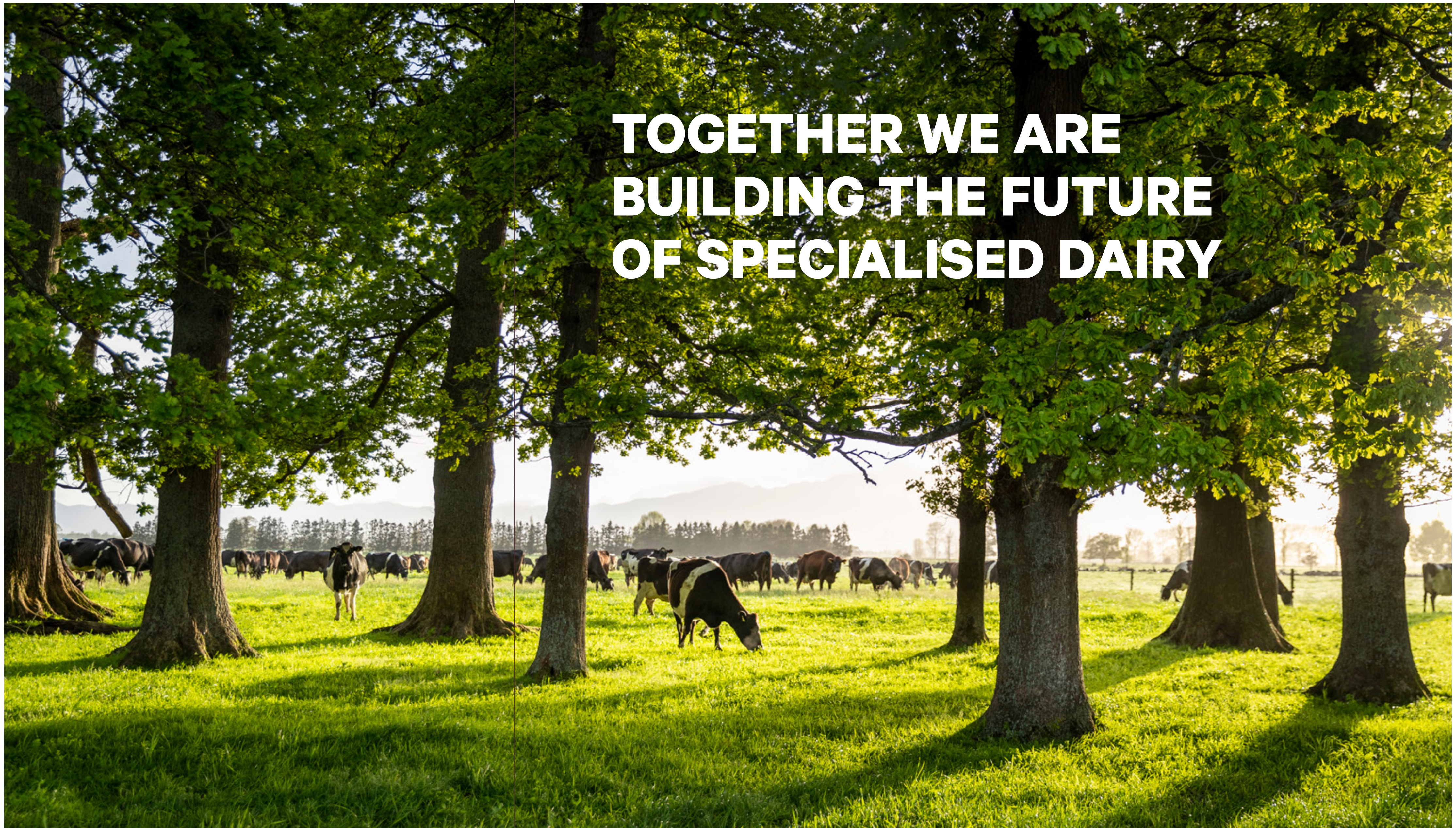
TATUA

ANNUAL REPORT 2020

TOGETHER WE ARE BUILDING THE FUTURE OF SPECIALISED DAIRY



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AN EXCEPTIONAL YEAR

TOTAL UNDERLYING REVENUE

$381m

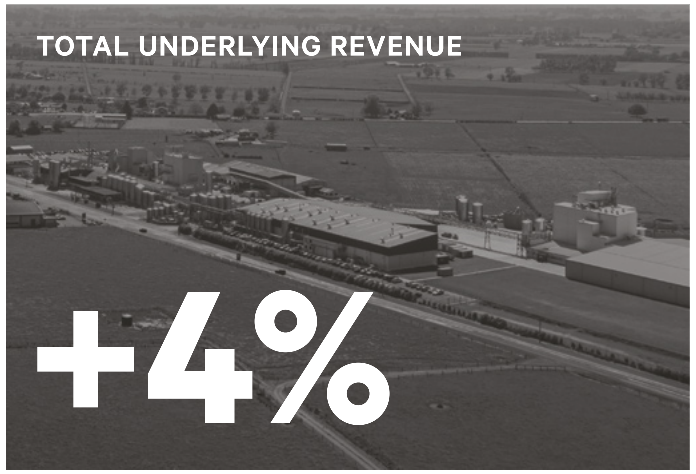
TOTAL EARNINGS PER KG MILKSOLIDS

$9.96

CASH PAYOUT TO SHAREHOLDERS PER KG MILKSOLIDS

$8.70

TOTAL UNDERLYING REVENUE



+4%

REINVESTMENT PER KG MILKSOLIDS

126c

2020 KEY HIGHLIGHTS

HIGHEST EVER SPECIALTY ADDED VALUE REVENUE

$186m

MILKSOLIDS RECEIVED FROM SUPPLIERS (KG)

15.1m

SUPPLY FARMS

107

% OF PRODUCTS EXPORTED

91%

GEARING RATIO

24%

REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The emergence of Covid-19 early in 2020 marked an unprecedented financial year.

We acknowledge the hardship faced by many businesses and individuals as a result of the virus and know we were fortunate to have continued to operate as an essential service through all stages of our collective response.

As the seriousness of Covid-19 revealed itself, we sought to ensure the welfare of our people and to provide them with as much clarity and certainty as we could as the situation rapidly evolved. With the full co-operation of everyone across the business, we reacted swiftly to implement Covid-19 protocols and have as many of our office-based teams working from home as possible.

All of our people at Tatua, including those in our offshore subsidiaries, demonstrated exceptional commitment to supporting each other and taking care of the business, through one of the most challenging and uncertain times we can recall.

Notwithstanding the challenges of Covid-19, we are pleased to report another very positive year, achieving record underlying revenue of $381 million, and earnings of $151 million.

We processed 15.15 million kilograms of milksolids supplied by our Tatua Shareholders, which as a co-operative, is our divisor for earnings. Milk supply was slightly higher than the previous year and was supplemented by milksolids purchased from other processors, whose ongoing co-operation and partnership we value.

Our Group earnings of $151 million equated to $9.96 per kilogram of milksolids, before retentions for reinvestment and taxation. This was an improvement on the previous year earnings of $9.66 per kilogram of milksolids. We elected to retain $1.26 per kilogram of milksolids for reinvestment, leaving a cash payout of $8.70 per kilogram of milksolids.

Demand for our bulk ingredient products of caseinate, whey protein concentrate and anhydrous milkfat remained steady across the season. Increased sales volumes at global prices that were overall attractive, led to record revenue from this important part of our business.

Sales of our more specialised products which include nutritional ingredient powders, bionutrients, flavour ingredients and cream-based consumer and foodservice products also increased overall. This was despite a Covid-19 related slowdown in our foodservice business that lasted for several months.

Diversification across markets, product lines and customers served the business well. Slower sales in some areas released capacity within our manufacturing facilities that was able to be redeployed to supply growth in other areas at short notice.

Covid-19 caused significant disruption and delays within the international shipping environment. Through a highly collaborative effort across our operations, warehouse and international trade teams, we were able to avoid delays and ensure our products reached our customers with minimal disruption.

Having very capable and dedicated teams in our subsidiaries in Japan, China and the USA was also especially valuable in facilitating the ongoing supply and support for our customers in these important markets.

Construction works on our new Engineering Services facility and the next phase of our wastewater treatment plant was suspended through the Covid-19 lockdown period. With the support of our primary contractors, both of these important capital projects were restarted when it was safe to do so and are on course to be completed with minimal financial impact.

Over the last several years there have been widespread media reports of New Zealand companies that have incorrectly interpreted the provisions of the Holidays Act 2003 when calculating holiday pay. At Tatua we discovered we also had this problem.

In June, following an extensive review of our historical payroll system, we notified over 400 of our past and present employees in order to make remedial payments of $1.6 million, including interest and superannuation contributions, covering a thirteen-year period. Only a small number of payments remain outstanding for past employees we have so far been unable to contact.

Through our 106-year history there have been many changes in the way our supply farms operate, and we have no doubt they will continue to evolve as we play our part in further reducing dairy's environmental footprint. Together with other primary sector organisations, we have been actively engaged in the development of national and regional environmental policies to help ensure that environmental benefits can be achieved in a pragmatic and economically sustainable manner.

With the full co-operation of our Shareholders, our Tatua 360 Responsible Farming Programme continues to develop and to provide the framework for supporting and progressing on-farm sustainability, including capturing evolving environmental policy requirements. All waterways on Tatua farms are fenced. After just two years, over 40% of our Shareholders farms have farm environmental plans in place.

An updated and expanded animal care programme for our farmers was introduced during the year. This is delivered by local veterinarians and aims to help our farmers identify and implement actions to enhance animal care outcomes.

Tatua 360 also focuses on actions to enhance the profile of dairying as a safe and rewarding career. To support this goal, we are engaging with our farmers to help ensure they fully understand their opportunities and responsibilities relating to employment practices and health and safety systems on farm.

While acknowledging there is still more to do, we are confident the framework provided by Tatua 360 is making a positive contribution to our farmer's individual businesses and the dairy industry more broadly.

Unfortunately, due to Covid-19, we were unable to deliver our annual programme of site visits for schools and universities, or the annual social events for our people on site that support collaboration and connectedness across the business. We look forward to being able to resume these valuable community and social interactions over the year ahead.

Outlook

We will continue with our programme to improve environmental outcomes, especially in the area of wastewater management, where we have invested more than $20 million over the last four years. In addition to our environmental priorities, our capital investment programme will include ongoing investment in our facilities and systems as well as capacity for further growth of our specialist products.

With the ongoing threat of the Covid-19 global pandemic and the uncertainty around its long-term impact, we will remain cautious in our outlook. This is despite the successful year that we have had and the positive demand signals we continue to experience through all of our markets.

Acknowledgements

Firstly, we thank all of our people at Tatua who have demonstrated enormous commitment and resilience through a very challenging and uncertain year. Your willingness and ability to adapt to the many changes we made at short notice, while doing everything to support each other and keep the business moving, has been a highlight.

Thank you to our Shareholders. Your continued trust and support of the co-operative and our people as we navigated through the challenges of Covid-19 has been widely appreciated.

We would also like to thank the diverse range of organisations who have partnered with us over the last twelve months through all aspects of our business and in so many ways.

Finally, a very sincere thank you to all of our customers, in all of our markets, for your continuing support. We remain a customer led organisation and look forward to continuing to strengthen the relationships that are the foundation of our business.

Our sincerest thanks to you all.

Stephen Allen
Chairman

Brendhan Greaney
Chief Executive Officer

Essential Service Contribution

Our Tatua farmer suppliers were proud to have been able to support New Zealand's economy through the Covid-19 lockdown as an essential service, while operating within social distancing protocols.

To have been widely acknowledged as being part of New Zealand's economic backbone, as well as playing a valuable role in the country's economic recovery, has been inspiring and motivating for farmers.

The whole New Zealand primary sector, including dairy, sheep and beef, horticulture and fisheries, has proven to be resilient, and can rightfully feel proud of the contribution it continues to make.

Welcome to Julie Langley

Julie Langley joined the Board of Directors in November 2019, following Dr. Kevin Old's retirement. Julie is a fourth generation Tatua farmer, becoming a shareholder in 2015.

Julie has had a career in advertising, including sales and marketing of Tatua consumer products. She also operates a dairy farming business with her husband through 50/50 sharemilking and farm ownership. Julie holds a Bachelor of Communication Studies from the University of Waikato.

TATUA TOGETHER

Over 100 years of dairy innovation and co-operative spirit is at the heart of everything we do.

Farming Excellence

Award Winners – Stevenson Farming Limited – Tatua Suppliers

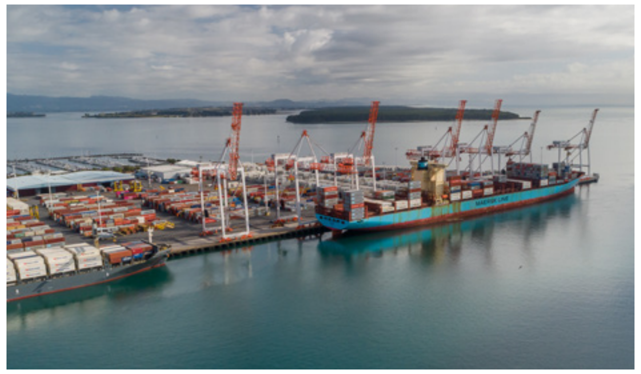
Sarah and Aidan Stevenson, NZ Share Farmer of the Year and Waikato Regional Share Farmer of the Year Winners 2020. Sarah and Aidan have been 50/50 sharemilkers on Sue Williams' Tatua farm since 2013.

They also won the following merit awards at the NZ Dairy Industry Awards 2020 – DairyNZ Human Resources Award, Honda Farm Safety, Health and Biosecurity Award, Ravensdown Pasture Performance Award, Westpac Business Performance Award and DeLaval Interview Award.

Congratulations Sarah and Aidan on achieving a high standard of farming excellence.

> **"We are determined to live our mission of 'farming for the future' ensuring we care for the safety of our team and act as guardians of the land for future generations of our family".**
>
> — Sarah Stevenson

Our 107 shareholder farms and 380 employees in New Zealand, Japan, China and USA are committed to building the future of specialised dairy.



Covid-19 Challenges

Together our team showed incredible co-operation and resilience during the Covid-19 disruptions. Thanks to all our people, shareholder farmers, customers and business partners throughout our supply chain who helped us achieve this season's success.

> **"Tatua looked after its employees very well. Open communication was the key. I felt safe and secure working for Tatua during lockdown."**
>
> — Tatua Employee, Covid-19 Employee Survey Results

Clifton Strengths

Tatua implemented Clifton Strengths assessments as an employee development tool this season. Clifton Strengths identifies a person's natural talents and capabilities.

180 employees across New Zealand, China, Japan and the USA have now completed their Clifton Strengths assessments.

FROM NZ

Since 1914, we have been developing and producing dairy products at Tatuanui, in the heart of New Zealand's largest dairying region – the Waikato. Our mild climate, rich soils and consistent rainfall create a perfect environment for growing grass.

TO THE WORLD

Tatua is a globally recognised leader in the development and production of high quality, specialised dairy products.

Australia / New Zealand

23% of global revenue.

Tatua Japan

Established 2004.
16% of global revenue.

Tatua Shanghai

Established 2014.
18% of global revenue.

Tatua USA & Europe

Established 2014.
14% of global revenue.

Other Asia

13% of global revenue.

South East Asia

13% of global revenue.

Middle East & Africa

2% of global revenue.

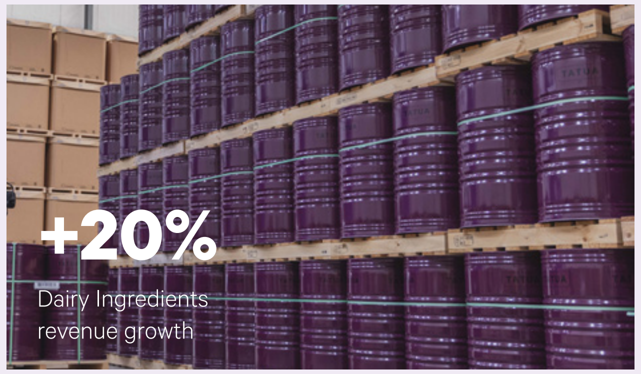
Latin America

1% of global revenue.

BUILDING THE FUTURE OF SPECIALISED DAIRY

$186m

Record Specialty Added Value revenue



+20%

Dairy Ingredients revenue growth

+26%

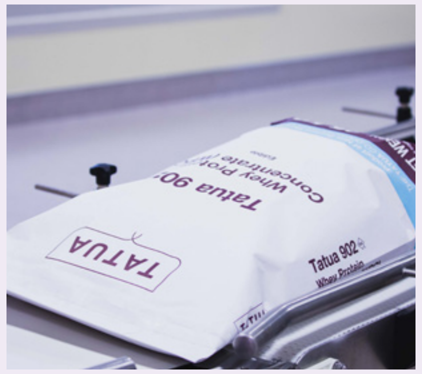
Dairy Flavours revenue growth

+30%

Revenue growth in China

+66%

Specialty Proteins revenue growth



$381m

+4%

Total underlying revenue

+4%

Dairy Whip revenue growth

+8%

Specialty Cream Products revenue - sold in Ecolean packaging

GOOD DESIGN AWARD WINNER

+25%

Nutritional products revenue growth in Japan

$67m

Highest ever Specialty Nutritionals revenue

INVESTING FOR A BETTER FUTURE

Our purpose is in our name

A tatua is a strong, durable, woven flax belt that was worn by a Maori chief or warrior to carry their most prized possessions and tools. For us it symbolises knowledge, skills, connectedness, strength and the protection of all that is good. Traditionally handed down from one generation to the next, the Tatua represents the protection and advancement of both current and future generations.

Our ongoing commitment to sustainability focusses on the things we do every day to protect and care for our environment, our animals, our people and our communities.

Water

9 major water savings projects completed in this year, will save 37 million litres of water annually.

6.7% decrease in total site water usage.

$15m Wastewater Treatment Plant on track for completion in early 2021.

Tatua 360

Roll-out of our Tatua 360 responsible farming programme has continued. This year we focused on supporting good farm employment practices on our shareholder farms.

42% of Tatua farms have a comprehensive farm environment plan in place. Our farm environment plan development process involves us working together with individual shareholders to identify improvement opportunities and develop pragmatic solutions. All farms will have a farm environment plan in place by 2023.

We continue to actively support and participate in wider industry initiatives including Dairy Tomorrow and He Waka Eke Noa.

Good Farming Practice

All Tatua farms have:

- an annual food safety systems assessment and daily milk quality/ safety monitoring
- a biosecurity plan in place to manage animal disease and plant pest risks
- an annual nutrient budget prepared and nutrient loss performance information and advice provided
- greenhouse gas emissions assessed and reported annually
- an annual independent animal care assessment of their dairy herd
- farm effluent infrastructure in place to eliminate the need to spray irrigate when conditions are not suitable. Many farms have made a significant financial investment to achieve this

KEY FINANCIAL PERFORMANCE SUMMARY

2019/20 IN REVIEW

Total Underlying Revenue

$381m +4%

Group Surplus

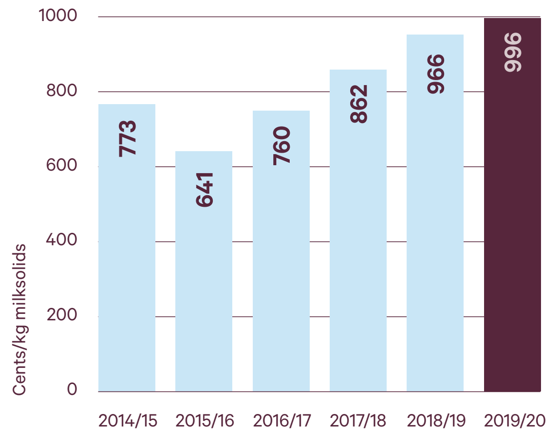
996 cents/kg milksolids +3%

Payout to Suppliers

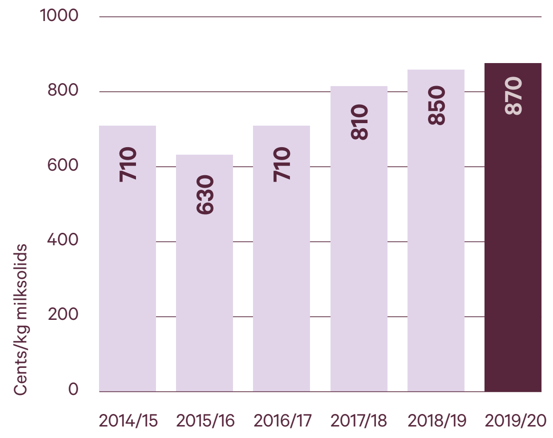
870 cents/kg milksolids +2%

Summary	2019/20	2018/19
Milk Received from Suppliers (litres)	169,703,701	163,244,553
Milksolids Received from Suppliers (kgs)	15,145,593	14,458,814
Total Underlying Revenue ($)	380,745,235	364,708,789
Group Surplus Before Payout & Tax (cts/kg m'solids)	996	966
Group Depreciation (cts/kg m'solids)	97	95
Cash Payout to Suppliers (cts/kg m'solids)	870	850
Capital Expenditure ($)	18,200,763	9,676,146
Group Assets ($)	298,126,579	255,763,421
Gearing: Debt to Debt + Equity (%)	24	27

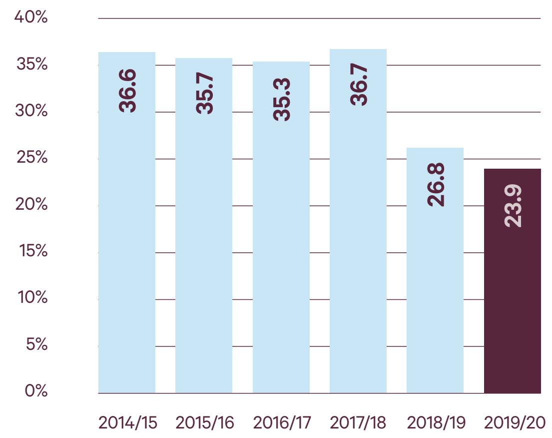
Group Surplus before Payout and Tax



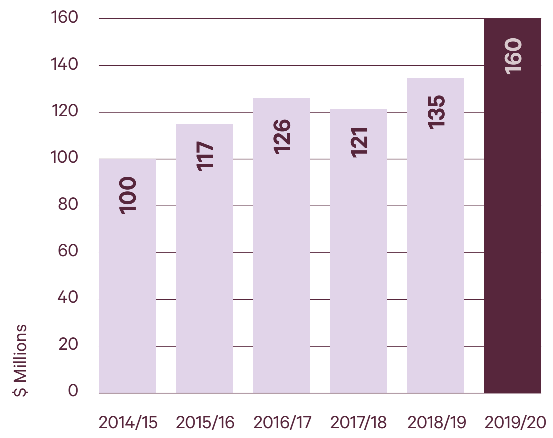
Payout – Income Equivalent



Gearing (%Debt to Debt plus Members Funds)



Members Funds



STATUTORY INFORMATION

for the year ended 31 July 2020

Principal Activities

The principal activity of the Group is the collection of milk from shareholders and processing this milk into a diverse range of products for sale in domestic and international markets.

Co-operative Company

The Board of Directors resolved on 29 July 2020 that, in the opinion of the Board, the Company has been a co-operative company during the year ended 31 July 2020 because its principal activity has been processing and marketing products derived from milk supplied by its shareholders and because 100% of the voting rights in the Company are held by those shareholders.

Role of the Board

Tatua's Board of Directors is committed to managing the Group in an ethical and professional manner, and in the best interests of the Company and its shareholders.

Key responsibilities of the Board include:

- Setting the strategic direction for Tatua and establishing policies to support the effective management of the Company;
- Appointing and reviewing the performance of the CEO;
- Setting the terms of CEO and executive management employment;
- Monitoring the financial performance of the Company, and Tatua's risk management;
- Ensuring that Tatua has robust corporate governance practices;
- Ensuring Tatua's regulatory and legislative compliance; and
- Ensuring Tatua has robust health and safety processes which protect all people associated with the Company.

The Board and Management are committed to continuous improvement and achieving governance practices which meet best practice.

Framework

The Board delegates the day-to-day operations of the Company to the CEO through a framework of formal delegations.

The Company's corporate governance framework includes the Company's Constitution, Charter, Terms of Reference for the Board's Committees and a range of policies including Ethics, Risk Management, Environment, Health and Safety, and policies and procedures for employees.

Board Composition

The Board can have up to seven elected directors from Shareholders, and up to three appointed directors. Pursuant to the Constitution of the Company, one third of elected directors retire by rotation each year, while appointed directors are appointed for a term not longer than three years, after which they are eligible for re-appointment for a further three year term. Kevin Old did not stand for re-election and Julie Langley was elected to the position. Elected directors, Louise Cullen and Kevin Old retired by rotation during the year. Louise Cullen was re-elected.

Board Meetings Held During the Year

Board Members	Meetings Attended
Stephen Allen (Chairman)	8
Louise Cullen	8
Mark Dewdney	8
Julie Langley (elected Nov 2019)	6
Richard Luxton	8
David Muggeridge	8
Kevin Old (retired Nov 2019)	2
Peter Schuyt	8
Ross Townshend	8
Board Meetings Held	**8**

Board Committees

People and Remuneration Committee: Membership comprises Mark Dewdney (Chairman), Stephen Allen, Louise Cullen, Richard Luxton and Ross Townshend. The function of the committee is to assist the Board in ensuring the organisation fulfils its remuneration, performance management and organisational development needs. It also assists with senior management appointments.

Audit, Risk and Compliance Committee: Membership comprises Peter Schuyt (Chairman), Mark Dewdney, Richard Luxton, David Muggeridge and Ross Townshend. The function of the committee is to assist the Board in ensuring the organisation fulfils its audit, legal, financial and risk management obligations and responsibilities. Approval of the annual accounts is undertaken by the full Board.

Responsible Farming Committee: Membership comprises Louise Cullen (Chairwoman), Stephen Allen, Julie Langley, Richard Luxton and David Muggeridge. The function of the committee is to assist the Board in ensuring the Company fulfils its governance and related responsibilities in regard to the farming activities of the Company and its supplying shareholders.

Directors' Remuneration

Directors' remuneration is approved by shareholder resolution at the Annual General Meeting based upon a recommendation from the Directors' Remuneration Committee, which is comprised of non-Director shareholders. The following persons held office as Director during the year and received the following remuneration:

Stephen Allen	$119,000
Louise Cullen	$63,167
Mark Dewdney	$63,167
Julie Langley (elected Nov 2019)	$32,000
Richard Luxton	$47,500
David Muggeridge	$47,500
Kevin Old (retired Nov 2019)	$15,500
Peter Schuyt	$63,167
Ross Townshend	$47,500
	$498,500

Directors' Shareholdings

At 31 July 2020 Directors held the following shares in the Company:

	Beneficially Held	Non-Beneficially Held	Held By Associated Persons
Stephen Allen	2,095,680	-	851,590
Louise Cullen	2,908,740	-	-
Mark Dewdney	2,245,170	-	-
Julie Langley	834,820	-	-
Richard Luxton	3,763,220	-	-
David Muggeridge	1,157,300	-	-

Directors' Insurance

The Company paid insurance premiums during the year for Directors and Officers Liability Insurance as permitted by the Constitution and the Companies Act 1993. This insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or related body corporate) incurred in their capacity as Director or executive employee unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

Employees' Remuneration

During the year to 31 July 2020 the following number of employees of the Group received total remuneration of at least $100,000: Total remuneration includes salaries, bonus payments, and other benefits received in the capacity as an employee during the year, e.g. company vehicles, insurance and superannuation. Bonus payments may relate to multiple years, but paid in one lump sum.

Remuneration	Number of Employees
$100,000 - $109,999	45
$110,000 - $119,999	52
$120,000 - $129,999	40
$130,000 - $139,999	21
$140,000 - $149,999	21
$150,000 - $159,999	9
$160,000 - $169,999	6
$170,000 - $179,999	5
$180,000 - $189,999	2
$190,000 - $199,999	5
$200,000 - $209,999	6
$210,000 - $219,999	2
$220,000 - $229,999	1
$230,000 - $239,999	2
$240,000 - $249,999	1
$250,000 - $259,999	1
$290,000 - $299,999	1
$300,000 - $309,999	1
$330,000 - $339,999	1
$340,000 - $349,999	1
$430,000 - $439,999	1
$460,000 - $469,999	1
$490,000 - $499,999	1
$500,000 - $509,999	1
$1,040,000 - $1,049,999	1
	228

Donations & Grants

Donations and grants for the year ended 31 July 2020 were $20,000 (2019: $10,005).

Disclosure of Interests

Directors have declared that they are to be regarded as having an interest in any contract that may be made with entities below by virtue of their directorship or membership of those entities.

All elected Directors, in their capacity as Supplying Shareholders, conduct business with the Company. Directors who hold shares in the Company do so on the basis that they are Supplying Shareholders.

Director	Position	Company
Stephen Allen	Director, Shareholder	Claybrook Farms Ltd
	Director, Shareholder	Claybrook No 7 Ltd
	Director, Shareholder	Claybrook South Ltd
	Partner	Rangitata Dairies LP Ltd
	Director	Rangitata GP Ltd
	Director	Mowata GP Ltd
	Director, Shareholder	Cheadle Farms Ltd
	Director, Shareholder	Allen Children Ltd
	Director	Farmers' Mutual Group (FMG)
	Director	Farmers' Mutual Insurance Ltd (FMIL)
	Trustee	Sarah Ethne Allen Trust
	Trustee	SB & BL Allen Family Trust
	Trustee	Cheadle Trust
	Trustee	David Johnstone Charitable Trust
	Trustee	JES Allen Estate
	Trustee	JR Allen Estate
Louise Cullen	Director, Shareholder	Cookson Trust Farms Ltd
	Director, Shareholder	Balachraggan Farms Ltd
	Director, Shareholder	Capra Farming Ltd
	Director, Shareholder	Acorn Goats Ltd
	Trustee	Te Aroha Free Kindergarten Association Inc
	Director	AgResearch Ltd
Mark Dewdney	Director	Yanakie Farm Management Pty Ltd
	Director	Dairy Goat Co-operative
	Trustee, Beneficiary	Dewdney Family Trust
	Trustee	Marvic Family Trust
	Trustee	Mark Dewdney Family Trust
	Director, Shareholder	Namaste Farming Pty Ltd
	Director, Shareholder	Namaste Land Pty Ltd
	Trustee	Vicki Dewdney Trust
	Director	Nicholson United Autos Ltd
	Director	Genera Australia Pty Ltd
	Director	Genera New Zealand Ltd
	Partner	Matangi Dairies LP Ltd
	Director, Shareholder	MDLP General Partner Limited

Director	Position	Company
Julie Langley	Director, Shareholder	KM & JL Langley Limited
	Shareholder	Langley Trading Ltd
Richard Luxton	Director	Wallace Hybrid General Partner Ltd
	Director	Templeview Dairies Ltd
	Director, Shareholder	Aslan Farms Ltd
	Director	Kotare Pastoral Ltd
	Director	J.D. & R.D. Wallace (1951) Ltd
	Director	JD & RD Wallace General Partner Ltd
	Director	Luxton Group General Partner Ltd
	Director	Pukekara Ltd
	Director	Tui Dale Ltd
	Shareholder	Marire Holdings Ltd
	Director	MDLP General Partner Limited
David Muggeridge	Director, Shareholder	Muggeridge Farms Ltd
Peter Schuyt	Director	TSB Bank Ltd
	Director, Shareholder	Dairy Investment Fund Ltd
	Director	Tax Management NZ Ltd
	Director	Foodstuffs North Island Ltd
	Director	DairyNZ Inc.
	Director	Alliance Group Ltd
	Director, Shareholder	Ahikouka Holdings Ltd
	Director, Shareholder	Greenleaf Fresh Ltd
	Trustee	Schuyt Family Trust
Ross Townshend	Chairman	MSC Consulting Group Ltd
	Chairman	Robert Monk Transport Ltd
	Chairman	Bector Automation RML Pvt Ltd (India)
	Chairman	RML Engineering Ltd (and subsidiaries)
	Director, Shareholder	Ranworth Farm Ltd
	Director, Shareholder	Townshend Holdings (2015) Ltd
	Director, Shareholder	Townshend Developments Ltd
	Shareholder	Pukete Holdings Hamilton Limited
	Shareholder	Elanza Technologies Ltd
	Shareholder	Architectural Investments Ltd
	Consultant	Walter & Wild Ltd
	Consultant	Build Northland Management Ltd
	Consultant	Ora Foods Ltd
	Consultant	Merit Meats Ltd

BALANCE SHEET

as at 31 July 2020

	Note	GROUP 2020 ($)	GROUP 2019 ($)
Current Assets			
Cash and Cash Equivalents	14	27,933,985	12,914,511
Derivatives	18	3,462,833	692,385
Receivables and Prepayments	13	48,480,204	48,842,867
Tax Receivable		59,664	-
Inventories	12	69,894,524	51,004,174
Biological Assets		1,042,877	714,767
Total Current Assets		150,874,087	114,168,705
Non Current Assets			
Property, Plant and Equipment	9	131,660,265	126,338,873
Investment Property	11	1,698,000	1,586,000
Intangible Assets	10	5,087,732	5,540,900
Derivatives	18	3,856,354	465,934
Deferred Tax Asset	8	4,090,543	6,613,365
Equity Accounted Investments		859,598	1,049,646
Total Non Current Assets		147,252,492	141,594,719
Total Assets		**298,126,579**	**255,763,423**
Current Liabilities			
Loans and Borrowings	16	12,237,259	37,442,563
Derivatives	18	1,733,876	5,598,730
Accounts Payable and Accruals	17	27,971,094	23,788,865
Tax Payable		92,383	2,383,574
Owing to Suppliers		27,794,997	23,591,197
Total Current Liabilities		69,829,609	92,804,930
Non Current Liabilities			
Loans and Borrowings	16	65,892,839	24,850,000
Derivatives	18	2,351,349	3,363,308
Total Non Current Liabilities		68,244,188	28,213,308
Total Liabilities Excluding Co-operative Shares Classified as a Liability		**138,073,797**	**121,018,238**
PLUS Co-operative Shares		75,996,631	73,450,586
Total Liabilities		214,070,428	194,468,824
Net Assets		**84,056,151**	**61,294,598**
Retained Earnings		65,677,278	50,755,867
Reserves		18,378,873	10,538,731
Equity		84,056,151	61,294,598
Members Funds Memorandum Account:			
Co-operative Shares Classified as a Liability	15	75,996,631	73,450,586
Retained Earnings		65,677,278	50,755,867
Reserves		18,378,873	10,538,731
Total Members Funds		**160,052,782**	**134,745,184**

For and on behalf of the Board:

SB Allen Chairman of Directors
6 November 2020
S.B. Allen

PM Schuyt Chairman of Audit, Risk and Compliance Committee
6 November 2020
Pm Schuyt

STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31 July 2020

	Note	GROUP Year Ended 31 July 2020 ($)	GROUP Year Ended 31 July 2019 ($)
Profit or Loss Items			
Revenue from Contracts with Customers	3	389,747,657	364,281,708
less Payments for Own Milk Supplied		(131,707,570)	(122,858,294)
less Other Cost of Sales		(189,140,228)	(184,437,293)
Gross Profit		68,899,859	56,986,121
plus Other Income	3	1,337,047	1,372,496
less Sales and Marketing Expenses		(23,347,115)	(21,970,705)
less Administration Expenses	4	(11,528,829)	(13,030,247)
Surplus from Operating Activities		35,360,962	23,357,665
Finance Income	6	76,166	41,607
less Finance Expenses	6	(16,220,121)	(6,562,344)
Net Finance Expense		(16,143,955)	(6,520,737)
Surplus before Income Tax		19,217,007	16,836,928
less Income Tax Expense	7	(4,295,597)	(4,541,505)
Net Surplus		**14,921,410**	**12,295,423**
Other Comprehensive Income			
Movement in Land Revaluation Reserve		355,000	3,133,928
Change in Fair Value of Cash Flow Hedges		10,479,999	(3,014,825)
Movement in Foreign Exchange Reserve		(60,456)	389,513
Income Tax on Other Comprehensive Income		(2,934,400)	844,152
Other Comprehensive Income for the Year		7,840,143	1,352,768
Total Comprehensive Income		**22,761,553**	**13,648,191**

* The Group has initially applied NZ IFRS 16 at 1 August 2019. Under the transition methods chosen, comparative information has not been restated, refer to Note 2(g)(i)

The accompanying notes form part of and are to be read in conjunction with these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31 July 2020

Group	Translation Reserve ($)	Hedging Reserve ($)	Revaluation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at 1 August 2018	**274,610**	**(3,066,484)**	**11,977,838**	**38,853,679**	**48,039,643**
Adjustment on initial application of IFRS 15, Net of Tax	-	-	-	(393,234)	(393,234)
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	389,512	-	-	-	389,512
Movement in Land Revaluation Reserve	-	-	3,133,928	-	3,133,928
Movement in Hedging Reserve, Net of Tax	-	(2,170,674)	-	-	(2,170,674)
Restated Total Other Comprehensive Income	389,512	(2,170,674)	3,133,928	(393,234)	959,533
Tax Paid Surplus/(Deficit)	-	-	-	12,295,423	12,295,423
Total Comprehensive Income	389,512	(2,170,674)	3,133,928	11,902,189	13,254,955
Transactions with owners of Company					
Issue of ordinary shares	-	-	-	-	-
Balance at 31 July 2019	**664,122**	**(5,237,158)**	**15,111,766**	**50,755,868**	**61,294,598**
Balance at 1 August 2019	664,122	(5,237,158)	15,111,766	50,755,868	61,294,598
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	(60,456)	-	-	-	(60,456)
Movement in Land Revaluation Reserve	-	-	355,000	-	355,000
Movement in Hedging Reserve, Net of Tax	-	7,545,599	-	-	7,545,599
Total Other Comprehensive Income	(60,456)	7,545,599	355,000	-	7,840,143
Tax Paid Surplus/(Deficit)	-	-	-	14,921,410	14,921,410
Total Comprehensive Income	(60,456)	7,545,599	355,000	14,921,410	22,761,553
Transactions with owners of Company					
Issue of ordinary shares	-	-	-	-	-
Balance at 31 July 2020	**603,666**	**2,308,441**	**15,466,766**	**65,677,278**	**84,056,151**

The accompanying notes form part of and are to be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS

for the Year Ended 31 July 2020

		GROUP	
	Note	Year Ended 31 July 2020 ($)	Year Ended 31 July 2019 ($)
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		377,579,305	361,454,781
Dividends Received		1,825	285
Interest Received		76,166	41,607
		377,657,295	361,496,673
Cash was applied to:			
Payments for Milk		(127,503,771)	(121,826,632)
Payments to Creditors and Employees		(223,484,803)	(201,480,628)
Interest Paid		(3,256,910)	(3,687,326)
Taxation Paid		(7,058,030)	(4,931,839)
		(361,303,514)	(331,926,425)
Net Cash Flows From / (Applied To) Operating Activities	20	**16,353,781**	**29,570,248**
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds From Sale of Property, Plant and Equipment		111,698	77,871
Proceeds From Sale of Investments		513,348	62,159
		625,046	140,030
Cash was applied to:			
Acquisition of Property, Plant and Equipment		(18,200,761)	(9,676,149)
Acquisition of Intangible Assets		(487,655)	(234,987)
Purchase of Share Investments		-	-
		(18,688,416)	(9,911,136)
Net Cash Flows From / (Applied To) Investing Activities		**(18,063,370)**	**(9,771,106)**
Cash Flows From Financing Activities			
Cash was provided from:			
Increase in Co-operative Shares	15	4,175,220	3,261,981
Proceeds from Borrowings		14,183,018	-
		18,358,238	3,261,981
Cash was applied to:			
Decrease in Co-operative Shares		(1,629,175)	(2,414,425)
Repayment of Borrowings		-	(17,034,346)
		(1,629,175)	(19,448,771)
Net Cash Flows From / (Applied To) Financing Activities		**16,729,063**	**(16,186,790)**
Net Increase / (Decrease) in Cash and Cash Equivalents		15,019,474	3,612,352
Add: Opening Cash and Cash Equivalents Balance		12,914,511	9,302,159
Closing Cash and Cash Equivalents Balance	14	27,933,985	12,914,511

NOTES TO THE FINANCIAL STATEMENTS

1—REPORTING ENTITY

The Tatua Co-operative Dairy Company Limited (the parent company) is a co-operative company domiciled and incorporated in New Zealand, and registered under the Co-operative Companies Act 1996 and the Companies Act 1993. At 31 July 2020 the Group consists of The Tatua Co-operative Dairy Company Ltd and its subsidiaries Tatua Japan Co. Ltd, Tatua Dairy Products (Shanghai) Co., Ltd and Tatua USA Ltd.

Tatua is an FMC reporting entity in terms of the Financial Markets Conduct Act. The Group is a producer and marketer of dairy products with sales to both domestic and export markets. These financial statements are for the year ended 31 July 2020.

2—BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis.

(a) Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards (IFRS).

These accounting policies have been applied consistently to all periods presented in these financial statements except as noted in Note 2(g)(i).

These financial statements were approved by the Board of Directors on 6 November 2020, and have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 2013.

(b) Basis of Measurement

The financial statements are prepared on the historical cost basis except for the following:

- Land is measured at fair value. Refer to Note 9.
- Biological assets are measured at fair value less point-of-sale costs.
- Investment property is measured at fair value. Refer to Note 11.
- Derivative financial instruments are measured at fair value. Refer to Note 18.
- The carrying value of financial instruments measured at amortised cost equals their fair values.

(c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (NZD), which is the Company's functional currency. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. All financial information presented has been rounded to the nearest dollar.

(d) Use of Estimates and Judgement

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 12. – Milk cost included in inventory

(e) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis, except for Accounts Receivable and Accounts Payable which are stated inclusive of GST.

(f) Impact of COVID-19

In preparing these financial statements, the directors have considered the potential impacts of COVID-19 on future revenues, asset values and other areas, and believe any impacts are appropriately recognized.

(g) New Standards and Interpretations

(i) New and amended standards adopted by the Group

NZ IFRS 16 – Leases

The Group has initially applied NZ IFRS 16 effective from 1 August 2019 using the modified retrospective approach and therefore the comparative information has not been restated. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in NZ IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under NZ IFRIC 4 – *Determining whether an arrangement contains a lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease as per NZ IFRS 16. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to NZ IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied NZ IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under NZ IAS 17 and NZ IFRIC 4 were not reassessed for whether there is a lease under NZ IFRS 16. Therefore, the definition of a lease under NZ IFRS 16 was applied only to contracts entered into or changed on or after 1 August 2019.

(b) Leases in which the Group is a lessee

As a lessee, the Group leases many assets including property, plant & equipment, vehicles and IT equipment. The Group previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under NZ IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 August 2019 (see note 2(g)(i)(c)). Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group has applied this approach to all leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets; and
- used hindsight when determining the lease term.

(c) Transition

On transition to NZ IFRS 16, the Group recognised additional right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 August 2019
Right-of-use assets	1,654,517
Lease liabilities	1,654,517

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the Group's incremental borrowing rate at 1 August 2019. The incremental borrowing rate applied is 3.35%.

3—OPERATING REVENUE & OTHER INCOME

	GROUP	
	2020 ($)	2019 ($)
Revenue from contracts with customers	389,747,657	364,281,708
Other Income		
Rental Income from Investment Property	75,000	75,000
Rental Income from Farm Houses	58,719	48,970
Fair Value movement in Investment Property	112,000	411,000
Insurance Claim Proceeds	2,411	111,145
MilkTest NZ Ltd Income	326,290	338,347
Sundry Income	762,627	388,034
	1,337,047	1,372,496
Total Revenue	**391,084,704**	**365,654,204**

	GROUP	
Analysis of revenue from contracts with customers	2020 ($)	2019 ($)
Nature of Revenue		
Sale of goods	385,360,454	350,955,687
Royalties/Commissions	4,387,203	13,326,021
	389,747,657	364,281,708
Timing of revenue recognition		
At a point in time	372,518,701	345,405,864
Over time	17,228,956	18,875,844
	389,747,657	364,281,708
Disaggregation of Revenue		
Australasia (NZ and AUS)	101,664,712	105,197,985
Asia / Pacific	229,643,367	184,425,203
Americas / Europe	55,898,909	71,932,976
Other	2,540,669	2,725,544
	389,747,657	364,281,708

Policy

(a) Revenue from contracts with customers

Revenue from the sale of goods is measured based on the consideration specified in a contract with customers, net of returns and allowances, trade discounts and volume rebates.

Revenue recognised at a point in time

The Group has assessed that its contracts include two performance obligations, being the supply of goods and the arrangement of and payment for shipping on behalf of the customer. The amount of revenue recorded excludes the amount attributable to shipping costs on behalf of the customer as that is an agency arrangement.

Revenue is recognised when the performance obligation, being the supply of goods, has been satisfied and control has passed to the customer. Transfer of control varies depending on the individual terms of the contract of sale but for the majority of the Group's export sales, revenue is recognised at the point in time when the goods have been loaded onto a ship at the port of departure. In respect of the majority of domestic sales within New Zealand, control is considered to be transferred to the customer when the goods have dispatched the Tatua warehouse.

Revenue recognised over time

Revenue relating to contract manufacturing is recognised over time. Under these contracts the product is made to a customer's specifications using customer's intellectual property, and if the contract is terminated by the customer then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

(b) Other Income

Sundry income is measured at the fair value of consideration received or receivable.

(c) Non-GAAP Measure: Total Underlying Revenue

The Group uses a non-GAAP measure when discussing total revenue. This measure is not prepared in accordance with NZ IFRS.

Management believes that this measure provides useful information as it provides valuable insight on the underlying performance of the business as a whole. It may be used internally to evaluate the underlying performance of individual business units and to analyse trends. This measure is not uniformly defined or utilised by all companies and accordingly may not be comparable with similarly titled measures used by other companies. Non-GAAP measures should not be viewed in isolation nor considered as a substitute for measures in accordance with NZ IFRS.

A reconciliation from the NZ IFRS measure of revenue to the Group's non-GAAP measure is detailed below:

	Note	2020 ($)	2019 ($)
NZ IFRS Revenue from Contracts with Customers	3	389,747,657	364,281,708
Other Income	3	1,337,047	1,372,496
Net Foreign Exchange Loss	6	(12,930,361)	(2,855,193)
Agency Shipping costs offset		2,590,891	1,909,778
Non-GAAP measure: Total Underlying Revenue		**380,745,235**	**364,708,789**

Agency shipping costs offset represents shipping proceeds received on behalf of customers that are offset with shipping costs under an agency arrangement as detailed in note 3(a).

4—ADMINISTRATION EXPENSES

	GROUP	
	2020 ($)	2019 ($)
The following items are included in administration expenses:		
Auditors Remuneration (KPMG)		
Audit of Financial Statements	184,183	171,479
Other Services*	34,550	8,275
Directors' Fees	498,500	482,667
Directors' Expenses	3,997	3,650

*Other services are in relation to advice on operational tax matters such as transfer pricing, as well as a share registry assurance engagement.

5—PERSONNEL EXPENSES

	GROUP	
	2020 ($)	2019 ($)
Wages and Salaries	43,311,614	43,491,570
Superannuation Contributions and Other Employee Related Expenses	3,879,821	3,725,203
Increase in Liability for Short-term Employee Benefits	-	-
(Annual Leave and Days in Lieu)	(994,242)	1,844,290
	46,197,193	**49,061,063**

Personnel expenses are included in cost of sales, sales and marketing expenses and administration expenses.

Policy

Employee Benefits

Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6—FINANCE INCOME & EXPENSE

	GROUP	
Recognised in Profit or Loss	2020 ($)	2019 ($)
Interest Income	76,166	41,607
Net Foreign Exchange Gain	-	-
Total Finance Income	**76,166**	**41,607**
Net Foreign Exchange Loss	(12,930,361)	(2,855,193)
Financial Overheads	(32,850)	(19,825)
Interest Expense on External Borrowings	(3,256,910)	(3,687,326)
Total Finance Expense	**(16,220,121)**	**(6,562,344)**
Net Finance Income / (Expense)	**(16,143,955)**	**(6,520,737)**

Policy

(a) Finance Income and Expense

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in profit or loss using the effective interest method, except for those that are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

(b) Foreign Currency Transactions

Transactions in foreign currencies are translated to NZD at exchange rates at the dates of the transactions. Foreign currency differences arising on translation are recognised in profit or loss.

7—INCOME TAX EXPENSE

Income Tax Recognised in Profit or Loss	GROUP 2020 ($)	GROUP 2019 ($)
Current Tax Expense		
Current Period	4,666,375	5,653,195
Adjustment for Prior Periods	40,799	(134,265)
	4,707,174	5,518,930
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	(376,526)	(1,116,559)
Adjustment for Prior Periods	(35,051)	139,134
	(411,577)	(977,425)
Total Income Tax Expense	**4,295,597**	**4,541,505**

Reconciliation of Effective Tax Rate	GROUP 2020 (%)	2020 ($)	2019 (%)	2019 ($)
Profit for the Period	-	14,921,410	-	12,295,423
Total Income Tax Expense	-	4,295,597	-	4,541,505
Profit Excluding Income Tax	-	19,217,007	-	16,836,928
Income Tax Using the Group's Domestic Tax Rate	28.0	5,380,762	28.0	4,714,339
Impact of Tax Rate in Foreign Countries	(0.5)	(97,103)	(0.1)	(10,609)
Tax Exempt Income	(0.2)	(30,619)	(0.7)	(116,511)
Non-deductible Expenses	0.2	39,772	(0.3)	(50,503)
Legislative change of Depreciation on Buildings	(5.2)	(1,002,452)	0.0	-
Tax Credits on Dividend Income	(0.0)	(511)	(0.0)	(80)
Recognition of Previously Unrecognised Tax Losses	0.0	-	0.0	-
Under/(Over) Provided in Prior Periods	0.0	5,748	0.0	4,869
	22.4	**4,295,597**	**27.0**	**4,541,505**

Income Tax Recognised Directly in Other Comprehensive Income	GROUP 2020 ($)	GROUP 2019 ($)
Derivatives	(2,934,400)	844,152
Total Income Tax Recognised Directly in Other Comprehensive Income	**(2,934,400)**	**844,152**

Imputation Credits	GROUP 2020 ($)	GROUP 2019 ($)
Imputation Credits Available for use in Subsequent Reporting Periods	34,669,221	27,369,425

Policy

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

8—DEFERRED TAX ASSETS & LIABILITIES

Reconciliation of Effective Tax Rate	Assets 2020 ($)	Assets 2019 ($)	Liabilities 2020 ($)	Liabilities 2019 ($)	Net 2020 ($)	Net 2019 ($)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	2,039,222	1,165,030	-	-	2,039,222	1,165,030
Investment Property	-	-	(83,558)	(81,014)	(83,558)	(81,014)
Derivatives	-	2,036,673	(897,727)	-	(897,727)	2,036,673
Biological Assets	-	-	-	-	-	-
Inventory	1,371,646	1,602,526	-	-	1,371,646	1,602,526
Provisions and Accruals	1,660,960	1,890,150	-	-	1,660,960	1,890,150
Other items	-	-	-	-	-	-
Tax Assets /(Liabilities)	**5,071,828**	**6,694,379**	**(981,285)**	**(81,014)**	**4,090,543**	**6,613,365**

Movement in Temporary Differences During The Year	Balance 1 August 2018 ($)	Recognised in Opening Retaining Earnings ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2019 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2020 ($)
Deferred tax assets and liabilities are attributable to the following:								
Property, Plant and Equipment	1,351,007	-	(185,977)	-	1,165,030	874,192		2,039,222
Investment Property	(81,014)	-	-	-	(81,014)	(2,544)		(83,558)
Derivatives	1,018,641	-	173,880	844,152	2,036,673		(2,934,400)	(897,727)
Biological Assets	-	-	-	-	-			-
Inventory	1,119,482	137,843	345,201	-	1,602,526	(230,880)		1,371,646
Provisions and Accruals	1,245,830	-	644,320	-	1,890,150	(229,190)		1,660,960
Other items	-	-	-	-	-			-
Tax Loss Carry-forwards	-	-	-	-	-			-
Tax Assets /(Liabilities)	**4,653,946**	**137,843**	**977,425**	**844,152**	**6,613,365**	**411,579**	**(2,934,400)**	**4,090,543**

Policy

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised based on the ability of the Company to record taxable profits through retentions or through the reclassification of payout. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

9—PROPERTY, PLANT & EQUIPMENT

GROUP	Land ($)	Land Improvements ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work in Progress ($)	Right-of-use assets ($)	Total ($)
Cost of Deemed Cost								
Balance at 1 August 2018	15,372,071	3,818,590	50,532,081	189,213,227	3,386,909	8,008,859	-	270,331,737
Additions	-	-	608,939	11,594,108	365,923	(2,892,824)	-	9,676,146
Revaluation of Land to Fair Value	3,133,929	-	-	-	-	-	-	3,133,929
Disposals	-	-	(161,921)	(207,006)	(364,725)	-	-	(733,653)
Effect of Movement in Exchange Rates	-	-	-	-	-	-	-	-
Balance at 31 July 2019	**18,506,000**	**3,818,590**	**50,979,098**	**200,600,329**	**3,388,107**	**5,116,035**	-	**282,408,159**
Balance at 1 August 2019	18,506,000	3,818,590	50,979,098	200,600,329	3,388,107	5,116,035	-	282,408,159
Recognition of right-of-use asset	-	-	-	-	-	-	1,654,517	1,654,517
Adjusted balance at 1 August 2019	18,506,000	3,818,590	50,979,098	200,600,329	3,388,107	5,116,035	1,654,517	284,062,676
Additions	-	-	1,225,074	6,726,982	1,016,918	9,119,843	111,946	18,200,763
Revaluation of Land to Fair Value	355,000	-	-	-	-	-	-	355,000
Disposals	-	-	(25,454)	(723,223)	(750,714)	-	-	(1,499,391)
Effect of Movement in Exchange Rates	-	-	-	-	-	-	-	-
Balance at 31 July 2020	**18,861,000**	**3,818,590**	**52,178,718**	**206,604,088**	**3,654,311**	**14,235,878**	1,766,463	**301,119,048**
Depreciation and Impairment Losses								
Balance at 1 August 2018	-	1,583,880	15,897,639	122,613,701	2,830,275	-	-	142,925,495
Depreciation	-	174,198	1,308,637	12,037,490	180,434	-	-	13,700,760
Disposals	-	-	(160,284)	(130,464)	(266,220)	-	-	(556,968)
Effect of Movement in Exchange Rates	-	-	-	-	-	-	-	-
Balance at 31 July 2019	**-**	**1,758,078**	**17,045,992**	**134,520,727**	**2,744,489**	**-**	-	**156,069,286**
Balance at 1 August 2019	-	1,758,078	17,045,992	134,520,727	2,744,489	-	-	156,069,286
Depreciation	-	173,301	1,557,022	12,169,088	315,332	-	489,958	14,704,701
Disposals	-	-	(25,454)	(600,512)	(689,238)	-	-	(1,315,204)
Effect of Movement in Exchange Rates	-	-	-	-	-	-	-	-
Balance at 31 July 2020	**-**	**1,931,379**	**18,577,560**	**146,089,303**	**2,370,583**	**-**	489,958	**169,458,783**
Carrying Amounts								
At 1 August 2018	15,372,071	2,234,710	34,634,442	66,599,526	556,634	8,008,859	-	127,406,242
At 31 July 2019	**18,506,000**	**2,060,512**	**33,933,106**	**66,079,602**	**643,618**	**5,116,035**	-	**126,338,873**
At 1 August 2019	18,506,000	2,060,512	33,933,106	66,079,602	643,618	5,116,035	1,654,517	127,993,389
At 31 July 2020	**18,861,000**	**1,887,211**	**33,601,158**	**60,514,785**	**1,283,728**	**14,235,878**	1,276,505	**131,660,265**

Policy

(a) Recognition and Measurement for Assets at Cost

Items of property, plant and equipment (except land and improvements) are measured at cost less accumulated depreciation and impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Borrowing costs capitalised during the year were nil (2019: nil).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(b) Depreciation

Depreciation is recognised in profit and loss on a straight line basis over the estimated useful lives of the items of plant, property and equipment. Land is not depreciated. Depreciation is recognised as part of other cost of sales in the Profit or Loss. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

The Group has established the following useful lives:

- Land Improvements – 10 to 20 years
- Buildings – 3 to 50 years
- Plant and Equipment – 2.5 to 20 years
- Vehicles – 5 to 10 years
- Right-of-use Assets – 1 to 13 years

(c) Impairment

At each reporting date, the Group reviews its assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset (or any cash generating unit it belongs to) is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use (estimated future cashflows).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income immediately.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount (other than goodwill). An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Recognition and Measurement for Assets at Fair Value

Land and improvements are stated at their fair value. The fair value of land within property, plant and equipment is based on market values determined by an independent valuer.

A revaluation was undertaken as at 31 July 2020 by Fergusson Lockwood and Associates Ltd, independent registered valuers. The land was valued at $18.861m, an increase of $0.36m from the 2019 year. The valuation established a market value using a direct sales comparison approach and was undertaken in accordance with the Property Institute of New Zealand (PINZ) International Valuation Standards.

The value of the land at cost is $3,414,704 (2019: $3,414,704).

Any gain on remeasurement is recognised in other comprehensive income and held in equity, any loss is recognised in profit and loss, unless there is a credit balance existing in the revaluation surplus.

Property, Plant and Equipment is categorised within level 2 of the fair value hierarchy.

Capital Commitments

During the period ended 31 July 2020, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is $13,817,253 (2019: $1,286,314). These commitments are expected to be settled in the following financial year.

10—INTANGIBLE ASSETS

	GROUP	
	Software ($)	Total ($)
Cost		
Balance at 1 August 2018	9,536,835	9,536,835
Additions	234,987	234,987
Disposals	-	-
Balance at 31 July 2019	**9,771,822**	**9,771,822**
Balance at 1 August 2019	9,771,822	9,771,822
Additions	487,655	487,655
Disposals	(7,619)	(7,619)
Balance at 31 July 2020	**10,251,858**	**10,251,858**
Amortisation and Impairment Losses		
Balance at 1 August 2018	3,382,563	3,382,563
Amortisation for the Year	848,360	848,360
Disposals	-	-
Balance at 31 July 2019	**4,230,923**	**4,230,923**
Balance at 1 August 2019	4,230,923	4,230,923
Amortisation for the Year	940,823	940,823
Disposals	(7,619)	(7,619)
Balance at 31 July 2020	**5,164,127**	**5,164,127**
Carrying Amounts		
At 1 August 2018	6,154,272	6,154,272
At 31 July 2019	**5,540,900**	**5,540,900**
At 1 August 2019	5,540,900	5,540,900
At 31 July 2020	**5,087,731**	**5,087,731**

Policy

(a) Recognition and Measurement

Intangible assets that are acquired by the Group which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(b) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The amortisation is recognised as part of administration expenses in the Profit or Loss. The estimated useful lives for the current and comparative periods are as follows:

— Software – 2.5 to 10 years

11—INVESTMENT PROPERTY

	GROUP	
	2020 ($)	2019 ($)
Balance at 1 August	1,586,000	1,175,000
Change in Fair Value	112,000	411,000
Balance at 31 July	**1,698,000**	**1,586,000**

Policy

Investment property is held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss and included in 'Other Income'. Investment property comprises the land and buildings that are leased to PGG Wrightson Ltd.

The fair value of investment property was determined by Fergusson Lockwood and Associates Ltd, independent registered valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

Investment property is categorised within level 2 of the fair value hierarchy.

12—INVENTORIES

	GROUP	
	2020 ($)	2019 ($)
Finished Goods	58,157,934	40,925,785
Raw Materials	11,736,590	10,078,389
	69,894,524	**51,004,174**

Policy

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of milk within inventory is a key judgement as it involves a number of inputs and estimations. The cost of milk within inventory is based on a weighted average of both shareholder supplied milk and third party supplied milk. Shareholder supplied milk is calculated in accordance with the Farmgate Milk Price Manual. The weighted average cost of milk is then separated into three core ingredients, Fat, Whey Protein and Casein Protein, with the Valued Component Ratio (value of fat to protein) being a key input to calculate the separation.

Impairment

Inventories are reviewed for impairment based on their age and/or condition. If any impairment exists the asset is written down to its net realisable value (if any).

There was a write down of $3,146,514 during the period (2019: $2,512,251) relating to inventory that had a net realisable value less than its cost of manufacture.

GROUP	2020 ($)	2019 ($)
Inventory valued at net realisable value included in finished goods above:	4,704,291	918,010

13—RECEIVABLES & PREPAYMENTS

	GROUP	
	2020 ($)	2019 ($)
Trade Receivables	43,244,026	42,505,472
Prepayments and Sundries	5,236,178	6,337,395
	48,480,204	**48,842,867**

	USD ($)	AUD ($)	JPN (¥)	EUR (€)	CNY (¥)
Trade Receivables Denominated in Foreign Currencies					
2020	11,740,250	2,307,385	824,066,470	-	29,661,194
2019	10,648,777	2,271,279	1,024,834,588	12,783	26,517,369

Policy

The trade receivables are classed as a financial asset at amortised cost. As all receivables are current they are not discounted.

The Group is required to assess for impairment loss on receivables at the time that revenue is recognised. Management has performed an assessment of receivables under the expected loss model and concluded there are no material impairments to be recorded.

14—CASH & CASH EQUIVALENTS

Cash and Cash Equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of Cash and Cash Equivalents for the purpose of the statement of cash flows.

Cash and Cash Equivalents are classified as a financial asset at amortised cost.

	GROUP	
	2020 ($)	2019 ($)
JPY Bank Deposits	2,366,514	5,818,772
USD Bank Deposits	2,818,688	249,292
CNY Bank Deposits	10,155,002	6,688,815
NZD Bank Deposits	12,593,781	157,632
Cash and Cash Equivalents in the Statement of Cash Flows	**27,933,985**	**12,914,511**

15—MEMBERS FUNDS

Voting Rights – Under the Company Constitution, voting may take place by show of hands, voice or poll. On a poll, one vote may be cast for every whole 1,000kg of qualifying milksolids held. No shareholder shall cast votes exceeding 5% of the total votes which could be cast if all shareholders were present and voting.

Redemption Features – Shares are redeemed at nominal value of 50 cents, or paid up value if lower.

Policy

Shares in the co-operative are held in proportion to the current or expected milk supply. The share standard is ten 50 cent shares for every kilogram of milksolids. Shares are issued or redeemed annually to ensure compliance with the share standard. Due to their redemption nature, shares are classified as a liability in the balance sheet. When the group performs a bonus share issue, with new shares issued at the same rate as existing shares, retained earnings is decreased to match the increase in co-operative shares.

Movements in the Company's Issued Shares were as follows:

	2020		2019	
	Shares	($)	Shares	($)
Shares at the beginning of the Year	146,901,172	73,450,586	145,206,060	72,603,030
Shares Issued	8,350,440	4,175,220	6,523,962	3,261,981
Shares Repurchased	(3,258,350)	(1,629,175)	(4,828,850)	(2,414,425)
Fully Paid Shares at the end of the Year	**151,993,262**	**75,996,631**	**146,901,172**	**73,450,586**
Treasury Stock	316,633		5,408,723	

Reserves

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Revaluation Reserve

The revaluation reserve relates to the revaluation of land and improvements.

Retained Earnings

All retained earnings are attributable to equity holders of the Company.

Treasury Stock

When shares recognised as members funds are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from members funds. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in members funds.

16—LOANS & BORROWINGS

Interest-bearing borrowings are classified as financial liabilities and are measured at amortised cost using the effective interest rate.

	2020 ($)	2019 ($)
Current		
JPY Bank Loans	7,306,590	9,881,698
USD Bank Loans	4,512,636	7,560,865
NZD Bank Loans	-	20,000,000
Lease Liabilities	418,033	-
	12,237,259	**37,442,563**
Non Current		
JPY Bank Loans	-	-
NZD Bank Loans	65,000,000	24,850,000
Lease Liabilities	892,839	-
	65,892,839	**24,850,000**
Total	**78,130,098**	**62,292,563**

2020	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current	JPY	0.83%	2021	¥510,000,000	$7,306,590
	USD	1.30%	2021	$3,000,000	$4,512,636
	NZD	3.35% - 4.15%	2021	$418,033	$418,033
Non Current	NZD	1.43%	2022	$30,000,000	$30,000,000
	NZD	1.48%	2023	$35,000,000	$35,000,000
	NZD	3.35% - 4.15%	2022 - 2033	$892,839	$892,839

2019	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current	JPY	1.32%	2020	¥710,000,000	$9,881,698
	USD	3.45%	2020	$5,000,000	$7,560,865
	NZD	2.70%	2020	$20,000,000	$20,000,000
Non Current	NZD	3.45%	2021	$350,000	$350,000
	NZD	2.88%	2022	$24,500,000	$24,500,000

The Group's bank loans are secured by registered first mortgages, preferred security interest in all present and after acquired property, and an interlocking guarantee from companies within the Group. The Group's borrowings are subject to various covenants such as minimum equity, interest cover ratio and gearing ratio and the Group was in compliance with the various covenants.

The Group has committed (but undrawn) facilities with expiry dates through to 2023 of NZD $35.0 million, JPY ¥540 million and USD $4 million (2019: NZD $55.2 million, JPY ¥1,050 million and USD $2 million). The JPY and USD loans are held by the respective subsidiaries.

17—ACCOUNTS PAYABLE & ACCRUALS

	GROUP	
	2020 ($)	2019 ($)
Trade Payables	10,262,639	8,142,162
Employee Entitlements	7,441,755	8,435,997
Income in Advance	-	-
Accruals	10,266,700	7,210,706
	27,971,094	23,788,865

Policy

Trade payables and accruals

Trade payables are recognised at fair value and measured at cost and classed as other financial liabilities.

Employee entitlements

Employee benefits which remain unused at balance date, and amounts expected to be paid under short-term cash bonus plans are accrued for.

18—DERIVATIVES

Interest Rate Hedges

The Group has a policy of monitoring interest rate movements and where appropriate taking out interest rate cover. The Group currently has a number of interest rate swaps in place.

	GROUP	
Interest Rate Swaps	**2020 ($)**	**2019 ($)**
Notional Contract Amount	42,000,000	32,000,000
Fair Value		
Current Liabilities	(215,176)	(355,848)
Non Current Liabilities	(1,802,469)	(1,382,481)
Net Fair Value	**(2,017,645)**	**(1,738,329)**

	Less than 12 Months	More than 12 Months	Total
2020 Interest Rate Hedges	10,000,000	32,000,000	42,000,000
2019 Interest Rate Hedges	-	32,000,000	32,000,000

Foreign Currency Hedges

The Group's foreign exchange rate contracts and options notional amounts and fair values are presented below. The Group uses zero cost collar structures for option contracts. All options are bought options. Exposure is covered in Note 19.

2020		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts	Buy	133,639,316	67,546,330	201,185,646
	Sell	-	-	-
Option Contracts	Call	49,717,218	14,009,209	63,726,427
	Put	(48,717,565)	(13,413,547)	(62,131,112)
2019				
Foreign Exchange Contracts	Buy	151,223,957	50,051,560	201,275,517
	Sell	-	-	-
Option Contracts	Call	44,673,309	23,693,680	68,366,989
	Put	(47,078,502)	(25,271,843)	(72,350,345)

Fair Value	2020 ($)	2019 ($)
Current Assets	3,462,833	692,385
Non Current Assets	3,856,354	465,934
Current Liabilities	(1,518,700)	(5,242,882)
Non Current Liabilities	(548,880)	(1,980,827)
Net Fair Value	**5,251,607**	**(6,065,390)**

Policy

Derivatives are recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated into an effective hedge relationship.

The Group's derivatives are classified as being within Level 2 of the fair value hierarchy. The fair value of forward exchange contracts is determined using forward exchange rates at balance sheet date, with the resulting value discounted back to present value. The fair value of option contracts is determined using forward exchange rates and other inputs required for the Black Scholes option pricing model. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Hedge Accounting

All derivatives are classified as cash flow hedges.

The effective portion of changes in the fair value of the hedging instruments are recognised in other comprehensive income and accumulated in the hedging reserve.

The following are recognised in profit or loss:

— any gain or loss relating to the ineffective portion of the hedging instrument; and
— fair value changes in the hedging instrument previously accumulated in other comprehensive income, in the periods when the hedged item is recognised in profit or loss.

Once hedging is discontinued, any cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss either:

— at the same time as the forecast transaction; or
— immediately if the transaction is no longer expected to occur.

The amount reclassified from other comprehensive income to profit or loss on settlement of the derivatives in the 2020 financial was a loss of $4,956,562 (2019: loss of $2,199,518).

19—FINANCIAL RISK MANAGEMENT

Capital Management

The Group's members funds include co-operative shares, reserves and retained earnings. The Group's policy is to maintain a strong members funds base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business.

The Group's objective is to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group distributes its surplus by way of payout. However, in order to retain or modify the capital structure, the Group may decide to retain profits within the business.

The Board primarily monitors capital on the basis of the gearing ratio. For the period ending 31 July 2020 the gearing ratio was 24% (2019: 27%). This ratio is calculated as net interest bearing debt divided by total capital. Net interest bearing debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as members funds plus net interest bearing debt. Tatua is a co-operative company, and as such, members funds change in proportion to milk supplied. Refer to Note 15. The Group is required to meet certain ratios under its bank covenants, which have been met, including a requirement that Group members funds be not less than $70,000,000 (2019: $70,000,000), but otherwise the Group is not subject to any externally imposed capital requirements.

There have been no material changes in the Group's management of capital during the period.

Quantitative Disclosures

Exposure to credit, liquidity, foreign currency and interest rate risks arises in the normal course of the Group's business.

a. Credit Risk

The Group's exposure to credit risk is mainly influenced by its customer base. There is no risk concentration either geographically or by sector.

Tatua has a credit policy under which each customer is assessed for credit worthiness and assigned a credit limit. Where available the Group reviews external credit reports for both country and customer risk. Credit limits are reviewed on a regular basis. The Group's credit policy requires certain risk mitigations such as insurance, letters of credit or prepayment depending on the country and/or customer.

The Group does not require collateral for trade and other receivables. However, where practicable, purchase money security interests over New Zealand-based customers are registered on the Personal Property and Securities Register.

The Group is required to assess for impairment loss on receivables at the time that revenue is recognised. Management has performed an assessment of receivables under the expected loss model and concluded that as the Group's control over receivables has resulted in very few bad debts, expected losses are not material.

The carrying amount of financial assets represents the Group's maximum credit exposure. The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status. The Group's maximum exposure to credit risk for trade and other receivables, by geographic region, is as follows:

	Carrying Amount	
	2020 ($)	2019 ($)
Australasia (NZ and AUS)	6,754,513	7,408,941
Asia / Pacific	30,971,626	25,223,319
Americas / Europe	4,616,361	9,872,602
Other	901,526	610
	43,244,026	**42,505,472**

The status of Group trade receivables at the reporting date is as follows:

	Gross Receivable 2020 ($)	Impairment 2020 ($)	Gross Receivable 2019 ($)	Impairment 2019 ($)
Not Past Due	40,963,366	-	39,882,643	-
Past Due 0-30 days	2,275,249	-	2,353,290	-
Past Due 31-120 days	5,411	-	269,539	-
	43,244,026	**-**	**42,505,472**	**-**

b. Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from financial liabilities and has credit lines in place to cover any timing differences.

The following table sets out the contractual cash flows for all financial liabilities that are settled on a gross cash flow basis.

GROUP	Note	2020 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans and Borrowings	16	78,130,098	78,130,098	219,830	12,017,429	30,254,461	35,638,378
Accounts Payable and Accruals	17	27,971,094	27,971,094	27,971,094	-	-	-
Derivative Liabilities	18	548,880	2,067,580	825,423	693,277	548,880	-
Owing to Suppliers		27,794,997	27,794,997	27,794,997	-	-	-
Co-operative Shares		75,996,631	75,996,631	-	75,996,631	-	-
Total Non-derivative Liabilities		**210,441,700**	**211,960,400**	**56,811,343**	**88,707,337**	**30,803,341**	**35,638,378**

GROUP	Note	2019 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans and Borrowings	16	62,292,563	62,292,563	-	37,442,563	350,000	24,500,000
Accounts Payable and Accruals	17	23,788,865	23,788,865	23,788,865	-	-	-
Derivative Liabilities	18	1,980,827	7,223,709	3,046,032	2,552,698	1,624,979	-
Owing to Suppliers		23,591,197	23,591,197	23,591,197	-	-	-
Co-operative Shares		73,450,586	73,450,586	-	73,450,586	-	-
Total Non-derivative Liabilities		**185,104,038**	**190,346,920**	**50,426,094**	**113,445,847**	**1,974,979**	**24,500,000**

c. Foreign Currency Exchange Risk

The Group is exposed to foreign currency risk predominantly on sales that are denominated in a currency other than the Group's functional currency. The New Zealand dollar is the presentation currency of the Group. The currencies in which transactions are primarily denominated are United States dollars, Japanese yen and Australian dollars.

The Group has a policy of maintaining a level of foreign currency hedging that allows for a degree of certainty in its future cash flows and to help protect it against sudden increases in the value of the New Zealand dollar against the United States dollar, Japanese yen and Australian dollar.

The Group uses forward exchange contracts and currency options to hedge its foreign currency exposure. All of the forward exchange contracts and options have maturities of less than two years at balance date.

The Group classifies its forward exchange and option contracts, which are hedging forecast transactions, as cash flow hedges.

The Group's exposure to foreign currency risk for the next 12 months can be summarised as follows:

2020	USD ($)	AUD ($)	CNY (¥)	JPY (¥ - 000's)
Net Cash Flow Exposure Before Hedging	81,252,141	22,305,968	266,338,112	3,808,867
less Foreign Exchange Contracts and Options	(59,500,000)	(14,000,000)	(164,000,000)	(2,950,000)
Net Unhedged Exposure	**21,752,141**	**8,305,968**	**102,338,112**	**858,867**

2019	USD ($)	AUD ($)	CNY (¥)	JPY (¥ - 000's)
Net Cash Flow Exposure Before Hedging	79,670,495	19,541,962	288,605,176	4,984,829
less Foreign Exchange Contracts and Options	(68,500,000)	(11,000,000)	(167,000,000)	(3,600,000)
Net Unhedged Exposure	**11,170,495**	**8,541,962**	**121,605,176**	**1,384,829**

The Group also has foreign currency loans in foreign currency operations to minimise the translation risk in those locations.

d. Interest Rate Risk – Repricing Analysis

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and advances, bank overdraft and borrowings. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

The Group's exposure to interest rate risk can be summarised as follows:

2020	NZD ($)	USD ($)	AUD ($)	CNY (¥)	JPY (¥)
Cash and Cash Equivalents	12,369,695	1,885,144	58,399	47,153,075	174,559,366
Loans and Borrowings	(65,000,000)	(3,000,000)	-	-	(510,000,000)
Interest Rate Swaps	42,000,000	-	-	-	-
Net Unhedged Exposure	**(10,630,305)**	**(1,114,856)**	**58,399**	**47,153,075**	**(335,440,634)**

2019	NZD ($)	USD ($)	AUD ($)	CNY (¥)	JPY (¥)
Cash and Cash Equivalents	82,131	173,310	18,240	30,484,543	420,553,356
Loans and Borrowings	(44,850,000)	(5,000,000)	-	-	(710,000,000)
Interest Rate Swaps	32,000,000	-	-	-	-
Net Unhedged Exposure	**(12,767,869)**	**(4,826,690)**	**18,240**	**30,484,543**	**(289,446,644)**

e. Sensitivity Analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

Interest Rates:
At 31 July it is estimated that a general increase of one percentage point in NZ interest rates would decrease Group profit before income tax by approximately $407,380 (2019: $427,224). Interest rate swaps have been included in this calculation.

Foreign Exchange Rates:
The Group has a foreign exchange policy to mitigate the risk associated with the fluctuations in the value of the New Zealand Dollar. At 31 July it is estimated that a general increase of one cent in the NZD/USD exchange rate would increase the Group's profit by $153,209 (2019: decrease profit by $869,430). Foreign exchange hedging has been included in this calculation.

20—RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Year Ended 31 July 2020 ($)	Year Ended 31 July 2019 ($)
Profit (Loss) for the Year	14,921,410	12,295,423
Adjustments for Non Cash Items		
Depreciation	14,704,701	13,700,759
Amortisation of Intangible Assets	940,823	848,360
Movement in Deferred Tax	2,522,822	(1,959,419)
Revaluation of Investment Property	(112,000)	(411,000)
Revaluation of Biological Assets	(443,688)	(185,754)
Movement in Investments	(323,299)	(342,611)
Loss/(Gain) on Sale of Property, Plant and Equipment	72,489	98,814
	32,283,258	24,044,572
Movements in Working Capital		
Trade and Other Receivables	302,999	(336,568)
Derivatives – Assets	(6,160,868)	482,442
Derivatives – Liabilities	(4,876,813)	2,776,771
Inventories	(18,890,349)	3,864,478
Biological Assets	115,578	(91,732)
Owing to Suppliers	4,203,800	1,031,662
Trade and Other Payables	1,891,037	(26,982)
	(23,414,616)	7,700,071
Items Classified as Investing / Financing Activities	7,485,139	(2,174,395)
Net Cash Flows From/(Applied to) Operating Activities	**16,353,781**	**29,570,248**

Items classified as Investing/Financing Activities relate to movements in the hedging reserve and translation reserve as well as amounts owing for the repurchase of shares.

21—RELATED PARTY TRANSACTIONS

Directors and Shareholders

Directors and Shareholders may conduct business with the Group in the normal course of their business.

Key Management Personnel

Compensation	Year Ended 31 July 2020 ($)	Year Ended 31 July 2019 ($)
Short Term Employee Benefits	2,125,257	2,089,761
Long Term Employee Benefits	-	-

Transactions and Balances with Key Management Personnel

Key management personnel may conduct business with the Group.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows: Nil (2019: Nil).

Transactions and Balances with Other Related Parties

Elected directors conduct business with the Group in the normal course of their business activities.

The Group has paid directors' fees of $498,500 (2019: $482,667), which is separately disclosed within the directors' report.

The following entities are considered related parties because they have common directors:

- Tax Management NZ Ltd (Peter Schuyt) – During the year the group utilised the services of Tax Management Limited to make tax payments through to the IRD in the ordinary course of business.
- Foodstuffs North Island Ltd (Peter Schuyt) – Net sales during the year (GST inclusive) $2,668,910 (2019: $3,443,575), Receivable at year end (GST inclusive) $388,944 (2019: $291,567).
- DairyNZ Ltd (Peter Schuyt) – Amounts paid during the year (GST inclusive) $7,686 (2019: $10,031), Payable at the year end (GST inclusive) $nil (2019: $10,031).
- RML Engineering Ltd (Ross Townshend) – Amounts paid during the year (GST inclusive) $41,849 (2019: $18,063), Payable at year end (GST inclusive) $8,998 (2019: $7,152)
- Nicholson United Autos Ltd (Mark Dewdney) – Amounts paid during the year (GST inclusive) $32,160 (2019: $140,184), Payable at year end (GST inclusive) $nil (2019: $1,353).
- AgResearch Limited (Louise Cullen) – Amounts paid during the year (GST inclusive) $83,318, Payable at the year end (GST inclusive) $35,190.

	Value of Transactions 19/20 ($)	Balance Outstanding 31 July 2020 ($)	Value of Transactions 18/19 ($)	Balance Outstanding 31 July 2019 ($)
Directors' Farm Supply (included in Owing to Suppliers)	9,399,364	1,835,191	9,865,100	1,738,913

22—GROUP ENTITIES

	Country Of Incorporation	Ownership Interest 2020	Ownership Interest 2019
Subsidiaries			
Tatua Japan Limited	Japan	100%	100%
Tatua USA Limited	USA	100%	100%
Tatua Dairy Products (Shanghai) Co., Ltd	China	100%	100%
Equity Accounted Investee			
Milktest New Zealand Limited	New Zealand	10%	10%

Policy

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect the amount of the entity's return. In assessing control, potential voting rights are only considered if the rights are substantive. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Equity Accounted Investees (Joint Ventures)

Joint ventures are those arrangements in which the Group has contractually agreed to share control and where the Group has rights to the net assets rather than rights to the assets and obligations for the liabilities. Joint ventures are initially recognised at cost (including any goodwill identified on acquisition). Subsequent to initial recognition they are accounted for using the equity method in the consolidated financial statements.

The consolidated financial statements include the Group's share of the profit or loss after tax of joint ventures after adjustments to align the accounting policies of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign Currency

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates on the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates on the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the gain or loss on disposal.

23—SUBSEQUENT EVENTS

There were no material events subsequent to 31 July 2020 that would impact these financial statements.

Independent Auditor's Report

To the shareholders of The Tatua Co-operative Dairy Company Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of The Tatua Co-operative Dairy Company Limited (the 'Company') and its subsidiaries (the'Group') on pages 23 to 51:

- present fairly in all material respects the Group's financial position as at 31 July 2020 and its financial performance and cash flows for the year ended on that date; and
- comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated balance sheet as at 31 July 2020;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to tax advice and a share registry assurance engagement. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2.7m determined with reference to a benchmark of Group total revenue. We chose the benchmark because, in our view, this is a key measure of the Group's performance.
We agreed with the Audit, Risk and Compliance Committee that we would report misstatements identified during our audit, to them, above $135,000 as well as misstatements below that amount that in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Inventory – Milk Cost	
Refer to Note 12 of the financial statements. The Group has inventory of $70 million (2019: $51 million) which represents 23% of total assets. A significant portion of the cost of finished goods inventory is represented by an estimated cost for milk solids supplied by co-operative shareholders and actual cost for milk produced by other suppliers. The Group has determined that the estimated cost of the milk solids supplied from co-operative shareholders is best represented by the Farmgate Milk Price calculated in accordance with the Farmgate Milk Price Manual. A model is prepared to calculate the weighted average cost of milk solids supplied from both co-operative shareholders and other suppliers. The weighted average cost of milk solids supplied is then split into the individual cost for three core product ingredients (Fat, Whey protein and Casein protein). The model incorporates a number of significant inputs, including the Farmgate Milk Price, purchased milk cost from other suppliers, and a valued component ratio of fat to protein. The judgment required to consider these variabilities and uncertainties are the reason we have considered this a key audit matter.	Our audit procedures included, among others, challenge of management's significant input assumptions in the model. We considered the appropriateness of management's use of the Farmgate Milk Price as the best estimate of the cost of milk solids supplied from the co-operative shareholders. We compared the Farmgate Milk Price used to the latest publicised rate for the 2019/20 season. We compared a sample of purchased wholemilk and cream (quality and value) from other parties to their respective invoices. We compared the valued component ratio of fat to protein in the model to the ratio that was physically paid to farmers based on their fat and protein supply split during the 2019/20 season. We checked that the split of protein into its casein and whey components was calculated correctly. We checked that the mechanics of the model were calculating correctly and were consistent with the prior year. We did not identify material exceptions from the procedures performed and found the judgements and assumptions to be balanced and consistent.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes the 2020 Key Highlights, Report from the Chairman & Chief Executive Officer, Tatua Together, From NZ to the World, Building the Future of Specialised Dairy, Investing for a Better Future, Key Financial Performance Summary, Statutory Information, Statistics and Directory. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Murray Dunn.

For and on behalf of

KPMG

Hamilton

6th November 2020

STATISTICS

	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
Milk Received from Suppliers							
Litres	169,703,701	163,244,553	165,693,452	166,517,809	173,184,398	173,353,171	147,647,758
Milksolids	15,145,593	14,458,814	14,686,362	14,968,366	15,568,586	15,663,949	13,223,427
Income Equivalent Payout (cents/kg ms)							
Made up of: Cash Payout	870.0	850.0	810.0	710.0	630.0	710.0	900.0
Total Income Equivalent Payout	**870.0**	**850.0**	**810.0**	**710.0**	**630.0**	**710.0**	**900.0**

Summary of Milk Payment Rates		2019/20		2018/19		2017/18	
		Cents / kg Fat	Cents / kg Protein	Cents / kg Fat	Cents / kg Protein	Cents / kg Fat	Cents / kg Protein
Advance Rate	20 July	383.0	539.0	406.0	507.0	347.0	518.0
Retrospective Increase	20 December	20.0	29.0	22.0	28.0	21.0	31.0
Retrospective Increase	20 March	35.0	49.0	37.0	46.0	34.0	50.0
Retrospective Increase	20 April	34.0	48.0	36.0	46.0	33.0	50.0
Retrospective Increase	20 May	34.0	48.0	37.0	45.0	33.0	49.0
Retrospective Increase	20 June	43.0	60.0	45.0	57.0	33.0	50.0
Retrospective Increase	20 July	42.0	60.0	45.0	56.0	49.0	74.0
Retrospective Increase	20 August	43.0	60.0	45.0	57.0	50.0	74.0
Retrospective Increase	20 September	42.0	60.0	45.0	56.0	33.0	49.0
Final Payment	20 October	59.7910	83.3254	45.4096	56.2620	33.0032	49.0347
Total Payout Averaged Over All Grades		**735.791**	**1,036.325**	**763.410**	**954.262**	**666.003**	**994.035**

DIRECTORY

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Auditors

KPMG

Solicitors

Harkness Henry & Co

Bankers

Bank of New Zealand Ltd

Insurance Brokers

Willis Towers Watson Ltd

Chairman

SB Allen

Directors

Dr. LE Cullen
MBN Dewdney
JL Langley
RJ Luxton
DP Muggeridge
PM Schuyt
RE Townshend

Chief Executive Officer

BA Greaney

General Manager Marketing & Sales

SJ Rolfe

General Manager Operations

TA Keir

General Manager Finance & Corporate Administration

ML Bull

General Manager Co-operative Affairs

PJ van Boheemen

General Manager Strategic Projects

TA Winter

Head of People and Capability

PA Pilkington


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