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

27 February 2024

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

1H FY24 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 2023:

- 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 2023 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 Company Secretary

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 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	6.0%	to	296,681
Adjusted Operating EBITDA[1]	up	35.2%	to	23,113
Loss from ordinary activities after tax attributable to the owners of Noumi Limited	up	17.4%	to	(27,671)
Loss for the half-year attributable to the owners of Noumi Limited	up	17.4%	to	(27,671)

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

Dividends
There were no interim dividends paid, recommended or declared for the half-year ended 31 December 2023.

Comments
The loss for the consolidated entity after providing for income tax amounted to $27,671,000 including an amount of $32,288,000 related to fair value expense of convertible notes (31 December 2022: $23,570,000 loss including an amount of $20,719,000 related to fair value expense of convertible notes).

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

3. Net tangible assets

	Reporting period Cents	Previous period[2] Cents
Net tangible assets per ordinary security[3]	(87.17)	(75.79)

[2]Previous period: Full year ended 30 June 2023.
[3]Includes assets and liabilities associated with AASB 16.

4. 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.

5. Signed

Signed Genevieve Gregor

Date: 27 February 2024

Genevieve Gregor
Chair
Sydney

Noumi Limited

Australian Business Number (ABN) 41 002 814 235

Half Yearly Financial Report - 31 December 2023

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 financial half year ended 31 December 2023.

The financial statements are presented in Australian Dollars.

1. Principal activities

Noumi Limited is a leading consumer branded beverage and nutritional group with 538 employees with facilities in two locations across Australia and two locations in Asia (Singapore and China).

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

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

2. Going concern

The Group has prepared the consolidated financial statements for the financial half year ended 31 December 2023 (Half Yearly Financial Statements) 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 FY24 loss after tax of $27.7m and net cash outflows from operating activities in H1 FY24 were $4.5m which includes payments for US litigation settlement of $3.4m. As set out in the operating segment note (refer to note 3 of the consolidated financial statements), operating results in the Plant-based Milks and Dairy and Nutritionals segments improved in H1 FY24 compared to the prior period.

Plant-based Milks delivered record Adjusted operating EBITDA, up 6.1%, with Adjusted operating EBITDA margins remaining strong at 26.5%.

A turnaround in Dairy and Nutritionals despite challenging industry conditions, with positive Adjusted operating EBITDA of $2.2m compared to H1 FY23 loss of $1.9m. The Consumer Nutritionals portfolio delivered 10.7% revenue growth through investment in brands such as Vital Strength and new product development.

Financial Position

At 31 December 2023, the Group had net current assets of $12.2m and net liabilities of $235.2m. The net liability position at 31 December 2023 includes $331.8m in respect of convertible notes that are carried at fair value. The net liability position will be improved in the event of the conversion of the notes into equity (refer to note 17 of the consolidated financial statements).

Future financial performance

At 31 December 2023, the Group's unrestricted cash held was $8.5m and additionally the Group has available $18.0m in its undrawn revolving credit facility. The Group also has available debtor finance financing facilities. The unrestricted cash, available financing facilities and forecast operating cash flows are expected 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 financial report, based on current market conditions and expectations.

Litigation – Class Actions

Two Class Actions were filed against the Company in respect of alleged breaches of the Corporations Act 2001, the Australian Securities and Investments Commission Act and Australian Consumer Law. These proceedings were consolidated by order of the Court, with a consolidated statement of claim filed on 16 December 2021. The Group is defending the litigation. No evidence has been filed nor have the plaintiffs quantified their claims. Orders were made on 28 August 2023 referring the proceeding to mediation, and the mediation is ongoing as at the date of signing of these consolidated financial statements. Based on the information available, the Group cannot determine the likely outcomes and potential financial impact.

Litigation – ASIC Proceedings

Australian Securities and Investment Corporation (ASIC) commenced civil penalty proceedings on 24 February 2023 against Noumi and two of the Company's former officers in the Federal Court of Australia in relation to alleged historic breaches of continuous disclosure obligations. The proceedings concern 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 in its Financial Report for the financial half year ended 31 December 2019 (H1 FY20); and additionally regarding the value of

Noumi's inventories, reported sales revenue, gross profit and profit before tax in its H1 FY20 Financial Report. 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 2001, and is also seeking orders for civil penalties and costs. The Company has filed its defence admitting, on a qualified basis, alleged breaches of its continuous disclosure obligations in connection with FY19 and H1 FY20 financial reports based on information that was known, or should have been known, by the two former officers. The proceedings against the Company are listed for hearing in relation to the penalties on 18 July 2024. In light of amendments to the penalties framework under the Corporations Act 2001, there is an absence of any applicable decided cases on civil penalties by which the Group can estimate quantum. Based on the information available, the Group cannot reliably estimate the quantum of any liability arising.

No liability has been recognised in the consolidated financial statements for any settlement, penalties and/or costs for which the Group may be liable in either of these litigations. Due to the uncertainty surrounding these litigations, the quantum of compensation, penalties and/or costs for which the Group may be liable, and whether the Group will have access to sufficient funds to pay these amounts, 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 recorded a loss after income tax for the financial half year ended 31 December 2023 attributable to the owners of Noumi Limited of $27.7m (H1 FY23 loss of $23.6m). The losses in H1 FY24 includes a fair value expense adjustment of $32.3m for the convertible notes.

The Group recorded an Adjusted operating EBITDA of $23.1m (H1 FY23: $17.1m). For Adjusted operating EBITDA refer to section 3.3 of this Directors Report.

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 excludes abnormal items, restructuring costs and other non-trading expenses. 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. The Group is transitioning this primary measure from Adjusted operating EBITDA (pre AASB 16) to Adjusted operating EBITDA (post AASB 16). Accordingly, EBITDA performance measures (and comparisons) referred to in this report reflect post AASB 16 unless otherwise stated.

3.1 Overview of material matters during the year and material matters subsequent to 31 December 2023

This section describes:
- the significant events that have occurred in H1 FY24; and
- the material matters, events, and decisions taken by the Group after 31 December 2023 and up to the publication of this report.

Operations

The Group has achieved significant progress during H1 FY24 despite challenging macro-economic conditions.

During the half year, the Group;
- grew consolidated Adjusted operating EBITDA by $6.0m to $23.1m;
- achieved a record half year Adjusted operating EBITDA for the Plant-based Milks segment of $23.1m, up 6.1% on H1 FY23;
- grew the Adjusted operating EBITDA profit in Dairy and Nutritionals by $4.1m to $2.2m.

In the Plant-based Milks segment revenue was $87.5m, up 6.9% on H1 FY23. Sales of the Group's key Milklab brand grew 4.6% during the half year compared to H1 FY24 following strong performance by Milklab Oat. Adjusted operating EBITDA margin remained strong at 26.5%.

Dairy and Nutritionals segment continued its recovery, recording a $2.2m Adjusted operating EBITDA despite various market and operational challenges. Profit margins need to continue to improve, particularly in export markets, to achieve reasonable returns on the capital invested in the Group's facilities. Commodity prices for products such as bulk cream have been weak in FY24. While Noumi's volume of bulk cream sales in H1 FY24 was 11.5% higher than the prior corresponding period, revenue was down 9.9% impacting the profitability of Dairy and Nutritionals segment. Although demand for lactoferrin remained healthy, lactoferrin sales declined by 37.0% due to production disruptions.

Macro-economic conditions
Noumi continues to focus on margins in Dairy and Nutritionals and the opportunities to grow its Plant-based Milks segment. Noumi remains cautious about the macro-economic environment and consumer spending in Australia in particular. In addition, global dairy prices continue to create challenging conditions for Noumi's long-life dairy milk export sales and bulk commodities, with all Australian dairy exporters at a disadvantage due to price competition from countries with lower cost of production. Domestic conditions for Dairy remain satisfactory.

Litigation - Class Actions
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. These proceedings were consolidated by order of the Court, with a consolidated statement of claim filed on 16 December 2021. The Group is defending the litigation.

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). No evidence has been filed nor have the plaintiffs quantified their claims as yet.

On 28 August 2023, orders were made referring the proceeding to mediation. Orders were also made in September 2023 fixing a process for group members to opt out of participation in the proceeding, and to register for the purpose of participation in any settlement that may be reached (if any) as a result of the ongoing mediation. The opt out and claim registration process closed in November 2023. The mediation is ongoing at the date of signing of the consolidated financial statements. Based on the information available, the Group cannot determine the likelihood and quantum of any liability arising and no liability has been recognised in relation to this matter.

Litigation - ASIC Proceedings
ASIC commenced civil penalty proceedings on 24 February 2023 against Noumi and two of the Company's former officers in the Federal Court of Australia in relation to alleged historic breaches of continuous disclosure obligations. The proceedings concern 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 in its Financial Report for the half year ended 31 December 2019 (H1 FY20); and additionally regarding the value of Noumi's reported sales revenue, gross profit and profit before tax in its H1 FY20 Financial Report. 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 2001, and is also seeking orders for civil penalties and costs. Additional allegations associated with those matters are made against the two former officers.

On 11 August 2023, Noumi filed its defence admitting, on a qualified basis, alleged breaches of its continuous disclosure obligations in connection with FY19 and H1 FY20 financial reports based on information that was known, or should have been known, by the two former officers. The proceedings as against the Company are listed for hearing in relation penalties on 18 July 2024.

In light of amendments to the penalties framework under the Corporations Act 2001, there is an absence of any applicable decided cases on civil penalties. Based on the information available, the Group cannot reliably estimate the quantum of any liability arising and no liability has been recognised in relation to this matter.

For further details, refer to note 21 of the consolidated financial statements.

Except as disclosed above, no matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

3.2 Business Strategy
As previously outlined, Noumi is pursuing a three-stage transformation strategy: Reset, Transform and Grow, which is designed to set the Company on a path to long-term profitable and sustainable growth.

The Group largely completed the Operational Reset phase and is now into the Grow phase for the Plant-based Milks segment and is embedding the improvements being made in the Dairy and Nutritionals segment during the Transform phase.

The Dairy and Nutritionals segment remains a significant focus of the board and executive team. In addition to the transformation work, margins need to be maintained or improved. The Australian dairy industry's lack of international competitiveness, arising from the ongoing dislocation of the Australian farmgate milk price from global prices creates the potential for rationalisation of the dairy processing industry.

The Plant-based Milks segment strategy includes opportunities to grow sales both domestically and internationally. Following the development of an improved Milklab Oat formula, driving penetration of Milklab Oat continues to be a major focus. The Group currently generates 5.6% of its plant-based milks sales from export and plans to sharpen the focus on priority markets across South-East Asia.

3.3. Operating and financial review

Adjusted operating EBITDA

Adjusted operating EBITDA is a non-IFRS measure as contemplated in ASIC Regulatory Guide 230 Disclosing non-IFRS financial information (RG230). Adjusted operating EBITDA excludes abnormal items, restructuring costs and other non-trading expenses. 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 absent any legacy issues. The Group is transitioning this primary measure from Adjusted operating EBITDA (pre AASB 16) to Adjusted operating EBITDA (post AASB 16). Accordingly, EBITDA performance measures (and comparisons) referred to in this report reflect post AASB 16 unless otherwise stated.

Set out below is a summary statement of profit or loss for the year ended 31 December 2023.

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Net sales	296,681	279,820
Adjusted Operating EBITDA	**23,113**	**17,092**
Onerous contracts provision	-	3,975
Restructuring expenses	-	(2,481)
Other litigation expenses	-	(655)
Unrealised foreign exchange loss	(205)	(637)
Other non-trading income/(expenses)	66	(302)
Adjusted EBITDA	22,974	16,992
Fair value changes of convertible notes	(32,288)	(20,719)
Depreciation and amortisation	(8,428)	(10,268)
Net finance costs	(9,929)	(9,856)
Net loss before tax	(27,671)	(23,851)
Income tax benefit	-	281
Net loss after tax	(27,671)	(23,570)

3.3.1 Commentary on specific items in the profit and loss account

Net sales increased by 6.0% period on period to $296.7m. Domestic net sales increased 13.3% period on period to $205.7m and export net sales decreased 7.5% period on period to $90.9m. Dairy and Nutritionals net sales increased 5.7% period on period to $209.2m largely due to price and volume increases in domestic long-life dairy milk. Plant-based milks net sales were $87.5m in H1 FY24 compared to $81.9m in H1 FY23, an increase of 6.9% period on period.

Net losses after tax increased from $23.6m in H1 FY23 to $27.7m in H1 FY24. Current period net losses after tax include the impact of the fair value expense of $32.3m (H1 FY23: $20.7m) relating to the convertible notes.

Adjusted operating EBITDA of $23.1m was higher than H1 FY23 of $17.1m for reasons set out in section 3.4 of this Directors Report.

Depreciation and amortisation decreased by 17.9% from $10.3m to $8.4m. This variance is arising from reduced depreciation post impairment of non-financial assets and remeasurement of right of use assets in FY23. The components of the depreciation charge are as follows:

Depreciation – buildings, plant and equipment: $6.4m (H1 FY23: $7.8m)
Depreciation – AASB 16 related: $1.9m (H1 FY23: $2.4m)
Amortisation – software: $0.1m (H1 FY23: $0.1m)

Net finance costs of $9.9m is in line with H1 FY23. The breakdown of finance costs is as follows:

Interest – based on debt facilities: $5.4m (H1 FY23: $5.2m)
Interest – AASB 16 related: $5.1m (H1 FY23: $4.9m)
Interest income - $0.6m (H1 FY23: $0.2m)

Fair value changes of convertible notes amounting to a net $36.3m resulted in a 12.3% increase in the value of convertible notes from $295.5m (Tranche A: $267.4m and Tranche B: $28.1m) to $331.8m (Tranche A: $300.3m and Tranche B: $31.5m). This net change in fair value is recorded in profit or loss ($32.3m expense, an increase in fair value) and other comprehensive income ($4.0m expense, an increase 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 17 of the consolidated financial statements).

The Group has classified the convertible notes as fair value through profit and loss, accordingly, interest expense is not separately recorded in profit and loss as it is implied in the fair value calculation.

3.3.2 Segment performance

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

Dairy and Nutritionals	A range of long-life dairy milk beverages, nutritional products and performance and adult nutritional powders. These products are manufactured in Australia and New Zealand and sold in Australia and overseas.
Plant-based Milks	A range of long-life beverage products including almond, oat, soy, rice, coconut, macadamia and other plant-based milks and liquid stocks. These products are manufactured in Australia and sold in Australia and overseas.

Set out below is the segment performance of the Group for the half year ended 31 December 2023, together with a segment performance table for the half year ended 31 December 2022.

Consolidated - 31 December 2023	Dairy and Nutritionals $'000	Plant-based Milks $'000	Unallocated Shared Services $'000	Total $'000
Revenue	209,179	87,502	-	296,681
Adjusted Operating EBITDA	**2,202**	**23,147**	**(2,236)**	**23,113**
Unrealised foreign exchange loss	-	-	(205)	(205)
Other non-trading (expenses)/income	(40)	(2)	108	66
Adjusted EBITDA	2,162	23,145	(2,333)	22,974

Consolidated - 31 December 2022	Dairy and Nutritionals $'000	Plant-based Milks $'000	Unallocated Shared Services $'000	Total $'000
Revenue	197,950	81,870	-	279,820
Adjusted Operating EBITDA	**(1,877)**	**21,818**	**(2,849)**	**17,092**
Onerous contracts provision	3,975	-	-	3,975
Restructuring and other litigation expenses	-	(691)	(2,445)	(3,136)
Unrealised foreign exchange loss	-	-	(637)	(637)
Other non-trading (expenses)/income	(318)	92	(76)	(302)
Adjusted EBITDA	1,780	21,219	(6,007)	16,992

3.4 Segment performance

Dairy and Nutritionals

6 Months to ('000)	Dec-23	Dec-22	Change $	Change %
Revenue	**209,179**	**197,950**	**11,229**	**5.7%**
Adjusted Operating EBITDA Pre AASB16[1]	90	(4,286)	4,376	102.1%
Adjusted Operating EBITDA Pre AASB16 Margin %	0.0%	(2.2%)		
Adjusted Operating EBITDA	**2,202**	**(1,877)**	**4,079**	**n.m**
Adjusted Operating EBITDA Margin %	1.1%	(0.9%)		
Adjusted EBITDA	**2,162**	**1,780**	**382**	**21.5%**

[1]Adjusted operating EBITDA (pre AASB 16) references are included to explain the transition in primary measure of financial performance to Adjusted operating EBITDA (post AASB 16).

The Dairy and Nutritionals segment delivered an improved financial performance in H1 FY24, with net revenue up 5.7% to $209.2m and the Adjusted operating EBITDA profit improved from $1.9m loss to $2.2m profit.

The year-on-year improvement in Dairy and Nutritionals has been driven by a focus on revenue management by exiting low-margin sales, growing Milklab lactose-free and domestic sales, delivering consistent and efficient operating performance, improved service and product quality.

The Dairy and Nutritionals segment delivered sales growth in almost all domestic channels, with retail sales up 26.1% and out-of-home sales up 21.9%. Milklab Dairy sales rose 18.7%.

This performance was achieved in challenging market conditions, with the ongoing disparity between Australian farmgate milk price and global prices, particularly those in New Zealand, continuing to impact the competitiveness of the Australian dairy industry. This was reflected in Noumi's international performance, with sales of long-life milk to Asia down 2.9% as a 19.4% fall in sales to China was offset by a 21.2% increase in sales to South East Asia.

Commodity prices for products such as bulk cream have been weak in FY24. Although volume of bulk cream sales in H1 FY24 rose 11.5% compared to the prior corresponding period, revenue was down 9.9% impacting the profitability of the Dairy and Nutritionals segment.

Nutritional Ingredients sales were down 10.8%. Sales of PUREnFERRIN lactoferrin were down 37.0% due to temporary production disruptions.

The Consumer Nutritionals unit delivered improved results in H1 FY24, including revenue growth of 10.7% over H1 FY23 on the back of successful new product launches and investment in the Vital Strength and Crankt brands.

Plant-based Milks

6 Months to ('000)	Dec-23	Dec-22	Change $	Change %
Revenue	**87,502**	**81,870**	**5,632**	**6.9%**
Adjusted Operating EBITDA Pre AASB16[1]	19,874	18,614	1,260	6.8%
Adjusted Operating EBITDA Pre AASB16 Margin %	22.7%	22.7%		
Adjusted Operating EBITDA	**23,147**	**21,818**	**1,329**	**6.1%**
Adjusted Operating EBITDA Margin %	26.5%	26.6%		
Adjusted EBITDA	**23,145**	**21,219**	**1,926**	**9.1%**

[1]Adjusted operating EBITDA (pre AASB 16) references are included to explain the transition in primary measure of financial performance to Adjusted operating EBITDA (post AASB 16).

The Plant-based Milks segment continued to grow with net revenue for the half year increased by 6.9% to $87.5m.

Adjusted operating EBITDA rose 6.1% to $23.1m, with Adjusted operating EBITDA margin remaining strong at 26.5%.

Noumi's Milklab brand lifted overall plant-based sales by 4.6%. Milklab Oat continued its strong performance, with sales up 51.7% following the launch of an improved formula and supported by an integrated marketing program.

New products in the Australia's Own plant-based portfolio and a rise in private label sales, particularly through the retail channel, also boosted sales.

3.5 Statement of financial position

Set out below is a summary balance sheet as at 31 December 2023 together with summary balance sheet as at 31 December 2022.

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Current assets	140,282	134,299
Non-current assets	233,482	243,647
Total assets	**373,764**	**377,946**
Current liabilities	(128,077)	(105,193)
Non-current liabilities	(480,847)	(476,296)
Total liabilities	**(608,924)**	**(581,489)**
Net liabilities	**(235,160)**	**(203,543)**
Share capital	598,712	598,712
Reserves	(61,713)	(57,767)
Accumulated losses	(772,159)	(744,488)
Total equity	**(235,160)**	**(203,543)**

3.5.1 Commentary on specific items in the statement of financial position

Cash and cash equivalents decreased by $10.1m from $18.6m at 30 June 2023 to $8.5m at 31 December 2023 mainly due to timing of drawdowns of debtor finance facilities compared to prior periods, which delayed certain receipts into January 2024.

Trade and other receivables increased by 27.4% from $50.6m at 30 June 2023 to $64.4m at 31 December 2023 due to timing of the drawdown of the limited recourse debtor financing and higher export sales compared to H2 FY23.

Inventories increased by 8.3% from $54.0m at 30 June 2023 to $58.5m at 31 December 2023 reflecting an increase in manufacturing costs and higher stock balances due to production disruption for lactoferrin.

Trade and other payables of $59.5m at 31 December 2023 are in line with 30 June 2023.

Property, plant and equipment decreased by 2.7% from $162.2m at 30 June 2023 to $157.7m at 31 December 2023, mainly representing depreciation ($6.4m) partially offset by additions ($1.9m).

Right of use assets decreased by 3.5% from $55.3m at 30 June 2023 to $53.4m at 31 December 2023, reflecting depreciation ($1.9m).

Borrowings increased by 7.7% from $397.9m at 30 June 2023 to $428.5m at 31 December 2023. Borrowings include fair value of convertible notes which increased by 12.3% from $295.5m at 30 June 2023 to $331.8m at 31 December 2023. Further detail on cashflow and funding is provided in the next section.

Net liabilities of $235.2m include unpaid portion of US litigation settlement liability of $15.5m and convertible note liability of $331.8m. The convertible notes will cease to be a liability in the event of the conversion of the notes into equity (refer to note 17 of the consolidated financial statements).

Shareholders' equity deficiency increased from $203.5m negative to $235.2m negative, reflecting primarily the loss of $27.7m incurred by the Group in H1 FY24. The loss during the half year includes the impact of fair value changes of convertible notes amounting to $36.3m.

3.5.2 Commentary on cashflow and funding

	Consolidated	
	31 Dec 2023 $'000	31 Dec 2022 $'000
Cash flow from operations	**9,954**	**18,397**
Cash flow from operations including non-trading cash flows and financing costs	(14,476)	(17,448)
Cash flow (used in)/from operating activities	(4,522)	949
Cash flow from investing activities	1,286	2,927
Cash flow (used in)/from financing activities	(6,840)	3,971
Change in cash and cash equivalents	(10,076)	7,847
Cash and cash equivalents at the beginning of the financial half year	18,560	16,210
Cash and cash equivalents at the end of the financial half year	**8,484**	**24,057**

Cash flow from operations before financing and non-trading cash flows was $10.0m in H1 FY24 compared to $18.4m in H1 FY23. Cash flow from operations was impacted by the timing of the drawdown of the limited recourse debtor finance facility which delayed certain receipts into January 2024.

Cash flow from investing activities were $1.6m lower. The prior period included proceeds from disposal of the investment in AFMH and the investment of a significant portion of those proceeds in a term deposit.

Cash flow from financing activities represent repayment of borrowings ($5.9m) and AASB 16 leases ($0.9m). The prior period included a drawdown of $11.0m from the revolver finance facility.

4. Directors

The following persons were Directors of Noumi Limited during the whole of the financial half-year ended 31 December 2023:

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 12.

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

Genevieve Gregor
Chair

27 February 2024
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 2023 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

27 February 2024

Noumi Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Revenue			
Revenue from sale of goods	3	296,681	279,820
Cost of sales		(223,788)	(211,453)
Gross profit		72,893	68,367
Other income	4	114	595
Other expense	4	(1,078)	(1,909)
Selling and marketing expenses		(15,389)	(13,824)
Distribution expenses		(24,624)	(27,191)
Product development expenses		(1,104)	(1,016)
Administrative expenses		(15,858)	(18,440)
Net finance costs	5	(9,929)	(9,856)
Fair value changes of convertible notes[1]	17	(32,288)	(20,719)
Expected credit losses		(408)	142
Loss before income tax benefit		(27,671)	(23,851)
Income tax benefit		-	281
Loss after income tax benefit for the half-year attributable to the owners of Noumi Limited		(27,671)	(23,570)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Fair value changes of convertible notes	17,18	(3,982)	923
Income tax on fair value changes of convertible notes		-	(277)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	18	(25)	(15)
Other comprehensive income for the half-year, net of tax		(4,007)	631
Total comprehensive income for the half-year attributable to the owners of Noumi Limited		(31,678)	(22,939)
		Cents	Cents
Earnings per share for loss attributable to the owners of Noumi Limited			
Basic earnings per share		(9.99)	(8.51)
Diluted earnings per share		(9.99)	(8.51)

[1]Fair value changes of convertible notes are presented as a separate line in the consolidated statement of profit or loss and comparative numbers are reclassified to conform with the current period presentation.

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

Noumi Limited
Condensed consolidated statement of financial position
As at 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Assets			
Current assets			
Cash and cash equivalents		8,484	18,560
Trade and other receivables	6	64,443	50,595
Inventories	7	58,537	54,036
Prepayments		1,971	3,983
Other financial assets	12	6,847	7,125
Total current assets		140,282	134,299
Non-current assets			
Financial asset at fair value through other comprehensive income	8	743	743
Property, plant and equipment	9	157,738	162,183
Right of use assets	10	53,389	55,341
Intangibles	11	6,392	6,477
Prepayments		417	238
Other financial assets	12	14,803	18,665
Total non-current assets		233,482	243,647
Total assets		373,764	377,946
Liabilities			
Current liabilities			
Trade and other payables		59,496	59,534
Payable to related parties		1,067	996
Lease liabilities	13	3,575	3,737
Bank Borrowings	14	24,574	24,524
Convertible notes	17	22,554	-
Income tax payable		3,248	3,248
Provisions	15	983	526
Employee benefit obligations		6,001	5,841
Other financial liabilities		6,579	6,787
Total current liabilities		128,077	105,193
Non-current liabilities			
Lease liabilities	13	89,254	89,359
Bank Borrowings	16	72,131	77,901
Convertible notes	17	309,194	295,478
Employee benefit obligations		1,332	1,362
Other financial liabilities		8,936	12,196
Total non-current liabilities		480,847	476,296
Total liabilities		608,924	581,489
Net liabilities		(235,160)	(203,543)
Equity			
Issued Capital		598,712	598,712
Reserves	18	(61,713)	(57,767)
Accumulated losses		(772,159)	(744,488)
Total equity		(235,160)	(203,543)

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 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)

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2023	598,712	(57,767)	(744,488)	(203,543)
Loss after income tax benefit for the half-year	-	-	(27,671)	(27,671)
Other comprehensive income for the half-year, net of tax	-	(4,007)	-	(4,007)
Total comprehensive income for the half-year	-	(4,007)	(27,671)	(31,678)
Transactions with owners in their capacity as owners:				
Share-based payments expense (note 19)	-	61	-	61
Balance at 31 December 2023	598,712	(61,713)	(772,159)	(235,160)

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		283,875	286,250
Payments to suppliers and employees (inclusive of GST)		(273,921)	(267,853)
		9,954	18,397
Payments for US litigation settlement expenses	12	(3,440)	(6,846)
Payments for litigation related expenses		(1,651)	(1,362)
Interest on AASB 16 lease liabilities paid	13	(5,123)	(4,942)
Other interest and finance costs paid		(4,989)	(4,309)
Interest received		727	7
Income tax refund received		-	4
Net cash (used in)/from operating activities		(4,522)	949
Cash flows from investing activities			
Payments for property, plant and equipment	9	(1,973)	(1,585)
Payments for intangibles		(212)	(425)
Proceeds from/(payments for) other financial assets - term deposit	12	3,471	(24,807)
Proceeds from disposal of assets classified as held for sale		-	29,379
Proceeds from disposal of property, plant and equipment		-	365
Net cash from investing activities		1,286	2,927
Cash flows from financing activities			
Payments for transaction costs related to issue of convertible notes		-	(18)
Proceeds from revolver financing facilities	16	-	11,000
Repayments of bank borrowings		(5,879)	(5,681)
Repayments of leases		(961)	(1,330)
Net cash (used in)/from financing activities		(6,840)	3,971
Change in cash and cash equivalents		(10,076)	7,847
Cash and cash equivalents at the beginning of the financial half-year		18,560	16,210
Cash and cash equivalents at the end of the financial half-year		8,484	24,057

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

Note 1. General information

The consolidated financial statements of Noumi Limited ("Group" or "Company") for the six months ended 31 December 2023 were authorised for issue in accordance with resolution of Directors on 27 February 2024. The Directors have the power to amend, restate and reissue the consolidated 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 is described in note 3.

Note 2. Material accounting policies

(a) Statement of compliance

The consolidated financial statements for the half year ended 31 December 2023 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit 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 Statements do not include all of the information required for a complete set of the annual financial statements. Accordingly, these consolidated financial statements are to be read in conjunction with the annual report for the year ended 30 June 2023 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 2023 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 FY24 loss after tax of $27.7m and net cash outflows from operating activities in H1 FY24 were $4.5m which includes payments for US litigation settlement of $3.4m. As set out in the operating segment note (refer to note 3), operating results in the Plant-based Milks and Dairy and Nutritionals segments improved in H1 FY24 compared to the prior period.

Financial position
At 31 December 2023, the Group had net current assets of $12.2m and net liabilities of $235.2m. The net liability position at 31 December 2023 includes $331.8m in respect of convertible notes that are carried at fair value. The net liability position will be improved in the event of the conversion of the notes into equity (refer to note 17).

Future financial performance
At 31 December 2023, the Group's unrestricted cash held was $8.5m and additionally the Group has available $18.0m in its undrawn revolving credit facility. The Group also has available debtor finance financing facilities. The unrestricted cash, available financing facilities and forecast operating cash flows are expected 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 financial report, based on current market conditions and expectations.

Litigation – Class Actions
Two Class Actions were filed against the Company in respect of alleged breaches of the Corporations Act 2001 (Cth), Australian Securities and Investments Commission Act and Australian Consumer Law. These proceedings were consolidated by order of the Court, with a consolidated statement of claim filed on 16 December 2021. The Group is defending the litigation. No evidence has been filed nor have the plaintiffs quantified their claims. Orders were made on 28 August 2023 referring the proceeding to mediation, and the mediation is ongoing as at the date of signing of these consolidated financial statements. Based on the information available, the Group cannot determine the likely outcomes and potential financial impact.

Note 2. Material accounting policies (continued)

Litigation – ASIC Proceedings
ASIC commenced civil penalty proceedings on 24 February 2023 against Noumi and two of the Company's former officers in the Federal Court of Australia in relation to alleged historic breaches of continuous disclosure obligations. The proceedings concern 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 in its Financial Report for the half year ended 31 December 2019 (H1 FY20); and additionally regarding the value of Noumi's reported sales revenue, gross profit and profit before tax in its H1 FY20 Financial Report. 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 2001, and is also seeking orders for civil penalties and costs. The Company has filed its defence admitting, on a qualified basis, alleged breaches of its continuous disclosure obligations in connection with FY19 and H1 FY20 financial reports based on information that was known, or should have been known, by the two former officers. The proceedings against the company are listed for hearing in relation to the penalties on 18 July 2024. In light of amendments to the penalties framework under the Corporations Act 2001, there is an absence of any applicable decided cases on civil penalties by which the Group can estimate the quantum. Based on the information available, the Group cannot reliably estimate the quantum of any liability arising.

No liability has been recognised in the consolidated financial statements for any settlement, penalties and/or costs for which the Group may be liable in either of these litigations. Due to the uncertainty surrounding these litigations, the quantum of compensation, penalties and/or costs for which the Group may be liable, and whether the Group will have access to sufficient funds to pay these amounts, 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.

(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 2023:

- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of accounting policies and definition of accounting estimates
- AASB 2021-5 Amendments to Australian Accounting Standards – Deferred tax related to assets and liabilities arising from a single transaction
- AASB 2022-7 Editorial corrections to Australian Accounting Standards and repeal of superseded and redundant standards
- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance contracts
- AASB 2022-1 Amendments to Australian Accounting Standards – Initial application of AASB 17 and AASB 9 – Comparative Information

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.

New and amended Accounting Standards and Interpretations issued but not yet effective
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 2023 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.

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

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

Note 2. Material accounting policies (continued)

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 2023 except share-based payments transactions which are described below.

Share-Based payments transactions
During the half year, the Group introduced a long-term incentive plan to award premium priced options to Directors, Key Management Personnel and members of the Executive Leadership team. The Group measures the cost of these options by reference to their fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes model which considers the terms and conditions upon which the options were granted. The accounting estimates and assumptions relating to these equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 19 for further information.

Note 3. Operating segments

The Group is 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 long-life dairy milk beverage, nutritional products and performance and adult nutritional powders. These products are manufactured in Australia and New Zealand and sold in Australia and overseas.
Plant-based Milks	A range of long-life beverage products including almond, soy, oat, coconut, macadamia and other plant-based milks plus liquid stocks. These products are manufactured in Australia and sold in Australia and overseas.

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 recourse debtor financing facilities, revolver 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.

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

Note 3. Operating segments (continued)

Consolidated - 31 December 2023	Dairy and Nutritionals $'000	Plant-based Milks $'000	Unallocated Shared Services $'000	Total $'000
Revenue				
Sales to external customers	209,179	87,502	-	296,681
Total revenue	209,179	87,502	-	296,681
Adjusted EBITDA[1]	2,162	23,145	(2,333)	22,974
Fair value changes of convertible notes	-	-	(32,288)	(32,288)
Depreciation and amortisation	(4,947)	(3,194)	(287)	(8,428)
Net finance costs	(1,275)	(4,256)	(4,398)	(9,929)
Profit/(loss) before income tax benefit	(4,060)	15,695	(39,306)	(27,671)
Income tax benefit	-	-	-	-
Profit/(loss) after income tax benefit	(4,060)	15,695	(39,306)	(27,671)
Assets				
Segment assets	203,169	135,766	34,086	373,021
Financial assets at FVOCI	-	-	743	743
Total assets	203,169	135,766	34,829	373,764
Liabilities				
Segment liabilities[2]	84,772	94,086	430,066	608,924
Total liabilities	84,772	94,086	430,066	608,924

Consolidated - 31 December 2022	Dairy and Nutritionals $'000	Plant-based Milks $'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]	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)
Profit/(loss) before income tax benefit	(5,218)	13,004	(31,637)	(23,851)
Income tax benefit	-	-	281	281
Profit/(loss) after income tax benefit	(5,218)	13,004	(31,356)	(23,570)
Consolidated - 30 June 2023				
Assets				
Segment assets	191,805	134,392	51,006	377,203
Financial assets at FVOCI	-	-	743	743
Total assets	191,805	134,392	51,749	377,946
Liabilities				
Segment liabilities[2]	81,063	97,747	402,679	581,489
Total liabilities	81,063	97,747	402,679	581,489

[1]Refer to section 3.3 of the Directors Report for a reconciliation between Adjusted EBITDA and Adjusted operating EBITDA, a non-IFRS measure.
[2]Unallocated shared services liabilities include convertible notes, equipment finance, debtor financing facilities and revolver financing facilities which are not allocated to relevant operating segments.

Note 4. Other income/(expense)

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Other income:		
Net foreign exchange gain	80	-
Net gain on disposal of property, plant and equipment	-	208
Other	34	387
	114	595
Other expense:		
Onerous contracts provision (note 15)	(930)	(546)
Net foreign exchange loss	-	(517)
Other	(148)	(846)
	(1,078)	(1,909)
	(964)	(1,314)

Note 5. Expenses

Loss before income tax includes the following specific expenses:

	Consolidated 31 Dec 2023 $'000	Consolidated 31 Dec 2022 $'000
Employee benefits		
Employee benefits expense excluding superannuation, STI and LTI expenses	31,659	30,773
Superannuation expenses	2,919	2,753
STI and LTI expenses	809	534
Share-based payments expense	61	-
Total employee benefits	35,448	34,060
Depreciation and amortisation		
Depreciation expense of property, plant and equipment (note 9)	6,418	7,775
Depreciation expense of right of use assets (note 10)	1,925	2,408
Amortisation expense (note 11)	85	85
Total depreciation and amortisation expense	8,428	10,268
Depreciation and amortisation allocated to:		
Cost of sales	8,141	9,728
Administrative expenses	287	540
	8,428	10,268
Net finance costs		
Interest expense on bank borrowings	3,495	3,500
Interest on AASB 16 lease liabilities	5,123	4,941
Other financing costs	1,917	1,679
	10,535	10,120
Interest income	(606)	(264)
Net finance costs	9,929	9,856

Note 6. Trade and other receivables

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Trade receivables	62,631	48,641
Less: Allowance for expected credit losses	(1,709)	(1,301)
	60,922	47,340
Other receivables	3,521	3,255
	64,443	50,595

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 unrecoverable 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 7. Inventories

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Raw materials and packaging - at cost	17,767	16,285
Work in progress - at cost	1,544	2,965
Finished goods - at cost	22,538	19,307
Finished goods - at net realisable value	3,921	2,758
	26,459	22,065
Inventory spares and consumables - at cost	12,767	12,721
	58,537	54,036

Total cost of sales recognised as an expense during the period was $223.8m (31 December 2022: $211.5m).

During the period, write-downs of inventories amounting to $0.4m (31 December 2022: $0.2m), were recognised as an expense and included in cost of sales in the statement of profit or loss. This write-down mainly arose as a result of slow moving, obsolete and discontinued products.

Note 8. Financial asset at fair value through other comprehensive income

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

Equity investment at FVOCI comprise the following individual investment:

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Investment - Shenzhen JiaLile Co. Limited (JLL)	743	743

Note 8. Financial asset at fair value through other comprehensive income (continued)

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 determined the fair value by applying the income approach. The fair value was estimated based on cash flow forecast discounted using an appropriate discount rate.

Note 9. Property, plant and equipment

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Freehold Land - at independent valuation	4,200	4,200
Buildings - at cost	5,552	5,480
Less: accumulated depreciation	(3,963)	(3,745)
	1,589	1,735
Plant and equipment - at cost	324,748	324,477
Less: accumulated depreciation	(112,548)	(106,348)
Less: accumulated impairment	(66,307)	(66,307)
	145,893	151,822
Capital work in progress	16,980	15,350
Less: accumulated impairment	(10,924)	(10,924)
	6,056	4,426
	157,738	162,183

Movements in the carrying amounts of each class of property, plant and equipment between the beginning and the end of the current period and previous 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 2022	4,200	2,368	171,197	5,521	183,286
Additions	-	-	34	3,687	3,721
Transfers at completion of projects	-	-	4,272	(4,272)	-
Disposal of assets	-	-	(160)	-	(160)
Write off of assets	-	-	(577)	(510)	(1,087)
Impairment	-	-	(8,235)	-	(8,235)
Depreciation expense	-	(633)	(14,709)	-	(15,342)
Balance at 30 June 2023	4,200	1,735	151,822	4,426	162,183
Additions	-	-	8	1,965	1,973
Transfers at completion of projects	-	73	262	(335)	-
Depreciation expense	-	(219)	(6,199)	-	(6,418)
Balance at 31 December 2023	4,200	1,589	145,893	6,056	157,738

Included in plant and equipment is an amount of $48.9m (30 June 2023: $50.6m) related to equipment obtained under equipment finance facilities as disclosed in note 16.

Note 10. Right of use assets

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Right-of-use asset - Land and buildings	80,376	81,012
Less: accumulated depreciation	(21,394)	(20,607)
Less: accumulated impairment	(9,367)	(9,367)
	49,615	51,038
Right of use asset - Plant and equipment	7,112	7,063
Less: accumulated depreciation	(2,980)	(2,402)
Less: accumulated impairment	(358)	(358)
	3,774	4,303
	53,389	55,341

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 is set out below:

Consolidated	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2022	62,762	456	63,218
Additions	1,530	3,864	5,394
Reclassification	(1,168)	1,168	-
Remeasurement of AASB 16 lease liabilities (note 13)	(8,848)	-	(8,848)
Adjustment/write off	(12)	(29)	(41)
Depreciation expense	(3,226)	(1,156)	(4,382)
Balance at 30 June 2023	51,038	4,303	55,341
Remeasurement of AASB 16 lease liabilities (note 13)	-	49	49
Adjustment/write off	(130)	54	(76)
Depreciation expense	(1,293)	(632)	(1,925)
Balance at 31 December 2023	49,615	3,774	53,389

During the period, the Group also recognised as expense, rental of short-term leases amounting to $0.8m (31 December 2022: $0.9m) and variable lease payments not included in right of use assets and lease liabilities amounting to $0.6m (31 December 2022: $0.7m).

Note 11. Intangibles

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
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	(340)	(255)
	510	595
	6,392	6,477

Note 11. Intangibles (continued)

Consolidated	Brand names and trademarks $'000	Software $'000	Total $'000
Balance at 1 July 2022	5,882	765	6,647
Amortisation expense	-	(170)	(170)
Balance at 30 June 2023	5,882	595	6,477
Amortisation expense	-	(85)	(85)
Balance at 31 December 2023	5,882	510	6,392

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

Brand names and trademarks
The Group carries $5.9m (30 June 2023: $5.9m) 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 such as Milklab.

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

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

Assessment of the carrying value of cash generating units
During the half year ended 31 December 2023, the Group assessed if there are any indications of impairment. Considering the financial performance of Dairy and Nutritionals and Consumer Nutritionals CGUs, the Group carried out an impairment assessment which is detailed below:

Dairy and Nutritionals
The Dairy and Nutritionals CGU, which forms part of Dairy and 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 2024 to December 2028 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 2024 to December 2028 and a terminal cash flow.

Note 11. Intangibles (continued)

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 2024 to December 2028. The following key assumptions were made:

Key assumptions	Dairy and Nutritionals		Consumer Nutritionals	
	31 Dec 2023	30 Jun 2023	31 Dec 2023	30 Jun 2023
Long term growth rate (terminal value)	2.50%	2.50%	2.50%	2.50%
Post tax discount rate	9.50%	9.50%	10.00%	10.00%
Revenue growth rate (CAGR[1])	3.11%	3.89%	2.61%	3.69%
Year 5/terminal year USD exchange rate (cents)	66.00	66.00	-	-
Year 5/terminal year operational efficiencies'($'m)	0.90	0.90	-	-

[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 includes considerations of sales volume and sales price assumptions:

- Sales volume: The Group's forecast incorporates a 4.4% increase in sales volumes in FY26, based on expected growth from the existing customers. Sales volumes in FY27 and onwards are forecasted to be consistent with FY26 volumes.
- Sales price: It is based on recent price negotiations with customers which are incorporated in H2 FY24 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 the 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 Nutritionals and Consumer Nutritionals CGUs as at 31 December 2023 is summarised below:

Note 11. Intangibles (continued)

Key assumptions	Dairy and Nutritionals Change $'000	Dairy and Nutritionals Impact $'000	Consumer Nutritionals Change $'000	Consumer Nutritionals Impact $'000
Long term growth rate (terminal value)	0.25%	4,215	0.25%	337
	(0.25%)	(3,925)	(0.25%)	(315)
Post tax discount rate	0.25%	(5,235)	0.25%	(448)
	(0.25%)	5,627	(0.25%)	478
Revenue growth rate (CAGR)	5.00%	8,115	5.00%	605
	(5.00%)	(8,115)	(5.00%)	(605)
Year 5/terminal year USD exchange rate (cents)	0.01	(3,630)	-	-
	(0.01)	3,744	-	-
Year 5/terminal year operational efficiencies'($'m)	0.50	3,324	-	-
	(0.50)	(3,324)	-	-

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

Note 12. 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 initially US$18.0m and subsequently reduced to US$14.7m at 31 December 2023 (30 June 2023: US$16.9m) (refer to note 21). The bank guarantee facility was used for the issuance of US$18.0m bank guarantee which secured the future instalment obligations related to US litigation settlement made in FY22 and is progressively stepping down from March 2023 until January 2027 as instalments are paid. Accordingly, the term deposit is also progressively released to the Group over the same period.

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Term deposit		
Current	6,847	7,125
Non-current	14,803	18,665
	21,650	25,790
Movement in the carrying amount at the beginning and end of the current and previous period is set out below:		
Opening balance	25,790	-
Additions	-	24,807
Accrued interest	593	744
Proceeds from step down in term deposit (including interest)[1]	(4,134)	(2,086)
Unrealised exchange (loss)/gain	(599)	2,325
	21,650	25,790

[1]Proceeds during the period include principal amounting to $3.4m (30 June 2023: $1.7m) and interest received on term deposit amounting to $0.7m (30 June 2023: $0.4m).

Proceeds from the term deposit is utilised to settle amount payable under the US litigation settlement agreement classified as other financial liabilities. Within the consolidated statement of cash flows, the proceeds from terms deposits are disclosed within investing activities whereas the payments of the US litigation settlement are classified within operating activities.

Note 13. Lease liabilities

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
AASB 16 lease liabilities:		
Current	3,575	3,737
Non-current	89,254	89,359
	92,829	93,096
Movement during the year in total lease liabilities (current and non-current) is as follows:		
Opening balance	93,096	97,744
Additions	-	5,394
Repayment	(5,439)	(11,196)
Remeasurement of lease liabilities	49	(8,848)
Interest	5,123	10,002
Closing balance	92,829	93,096

Note 14. Bank borrowings - Current

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Recourse debtor financing facilities	12,768	12,022
Equipment financing liabilities	11,806	12,502
	24,574	24,524

Refer to note 16 for further information on financing arrangements.

Note 15. Provisions

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Onerous contracts provision	930	243
Lease make good provision	53	53
Other restructuring provisions	-	230
	983	526

Movements in provisions
Movements in each class of provision at the beginning and end of the current and previous period are set out below:

Consolidated	Onerous contracts provision $'000	US litigation settlement related provision $'000	Lease make good provision $'000	Other restructuring provision $'000	Total $'000
Balance at 1 July 2022	4,683	3,948	200	520	9,351
Additional provisions recognised	789	-	-	93	882
Amounts used	(5,229)	(3,435)	-	(328)	(8,992)
Unused amounts reversed	-	(513)	(147)	(55)	(715)
Balance at 30 June 2023	243	-	53	230	526
Additional provisions recognised	930	-	-	-	930
Amounts used	(243)	-	-	(78)	(321)
Unused amounts reversed	-	-	-	(152)	(152)
Balance at 31 December 2023	930	-	53	-	983

Note 16. Bank borrowings - Non-current

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Revolver financing facilities	28,000	28,000
Equipment financing facilities	44,627	50,555
Less: transaction costs	(496)	(654)
	72,131	77,901

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

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Revolver financing facilities	28,000	28,000
Recourse debtor financing facilities	12,768	12,022
Equipment financing facilities	56,433	63,057
	97,201	103,079

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 $46.0m (30 June 2023: $46.0m) syndicated revolving credit facility with HSBC and NAB with a maturity date of 4 July 2025. The Group had utilised $28.0m (30 June 2023: $28.0m) at 31 December 2023 with the balance undrawn.

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

Equipment Financing Facilities
The equipment financing facilities relate to specific equipment operating at the Group's Shepparton and Ingleburn operating sites. It also includes vehicle financing facilities. The equipment finance facilities are secured over the assets financed under the relevant facility. These facilities are over a period of 1 to 6 years and the final residuals on the current arrangements are due between 2024 and 2027.

Debtor Finance Facilities
HSBC has provided the Group with a limited recourse debtor finance facility of $55.0m (30 June 2023: $55.0m), which forms part of the Group's working capital management. Under this facility, the Group sells receivables of its major 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 2023 was $39.5m (30 June 2023: $41.5m).

The Group also has a full recourse debtor finance facility with total limit of $20.0m (30 June 2023: $20.0m). Under this facility, the Group sells receivables from its out-of-home channel. The receivables are recognised as an asset since the risk has not fully transferred to HSBC at the time of sale. The Group is responsible for the collection of the receivables. HSBC has recourse to the Group if the debt is unrecoverable. As at the balance sheet date, the Group utilised an amount of $12.8m (30 June 2023: $12.0m) from the full recourse debtor finance facility. An equal amount of trade receivables is held as collateral against utilised facility.

Note 16. Bank borrowings - Non-current (continued)

The total banking facilities as at 31 December 2023 are shown below:

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Total facilities		
Revolver financing facilities	46,000	46,000
Recourse debtor financing facilities	20,000	20,000
Equipment financing liabilities	56,433	63,057
	122,433	129,057
Used at the reporting date		
Revolver financing facilities	28,000	28,000
Recourse debtor financing facilities	12,768	12,022
Equipment financing liabilities	56,433	63,057
	97,201	103,079
Unused at the reporting date		
Revolver financing facilities	18,000	18,000
Recourse debtor financing facilities	7,232	7,978
Equipment financing liabilities	-	-
	25,232	25,978

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

Unutilised financing facilities

The Group had unutilised banking facilities relating to revolving financing facilities amounting to $18.0m (30 June 2023: $18.0m) as at 31 December 2023. The Group has unutilised banking facilities relating to recourse debtor financing facilities which are available to the Group only in certain circumstances, amounting to $7.2m (30 June 2023: $8.0m) at 31 December 2023.

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 17. Convertible notes

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Financial liabilities carried at fair value - Convertible notes		
Tranche A	300,285	267,354
Tranche B	31,463	28,124
	331,748	295,478
Current	22,554	-
Non-current	309,194	295,478
	331,748	295,478

Current portion represents quarterly payments due in the next 12 months. These payments are due on the last day of each quarter or the following business day if the last day is a public holiday. Given the timing of the public holidays, five quarterly payments will be made in the next 12 months.

Note 17. Convertible notes (continued)

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 $463.8m in Year 1 to $609.5m in Year 6 ($1.75 in Year 1 to $2.30 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;
- equity conversion amount – the aggregate face value of the total number of Notes subject to the conversion plus the amount of interest accrued/capitalised but unpaid;
- 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.

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 $47.3m in Year 1 to $62.6m in Year 5 ($1.74 in Year 1 to $2.30 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;
- equity conversion amount – the aggregate face value of the total number of Notes subject to the conversion plus the amount of interest accrued/capitalised but unpaid;
- 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 is set out below:

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Opening balance	295,478	253,060
Fair value changes through profit or loss	32,288	39,486
Fair value changes through other comprehensive income	3,982	2,932
	331,748	295,478

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.

Note 17. Convertible notes (continued)

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 2023, 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 the capitalisation of interest during the year and a decrease in the credit spread and the risk-free rate, the overall value of the convertible notes increased by $36.3m at 31 December 2023 (30 June 2023: increased by $42.4m). The increase in fair value amounting to $32.3m arose mainly due to unpaid cash interest, the capitalisation of payment in kind interest during the half year as well as a decrease in discount rate in relation to the plain vanilla bond and make whole amounts. A further increase of $4.0m is recorded in other comprehensive income due to the change in credit spread 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.

The Group has classified the convertible notes as fair value through profit and loss, accordingly, interest expense is not separately recorded in profit and loss as it is implied in the fair value approach.

Change in presentation in the consolidated statement of profit or loss
During the period, the Group modified the classification of the profit or loss impact of the fair value changes of convertible notes to present it as a separate line item in the consolidated statement of profit or loss. Comparative amounts in the consolidated statement of profit or loss were reclassified for consistency. As a result, $20.7m was reclassified from "other expenses" to "fair value changes of convertible notes".

Note 18. Reserves

	Consolidated	
	31 Dec 2023 $'000	30 Jun 2023 $'000
Common control reserve	(60,878)	(60,878)
Foreign currency translation reserve	(136)	(111)
Convertible notes reserve	3,942	7,924
Fair value reserve	(4,702)	(4,702)
Equity-settled share options reserve	61	-
	(61,713)	(57,767)

Equity-settled share options reserve
The equity-settled share options reserve arises on the grant of share options to Directors, Key Management Personnel and members of the Executive Leadership team under the Long-Term Incentive Plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to directors and employees is made in note 19 to the consolidated financial statements.

Note 18. 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	Fair value reserve $'000	Equity-settled share options reserve $'000	Total $'000
Balance at 1 July 2022	(60,878)	(118)	10,856	-	-	(50,140)
Fair value changes (notes 17 and 8)	-	-	(2,932)	(4,702)	-	(7,634)
Foreign currency translation	-	7	-	-	-	7
Balance at 30 June 2023	(60,878)	(111)	7,924	(4,702)	-	(57,767)
Fair value changes (note 17)	-	-	(3,982)	-	-	(3,982)
Foreign currency translation	-	(25)	-	-	-	(25)
Share-based payments expense	-	-	-	-	61	61
Balance at 31 December 2023	(60,878)	(136)	3,942	(4,702)	61	(61,713)

Note 19. Share-based payments

During the half year ended 31 December 2023, 15,897,812 options (30 June 2023: Nil) have been granted under the Group's Long -Term Incentive plan to the Directors, Key Management Personnel and Executives with a weighted average exercise price of $0.2255 per option. Subject to the service criteria, all options become exercisable on 11 September 2026 and expire on 11 September 2027.

Set out below are summaries of options granted under the plan:

Grant date	Expiry date	Exercise Price $	Balance at 1 July 2023 Number	Granted Number	Forfeited Number	Balance at 31 December 2023 Number
11 September 2023	11 September 2027	0.2255	-	9,000,000	(1,075,557)	7,924,443
30 November 2023	11 September 2027	0.2255	-	6,897,812	-	6,897,812
			-	15,897,812	(1,075,557)	14,822,255

Forfeiture of share options during the period arose from resignation of a member of the Executive Leadership team.

For the options granted during the current half year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Options Granted Number	Share price at grant date $	Exercise price $	Expected Volatility %	Dividend yield %	Risk-free interest rate %	Fair value at grant date $
11 Sep 2023	11 Sept 2027	9,000,000	0.1500	0.2255	70.00%	-	3.91%	0.063
30 Nov 2023	11 Sep 2027	6,897,812	0.0980	0.2255	70.00%	-	4.12%	0.029
		15,897,812						

Note 19. Share-based payments (continued)

Material accounting policies
Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value of options and service rights granted is recognised as an employee benefits expense with a corresponding increase in equity over the vesting period. The total amount to be expensed is determined by reference to the fair value of the options and service conditions granted:

- including any market performance conditions,
- excluding the impact of any service and non-market performance vesting conditions, and
- including the impact of any non-vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment.

Note 20. Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the consolidated 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 2023.

The fair value of the Group's investments in JLL is determined after taking into consideration various valuation approaches including income approach (discounted cash flow analysis) and 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 2023 is based on cash flow forecast discounted using an appropriate discount rate.

The fair value of convertible loan notes is independently determined using a Monte Carlo Simulation Option 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.

Note 20. Fair value of financial instruments (continued)

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

The following tables detail the Group's assets and liabilities, measured at fair value at 31 December 2023 and 30 June 2023.

Consolidated – 31 December 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through OCI – JLL (note 8)	-	-	743	743
Total assets	-	-	743	743
Liabilities				
Convertible notes (note 17)	-	331,748	-	331,748
Total liabilities	-	331,748	-	331,748

Consolidated – 30 June 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through OCI – JLL (note 8)	-	-	743	743
Total assets	-	-	743	743
Liabilities				
Convertible notes (note 17)	-	295,478	-	295,478
Total liabilities	-	295,478	-	295,478

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

Note 21. Capital commitments and contingent liabilities

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Property, plant and equipment	1,914	2,324

	Consolidated 31 Dec 2023 $'000	Consolidated 30 Jun 2023 $'000
Contingent liabilities		
Contingencies at the reporting date but not recognised as liabilities:		
Bank guarantees related to US litigation settlement	21,382	25,452

Bank guarantees related to US Litigation Settlement

The Company entered into a bank guarantee facility of US$18.0m with one of its senior lenders to secure the future instalment obligations related to US litigation settlement made in FY22. This is progressively stepping down until January 2027 as instalments are paid. A contingent liability exists only in the event that the term deposit of $21.7m provided as collateral is not available to satisfy the obligation under the US litigation settlement and guarantee arrangement.

Litigation - Class Actions

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. These proceedings were consolidated by order of the Court, with a consolidated statement of claim filed on 16 December 2021. The Group is defending the litigation.

Note 21. Capital commitments and contingent liabilities (continued)

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). No evidence has been filed nor have the plaintiffs quantified their claims as yet.

On 28 August 2023, orders were made referring the proceeding to mediation. Orders were also made in September 2023 fixing a process for class action group members to opt out of participation in the proceeding, and to register for the purpose of participation in any settlement that may be reached (if any) as a result of the ongoing mediation. The opt out and claim registration process closed in November 2023. The mediation is ongoing at the date of signing of the consolidated financial statements. Based on the information available, the Group cannot determine the likelihood and quantum of any liability arising and no liability has been recognised in relation to this matter.

Litigation - ASIC proceedings

ASIC commenced civil penalty proceedings on 24 February 2023 against Noumi and two of the Company's former officers in the Federal Court of Australia in relation to alleged historic breaches of continuous disclosure obligations. The proceedings concern 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 in its Financial Report for the half year ended 31 December 2019 (H1 FY20); and additionally regarding the value of Noumi's reported sales revenue, gross profit and profit before tax in its H1 FY20 Financial Report. 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 2001, and is also seeking orders for civil penalties and costs. Additional allegations associated with those matters are made against the two former officers.

On 11 August 2023, Noumi filed its defence admitting, on a qualified basis, alleged breaches of its continuous disclosure obligations in connection with FY19 and H1 FY20 financial reports based on information that was known, or should have been known, by the two former officers. The proceedings against the Company are listed for hearing in relation to penalties on 18 July 2024.

In light of amendments to the penalties framework under the Corporations Act 2001, there is an absence of any applicable decided cases on civil penalties by which the Group can estimate the quantum. Based on the information available, the Company cannot reliably estimate the quantum of any liability arising and no liability has been recognised in relation to this matter.

Note 22. Events after the reporting period

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 periods.

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 2023 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

27 February 2024
Sydney

KPMG

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 2023 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:

- Condensed consolidated statement of financial position as at 31 December 2023
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 22 comprising material 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 Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

Material uncertainty related to going concern

We draw attention to Note 2(c), "Going Concern" in the Half-year Financial Report. The events or conditions disclosed in Note 2(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 2023 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

27 February 2024