusted Operating EBITDA Pre AASB16 Margin %	22.7%	18.7%		
Adjusted Operating EBITDA Post AASB16	21,818	18,703	3,115	16.7
Adjusted Operating EBITDA Post AASB16 Margin %	26.6%	22.5%		
Adjusted EBITDA (after US litigation settlement related expenses)	**21,219**	**(32,024)**	**53,243**	**165.1**
Adjusted EBITDA Margin %	25.9%	(38.5%)		

Net revenue for the six months to 31 December 2022 reduced by 1.7% to $81.9 million but revenue rose 10.8% excluding deliberately discontinued low-margin products, that were included in H1 FY22, but have now largely been replaced with higher-margin sales of the Company's own brands.

Adjusted Operating EBITDA rose 19.8% to $18.5 million, with margins rising from 18.7% to 22.7%.

Milklab continued its strong momentum, with sales growth of 11.2% across domestic and international markets compared to H1 FY23. This performance reinforces the significant investment made in 2022 to expand the direct sales force for Milklab, reducing the Company's reliance on distributors and giving it greater control over the future of the brand.

Plant-based sales to Southeast Asian markets also rebounded in the period, rising 23.2% compared to H1 FY23. Sales in the out-of-home channel rose 2.9% compared to H1 FY2023 as COVID-19 impacts continued to ease. In the fast-growing oat milk segment, Milklab Oat continued its strong performance, with sales up 23.3% in Asia export markets and up 127.2% domestically.

3.5 Statement of financial position

Set out below is a summary balance sheet as at 31 December 2022 together with summary balance sheet as at 30 June 2022.

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Current assets	139,266	131,150
Assets held for sale	-	29,651
Non-current assets	272,413	259,327
Total assets	**411,679**	**420,128**
Current liabilities	(114,986)	(121,770)
Non-current liabilities	(468,643)	(447,369)
Total liabilities	**(583,629)**	**(569,139)**
Net liabilities	**(171,950)**	**(149,011)**
Share capital	598,712	598,712
Reserves	(49,509)	(50,140)
Accumulated losses	(721,153)	(697,583)
Total equity	**(171,950)**	**(149,011)**

3.5.1 Commentary on specific items in the statement of financial position

Cash and cash equivalents increased by $7.8m to $24.1m mainly arising from cash from operations and drawdown of revolver finance facility.

Trade and other receivables decreased by 10.0% from $57.3m to $51.6m attributable to higher limited recourse debtor financing after changes in debtor finance facility limits and cyclical movement in sales.

Inventories increased by 8.1% from $53m to $57.3m reflecting increase in manufacturing costs and cyclical movement in inventory.

Trade and other payables decreased by 3.1% from $68m to $65.9m due to timing of supplier payments.

Property, plant and equipment decreased by 3.9% from $183.3m to $176.1m, mainly representing depreciation ($7.8m) partially offset by additions (net of write offs). There is no significant capital expenditure currently under consideration in the near future by the Group, with the focus on maximising efficiencies from the existing asset base.

Net deferred tax assets remain at $nil. Change in fair value of convertible notes resulted in recognition of deferred tax liability amounting to $0.3m. 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 7.1% from $357.3m to $382.5m. Borrowings include convertible notes which increased by 7.8% from $253.1m to $272.9m. As detailed in note 19, the convertible notes balance does not include capitalised interest of $13.8m for H1 FY23 (FY22: $25.9m) although implied in the fair value approach. Further detail on cashflow and funding is provided in next section.

Net liabilities of $172.0m include unpaid portion of US litigation settlement liability of $21.4m and convertible note liability of $272.9m. 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 $149.0m negative to $172.0m negative, reflecting primarily the loss incurred by the Group in H1 FY23. The loss during the year includes the impact of fair value changes of convertible notes amounting to $19.8m.

3.5.2 Commentary on cashflow and funding

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flow from operations	**18,397**	**(2,540)**
Cash flow from litigation and financing costs	(17,448)	(8,574)
Cash flow from operating activities	949	(11,114)
Cash flow from investing activities	2,927	(339)
Cash flow from financing activities	3,971	(3,877)
Net increase/(decrease) in cash and cash equivalents	7,847	(15,330)
Cash and cash equivalents at the beginning of the financial year	16,210	31,668
Cash and cash equivalents at the end of the financial half year	**24,057**	**16,338**

	Continuing Operations	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flow from operations	**18,397**	**(4,865)**
Cash flow from litigation and financing costs	(17,448)	(8,574)
Cash flow from operating activities	949	(13,439)
Cash flow from investing activities	2,927	(2,428)
Cash flow from financing activities	3,971	(3,877)
Net increase/(decrease) in cash and cash equivalents	**7,847**	**(19,744)**

	Discontinued Operations	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flow from operating activities	**-**	**2,325**
Cash flow from investing activities	-	2,089
Cash flow from financing activities	-	-
Net increase in cash and cash equivalents	**-**	**4,414**

Cash flow from continuing operations before financing and non-trading adjustments were $23.3m higher than prior period. Last half-year included COVID-19 impact as well as higher negative cashflows from Dairy and Nutritionals segment.

Cash flow from investing activities were $5.3m higher primarily attributable to proceeds from disposal of the investment in AFMH partially offset by investment in term deposit and payments for property, plant and equipment.

Cash flow from financing activities include drawdown of $11.0m from revolver finance facility partially offset by repayment of borrowings and leases.

4. Directors

The following persons were Directors of Noumi Limited during the whole of the financial half-year ended 31 December 2022:

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

5. Rounding of amounts

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

6. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

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

On behalf of the Directors

Genevieve Gregor
Chair

28 February 2023
Sydney

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 review of Noumi Limited for the half-year ended 31 December 2022 there have been:

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

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

KPMG

KPMG

Julie Cleary

Partner

Sydney

28 February 2023

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	Note	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Revenue			
Revenue from sale of goods	3	279,820	265,289
Cost of sales		(211,453)	(214,963)
Gross profit		68,367	50,326
Other income	4	595	5,774
Other expense	4	(22,628)	(10,886)
Selling and marketing expenses		(13,824)	(14,473)
Distribution expenses		(27,191)	(22,229)
Product development expenses		(1,016)	(972)
Administrative expenses		(18,440)	(19,630)
Net finance costs	5	(9,856)	(7,666)
Impairment of non-financial assets	5	-	(4,214)
US litigation settlement related expenses		-	(50,727)
Expected credit losses		142	940
Share of profits of associates accounted for using the equity method		-	361
Loss before income tax benefit from continuing operations		(23,851)	(73,396)
Income tax benefit	6	281	7,542
Loss after income tax benefit from continuing operations		(23,570)	(65,854)
Profit after income tax expense from discontinued operations		-	363
Loss after income tax benefit for the half-year attributable to the owners of Noumi Limited		(23,570)	(65,491)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value changes of convertible notes	19,20	923	22,431
Income tax on fair value changes of convertible notes	6	(277)	(6,730)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	20	(15)	(626)
Other comprehensive income for the half-year, net of tax		631	15,075
Total comprehensive income for the half-year attributable to the owners of Noumi Limited		(22,939)	(50,416)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(22,939)	(50,779)
Discontinued operations		-	363
		(22,939)	(50,416)

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

	Note	31 Dec 2022 Cents	31 Dec 2021 Cents
Earnings per share for loss from continuing operations attributable to the owners of Noumi Limited			
Basic earnings per share		(8.51)	(23.76)
Diluted earnings per share		(8.51)	(23.76)
Earnings per share for profit from discontinued operations attributable to the owners of Noumi Limited			
Basic earnings per share		-	0.13
Diluted earnings per share		-	0.13
Earnings per share for loss attributable to the owners of Noumi Limited			
Basic earnings per share		(8.51)	(23.63)
Diluted earnings per share		(8.51)	(23.63)

	Note	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		24,057	16,210
Trade and other receivables	7	51,557	57,284
Inventories	8	57,299	53,026
Derivative financial instruments		-	1,342
Prepayments		1,122	3,288
Other financial assets	14	5,231	-
		139,266	131,150
Assets classified as held for sale	9	-	29,651
Total current assets		139,266	160,801
Non-current assets			
Financial assets at fair value through other comprehensive income	10	5,857	5,857
Property, Plant and Equipment	11	176,118	183,286
Right of use assets	12	61,883	63,218
Intangibles	13	6,562	6,647
Prepayments		406	319
Other financial assets	14	21,587	-
Total non-current assets		272,413	259,327
Total assets		411,679	420,128
Liabilities			
Current liabilities			
Trade and other payables		65,861	67,994
Payable to related parties		1,101	2,554
Lease liabilities	15	2,280	1,243
Bank borrowings	16	25,518	24,743
Income tax payable		3,248	3,248
Employee benefit obligations		5,912	6,105
Provisions	17	4,424	9,351
Other financial liabilities		6,642	6,532
Total current liabilities		114,986	121,770
Non-current liabilities			
Lease liabilities	15	95,831	96,501
Bank borrowings	18	84,142	79,462
Convertible notes	19	272,856	253,060
Employee benefit obligations		1,032	1,074
Other financial liabilities		14,782	17,272
Total non-current liabilities		468,643	447,369
Total liabilities		583,629	569,139
Net liabilities		(171,950)	(149,011)
Equity			
Issued Capital		598,712	598,712
Reserves	20	(49,509)	(50,140)
Accumulated losses		(721,153)	(697,583)
Total equity		(171,950)	(149,011)

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

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	598,712	(50,140)	(697,583)	(149,011)
Loss after income tax benefit for the half-year	-	-	(23,570)	(23,570)
Other comprehensive income for the half-year, net of tax	-	631	-	631
Total comprehensive income for the half-year	-	631	(23,570)	(22,939)
Balance at 31 December 2022	598,712	(49,509)	(721,153)	(171,950)

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

	Note	Consolidated 31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		286,250	265,005
Payments to suppliers and employees (inclusive of GST)		(267,853)	(267,545)
		18,397	(2,540)
Payments for US litigation settlement expenses		(6,846)	(2,917)
Payments for litigation related expenses		(1,362)	(1,987)
Interest received		7	586
Interest on lease liabilities paid		(4,942)	(4,848)
Other interest and finance costs paid		(4,309)	(3,469)
Income taxes refund received		4	4,061
Net cash from/(used in) operating activities		949	(11,114)
Cash flows from investing activities			
Payments for property, plant and equipment	11	(1,585)	(2,426)
Payments for intangibles		(425)	-
Payments for other financial assets - term deposit	14	(24,807)	-
Proceeds from disposal of assets classified as held for sale	9	29,379	-
Proceeds from disposal of property, plant and equipment		365	-
Proceeds from disposal of a discontinued operation		-	2,087
Net cash from/(used in) investing activities		2,927	(339)
Cash flows from financing activities			
Payment of share option issue costs		-	(331)
Payments for transaction costs related to issue of convertible notes		(18)	-
Proceeds from revolver financing facilities	18	11,000	4,000
Repayments of bank borrowings		(5,681)	(6,756)
Repayments of leases		(1,330)	(790)
Net cash from/(used in) financing activities		3,971	(3,877)
Net increase/(decrease) in cash and cash equivalents		7,847	(15,330)
Cash and cash equivalents at the beginning of the financial half-year		16,210	31,668
Cash and cash equivalents at the end of the financial half-year		24,057	16,338

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

Note 1. General information

The financial statements of Noumi Limited ("Group or "Company") for the six months ended 31 December 2022 were authorised for issue in accordance with resolution of Directors on 28 February 2023. 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'. The Company's share options are also trading on ASX under the symbol 'NOUO'.

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 H1 FY23 with the results of the continuing operations reflected above that line. Both the Statement of financial position and cash flows reflect the consolidated results.

Note 2. Significant accounting policies

(a) Statement of compliance

The financial report for the half year ended 31 December 2022 (Half Year Financial Report) has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

(b) Basis of preparation

The Half Year Financial Report does not include all of the information required for a complete set of the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

(c) Going concern

The Group has prepared the consolidated financial statements for the half year ended 31 December 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 H1 FY23 loss after tax of $23,570,000 (H1 FY22 loss of $65,491,000). Net cash inflows from operating activities in H1 FY23 were $949,000 (H1 FY22 outflows of $11,114,000) including payments for US litigation settlement of $6,846,000 (H1 FY22 payments of $2,917,000). Trading improved during H1 FY23 compared to prior period.

The Plant based beverages business continues to perform well, with another period of strong growth for Milklab products. For the six months to 31 December 2022, sales were increased by 10.8% excluding certain discontinued products now largely replaced with higher-margin sales of the Group’s own brands.

In Dairy and Nutritionals segment, the recovery of significant increases in farmgate milk prices began to be reflected in the Group’s improved financial performance, particularly through price increases agreed with domestic retail customers. However, some export markets have not been prepared to accept the price increases required to achieve positive margins and, accordingly, the Group has seen reduced volume and lower than expected margins in such markets.

The Group continued to implement a cost-reduction program to streamline support costs.

Financial position
At 31 December 2022, the Group had net current assets of $24,280,000 (FY22: net current assets of $39,031,000). The change in net current assets reflects the realisation in H1 FY23 of the asset held for sale at 30 June 2022.

Note 2. Significant accounting policies (continued)

At 31 December 2022, the Group had net liabilities of $171,950,000 (FY22: net liabilities of $149,011,000) which includes $272,856,000 (FY22: $253,060,000) in respect of convertible notes that are carried at fair value. Amongst other factors the fair value for H1 FY23 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 19).

During H1 FY23, the cash flow was favourably impacted by approximately $9.0m due to timing of certain supplier payments that moved into H2 FY23. The Group also made supplier payments of approximately $8.0m in H1 FY23 which related to FY22.

Future financial performance
At 31 December 2022, the Group's unrestricted cash position was $24,057,000, plus an undrawn revolving credit facility of $8,000,000. Since 31 December 2022, the Group has reached agreement with its bankers to increase the limit of its revolving credit facility by $10,000,000. This undrawn revolving credit facility along with unrestricted cash balance, operating cash flows and debtor financing facilities (recourse and non-recourse), are considered by the management and the Board to provide the Group with sufficient liquidity for the day-to-day operations of the business for a period of at least 12 months from the date of this report, based on current market conditions and expectations.

The Group expects to make further operating and margin improvements in H2 FY23 including the benefit of price rises in Plant based beverages and the full year effect of the Domestic dairy price increases achieved progressively through H1 FY23. Freight costs, which were elevated in H1 FY23 are expected to moderate in H2 FY23.

The Group's H1 FY23 cash flow was impacted by continuing restructuring costs which are expected to moderate in H2 FY23.

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 or adverse outcomes resulting from the matters described in note 22), 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.

Litigations - 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 in 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.

Note 2. Significant accounting policies (continued)

(d) New and amended Accounting Standards and Interpretations adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2022:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments [AASB 1, AASB 3, AASB 9, AASB 116 and AASB 141]

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

(e) New and amended Accounting Standards and Interpretations not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the annual reporting period commencing 1 July 2022 and have not been early adopted by the Group. Currently these standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods.

(f) Critical accounting estimates and judgements

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

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

The estimate and judgements which involve a higher degree of complexity or that have a higher likelihood of causing adjustment to the carrying amounts of assets and liabilities are included in Note 2(h) of the consolidated financial statements for the year ended 30 June 2022.

Note 3. Operating segments

The Group was organised into two 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	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.

The Specialty Seafood business was disposed of in November 2021 and hence classified as a discontinued operation during the comparative period.

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.

Note 3. Operating segments (continued)

Set out below is an analysis of the Group's revenue and results by reportable operating segment for the periods under review, together with prior period comparatives.

Consolidated - 31 Dec 2022	Dairy and Nutritionals $'000	Plant Based Beverages $'000	Unallocated Shared Services $'000	Total $'000
Revenue				
Sales to external customers	197,950	81,870	-	279,820
Total revenue	197,950	81,870	-	279,820
Adjusted EBITDA	1,780	21,219	(6,007)	16,992
Fair value changes of convertible notes	-	-	(20,719)	(20,719)
Depreciation and amortisation	(5,828)	(3,900)	(540)	(10,268)
Net finance costs	(1,170)	(4,315)	(4,371)	(9,856)
(Loss) / Profit before income tax benefit	(5,218)	13,004	(31,637)	(23,851)
Income tax benefit	-	-	281	281
(Loss) / Profit after income tax benefit	(5,218)	13,004	(31,356)	(23,570)
Assets				
Segment assets	203,856	145,315	56,651	405,822
Financial assets at FVOCI	-	-	5,857	5,857
Total assets	203,856	145,315	62,508	411,679
Liabilities				
Segment liabilities[1]	98,414	101,897	383,318	583,629
Total liabilities	98,414	101,897	383,318	583,629

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2021	Dairy and Nutritionals $'000	Plant Based Beverages $'000	Unallocated Shared Services $'000	Total $'000
Revenue				
Sales to external customers	182,029	83,260	-	265,289
Total revenue	182,029	83,260	-	265,289
Adjusted EBITDA (before US litigation settlement)	(5,022)	18,703	(5,614)	8,067
US litigation settlement	-	(50,727)	-	(50,727)
Adjusted EBITDA (after US litigation settlement)	(5,022)	(32,024)	(5,614)	(42,660)
Share of associates profits	-	-	361	361
Fair value changes of convertible notes	-	-	(10,886)	(10,886)
Gain on remeasurement of leases	-	-	4,807	4,807
Depreciation	(7,989)	(4,043)	(1,106)	(13,138)
Impairment of non-financial assets	-	(4,214)	-	(4,214)
Net finance costs	(1,033)	(3,700)	(2,933)	(7,666)
Loss before income tax benefit	(14,044)	(43,981)	(15,371)	(73,396)
Income tax benefit	-	-	7,542	7,542
Loss after income tax benefit	(14,044)	(43,981)	(7,829)	(65,854)

Consolidated - 30 June 2022	Dairy and Nutritionals $'000	Plant Based Beverages $'000	Unallocated Shared Services $'000	Total $'000
Assets				
Segment assets	206,397	151,945	26,278	384,620
Assets classified as held for sales	-	-	29,651	29,651
Financial assets at FVOCI	-	-	5,857	5,857
Total assets	206,397	151,945	61,786	420,128
Liabilities				
Segment liabilities[1]	88,397	107,205	373,537	569,139
Total liabilities	88,397	107,205	373,537	569,139

[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.

Note 4. Other (expense)/income

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Other income:		
Gain on sale of almond paste	387	-
Gain on remeasurement of lease	-	4,807
Net foreign exchange gain	-	736
Net gain on disposal of property, plant and equipment	208	-
Other	-	231
	595	5,774
Other expense:		
Fair value changes of convertible notes (note 19)	(20,719)	(10,886)
Onerous contracts provision (note 17)	(546)	-
Net foreign exchange loss	(517)	-
Other	(846)	-
	(22,628)	(10,886)
	(22,033)	(5,112)

Note 5. Expenses

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

	Consolidated	
	31 Dec 2022 $'000	31 Dec 2021 $'000
Employee benefits		
Superannuation expenses	2,753	2,609
STI and LTI expense	534	894
Employee benefits expense excluding superannuation, STI and LTI expense	30,773	30,541
Total employee benefits	34,060	34,044
Depreciation and amortisation		
Depreciation expense of property, plant and equipment (note 11)	7,775	10,122
Depreciation expense of right of use assets (note 12)	2,408	3,016
Amortisation expense (note 13)	85	-
Total depreciation and amortisation expense	10,268	13,138
Depreciation and amortisation allocated to:		
Cost of sales	9,728	12,032
Administrative expenses	540	1,106
	10,268	13,138
Impairment of non-financial assets:		
Assets classified as held for sale	-	(4,214)

Note 5. Expenses (continued)

	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Net finance costs		
Interest expense	3,500	2,487
Interest on lease liabilities	4,941	5,176
Financing costs	1,679	589
	10,120	8,252
Interest income	(264)	(586)
Net finance costs	9,856	7,666

Significant items

Significant items included within expenses which have not been separately disclosed in the statement of profit or loss and affect the result for the half year ended 31 December 2022 include the following:

	Ref.	Consolidated 31 Dec 2022 $'000	Consolidated 31 Dec 2021 $'000
Litigation and transformation expenses	(1)	3,136	3,644

(1) Various expenses (included under administrative expenses) incurred by the Group on litigation and transformation.

Note 6. Income tax

Deferred tax

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

During H1 FY23, the Group recognised a deferred tax liability of $277,000 (H1 FY22: $6,730,000) through other comprehensive income (OCI) related to fair value changes of convertible notes arising from changes in market credit spreads (refer to note 19). Since the Group has sufficient unused tax losses, an equal amount of deferred tax asset was recognised through profit or loss to offset the deferred tax liability. The total comprehensive income for H1 FY23 remain unchanged, as income tax benefit arising from recognition of deferred tax asset through profit or loss is offset by income tax expense arising from the fair value change of the convertible notes in OCI.

Note 7. Trade and other receivables

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Trade receivables	52,158	56,255
Less: Allowance for expected credit losses	(1,186)	(1,329)
	50,972	54,926
Other receivables	585	2,358
	51,557	57,284

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.

Note 8. Inventories

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Raw materials and packaging - at cost	15,833	15,896
Work in progress - at cost	2,683	1,926
Finished goods - at cost	18,661	18,743
Finished goods - at net realisable value	7,486	4,074
	26,147	22,817
Inventory spares and consumables - at cost	12,636	12,387
	57,299	53,026

Total cost of sales (for both continuing and discontinued operations) recognised as an expense during the period was $211,453,000 (H1 FY22: $219,217,000).

During the period, write-downs of inventories amounting to $170,000 (FY22: $343,000), were recognised as an expense and included in cost of sales in the statement of profit or loss. This write-down mainly arose because of slow moving, obsolete and discontinued products.

Note 9. Assets classified as held for sale

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Investment in associate - Australia Fresh Milk Holdings Pty Ltd (AFMH)	-	29,651

Following the approval at an Extraordinary General Meeting held on 17 August 2022, the Group completed the sale of its shares in AFMH on 23 August 2022 for consideration of $1.45 per AFMH share, representing a total consideration of $29,651,000. This included the sale of 11,512,000 AFMH shares to Leppington Pastoral Investments Pty Ltd (a related party of the Group, through its majority shareholder, Arrovest Pty Limited) for $1.45 per AFMH share representing $16,692,000 out of the total consideration.

Note 10. Financial assets at fair value through other comprehensive income

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Investment – Shenzhen JiaLile Co. Limited (JLL)	5,857	5,857

The Group is in negotiations with JLL and Guangzhou 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 the sale are still being negotiated and the Group has not yet agreed to sell its shareholding in JLL.

The determination of the fair value of the investment in JLL requires judgement and the Group determines the fair value by applying the market approach and using prices and other relevant information generated by market transactions involving identical or comparable businesses. At 31 December 2022, the fair value is determined on the basis of most recent negotiations to transact in this investment.

Note 11. Property, Plant and Equipment

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Freehold Land – at independent valuation	4,200	4,200
Buildings – at cost	5,680	5,680
Less: accumulated depreciation	(3,638)	(3,312)
	2,042	2,368
Plant and equipment – at cost	322,293	321,917
Less: accumulated depreciation	(99,086)	(92,494)
Less: accumulated impairment	(58,072)	(58,226)
	165,135	171,197
Capital work in progress	15,665	16,445
Less: accumulated impairment	(10,924)	(10,924)
	4,741	5,521
	176,118	183,286

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

Consolidated	Freehold Land $'000	Buildings $'000	Plant and equipment $000	Capital work in progress $'000	Total $'000
Balance at 1 July 2021	4,200	2,595	246,550	230	253,575
Additions	-	200	138	5,640	5,978
Transfer from held for sale	-	-	-	6,464	6,464
Transfers at completion of projects	-	-	2,600	(2,600)	-
Write-off / adjustment of assets	-	-	(268)	-	(268)
Impairment	-	-	(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

Consolidated	Freehold Land $'000	Buildings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2022	4,200	2,368	171,197	5,521	183,286
Additions	-	-	77	1,774	1,851
Transfers at completion of projects	-	-	2,044	(2,044)	-
Disposal of assets	-	-	(157)	-	(157)
Write off of assets	-	-	(577)	(510)	(1,087)
Depreciation expense	-	(326)	(7,449)	-	(7,775)
Balance at 31 December 2022	4,200	2,042	165,135	4,741	176,118

Included in plant and equipment is an amount of $52,331,000 (FY22: $53,876,000) related to equipment obtained under equipment finance facilities as disclosed in note 18.

Note 12. Right of use assets

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Right-of-use asset – Land and buildings	90,691	90,172
Less: accumulated depreciation	(19,913)	(18,043)
Less: impairment	(9,367)	(9,367)
	61,411	62,762
Right-of-use asset – Other	2,725	2,171
Less: accumulated depreciation	(1,895)	(1,357)
Less: impairment	(358)	(358)
	472	456
	61,883	63,218

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

Consolidated	Land and buildings $'000	Other $'000	Total $'000
Balance at 1 July 2021	85,789	745	86,534
Additions	-	2,013	2,013
Impairment	(9,367)	-	(9,367)
Remeasurement of lease liabilities	(9,782)	-	(9,782)
Depreciation expense	(3,878)	(2,302)	(6,180)
Balance at 30 June 2022	62,762	456	63,218
Additions	519	601	1,120
Adjustment/write off	-	(47)	(47)
Depreciation expense	(1,870)	(538)	(2,408)
Balance at 31 December 2022	61,411	472	61,883

During the period, the Group also recognised as expense, rental of short-term leases amounting to $943,000 (FY22: $1,845,000) and variable lease payments not included in right of use assets and lease liabilities amounting to $653,000 (FY22: $1,077,000).

Note 13. Intangibles

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Goodwill	40,649	40,649
Less: accumulated impairment	(40,649)	(40,649)
	-	-
Brand names and trademarks	21,445	21,445
Less: accumulated impairment	(15,563)	(15,563)
	5,882	5,882
Software – at cost	850	850
Less: accumulated amortisation	(170)	(85)
	680	765
	6,562	6,647

Consolidated	Goodwill $'000	Brand names and trademarks $'000	Software $'000	Total $'000
Balance at 1 July 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

Consolidated	Goodwill $'000	Brand names and trademarks $'000	Software $'000	Total $'000
Balance at 1 July 2022	-	5,882	765	6,647
Amortisation expense	-	-	(85)	(85)
Balance at 31 December 2022	-	5,882	680	6,562

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

Brand names and trademarks

The Group carries $5,882,000 (FY22: $5,882,000) 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.

Note 13. Intangibles (continued)

Assessment of the carrying value of cash generating units
During the half year ended 31 December 2022, the Group assessed if there are any indications of impairment. Considering the financial performance of Dairy and Nutritionals and Consumer Nutritionals CGUs and impairment loss recognised at 30 June 2022, 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 Nutritionals operating segment along with Consumer Nutritionals 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 recoverable amount of the Dairy and Nutritionals CGU has been determined using the discounted cash flow forecast to determine the value-in-use of the CGU as a whole utilising forecast cash flows for the period January 2023 to December 2027 and a terminal cashflow.

In calculating the value-in-use, the recoverable amount was materially consistent with the carrying value and as a result no impairment was recognised.

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 January 2023 to December 2027 and a terminal cash flow.

In calculating the value-in-use, the recoverable amount was materially consistent with the carrying value and as a result no impairment was recognised.

Key assumptions
In calculating the recoverable amount of the CGUs, a discounted cash flow model was utilised forecasting cash flows for the period January 23 to June 27. The following key assumptions were made:

Key assumptions	Dairy and Nutritionals		Consumer Nutritionals	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 June 2022
Long term growth rate (terminal value)	2.50%	2.50%	2.50%	2.50%
Post tax discount rate	9.50%	9.25%	10.00%	9.75%
Revenue growth rate (CAGR[1])	5.29%	6.21%	5.62%	6.15%
Year 5/terminal year USD exchange rate (cents)	66.00	66.00	-	-
Year 5/terminal year operational efficiencies ($'m)	3.50	3.50	1.40	1.40

[1]CAGR – Compounded Annual Growth Rate.

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 forecast period. The rates are consistent with forecasts included in industry reports.

Post tax discount rate
Reflects 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, sales price and profit margin assumptions:

Note 13. Intangibles (continued)

- Sales volume: The Group has not considered any growth in sales volume over the five-year forecast period.
- Sales price: It is based on the recent price negotiations with the customers which are incorporated in H2 FY23 cash flows and average annual growth rate over the remaining 5 years forecast period based on long term inflation forecasts and expected input costs inflation.

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

Operational efficiencies
Based on management's expectation of realisation of future cost savings from the ongoing transformation program.

Judgement 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 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 31 December 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%	3,794	0.25%	241
	(0.25%)	(3,532)	(0.25%)	(226)
Post tax discount rate	0.25%	(4,786)	0.25%	(314)
	(0.25%)	5,139	(0.25%)	336
Revenue growth rate (CAGR)	5.00%	9,430	5.00%	662
	(5.00%)	(9,494)	(5.00%)	(662)
Year 5/terminal year USD exchange rate (cents)	US$0.01	(5,179)	-	-
	US$(0.01)	5,338	-	-
Year 5/terminal year operational efficiencies ($'m)	0.50	3,324	0.50	3,039
	(0.50)	(3,324)	(0.50)	(3,039)

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

Note 14. Other financial assets

Other financial assets represent a term deposit placed with one of the Group's senior lenders as a security for the bank guarantee facility of US$18,000,000 (refer to note 22). The bank guarantee facility was used for the issuance of US$18,000,000 bank guarantee which secured the future instalment obligations related to US litigation settlement made in FY22 and will progressively step down from March 2023 until January 2027 as instalments are paid. Accordingly, the term deposit will also be progressively released to the Group over the same period.

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Term deposit		
Current	5,231	-
Non-current	21,587	-
	26,818	-

Note 14. Other financial assets (continued)

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Movement in the carrying amount at the beginning and end of the current and previous period are set out below:		
Opening balance	-	-
Additions	24,807	-
Accrued interest	249	-
Unrealised exchange gain	1,762	-
	26,818	-

Note 15. Lease liabilities

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
AASB 16 lease liabilities:		
Current	2,280	1,243
Non-current	95,831	96,501
	98,111	97,744
Movement during the year in total lease liabilities (current and non-current) is as follows:		
Opening balance	97,744	112,474
Additions	1,120	2,013
Repayment	(5,694)	(12,073)
Remeasurement of lease liabilities	-	(14,718)
Interest	4,941	10,048
	98,111	97,744

Note 16. Bank borrowings - Current

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Recourse debtor financing facilities	12,812	13,114
Equipment financing liabilities	12,706	11,629
	25,518	24,743

Refer to note 18 for further information on financing arrangements.

Note 17. Provisions

	Consolidated 31 Dec 2022 $'000	Consolidated 30 Jun 2022 $'000
Onerous contracts provision	708	4,683
US litigation settlement related provision	-	3,948
Lease make good provision	200	200
Raw material purchase price provision	2,700	-
Other restructuring provisions	416	520
Other litigation settlement provision (note 23)	400	-
	4,424	9,351

Note 17. Provisions (continued)

Movements in provisions
Movements in each class of provision during the current financial half-year are set out below:

Consolidated	Onerous contracts provision $'000	US litigation settlement related provision $'000	Lease make good provision $'000	Raw material purchase price provision $'000	Other restructuring provisions $'000	Other litigation settlement provision $'000	Total $'000
Balance at 1 July 2022	4,683	3,948	200	-	520	-	9,351
Additional provisions recognised	546	-	-	2,700	-	400	3,646
Amounts used	(4,521)	(3,435)	-	-	(104)	-	(8,060)
Unused amount reversed	-	(513)	-	-	-	-	(513)
Balance at 31 December 2022	708	-	200	2,700	416	400	4,424

Note 18. Bank borrowings – Non current

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Revolver financing facilities	28,000	17,000
Equipment financing facilities	56,525	62,980
Less: transaction costs	(383)	(518)
	84,142	79,462

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

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Recourse debtor financing facilities	12,812	13,114
Revolver financing facilities	28,000	17,000
Equipment financing facilities	68,231	74,609
	109,043	104,723

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 $36,000,000 revolving credit facility with HSBC and NAB with a maturity date of 26 May 2024. The Group had utilised $28,000,000 at 31 December 2022 with the balance amount undrawn. Since 31 December 2022, the Group has reached an agreement with HSBC and NAB to increase the limit of its revolving credit facility by $10,000,000. Had this increase been in place at 31 December 2022, the undrawn amount of the revolving credit facility would have been $18,000,000.

Note 18. Bank borrowings – Non current (continued)

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

Equipment Financing Facilities
The equipment financing facilities relate to specific equipment operating at the Company's Shepparton and Ingleburn operating sites. It also includes vehicle financing facilities. The equipment finance facilities are secured over the assets financed under the relevant facility. These facilities are over a period of 1 to 6 years and the final residuals on the current arrangements are due between 2023 and 2027.

Debtor Finance Facilities
HSBC has provided the Group with a limited recourse debtor finance facility of $55,000,000 (FY22: $65,000,000), 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 31 December 2022 was $45,195,000 (FY22: $36,220,000).

The Group also has a full recourse debtor finance facility with total limit of $20,000,000 (FY22: $25,000,000). Under this facility, the Group sells receivables mainly 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 $12,812,000 (FY22: $13,114,000) from the full recourse debtor finance facility. An equal amount of trade receivables is held as collateral against this utilised facility.

The total banking facilities as at 31 December 2022 are shown below:

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Total facilities		
Revolver financing facilities	36,000	36,000
Recourse debtor financing facilities	20,000	25,000
Equipment financing liabilities	68,231	74,609
	124,231	135,609
Utilised at the reporting date		
Revolver financing facilities	28,000	17,000
Recourse debtor financing facilities	12,812	13,114
Equipment financing liabilities	68,231	74,609
	109,043	104,723
Unutilised at the reporting date		
Revolver financing facilities	8,000	19,000
Recourse debtor financing facilities	7,188	11,886
Equipment financing liabilities	-	-
	15,188	30,886

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 $15,188,000 (FY22: $30,886,000) as at 31 December 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 19. Convertible notes

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Convertible notes		
Tranche A	245,190	227,262
Tranche B	27,666	25,798
	272,856	253,060

Tranche A

The Group issued 265,000,000 unlisted, subordinated, secured, redeemable convertible loan notes on 27 May 2021. A summary of the key terms of convertible notes is summarised below:

- fully paid – the issue price of $1.00 per note is paid to the Group before the notes are issued;
- maturity – the notes have a maturity date of 6 years from issuance;
- redeemable – the notes may be redeemed, which means the Group may be required to buy back the notes prior to the maturity date at the Makewhole Amount ranging between $463,750,000 in Year 1 to $609,500,000 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.

Tranche B

The Group issued 27,200,000 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 Makewhole Amount ranging between $47,328,000 in Year 1 to $62,560,000 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.

Movement of the fair values during the current period and previous financial year are set out below:

Note 19. Convertible notes (continued)

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Opening balance	253,060	251,006
Proceeds from issue of convertible notes	-	27,024
Fair value changes through profit or loss	20,719	(9,461)
Fair value changes through other comprehensive income	(923)	(15,509)
	272,856	253,060

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 31 December 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 a decrease in Noumi's share price and increase in credit spread market prior to period end, the overall value of the convertible notes increased by $19,796,000 at 31 December 2022. The increase in fair value amounting to $20,719,000 arose mainly due to capitalisation of interest during the half year as well as time value of money in relation to plain vanilla bond and make whole amounts. This increase is slightly offset by the change in credit spread amounting to $923,000 which is recorded in other comprehensive income in accordance with AASB 9. 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 $13,768,000 for H1 FY23 (FY22: $25,894,000) 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 $292,024,000 with capitalised interest to date of $39,663,000 equate to $331,687,000 which is fair valued at $272,856,000 on the balance sheet as at 31 December 2022.

Note 20. Reserves

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Common control reserve	(60,878)	(60,878)
Foreign currency translation reserve	(133)	(118)
Convertible notes reserve	11,502	10,856
	(49,509)	(50,140)

Note 20. Reserves (continued)

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

Consolidated	Common control reserve $'000	Foreign currency translation reserve $'000	Convertible notes reserve $'000	Total $'000
Balance at 1 July 2021	(60,878)	500	-	(60,378)
Foreign currency translation	-	(618)	-	(618)
Fair value changes (note 19)	-	-	15,509	15,509
Deferred tax (note 6)	-	-	(4,653)	(4,653)
Balance at 30 June 2022	(60,878)	(118)	10,856	(50,140)
Foreign currency translation	-	(15)	-	(15)
Fair value changes (note 19)	-	-	923	923
Deferred tax (note 6)	-	-	(277)	(277)
Balance at 31 December 2022	(60,878)	(133)	11,502	(49,509)

Note 21. 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 Group has no forward foreign exchange contracts on issue as at 31 December 2022.

The fair value of the Group's investment in JLL is determined by the market approach using prices and other relevant information generated by market transactions involving identical or comparable businesses and interest shown by shareholders. Investment in JLL is classified as Level 3, as the fair value at 31 December 2022 is based on the most recent negotiations to transact.

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

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

Note 21. Fair value of financial instruments (continued)

The following tables detail the Group's assets and liabilities, measured at fair value at 31 December 2022 and 30 June 2022.

Consolidated – 31 Dec 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investment at fair value through OCI – JLL	-	-	5,857	5,857
Total assets	-	-	5,857	5,857
Liabilities				
Convertible notes	-	272,856	-	272,856
Total liabilities	-	272,856	-	272,856

Consolidated – 30 Jun 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
Total assets	-	-	35,508	35,508
Liabilities				
Convertible notes	-	253,060	-	253,060
Total liabilities	-	253,060	-	253,060

There were no transfers between Level 1, Level 2 and Level 3 fair value hierarchies.

Note 22. Capital commitments and contingent liabilities

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Property, plant and equipment	5,650	3,483

Contingent liabilities - Bank guarantees related to US Litigation Settlement
The Company entered into a separate bank guarantee facility of US$18,000,000 with one of its senior lenders. The bank guarantee facility was used for the issuance of US$18,000,000 bank guarantee which secured the future instalment obligation related to US litigation settlement made in FY22 and will progressively step down from March 2023 until January 2027 as instalments are paid. A contingent liability exists only in the event that the collateral is not available to satisfy the obligation under the US litigation settlement and guarantee arrangement.

	Consolidated	
	31 Dec 2022 $'000	30 Jun 2022 $'000
Contingent liabilities		
Contingencies at the reporting date but not recognised as liabilities:		
Bank guarantees related to US litigation settlement	26,568	26,129

Note 22. Capital commitments and contingent liabilities (continued)

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

ASIC commenced civil penalty proceedings on 24 February 2023 against Noumi and two of the Company's former officeholders in the Federal Court of Australia in relation to alleged historic breaches of continuous disclosure obligations and associated matters including alleged failures to disclose material information to the ASX regarding the value of Noumi's inventories in its Financial Report for the full year ended 30 June 2019 (FY19) and regarding the value of Noumi's inventories, reported sales revenue, gross profit and profit after tax in its FY19 Financial Report, and its Financial Report for the half year ended 31 December 2019 (H1 FY20).

ASIC is seeking declarations that, during the period from 29 August 2019 to 25 May 2020, Noumi contravened section 674(2) of the Corporations Act, and orders for civil penalties and costs.

The Company is still reviewing the statement of claim and how it will respond. The statement of claim does not detail the quantum of the penalties sought by ASIC. Based on the information available at the date of this report, the Company cannot determine the likelihood and quantum of a liability arising. Accordingly, no provision for these proceedings has been recognised in these financial statements.

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

The Group has appointed Arnold Bloch Leibler to defend the actions and filed its defence on 8 April 2022. In November 2022, a group costs order was made by the Court permitting the legal costs payable to the class action law firms acting for the plaintiffs and group members to be paid as a percentage of any award or settlement that may be recovered, with that percentage fixed at 22% (inclusive). The legal proceedings are ongoing and apart from the associated legal costs incurred as at 31 December 2022, no provision is recognised in the financial statements.

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 associated legal costs incurred as at 31 December 2022, no provision is recognised in the financial statements.

Note 23. Events after the reporting period

Syndicated Revolving Credit Facility Amendment
Since 31 December 2022, the Group has reached an agreement with HSBC and NAB to increase the limit of its syndicated revolving credit facility by $10,000,000. No other changes were made to the facility agreement.

Settlement of Contractual Dispute
On 9 February 2023 the Group settled its legal dispute with Sunday Collab International Limited. Under the terms of the settlement, the Group will pay $400,000 in full and final settlement of the entire dispute including any entitlement to legal or other costs. Accordingly, a settlement provision of $400,000 is recorded in the consolidated financial statements (refer to note 17).

ASIC Investigation
As described in note 22, ASIC commenced civil penalty proceedings on 24 February 2023 against Noumi and two of the Company's former officeholders in the Federal Court of Australia.

Other than as disclosed in the consolidated financial statements, no matters or circumstances have arisen since the end of the half 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 period.

In the directors' opinion:

(1) The condensed consolidated financial report and notes, are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year-ended on that date;
(b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Genevieve Gregor
Chair

28 February 2023
Sydney

Independent Auditor's Review Report

To the shareholders of Noumi Limited

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Noumi Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Noumi Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 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 Half-year ended on that date
- Notes 1 to 23 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Noumi Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

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Material uncertainty related to going concern

We draw attention to Note 1(c) "Going Concern" in the Half-year Financial Report. The events and conditions disclosed in Note 1(c) 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 Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Julie Cleary

Partner

Sydney

28 February 2023