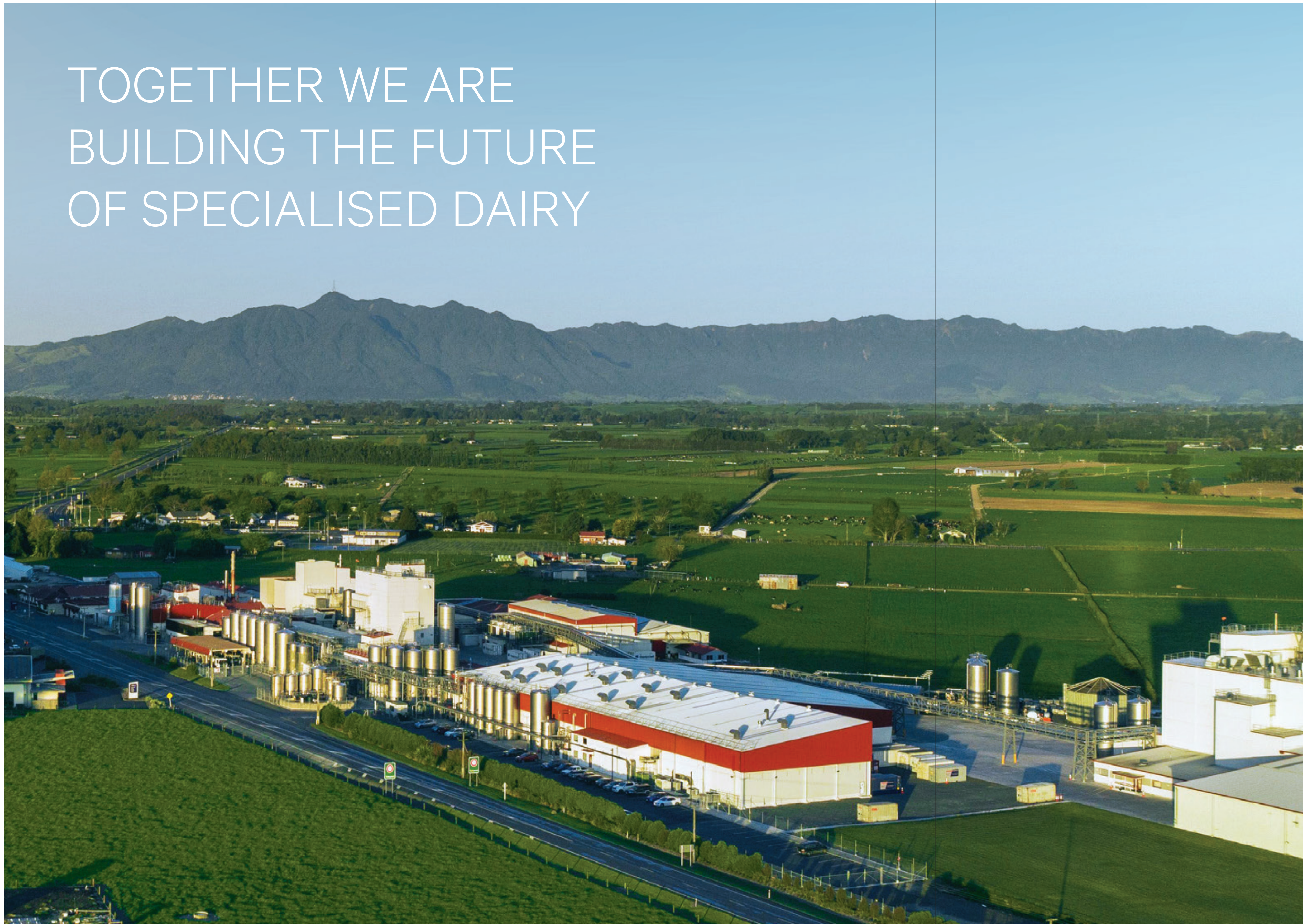
TATUA

ANNUAL REPORT 2021

TOGETHER WE ARE BUILDING THE FUTURE OF SPECIALISED DAIRY



CONTENTS

The Tatua Co-operative Dairy Company Limited
3434 State Highway 26, Tatuanui, Morrinsville 3374, New Zealand

2021 HIGHLIGHTS

Total Underlying Revenue

$395m

Total Earnings per kilogram of Qualifying Milksolids

$10.43

Cash Payout to Shareholders per kilogram of Qualifying Milksolids

$9.25

Total Underlying Revenue

+4%

Reinvestment per kilogram of Milksolids

$1.18

Building the Future of Specialised Dairy

Specialty Added Value Revenue

$188m

Milksolids Received from Suppliers (kg)

15.7m

Revenue via Subsidiary Offices

47%

Proportion of Products Exported

89%

Average Gearing Ratio

20.5%

REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The 2020/21 year was notable for the ongoing impacts of the global Covid-19 pandemic.

Over the course of the year, our team in New Zealand transitioned in and out of Covid-19 Alert Level 2 on three occasions, but fortunately were not required to move into full lockdown as we did the previous year. The situation was more challenging for our teams in market, where, in some cases, there were severe and prolonged restrictions.

Covid-19 related global shipping disruption was a notable challenge throughout the year. The way our International Trade and Supply Chain teams worked with the wider business, and managed through the ongoing situation, has been a highlight.

Despite the challenges, we fully acknowledge that many businesses and individuals have faced far greater hardships, and that we have been fortunate to operate as we have, achieving another solid financial performance.

Our Tatua Shareholder seasonal milksolids supply of 15.65 million kilograms was ahead of both the previous season, and our limit of 15.20 million kilograms of qualifying milksolids used for distribution of the co-operative earnings. Discounted pricing applies to excess milk supplied.

Shareholder supplied milk was supplemented by milk and cream purchases from other processors, whose ongoing cooperation and partnership we continue to appreciate and value.

Total milksolids processed, from all sources, was less than the previous year. However, due to the growth of our specialist products and corresponding increase in procured non-liquid ingredients, annual production volumes were our highest ever.

We are pleased to report record Group income and earnings of $395 million and $162 million respectively. This equated to $10.43 per kilogram of milksolids before retentions for reinvestment and taxation. We elected to retain $1.18 per kilogram of milksolids from total earnings for reinvestment, leaving a cash payout to Shareholders of $9.25 per kilogram of milksolids.

In deciding our cash payout, we were very conscious of balancing the needs of our Shareholders, and the challenges they are facing in their farming operations, against the requirement for continued investment in the business. We also sought to maintain a level of debt we consider sensible in the current uncertain economic and global trade environment.

Our gearing (debt divided by debt plus equity) averaged 20.5% for the year, which was lower than the previous year average.

Total revenue from our caseinate, whey protein concentrate, and anhydrous milkfat dairy ingredient products was slightly behind the previous year, on a similar sales volume. This was mainly due to the foreign exchange impact on export revenue from the year-on-year strengthening of the New Zealand dollar against our three main traded currencies.

Despite also being impacted by the unfavourable currency effect, revenue from our specialised value-add businesses was ahead of the previous year. This was largely the result of increased sales volumes of both new and existing products, as we continue to focus on value-add growth.

Our foreign exchange hedging programme, that we report independently from our revenue, was effective in offsetting the unfavourable currency impact on exports, thereby smoothing export revenues.

We remained well diversified across our product lines, customers, and export markets. We were fortunate to have well established and very capable subsidiaries in three of our key markets, enabling ongoing close interaction and collaboration with many of our customers. Outside of our subsidiaries, our commercial teams have worked hard to remain connected remotely, when many would otherwise have been travelling to meet in person.

Our new Engineering Services workshop was completed on time and within budget, despite works being suspended early in the project during the previous year's Covid-19 lockdown. This positive outcome was a credit to all involved, including the primary contractor.

The larger scale wastewater treatment plant project that commenced at around the same time was more severely impacted by Covid-19 delays, unfavourable weather conditions, and other complications that followed. However, the plant will be commissioned in October 2021 for an overall positive outcome of being high quality infrastructure that will treat process wastewater to near drinking water standard.

A capacity upgrade of our Foods plant, where cream-based consumer and foodservice products are produced, was completed and successfully commissioned in July, ahead of the new supply season. This will enable continued growth of this value-add business over the coming year while further capacity upgrades are completed.

During the year, we launched an online employee feedback platform called Joyous, that allows us to connect and receive open and honest feedback from our teams on a "little and often" basis. This replaces the anonymous engagement surveys that we have historically run every other year and found difficult to utilise in a meaningful way.

We have also further progressed our CliftonStrengths personal development programme. Over 90% of our people have completed strengths assessments, and individual and team development coaching is now well established.

The strength assessments promote an individual's natural talents and enable collective awareness of the different strengths within our various teams so that team dynamics are better understood, leading to a more effective and rewarding work environment.

Our Tatua 360 Responsible Farming Programme continues to effectively provide the framework for progressing on-farm sustainability and best practice initiatives, as well as capturing evolving policy requirements. More than half of our Shareholder farms now have an approved farm environmental plan in place and we are on track to have plans completed for all farms by June 2023.

We have developed and implemented new farm environmental planning software that meets our requirements and enables more efficient, in-house, roll-out of the remaining farm plans.

We remain engaged on industry policy matters in collaboration with other processors and industry organisations. We are concerned at the rate of policy changes and the impact this has on our farming families and their businesses, and value the opportunities we have to constructively share our views on these matters through consultation processes.

Outlook

As we move into the new financial year, demand and pricing for our dairy ingredients is favourable and we are well contracted. We continue to focus on the development and commercialisation of our specialist product opportunities and remain positive in our outlook for dairy.

We will continue to be quite deliberate in diversifying the business, to help limit our commercial exposure to any single product line or market, while continuing to work closely in support of our existing customers.

Over the coming year, we will continue to invest in the capacity and capability of our value-add businesses while also acknowledging the importance of our more generic dairy ingredients business, that remains a significant contributor to our overall performance.

We are expecting global shipping to continue to be a challenge for some time, but look forward to when we can start to see a return to more consistent operations. In the meantime, we work closely with our shipping partners, and remain as agile as we can, in order to meet our customer commitments in all markets.

The spread of the Covid-19 Delta variant beyond the elimination phase of New Zealand's pandemic response is a serious concern for us. We remain focussed on taking all precautions that we reasonably can to protect our people and the business as the situation continues to evolve.

We continue to focus on the development and commercialisation of our specialist product opportunities and remain positive in our outlook for dairy.

Acknowledgements

Firstly, we would like to thank all our people at Tatua for your dedication and commitment to the business through another challenging and uncertain year. The financial result is only one indicator of the contributions you have made to everything that has been achieved.

Thank you to our Shareholders for your full and continued support of the Co-operative, the way you acknowledge the efforts of our teams, the work you do to keep your farm businesses at the forefront of sustainable practice, and the high-quality milk you consistently supply.

We would also like to thank the diverse range of individuals and organisations who have partnered with us, across all aspects of the business. We endeavour to be straight forward, uncomplicated, and good to work with, and we sincerely hope this has been your experience in interacting with us.

Finally, a very sincere thank you to our customers in all of our markets for both your business, and understanding, as we have navigated the challenges over the last year. We look forward to continuing to work with you to further strengthen our relationships over the year ahead.

Our sincerest thanks to you all.

Stephen Allen
Chairman

Brendhan Greaney
Chief Executive Officer

Farewell Peter Schuyt

After 12 years of outstanding service as an Independent Director and Chairman of Tatua's Audit, Risk and Compliance Committee, Peter Schuyt is retiring from Tatua's Board. Peter joined the Board in February 2009, having completed a distinguished executive career, including being Chief Financial Officer at the NZ Dairy Board, and Group Chief Financial Officer at NZ Post.

Peter's governance career has included a broad range of directorships across the primary sector, food, co-operatives, and banking. He is currently a Director of DairyNZ, Tax Management NZ Ltd, Foodstuffs North Island Ltd, Ahikouka Holdings Ltd and Greenleaf Fresh Ltd.

During Peter's time at Tatua he has made a valuable contribution to a range of significant investments in new and advanced processing facilities, information systems, and other sustainability related infrastructure, such as our wastewater treatment plant. In addition, Tatua's risk and compliance policies and processes have evolved substantially under his leadership.

We have been very fortunate to have had Peter's experience, wisdom, and sound judgement as we transitioned to a new Chief Executive (Brendhan Greaney) five years ago. Peter's thoughtful, passionate and insightful contribution to Tatua's people, strategy, and financial management have been greatly appreciated.

On behalf of the Board and the people of Tatua, we extend our sincere thanks to Peter. You have always had Tatua's best interests at heart, we will miss you greatly.

We wish you the very best for the next chapter of your life.

TATUA TOGETHER

Innovation, quality and co-operative spirit are at the heart of everything we do. Together, our farmers and our employees are committed to building the future of specialised dairy.

ENVIRONMENTAL EXCELLENCE

Award Winning Farmers — Waiorongomai Valley Farms Limited

Continuously working to reduce their environmental impact and balance sustainability alongside profitability has paid off for Tatua' shareholders, the van Ras family, who won the 2021 Ballance Farm Environment Waikato Regional Supreme Award.

Family business partners, Johan and Kylie van Ras together with Johan's parents, Richard and Truus van Ras, also won the Ballance Agri-Nutrients Soil Management Award; DairyNZ Sustainability and Stewardship Award; Waterforce Integrated Management Award and the Synlait Future Leaders Award.

These awards showcase their family collaboration and leadership in environmental excellence and farm management practises as they continue to focus on protecting and enhancing the environment and adding value to their business and community.

"We are always looking for new ideas to both improve our farming business and enhance our environment."

Johan van Ras

International Shipping Challenges

Since the start of the Covid-19 pandemic in 2020, international shipping has been significantly disrupted through port congestion, container bottlenecks and operational delays. This ever-changing environment has significantly increased the complexity of our export supply chain. Despite the many challenges, our teams in New Zealand, Japan, China and the USA have ensured that Tatua's customers can continue to rely on our ability to get product to market.

Customs Secure Export Scheme Air Freight Partner

Tatua is the first dairy company in New Zealand to receive the NZ Customs Secure Export Scheme (SES) Certification for Air Freight. Tatua is now an approved SES partner for both sea freight and air freight. The SES certification allows export through approved and audited secure supply chains and minimises customs processing delays for our products at international borders.

People & Capability

Tatua continued the roll out of CliftonStrengths assessments this year. This personal development tool was introduced in 2019 and is a starting point for discussions around what our employees naturally do best. Ninety five percent of Tatua employees have now completed their CliftonStrengths assessments. To support our goal of making Tatua an even greater place to work, we launched Joyous, an online feedback platform, to encourage quick regular and open feedback within the team.

Wellbeing

Despite Covid-19 restrictions, we were fortunate to see the return of many wellbeing initiatives this year:

- Family Day – shareholders and employees joined the annual activities and barbeque lunch
- Physical Wellbeing through Fitness classes, Round the Bridges Fun Run and walk, and social basketball competitions
- Financial Wellbeing webinars and information sessions focused on superannuation, banking and financial fitness
- Annual Winter function
- Christmas barbeque

OUR GLOBAL CONNECTIONS

The development of subsidiary offices in Japan, China and the USA has been instrumental to the growth of our business in recent years (47% revenue in 2020/21). Our subsidiaries have proven particularly valuable in maintaining in-market customer connections during the Covid-19 pandemic when international travel has not been possible.

Tatua USA

Office in Bethlehem, Pennsylvania, opened in 2015

Key business categories:
Nutritional Ingredients,
Dairy Ingredients

Total: 8% of global revenue

Tatua Shanghai

Office in Shanghai, opened in 2015

Key business categories:
Nutritional Ingredients,
Dairy Ingredients, Foodservice and Consumer products,
Flavour Ingredients

Total: 23% of global revenue

Tatua Japan

Office in Tokyo, opened in 2004

Key business categories:
Nutritional Ingredients, Dairy Ingredients, Foodservice products,
Flavour Ingredients

Total: 16% of global revenue

BUILDING THE FUTURE OF SPECIALISED DAIRY

+11%

Revenue Growth in the USA

+38%

Hydrolysates Revenue Growth

$188m

Record Specialty Added Value Revenue

+28%

Revenue Growth in China

+53%

Nutritionals Revenue Growth in USA

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

$395m

Total Underlying Revenue

+17%

Aerosol Cream Revenue Growth

+19%

Specialty Cream Products Revenue - Sold in Ecolean packaging

+15%

Flavour Ingredients Revenue Growth in China

+192%

Hydrolysates Revenue Growth in USA

+10%

Hydrolysates Revenue Growth in Japan

INVESTING FOR A SUSTAINABLE FUTURE

Our purpose is in our name

A tatua is a belt woven from harakeke (flax). It was traditionally worn by a Māori chief or warrior to carry their most prized and special tools. It sits across the abdomen, and as such, symbolises the protection and enrichment of future generations.

For us, the tatua symbolises knowledge, skills, connectedness, strength and the protection of all that is valuable. Traditionally handed down from one generation to the next, the tatua represents the protection and sustained advancement of both current and future generations.

Our commitment to sustainability recognises the needs and expectations of our shareholder farmers, employees, customers, consumers, suppliers, strategic partners and the communities within which we operate.

Solid progress was made on a number of key sustainability initiatives in 2020/21 and we are looking forward to making further progress in the coming year and beyond.

Refining On-Farm Practices

We are committed to working with and supporting our farmers to achieve good farming practises. The Tatua 360 Responsible Farming Programme is now fully rolled out.

Tatua farms have:

- Farm Environment Plans in place on half of our farms – with the remaining to be completed by 2023.
- An annual food safety systems assessment and daily milk quality / safety monitoring.
- Animal care and welfare are monitored through annual veterinary herd assessments.
- An annual nutrient budget completed to improve efficiencies and reduce any losses.
- Farm effluent infrastructure in place to eliminate the need to spray irrigate when conditions are not suitable. Farm effluent systems are monitored annually through an independent assessment.
- A biosecurity plan in place to manage animal disease and plant pest risks.
- Greenhouse Gas annual assessments and modelling on all farms.

"We intend to progressively improve our overall environmental performance as part of our broader sustainability platform."

STEPHEN ALLEN – CHAIRMAN

Water

Our goal is to have wastewater leave our processing facilities at least as clean as the water that we have received.

The development of our $15 million wastewater treatment plant is progressing well, with completion slightly delayed due to Covid-19 restrictions. Despite the delays, it will be commissioned in October 2021. The wastewater treatment plant project has involved building a secondary and tertiary plant (primary plant completed in 2019) which will provide significant improvements to the wastewater discharged from site.

Investing for Sustainability

Investment in Tatua's longer-term sustainability continues to be a focus for us. The Company's robust position provides a strong platform for continued growth and we make considered decisions to invest where it is strategic to do so. From an operational perspective, this has included further investment in our wastewater treatment and disposal systems as well as making incremental capacity and functionality improvements across all of our manufacturing plants.

Climate Change

We continue to actively support and engage in wider industry initiatives including Dairy Tomorrow and He Waka Eke Noa as we work towards a shared vision of the future of dairy. This includes an understanding of the risks and opportunities associated with a move towards a lower carbon footprint and the development of practical solutions to reduce emissions and build farming resilience.

KEY FINANCIAL PERFORMANCE SUMMARY

2020/21 IN REVIEW

Total Underlying Revenue

$395m +4%

Group Surplus

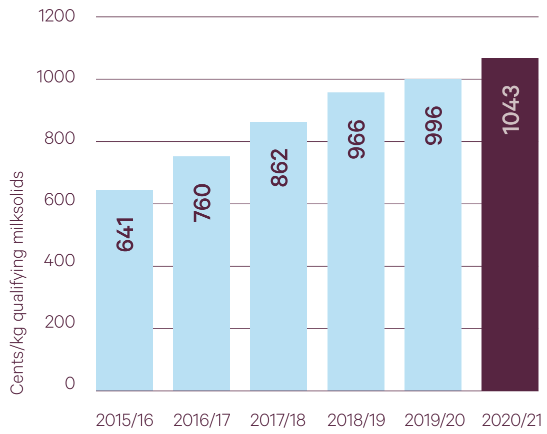
1043 cents/kg qualifying milksolids +5%

Payout to Shareholders

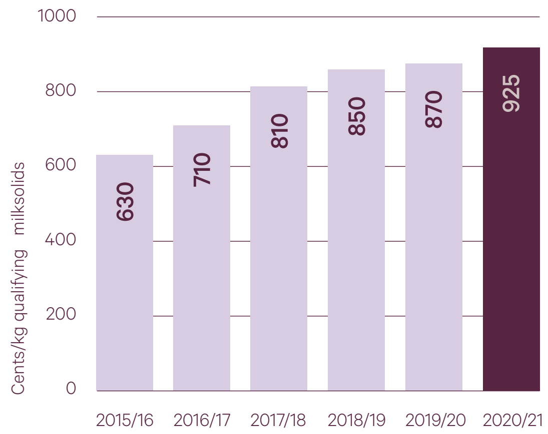
925 cents/kg qualifying milksolids +6%

Summary	2020/21	2019/20
Total Milk Received from Suppliers (litres)	174,377,146	169,703,701
Qualifying Milksolids Received from Suppliers (kgs)	15,198,804	15,145,593
Total Underlying Revenue ($)	395,023,052	380,745,235
Group Surplus Before Payout & Tax (cents/kg qualifying m'solids)	1043	996
Group Depreciation (cents/kg qualifying m'solids)	101	97
Cash Payout to Shareholders (cents/kg qualifying m'solids)	925	870
Capital Expenditure ($)	21,404,265	18,200,763
Group Assets ($)	306,860,602	298,126,579
Year-End Gearing Ratio: (% Debt to Debt Plus Members Funds)	20	24

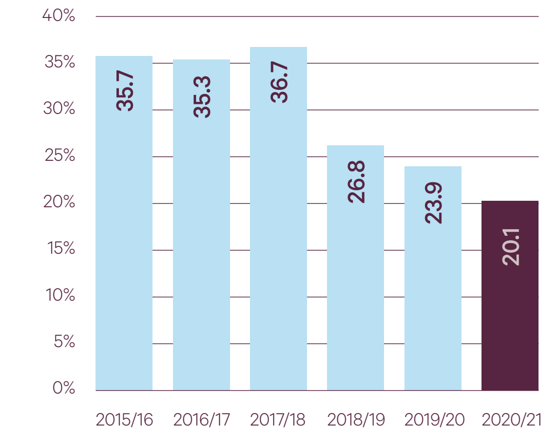
Group Surplus before Payout and Tax



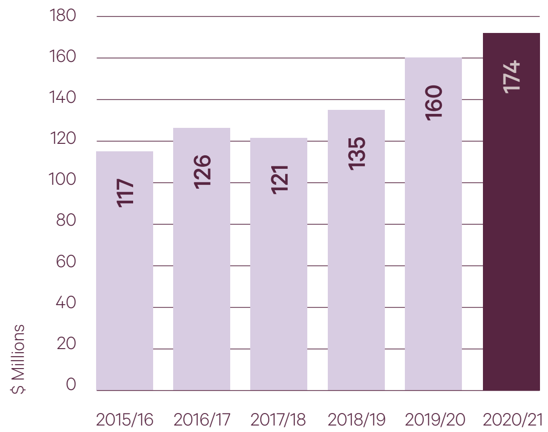
Payout – Income Equivalent



Gearing (%Debt to Debt plus Members Funds)



Members Funds



STATUTORY INFORMATION

for the year ended 31 July 2021

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 21 July 2021 that, in the opinion of the Board, the Company has been a co-operative company during the year ended 31 July 2021 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 to re-appointment for a further three-year term. Elected directors Stephen Allen and David Muggeridge were re-elected during the year.

Board Meetings Held During the Year

Board Members	Meetings Attended
Stephen Allen (Chairman)	7
Louise Cullen	7
Mark Dewdney	6
Julie Langley	7
Richard Luxton	7
David Muggeridge	7
Peter Schuyt	7
Ross Townshend	7
Board Meetings Held	**7**

Board Committees

People and Remuneration Committee: Membership comprises Louise Cullen (Chair), Stephen Allen, Mark Dewdney, 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 (Chair), Louise Cullen, Mark Dewdney, Julie Langley, 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 Richard Luxton (Chair), Stephen Allen, Louise Cullen, Julie Langley, 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	$120,000
Louise Cullen	$64,000
Mark Dewdney	$53,333
Julie Langley	$48,000
Richard Luxton	$58,667
David Muggeridge	$48,000
Peter Schuyt	$64,000
Ross Townshend	$48,000
	$504,000

Directors' Shareholdings

At 31 July 2021 Directors held the following shares in the Company:

	Beneficially Held	Non-Beneficially Held	Held By Associated Persons
Stephen Allen	2,187,630	-	901,520
Louise Cullen	3,116,970	-	-
Mark Dewdney	2,447,070	-	-
Julie Langley	870,900	-	-
Richard Luxton	3,949,060	-	-
David Muggeridge	1,277,840	-	-

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 incurred 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 2021 the following number of employees of the Group received total remuneration of at least $100,000 NZD: 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.

Remuneration	Number of Employees
$100,000 - $109,999	48
$110,000 - $119,999	63
$120,000 - $129,999	41
$130,000 - $139,999	38
$140,000 - $149,999	15
$150,000 - $159,999	8
$160,000 - $169,999	6
$170,000 - $179,999	5
$180,000 - $189,999	5
$190,000 - $199,999	1
$200,000 - $209,999	5
$210,000 - $219,999	2
$220,000 - $229,999	3
$230,000 - $239,999	2
$240,000 - $249,999	1
$250,000 - $259,999	1
$290,000 - $299,999	1
$310,000 - $319,999	1
$330,000 - $339,999	1
$340,000 - $349,999	1
$350,000 - $359,999	1
$400,000 - $409,999	1
$470,000 - $479,999	1
$490,000 - $499,999	1
$510,000 - $519,999	1
$1,090,000 - $1,099,999	1
	254

Donations & Grants

Donations and grants for the year ended 31 July 2021 were $30,200 (2020: $20,000).

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
	Director, Shareholder	Cheadle Farms Ltd
	Director, Shareholder	Allen Children Ltd
	Director	Farmers' Mutual Group (FMG)
	Director	Farmers' Mutual Insurance Ltd (FMIL)
	Director	Mowata GP Ltd
	Director	Rangitata GP Ltd
	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
	Partner	Rangitata Dairies LP Ltd
Louise Cullen	Director, Shareholder	Cookson Trust Farms Ltd
	Director, Shareholder	Balachraggan Farms Ltd
	Director, Shareholder	Capra Farming Ltd
	Director, Shareholder	Acorn Goats Ltd
	Director	AgResearch Ltd
Mark Dewdney	Director, Shareholder	MDLP General Partner Ltd
	Director, Shareholder	Namaste Farming Pty Ltd
	Director, Shareholder	Namaste Land Pty Ltd
	Director	Dairy Goat Co-operative
	Director	Nicholson United Autos Ltd
	Director	Genera Australia Pty Ltd
	Director	Genera New Zealand Ltd
	Trustee, Beneficiary	Dewdney Family Trust
	Trustee	Marvic Family Trust
	Trustee	Mark Dewdney Family Trust
	Trustee	Vicki Dewdney Trust
	Partner	Matangi Dairies LP Ltd

Director	Position	Company
Julie Langley	Director, Shareholder	KM & JL Langley Limited
	Shareholder	Langley Trading Ltd
Richard Luxton	Director, Shareholder	Aslan Farms Ltd
	Director	Wallace Hybrid General Partner Ltd
	Director	Templeview Dairies 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
	Director	MDLP General Partner Limited
	Shareholder	Marire Holdings Ltd
David Muggeridge	Director, Shareholder	Muggeridge Farms Ltd
	Trustee	DP & MA Muggeridge Family Trust
Peter Schuyt	Director, Shareholder	Dairy Investment Fund Ltd
	Director, Shareholder	Ahikouka Holdings Ltd
	Director, Shareholder	Greenleaf Fresh Ltd
	Director, Shareholder	Schuyt Investments Ltd
	Director	TSB Bank Ltd
	Director	Tax Management NZ Ltd
	Director	Foodstuffs North Island Ltd
	Director	DairyNZ Inc.
	Director	Alliance Group Ltd
	Trustee	Schuyt Family Trust
Ross Townshend	Chairman, Shareholder	RML Engineering Ltd (and subsidiaries)
	Chairman	Bector Automation RML Pvt Ltd (India)
	Chairman	MSC Consulting Group Ltd
	Chairman	Robert Monk Transport Ltd
	Director, Shareholder	Ranworth Farm Ltd
	Director, Shareholder	Townshend Holdings (2015) Ltd
	Director	Riverside Farms Ltd
	Director	Sunny Downs Farm Ltd
	Director	Tirohanga Fruit Co Ltd
	Shareholder	Architectural Investments Ltd
	Shareholder	Elanza Technologies Ltd
	Shareholder	Pukete Holdings Hamilton Limited
	Consultant	Ariston Group Ltd
	Consultant	Merit Meats Ltd
	Consultant	Oaktree Capital
	Consultant	Ora Foods Ltd
	Consultant	Walter & Wild Ltd

BALANCE SHEET

as at 31 July 2021

	Note	GROUP 2021 ($)	GROUP 2020 ($)
Current Assets			
Cash and Cash Equivalents	14	18,503,154	27,933,985
Derivatives	18	7,968,532	3,462,833
Receivables and Prepayments	13	43,098,021	48,480,204
Tax Receivable		37,887	59,664
Inventories	12	86,425,204	69,894,524
Biological Assets		499,172	1,042,877
Total Current Assets		156,531,970	150,874,087
Non Current Assets			
Property, Plant and Equipment	9	137,624,406	131,660,265
Investment Property	11	1,698,000	1,698,000
Intangible Assets	10	4,639,705	5,087,732
Derivatives	18	1,161,883	3,856,354
Deferred Tax Asset	8	4,425,559	4,090,543
Equity Accounted Investments		779,079	859,598
Total Non Current Assets		150,328,632	147,252,492
Total Assets		**306,860,602**	**298,126,579**
Current Liabilities			
Loans and Borrowings	16	36,513,000	12,237,259
Derivatives	18	1,754,504	1,733,876
Accounts Payable and Accruals	17	30,038,097	27,971,094
Tax Payable		2,409,999	92,383
Owing to Suppliers		35,135,714	27,794,997
Total Current Liabilities		105,851,314	69,829,609
Non Current Liabilities			
Loans and Borrowings	16	25,672,300	65,892,839
Derivatives	18	1,792,493	2,351,349
Total Non Current Liabilities		27,464,793	68,244,188
Total Liabilities Excluding Co-operative Shares Classified as a Liability		**133,316,107**	**138,073,797**
PLUS Co-operative Shares		75,749,246	75,996,631
Total Liabilities		209,065,353	214,070,428
Net Assets		97,795,249	84,056,151
Retained Earnings		78,573,676	65,677,278
Reserves		19,221,573	18,378,873
Equity		97,795,249	84,056,151
Members Funds Memorandum Account:			
Co-operative Shares Classified as a Liability	15	75,749,246	75,996,631
Retained Earnings		78,573,676	65,677,278
Reserves		19,221,573	18,378,873
Total Members Funds		**173,544,495**	**160,052,782**

For and on behalf of the Board:

SB Allen Chairman of Directors
15 October 2021

S.B. Allen

PM Schuyt Chairman of Audit, Risk and Compliance Committee
15 October 2021

Pm Schuyt

STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31 July 2021

	Note	GROUP Year Ended 31 July 2021 ($)	GROUP Year Ended 31 July 2020 ($)
Profit or Loss Items			
Revenue from Contracts with Customers	3	383,654,521	389,747,657
less Payments for Own Milk Supplied		(143,612,148)	(131,707,570)
less Other Cost of Sales		(192,033,325)	(189,140,228)
Gross Profit		48,009,048	68,899,859
plus Other Income	3	975,675	1,337,047
less Sales and Marketing Expenses		(24,577,451)	(23,347,115)
less Administration Expenses	4	(12,106,260)	(11,528,829)
Surplus from Operating Activities		12,301,012	35,360,962
Finance Income	6	8,000,309	76,166
less Finance Expenses	6	(2,383,142)	(16,220,121)
Net Finance Expense		5,617,167	(16,143,955)
Surplus before Income Tax		17,918,179	19,217,007
less Income Tax Expense	7	(5,021,781)	(4,295,597)
Net Surplus		**12,896,398**	**14,921,410**
Other Comprehensive Income			
Movement in Land Revaluation Reserve		-	355,000
Change in Fair Value of Cash Flow Hedges		1,851,327	10,479,999
Movement in Foreign Exchange Reserve		(490,257)	(60,456)
Income Tax on Other Comprehensive Income		(518,371)	(2,934,400)
Other Comprehensive Income for the Year		842,699	7,840,143
Total Comprehensive Income		**13,739,097**	**22,761,553**

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 2021

GROUP	Translation Reserve ($)	Hedging Reserve ($)	Revaluation Reserve ($)	Retained Earnings ($)	Total Equity ($)
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
Restated Total Other Comprehensive Income	**(60,456)**	**7,545,599**	**355,000**	**-**	**7,840,143**
Profit for the Period	-	-	-	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**
Balance at 1 August 2020	**603,666**	**2,308,441**	**15,466,766**	**65,677,278**	**84,056,151**
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	(490,257)	-	-	-	(490,257)
Movement in Land Revaluation Reserve	-	-	-	-	-
Movement in Hedging Reserve, Net of Tax	-	1,332,956	-	-	1,332,956
Total Other Comprehensive Income	**(490,257)**	**1,332,956**	**-**	**-**	**842,699**
Profit for the Period	-	-	-	12,896,398	12,896,398
Total Comprehensive Income	**(490,257)**	**1,332,956**	**-**	**12,896,398**	**13,739,097**
Transactions with owners of Company					
Issue of ordinary shares	-	-	-	-	-
Balance at 31 July 2021	**113,409**	**3,641,398**	**15,466,766**	**78,573,676**	**97,795,249**

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 2021

	Note	GROUP Year Ended 31 July 2021 ($)	GROUP Year Ended 31 July 2020 ($)
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		394,936,192	377,579,305
Dividends Received		2,119	1,825
Interest Received		54,123	76,166
		394,992,434	377,657,295
Cash was applied to:			
Payments for Milk		(136,271,431)	(127,503,771)
Payments to Creditors and Employees		(226,760,744)	(223,484,803)
Interest Paid		(488,748)	(3,256,910)
Taxation Paid		(3,535,775)	(7,058,030)
		(367,056,698)	(361,303,514)
Net Cash Flows From / (Applied To) Operating Activities	20	**27,935,736**	**16,353,781**
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds From Sale of Property, Plant and Equipment		119,861	111,698
Proceeds From Sale of Investments		228,163	513,348
		348,024	625,046
Cash was applied to:			
Acquisition of Property, Plant and Equipment		(20,883,464)	(18,200,761)
Acquisition of Intangible Assets		(638,944)	(487,655)
Purchase of Share Investments		-	-
		(21,522,408)	(18,688,416)
Net Cash Flows From / (Applied To) Investing Activities		**(21,174,384)**	**(18,063,370)**
Cash Flows From Financing Activities			
Cash was provided from:			
Increase in Co-operative Shares	15	2,835,090	4,175,220
Proceeds from Borrowings		-	14,183,018
		2,835,090	18,358,238
Cash was applied to:			
Decrease in Co-operative Shares	15	(3,082,475)	(1,629,175)
Repayment of Borrowings		(15,944,798)	-
		(19,027,273)	(1,629,175)
Net Cash Flows From / (Applied To) Financing Activities		**(16,192,183)**	**16,729,063**
Net Increase / (Decrease) in Cash and Cash Equivalents		(9,430,831)	15,019,474
Add: Opening Cash and Cash Equivalents Balance		27,933,985	12,914,511
Closing Cash and Cash Equivalents Balance	14	**18,503,154**	**27,933,985**

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

NOTES TO THE FINANCIAL STATEMENTS

1 — REPORTING ENTITY

The Tatua Co-operative Dairy Company Limited ("Tatua") 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. Tatua is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

These financial statements set out the performance, position and cash flows of Tatua and its subsidiaries (the "Group") for the year ended 31 July 2021. At 31 July 2021 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. The Group is a producer and marketer of dairy products with sales to both domestic and export markets.

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) as appropriate for Tier 1, for-profit entities, NZIFRS and IFRS. Accounting policies have been applied consistently to all periods presented in these financial statements. The financial statements were approved by the Board of Directors on 15 October 2021.

(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 recognised.

(g) New Standards and Interpretations

(i) New and amended standards adopted by the Group

No new or amended standards were adopted that had a material impact on the Group's financial statements.

(ii) New and amended standards issued but not yet effective

There are no new and revised standards, amendments or interpretations that have been issued but are not yet effective, that are expected to have a significant impact on the Group's consolidated financial statements.

3 — OPERATING REVENUE & OTHER INCOME

	GROUP	
	2021 ($)	**2020 ($)**
Revenue from contracts with customers	383,654,521	389,747,657
Other Income		
Rental Income from Investment Property	75,000	75,000
Rental Income from Farm Houses	58,109	58,719
Fair Value movement in Investment Property	-	112,000
Insurance Claim Proceeds	-	2,411
MilkTest NZ LP Income	271,656	326,290
Sundry Income	570,910	762,627
	975,675	**1,337,047**
Total Revenue	**384,630,196**	**391,084,704**

	GROUP	
Analysis of revenue from contracts with customers	**2021 ($)**	**2020 ($)**
Nature of Revenue		
Sale of goods	381,427,287	385,360,454
Royalties/Commissions	2,227,234	4,387,203
	383,654,521	**389,747,657**
Timing of revenue recognition		
At a point in time	365,231,350	372,518,701
Over time	18,423,171	17,228,956
	383,654,521	**389,747,657**
Disaggregation of Revenue		
Australasia (NZ and AUS)	108,242,652	101,664,712
Asia / Pacific	217,259,627	229,643,367
Americas / Europe	55,927,085	55,898,909
Other	2,225,157	2,540,669
	383,654,521	**389,747,657**

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.

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 incurred on behalf of the customer that constitute 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	2021 ($)	2020 ($)
NZ IFRS Revenue from Contracts with Customers	3	383,654,521	389,747,657
Other Income	3	975,675	1,337,047
Net Foreign Exchange Loss	6	7,946,186	(12,930,361)
Agency Shipping costs offset		2,446,670	2,590,891
Non-GAAP measure: Total Underlying Revenue		**395,023,052**	**380,745,235**

4 — ADMINISTRATION EXPENSES

	GROUP	
	2021 ($)	2020 ($)
The following items are included in administration expenses:		
Directors' Fees	504,000	498,500
Directors' Expenses*	33,946	45,609

* Directors expenses include costs incurred by the company on behalf of directors, in the course of carrying out their duties and obligations as directors. The expenses include development, industry and customer meetings and associated travel cost.

	2021 ($)	2020 ($)
Auditors Remuneration (KPMG)		
Audit of Financial Statements	236,038	184,183
Other Services**	38,608	34,550

** 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	
	2021 ($)	2020 ($)
Wages and Salaries	46,093,155	43,311,614
Superannuation Contributions and Other Employee Related Expenses	4,312,874	3,879,821
Change in Liability for Short-term Employee Benefits (Annual Leave and Days in Lieu)	385,418	(994,242)
	50,791,447	**46,197,193**

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	2021 ($)	2020 ($)
Interest Income	54,123	76,166
Net Foreign Exchange Gain	7,946,186	-
Total Finance Income	**8,000,309**	**76,166**
Net Foreign Exchange Loss	-	(12,930,361)
Financial Overheads	(34,811)	(32,850)
Interest Expense on External Borrowings	(2,348,331)	(3,256,910)
Total Finance Expense	**(2,383,142)**	**(16,220,121)**
Net Finance Income / (Expense)	**5,617,167**	**(16,143,955)**

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 2021 ($)	GROUP 2020 ($)
Current Tax Expense		
Current Period	5,894,576	4,666,375
Adjustment for Prior Periods	(19,408)	40,799
	5,875,168	4,707,174
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	(845,697)	(376,526)
Adjustment for Prior Periods	(7,690)	(35,051)
	(853,387)	(411,577)
Total Income Tax Expense	**5,021,781**	**4,295,597**

Reconciliation of Effective Tax Rate	2021 (%)	GROUP 2021 ($)	2020 (%)	2020 ($)
Profit for the Period	-	12,896,398	-	14,921,410
Total Income Tax Expense	-	5,021,781	-	4,295,597
Profit Excluding Income Tax	**-**	**17,918,179**	**-**	**19,217,007**
Income Tax Using the Group's Domestic Tax Rate	28.0	5,017,090	28.0	5,380,762
Impact of Tax Rate in Foreign Countries	(0.9)	(168,855)	(0.5)	(97,103)
Tax Exempt Income	0.0	-	(0.2)	(30,619)
Non-deductible Expenses	1.1	201,239	0.2	39,772
Legislative Change of Depreciation on Buildings	(0.0)	(0)	(5.2)	(1,002,452)
Tax Credits on Dividend Income	(0.0)	(593)	(0.0)	(511)
Recognition of Previously Unrecognised Tax Losses	0.0	-	0.0	-
Under/(Over) Provided in Prior Periods	(0.2)	(27,100)	0.0	5,748
	28.0	**5,021,781**	**22.4**	**4,295,597**

Income Tax Recognised Directly in Other Comprehensive Income	GROUP 2021 ($)	GROUP 2020 ($)
Income Tax on Derivatives	(518,371)	(2,934,400)

Imputation Credits	GROUP 2021 ($)	GROUP 2020 ($)
Imputation Credits Available for use in Subsequent Reporting Periods	37,498,277	34,669,221

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

Recognised Deferred Tax Assets and Liabilities – Group	Assets 2021 ($)	Assets 2020 ($)	Liabilities 2021 ($)	Liabilities 2020 ($)	Net 2021 ($)	Net 2020 ($)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	2,673,541	2,039,222	-	-	2,673,541	2,039,222
Investment Property	-	-	(83,558)	(83,558)	(83,558)	(83,558)
Derivatives	-	-	(1,416,099)	(897,727)	(1,416,099)	(897,727)
Inventory	1,596,165	1,371,646	-	-	1,596,165	1,371,646
Provisions and Accruals	1,655,509	1,660,960	-	-	1,655,509	1,660,960
Other items	-	-	-	-	-	-
Tax Assets /(Liabilities)	**5,925,215**	**5,071,828**	**(1,499,657)**	**(981,285)**	**4,425,559**	**4,090,543**

Movement in Temporary Differences During The Year	Balance 1 August 2019 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2020 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2021 ($)
Deferred tax assets and liabilities are attributable to the following:							
Property, Plant and Equipment	1,165,030	874,192	-	2,039,222	634,319	-	2,673,541
Investment Property	(81,014)	(2,544)	-	(83,558)	-	-	(83,558)
Derivatives	2,036,673		(2,934,400)	(897,727)	-	(518,371)	(1,416,098)
Inventory	1,602,526	(230,880)	-	1,371,646	224,519	-	1,596,165
Provisions and Accruals	1,890,150	(229,190)	-	1,660,960	(5,451)	-	1,655,509
Other items	-	-	-	-	-	-	-
Deferred Tax Assets /(Liabilities)	**6,613,365**	**411,578**	**(2,934,400)**	**4,090,543**	**853,387**	**(518,371)**	**4,425,559**

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 ($)	Land Improve-ments ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work in Progress ($)	Right-of-use assets ($)	Total ($)
COST OR DEEMED COST								
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	6,726,983	1,016,918	9,119,843	111,946	18,200,764
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**	**206,604,089**	**3,654,311**	**14,235,878**	**1,766,463**	**301,119,049**
Balance at 1 August 2020	18,861,000	3,818,590	52,178,718	206,604,089	3,654,311	14,235,878	1,766,463	301,119,049
Additions	982,347	100,879	5,486,552	5,983,871	234,182	8,425,891	190,543	21,404,265
Revaluation of Land to Fair Value	-	-	-	-	-	-	-	-
Disposals	-	-	(147,085)	(603,706)	(176,155)	-	-	(926,946)
Effect of Movement in Exchange Rates	-	-	-	4,223	-	-	(39,506)	(35,283)
Balance at 31 July 2021	**19,843,347**	**3,919,469**	**57,518,185**	**211,988,477**	**3,712,338**	**22,661,769**	**1,917,500**	**321,561,085**
DEPRECIATION AND IMPAIRMENTS								
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**
Balance at 1 August 2020	-	1,931,379	18,577,560	146,089,303	2,370,583	-	489,958	169,458,783
Depreciation	-	171,984	1,538,763	12,737,982	348,572	-	478,256	15,275,557
Disposals	-	-	(147,085)	(570,832)	(76,516)	-	-	(794,433)
Effect of Movement in Exchange Rates	-	-	-	16,054	-	-	(19,282)	(3,228)
Balance at 31 July 2021	**-**	**2,103,363**	**19,969,238**	**158,272,507**	**2,642,639**	**-**	**948,932**	**183,936,679**
CARRYING AMOUNTS								
At 1 August 2019	18,506,000	2,060,512	33,933,106	66,079,602	643,618	5,116,035	1,654,517	127,993,390
At 31 July 2020	**18,861,000**	**1,887,211**	**33,601,158**	**60,514,786**	**1,283,728**	**14,235,878**	**1,276,505**	**131,660,266**
At 1 August 2020	18,861,000	1,887,211	33,601,158	60,514,786	1,283,728	14,235,878	1,276,505	131,660,266
At 31 July 2021	**19,843,347**	**1,816,106**	**37,548,947**	**53,715,970**	**1,069,699**	**22,661,769**	**968,568**	**137,624,406**

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 $488,748 (2020: 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 – 5 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. At 31 July 2021 the Group has determined that no indication of impairment exists.

(d) Recognition and Measurement for Assets at Fair Value

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. Any gain on revaluation is recognised in other comprehensive income and held in equity and any loss is recognised in profit and loss, unless there is a credit balance existing in the revaluation surplus. The value of the land at cost is $3,414,704 (2020: $3,414,704).

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

Capital Commitments

During the period ended 31 July 2021, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is $3,293,076 (2020: $13,817,253). These commitments are expected to be settled in the following financial year.

10 — INTANGIBLE ASSETS

	GROUP	
	Software ($)	Total ($)
COST		
Balance at 1 August 2019	9,771,822	9,771,822
Additions	487,656	487,656
Disposals	(7,619)	(7,619)
Balance at 31 July 2020	**10,251,859**	**10,251,859**
Balance at 1 August 2020	10,251,859	10,251,859
Additions	638,943	638,943
Disposals	-	-
Balance at 31 July 2021	**10,890,802**	**10,890,802**
AMORTISATION AND IMPAIRMENT LOSSES		
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**
Balance at 1 August 2020	5,164,127	5,164,127
Amortisation for the Year	1,086,970	1,086,970
Disposals	-	-
Balance at 31 July 2021	**6,251,097**	**6,251,097**
CARRYING AMOUNTS		
At 1 August 2019	5,540,899	5,540,899
At 31 July 2020	**5,087,732**	**5,087,732**
At 1 August 2020	5,087,732	5,087,732
At 31 July 2021	**4,639,705**	**4,639,705**

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	
	2021 ($)	2020 ($)
Balance at 1 August	1,698,000	1,586,000
Change in Fair Value	-	112,000
Balance at 31 July	**1,698,000**	**1,698,000**

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	
	2021 ($)	2020 ($)
Finished Goods	72,937,462	58,157,934
Raw Materials	13,487,742	11,736,590
Total Inventories	**86,425,204**	**69,894,524**

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 $1,831,939 during the period (2020: $3,145,514) relating to inventory that had a net realisable value less than its cost of manufacture.

GROUP	2021 ($)	2020 ($)
Inventory valued at net realisable value included in finished goods above:	676,262	4,704,291

13 — RECEIVABLES & PREPAYMENTS

	GROUP 2021 ($)	GROUP 2020 ($)
Trade Receivables	38,763,140	43,244,026
Prepayments and Sundries	4,334,882	5,236,178
	43,098,021	**48,480,204**

	USD ($)	AUD ($)	JPY (¥)	CNY (¥)
Trade Receivables Denominated in Foreign Currencies				
2021	10,096,409	3,046,240	790,831,588	33,389,415
2020	11,740,250	2,307,385	824,066,470	29,661,194

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 and bank overdrafts that are repayable on demand and form an integral part of the Group's cash management. Cash and Cash Equivalents are classified as a financial asset at amortised cost.

	GROUP 2021 ($)	GROUP 2020 ($)
JPY Bank Deposits	3,828,704	2,366,514
USD Bank Deposits	1,206,465	2,818,688
CNY Bank Deposits	4,957,646	10,155,002
NZD Bank Deposits	8,510,339	12,593,781
Cash and Cash Equivalents in the Statement of Cash Flows	**18,503,154**	**27,933,985**

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:

	2021 Shares	2021 ($)	2020 Shares	2020 ($)
Shares at the beginning of the Year	151,993,262	75,996,631	146,901,172	73,450,586
Shares Issued	5,670,180	2,835,090	8,350,440	4,175,220
Shares Repurchased	(6,164,952)	(3,082,475)	(3,258,350)	(1,629,175)
Fully Paid Shares at the end of the Year	**151,498,490**	**75,749,246**	**151,993,262**	**75,996,631**
Treasury Stock	811,405		316,633	

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.

	2021 ($)	2020 ($)
Current		
JPY Bank Loans	4,031,044	7,306,590
USD Bank Loans	2,134,240	4,512,636
NZD Bank Loans	30,000,000	-
Lease Liabilities	347,716	418,033
	36,513,000	**12,237,259**
Non Current		
JPY Bank Loans	-	-
NZD Bank Loans	25,000,000	65,000,000
Lease Liabilities	672,300	892,839
	25,672,300	**65,892,839**
Total Loans and Borrowings	**62,185,300**	**78,130,098**

2021	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current	JPY	0.825%-1.08%	2022	310,000,000	4,031,044
	USD	0.97%	2022	1,500,000	2,134,240
	NZD	1.50%	2022	30,000,000	30,000,000
	NZD	3.35%-4.15%	2022	347,716	347,716
Non Current	NZD	1.55%	2023	25,000,000	25,000,000
	NZD	3.35%-4.15%	2023 - 2033	672,300	672,300

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

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 2024 of NZD $45.0 million, JPY 1,090 million and USD $1.5 million (2020: NZD $35.0 million, JPY 540 million and USD $4 million). The JPY and USD loans are held by the respective subsidiaires.

17 — ACCOUNTS PAYABLE & ACCRUALS

	GROUP	
	2021 ($)	2020 ($)
Trade Payables	9,771,035	10,262,639
Employee Entitlements	7,827,172	7,441,755
Income in Advance	1,148,439	-
Accruals	11,291,451	10,266,700
Total Accounts Payable and Accruals	**30,038,097**	**27,971,094**

POLICY

Trade payables are recognised at the amount invoiced, and are not discounted due to their short-term nature. Employee entitlements 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.

Notional Amounts	Less than 12 Months	More than 12 Months	Total
2021 Interest Rate Hedges	5,000,000	27,000,000	32,000,000
2020 Interest Rate Hedges	10,000,000	32,000,000	42,000,000

	GROUP	
	2021 ($)	2020 ($)
Fair Value		
Current Liabilities	(88,058)	(215,176)
Non Current Liabilities	(723,223)	(1,802,469)
Non Current Assets	198,767	-
Net Fair Value of Interest Rate Hedges	**(612,514)**	**(2,017,645)**

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.

2021		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts	Buy	189,221,954	45,622,713	234,844,667
	Sell	-	-	-
Option Contracts	Call	19,916,631	18,177,452	38,094,083
	Put	(18,960,703)	(18,031,638)	(36,992,341)
2020				
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)

Fair Value	2021 ($)	2020 ($)
Current Assets	7,968,532	3,462,833
Non Current Assets	963,116	3,856,354
Current Liabilities	(1,666,446)	(1,518,700)
Non Current Liabilities	(1,069,270)	(548,880)
Net Fair Value of Foreign Currency Hedges	**6,195,932**	**5,251,607**

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 hierachy. 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 2021 financial year was a gain of $8,036,513 (2020: loss of $11,286,911).

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 2021 the gearing ratio was 20% (2020: 24%). 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 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 (2020: $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	
	2021 ($)	2020 ($)
Australasia (NZ and AUS)	9,565,358	6,754,513
Asia / Pacific	21,607,025	30,971,626
Americas / Europe	6,879,171	4,616,361
Other	711,586	901,526
Total Trade Receivables (Note 13)	**38,763,140**	**43,244,026**

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

	Gross Receivable 2021 ($)	Impairment 2021 ($)	Gross Receivable 2020 ($)	Impairment 2020 ($)
Not Past Due	36,796,052	-	40,963,366	-
Past Due 0-30 days	1,948,010	-	2,275,249	-
Past Due 31-120 days	19,078	-	5,411	-
Total Trade Receivables (Note 13)	**38,763,140**	**-**	**43,244,026**	**-**

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		2021 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Non-Derivative Financial Liabilities	**Note**						
Loans and Borrowings	16	(62,185,300)	(62,185,300)	(211,877)	(36,301,123)	(25,116,672)	(555,628)
Accounts Payable and Accruals	17	(30,038,097)	(30,038,097)	(30,038,097)	-	-	-
Owing to Suppliers		(35,135,714)	(35,135,714)	(35,135,714)	-	-	-
Co-operative Shares		(75,749,246)	(75,749,246)	-	(75,749,246)	-	-
Total Non-Derivative Financial Liabilities		**(203,108,357)**	**(203,108,357)**	**(65,385,688)**	**(112,050,369)**	**(25,116,672)**	**(555,628)**
Derivative Financial Liabilities							
Interest Rate Swaps		(811,281)	(811,281)	(275,354)	(187,295)	(326,945)	(21,687)
Options Contracts		(669,108)	(669,108)	(77,626)	(44,392)	(547,090)	-
Forward Exchange Contracts							
- Outflow		(2,066,608)	(115,728,317)	(55,052,538)	(29,198,939)	(31,476,840)	-
- Inflow		-	113,661,709	54,043,741	28,663,308	30,954,660	-
Total Derivative Financial Liabilities		**(3,546,997)**	**(3,546,997)**	**(1,361,777)**	**(767,318)**	**(1,396,215)**	**(21,687)**

GROUP		2020 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Non-Derivative Financial Liabilities	**Note**						
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)	-	-	-
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 Financial Liabilities		**(209,892,820)**	**(209,892,820)**	**(55,985,921)**	**(88,014,060)**	**(30,254,461)**	**(35,638,378)**
Derivative Financial Liabilities							
Interest Rate Swaps		(2,017,645)	(2,017,645)	(502,240)	(431,385)	(580,127)	(503,893)
Options Contracts		(1,374,871)	(1,374,871)	(387,423)	(556,523)	(430,925)	-
Forward Exchange Contracts							
- Outflow		(692,708)	(48,121,347)	(28,173,989)	(13,096,501)	(6,850,857)	-
- Inflow		-	47,428,639	27,735,990	12,959,747	6,732,902	-
Total Derivative Financial Liabilities		**(4,085,224)**	**(4,085,224)**	**(1,327,662)**	**(1,124,662)**	**(1,129,007)**	**(503,893)**

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 movements 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:

2021	USD ($)	AUD ($)	CNY (¥)	JPY (¥ - 000's)
Net Cash Flow Exposure Before Hedging	94,844,788	31,592,955	372,295,700	3,339,541
less Foreign Exchange Contracts and Options	(68,000,000)	(16,000,000)	(258,000,000)	(2,400,000)
Net Unhedged Exposure	**26,844,788**	**15,592,955**	**114,295,700**	**939,541**

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**

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:

2021	NZD ($)	USD ($)	AUD ($)	CNY (¥)	JPY (¥)	EUR (€)
Cash and Cash Equivalents	8,032,648	126,535	7,912	22,818,535	595,388	116,353
Loans and Borrowings	(55,000,000)	(1,500,000)	-	-	(310,000,000)	-
Interest Rate Swaps	32,000,000	-	-	-	-	-
Net Unhedged Exposure	**(14,967,352)**	**(1,373,465)**	**7,912**	**22,818,535**	**(309,404,612)**	**116,353**

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)**

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 $318,762 (2020: $407,380). 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 total comprehensive income by $2,921,506 (2020: increase by $153,209). Foreign exchange hedging has been included in this calculation.

20 — RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Year Ended 31 July 2021 ($)	Year Ended 31 July 2020 ($)
Profit (Loss) for the Year	12,896,398	14,921,410
Adjustments for Non Cash Items		
Depreciation	15,275,557	14,704,701
Amortisation of Intangible Assets	1,086,970	940,823
Movement in Deferred Tax	(335,016)	2,522,822
Revaluation of Investment Property	-	(112,000)
Revaluation of Biological Assets	(203,666)	(443,688)
Movement in Investments	(147,644)	(323,299)
Loss/(Gain) on Sale of Property, Plant and Equipment	12,653	72,489
	15,688,854	17,361,849
Movements in Working Capital		
Trade and Other Receivables	5,403,960	302,999
Derivatives – Assets	(1,811,228)	(6,160,868)
Derivatives – Liabilities	(538,227)	(4,876,813)
Inventories	(16,530,680)	(18,890,349)
Biological Assets	747,371	115,578
Owing to Suppliers	7,340,717	4,203,800
Trade and Other Payables	4,384,618	1,891,037
	(1,003,469)	(23,414,616)
Items Classified as Investing / Financing Activities	353,953	7,485,139
Net Cash Flows From/(Applied to) Operating Activities	**27,935,736**	**16,353,781**

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 2021 ($)	Year Ended 31 July 2020 ($)
Short Term Employee Benefits	2,296,221	2,125,257
Long Term Employee Benefits	-	-
	2,296,221	**2,125,257**

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 (2020: 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 $504,000 (2020: $498,500), which is separately disclosed within the directors' report.

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

Related Party	Director	Amounts Paid ($)	Payable 31 July 2021 ($)	Amounts Received ($)	Receivable 31 July 2021 ($)
Foodstuffs North Island	Peter Schuyt	-	-	5,207,688	461,930
DairyNZ	Peter Schuyt	-	-	-	-
RML Engineering Ltd	Ross Townshend	15,911	7,824	-	-
Nicholson United Autos Ltd	Mark Dewdney	50,511	635	-	-
AgResearch Limited	Louise Cullen	42,694	-	-	-
		109,116	**8,459**	**5,207,688**	**461,930**

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.

	Value of Transactions 2021 ($)	Balance Outstanding 31 July 2021 ($)	Value of Transactions 2020 ($)	Balance Outstanding 31 July 2020 ($)
Directors' Farm Supply (included in Owing to Suppliers)	10,665,892	2,472,105	9,399,364	1,835,191

22 — GROUP ENTITIES

	Country of Incorporation	Ownership Interest 2021	Ownership Interest 2020
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 at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at 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 2021 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 financial statements

Opinion

In our opinion, the accompanying 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 2021 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 financial statements which comprise:

- the consolidated balance sheet as at 31 July 2021;
- 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 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('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 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 $86 million (2020: $70 million) which represents 28% 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 cooperative shareholders. We compared the Farmgate Milk Price used to the latest publicised rate for the 2020/21 season. We compared a sample of purchased wholemilk and cream 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 2020/21 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 Directory, 2020 / 2021 Key Highlights, Statutory Information. 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 financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a 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 financial statements

Our objective is:

— to obtain reasonable assurance about whether the 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 financial statements.

A further description of our responsibilities for the audit of these 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

15 October 2021

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KPMG

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Harkness Henry & Co

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Bank of New Zealand Ltd

Insurance Brokers

Willis Towers Watson Ltd

Chairman

SB Allen

Directors

SB Allen
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

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