TATUA

ANNUAL REPORT 2022

DELIVERING SPECIALISED DAIRY SOLUTIONS

CONTENTS

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

2022 HIGHLIGHTS

Total Underlying Revenue	$444m
Kilograms of Qualifying Milksolids received from Suppliers	14.7m
Total Earnings per kilogram of Qualifying Milksolids	$12.65
Cash Payout to Shareholders per kilogram of Qualifying Milksolids	$11.30
Reinvestment per kilogram of Qualifying Milksolids	$1.35
Specialised Products Revenue	$193m
Change in Total Underlying Revenue	+12%
Revenue via Subsidiary Offices	44%
Proportion of Products Exported	92%
Average Gearing Ratio	21%

REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The 2022 year was both challenging and rewarding for Tatua. Despite being punctuated by further Covid-19 related disruptions, the year also turned out to be memorable for the positive financial result we achieved, and the way all of our people worked together to protect each other and the business.

Covid-19

The arrival of the Omicron variant in January 2022, and the resulting onset of widespread community transmission, led us to reconsider our business priorities, with a focus on protecting our milk processing and other core operations. This included planning for incremental suspension of our processing plants in the event of widespread transmission among our employees.

Fortunately, the strict protocols we had in place worked well, and were successful in preventing transmission of the virus through the business. These included:

- Having as many of our people working from home as possible
- Maximising shift and work group segregation, including suspending call-backs and shift handovers / overlaps
- Segregated meal break facilities for those working on-site
- Wearing masks in all but exceptional circumstances and in some cases gloves
- Daily Rapid Antigen Testing, and health and temperature monitoring for everyone working on-site, including contractors

Despite managing to avoid significant business impacts, some productivity was lost due to the isolation requirements for Covid-19 positive, household, and close contact cases. In most cases, absences were able to be managed through the additional effort of other team members which we acknowledge as a positive reflection of commitment to the business and each other.

While we encouraged all of our employees to be Covid-19 vaccinated, we took the decision not to mandate vaccination within the business. This followed a period of consultation and also reflected the high level of vaccination that already existed within the business at the time. The decision was no doubt contentious but we believe it was validated as being the right one for Tatua.

Our subsidiary teams in Japan, China, and the USA were also impacted by Covid-19 and spent a large part of their year either working from home or rostered to work limited days in the office. Despite the restrictions, their local presence continued to be a valuable enabler in closely partnering and supporting the requirements of our customers in those important markets.

Business Performance

Milk supply from our Shareholders was true to forecast for the first half of the year, but fell away later in the season as ongoing dry weather impacted feed supply. The result was a seasonal milksolids supply of 14.71 million kilograms, which was 6% behind the previous season.

Shareholder supplied milksolids were supplemented by milk and cream purchases from other processors. However, the total milksolids processed from all sources still ended up being 2.2 million kilograms lower than the previous season. This flowed through to lower total production of 37,063 metric tonnes.

Our Ingredients business, that contributes approximately 50% of our revenue from the sale of caseinate, whey protein concentrate and anhydrous milkfat, benefitted from record global commodity prices, significantly contributing to our overall earnings result.

Revenue from our more specialised Nutritionals, Flavours, and Foods businesses was also ahead overall, despite Covid-19 related slowdowns in some markets and segments throughout the year. Our deliberate strategy of

remaining well diversified across our range of products, customers, and markets, continued to serve the business well.

We are pleased to report record Group income of $444 million and earnings of $186 million. Our earnings equate to $12.65 per kilogram of Shareholder supplied milksolids before retention for reinvestment and taxation. We elected to retain $1.35 per kilogram of milksolids from total earnings for reinvestment, leaving a cash pay-out to Shareholders of $11.30 per kilogram of milksolids.

We strongly believe in maintaining balance sheet strength and stability within the business, especially during the current period of heightened global uncertainty. However, we were very conscious of balancing the needs of our Shareholder's farming operations with the requirement for continued investment in the business when deciding our cash payout from earnings.

Our gearing (debt divided by debt plus equity) averaged 21% for the year, which was consistent with the previous year average, but lifted to 27% at balance date. This reflected our higher than typical inventory carryover value at year end.

In addition to Covid-19 challenges and positive business growth, the year was also marked by the successful construction of a new hypoallergenic powder ingredients packing line, capacity upgrades in our Foods and Permeate plants, and the completion of a pipeline for the discharge of highly treated wastewater during periods when irrigation is suboptimal.

These projects, along with our processing plant winter maintenance and capital works programmes, were continuously risk assessed for potential Covid-19 disruption and carefully managed and reprioritised, as required, to achieve successful outcomes.

We remain engaged in industry related policy matters, including the He Waka Eke Noa Primary Sector Climate Action Partnership, in a spirit of seeking productive and well-balanced outcomes. We are deeply concerned about the potential consequences of policy uncertainties and ideologically driven outcomes on the viability of our primary sector, and the wellbeing of farmers and their rural communities.

Outlook

Demand for our bulk ingredients remains firm, with pricing holding up at historically high levels. We are well contracted against our current inventory, and our expected production through the remainder of the year.

We are forecasting a notable increase in revenue from our more specialised dairy products as we seek to fully utilise our recent investments in capacity and capability.

We will continue to focus on diversification across our portfolio of markets, products and channels. This will support the achievement of consistent and sustainable returns, and our ability to continue as a dependable, reliable and responsive supply partner to our many global customers.

Over the coming year we will further develop our manufacturing plants and facilities. We are actively considering additional investments in specialist processing capacity where we have the potential to further transition milksolids from commodity ingredient manufacture into more complex and higher value products.

We remain cautiously optimistic that most of the challenges and disruptions we have experienced through Covid-19 are behind us and we hope to soon step down some of the protocols we put in place through the peak periods of community transmission. Nevertheless, we remain well prepared should there be a resurgence.

Shipping schedules and pricing have been reported to be improving in some parts of the world, but we have yet to experience a material improvement locally. Nevertheless, we continue to work closely with our shipping partners to best meet our customer requirements and look forward to seeing this situation change through the course of the year.

Acknowledgements

Firstly, we would like to thank everyone in our team at Tatua, for your perseverance, resilience and commitment in a year that has been especially challenging. Whether it be the uncertainty created by community transmission of the Omicron variant, changes to the way we have worked, remaining connected with colleagues, working short-handed at times, or any of the other related challenges, thank you for staying the course and for all that has been achieved.

Thank you also to our Shareholders for your full and continued support of the Co-operative, including your acknowledgement of the hard work of

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

our team, and your appreciation of the good milksolids return that has helped offset rising on-farm costs.

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

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

Our sincerest thanks to you all.

S.B. Allen

Stephen Allen
Chairman

Brendhan Greaney
Chief Executive Officer

Welcome David Walsh

David Walsh joined the Tatua Board in December 2021 as an independent director.

David has experience in a wide range of organisations, including businesses with complex infrastructure, and consumer products and services, and has led large change projects.

He has a background in financial and corporate affairs including roles as Chief Financial Officer at NZ Post Group, GM Corporate and Finance at KiwiRail, Chief Operating and Chief Financial Officer at the New Zealand Racing Board, and senior finance roles at Fonterra and TransAlta. He is currently Chief Executive Officer of NZ Post Group, a position he has held since May 2017.

As well as being part of the Tatua Board, David is Chair of Tatua's Audit, Risk & Compliance Committee. On behalf of everyone at Tatua, we welcome David.

TOGETHER THROUGH COVID-19

Our teams across the business have worked tirelessly to produce and deliver high-quality dairy solutions to our customers, whilst ensuring the safety of our people and products.

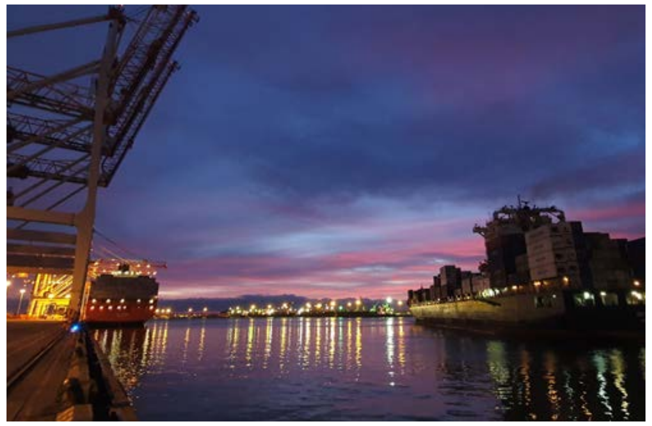
RESPONDING TO COVID-19

Covid-19 on-site protocols and working from home

To minimise the chance of Covid-19 transmission, daily rapid antigen testing, temperature monitoring, mask wearing and segregated teams became normal procedure for our operations teams on site, while those who could work from home, did so for more than nine months. Although challenging at times, it proved to be a successful strategy.

Business continuity online

Whilst our teams were physically segregated, our business continued online. Online meetings became the norm, with our online platforms providing successful tools for business continuity. The Business Solutions and ICT Infrastructure teams worked diligently throughout, ensuring our systems continued to function well.



International shipping challenges

We successfully navigated global shipping challenges. Disruptions through port congestion, vessel delays and container availability, have been ongoing. Exceptional resilience, commitment and teamwork from our teams in New Zealand, Japan, China and the USA, and our logistics partners, has ensured the impact to customer deliveries was kept to a minimum.

Subsidiaries

Our subsidiary sales teams in Japan, China and the USA have maintained their valuable connections with customers. They have worked through lockdowns and maintained flexible working arrangements as Covid-19 restrictions evolved in each of their markets. Toward the end of the year, international travel resumed, allowing a number of our New Zealand-based sales team to visit customers for the first time in two and a half years.

Wellbeing

Despite the Covid-19 challenges our focus on wellbeing continued. Large group events were cancelled in favour of online initiatives that encouraged connectivity within our wider global team. These included online "Coffee with the CEO" sessions, financial wellbeing seminars, online "drop in" rooms, small group team building events, and a wellbeing focused photo competition.

STRONG AND DIVERSIFIED DEMAND

+55%

Ingredients Revenue in Japan

+34%

Flavour Ingredients Revenue in China

$193m

Record Specialty Products Revenue

+28%

Ingredients Revenue

+24%

Specialty Cream Products Revenue – Sold in Ecolean Packaging

Favourable demand for our dairy nutrition has continued this year. Despite the challenges, we have focused on providing timely and reliable supply of our specialised nutritional ingredients and dairy products to meet the needs of our customers worldwide.

$444m

Total Underlying Revenue

+16%

Flavour Ingredients Revenue

+41%

Caseinate Revenue

+10%

Nutritionals Revenue in the USA

+40%

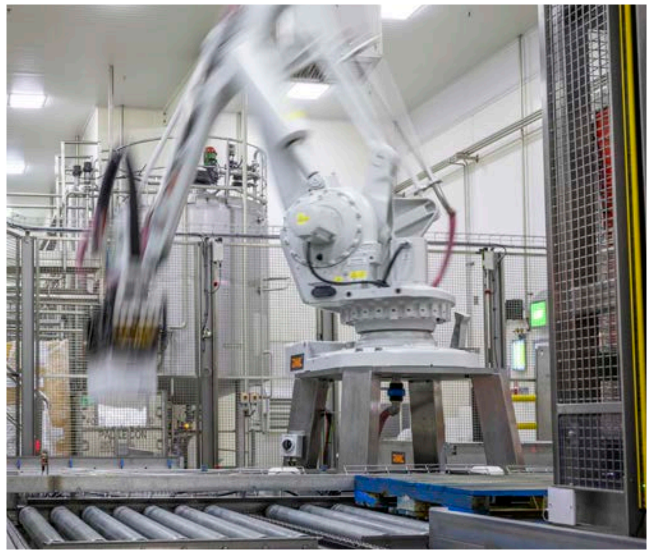
Microbial Nutrition Revenue

INVESTING FOR A SUSTAINABLE FUTURE

We continue to pursue opportunities for long-term investment to support the sustainability of our business. In 2022, this included investment in our manufacturing capabilities and efficiencies, improved environmental, quality and safety outcomes, and supporting our farmers to improve farming practices.

New packing line for hypoallergenic powders

A new $9.8 million packing line for hypoallergenic and reduced allergen powders for Nutritionals customers was installed.



Increased specialty cream capacity

The installation of an upgraded $4.3 million specialty cream filling line including robotic palletising increased our production capacity to support our Foodservice customers.

High solids milk permeate plant

A high solids upgrade of our milk permeate plant was completed to improve supply of lactose ingredients to our customers.

ENVIRONMENTAL SUSTAINABILITY

We have a dedicated and capable environmental team who continue to focus on improving our environmental performance.

Wastewater treatment

Our new wastewater treatment plant was successfully commissioned. The plant utilises natural bacteria and gravity to remove organic content and nutrients from our wastewater. A treated wastewater discharge pipeline to the Waitoa River was consented and installed. We are grateful to the four landowners whose properties the pipeline crosses. Clarified, filtered UV treated, water can now be sent to our irrigation platform, or to the Waitoa River when irrigation conditions are not suitable.

Waste minimisation

Development of a sustainable procurement policy for purchasing raw materials and packaging was completed. Rationalising and redesigning product packaging has significantly reduced waste and improved environmental outcomes.

Water Saving

Seventeen initiatives were completed across the site that reduced water use by a further 2.7%. This adds to a total of 17% water savings over the past five years.

Community

Tatua supported the following community initiatives this year:

- Helped establish a native plant nursery at Tatuanui School. In future the children will plant these native plants on Tatua supply farms to support future generations.
- Provided funds for educational, technology and sports activities to our four local schools.
- Participated in speaking engagements and presentations with local schools and community organisations.

Energy

We completed a comprehensive review of options for decarbonising our manufacturing site, including upgrades to improve efficiency of existing plant, equipment and processes. We will continue our involvement in local and regional carbon reduction initiatives and technologies.

TATUA 360 RESPONSIBLE FARMING PROGRAMME

We continued to support our farmers to improve their farming practices as part of our Tatua 360 responsible farming programme.

Key achievements include:

- More than 75% of Tatua supply farms have Farm Environment Plans in place, with the remainder to be completed in the coming year.
- We supported our farmers to consistently supply premium quality milk.
- A series of workshops on greenhouse gas emissions and farm environment plans held on Tatua farms.

All Tatua farms have:

- Animal care and welfare monitored through annual veterinary consultation.
- 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 reduce the risk of animal disease and plant pest incursions.
- Annual farm dairy assessments carried out to monitor food safety systems and procedures.
- Greenhouse gas emissions modelled and reported annually.

Sustainable on-farm practices

We actively support and engage in wider dairy industry initiatives including He Waka Eke Noa and Dairy Tomorrow to work towards a shared vision for the future of dairying in New Zealand.

FINANCIAL PERFORMANCE SUMMARY

2021/22 IN REVIEW

Total Underlying Revenue

$444m +12%

Group Surplus

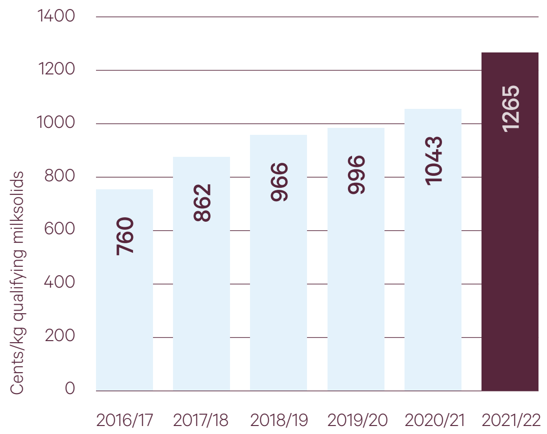
1265 cents/kg qualifying milksolids +21%

Payout to Shareholders

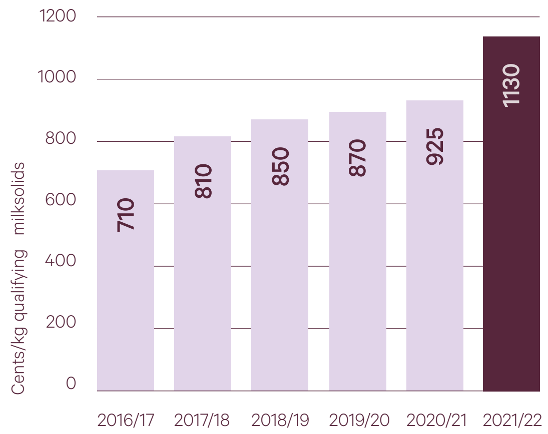
1130 cents/kg qualifying milksolids +22%

Summary	2021/22	2020/21
Total Milk Received from Suppliers (litres)	164,292,606	174,377,146
Qualifying Milksolids Received from Suppliers (kilograms)	14,703,629	15,198,804
Total Underlying Revenue ($)	444,336,892	395,023,052
Group Surplus Before Payout & Tax (cents/kilogram qualifying Milksolids)	1265	1043
Group Depreciation (cents/kilogram qualifying Milksolids)	105	101
Cash Payout to Shareholders (cents/kilogram qualifying Milksolids)	1130	925
Capital Expenditure ($)	51,154,522	21,404,265
Group Assets ($)	339,604,724	306,860,602
Year-End Gearing Ratio: (% Debt to debt plus members funds)	27	20

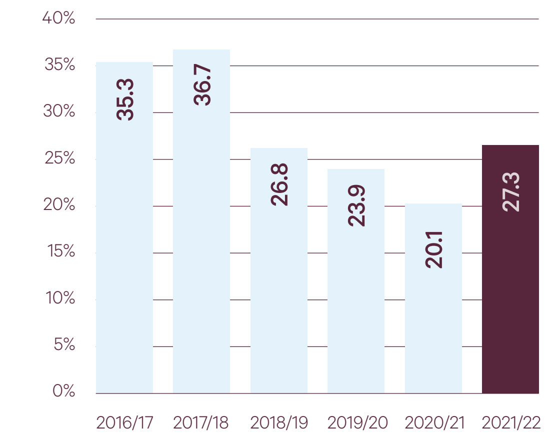
Group Surplus before Payout and Tax



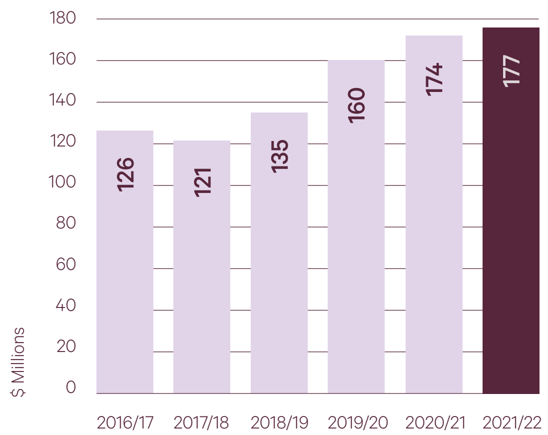
Payout – Income Equivalent



Gearing (% Debt to debt plus members funds)



Members Funds



STATUTORY INFORMATION

for the year ended 31 July 2022

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 Group

The Board of Directors resolved on 27 July 2022 that, in the opinion of the Board, the Group has been a co-operative company during the year ended 31 July 2022 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 Group 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 Group 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 Group;

— Appointing and reviewing the performance of the CEO;

— Setting the terms of CEO and executive management employment;

— Monitoring the financial performance of the Group, 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 and wellbeing processes which protect all people associated with the Group.

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 Group to the CEO through a framework of formal delegations.

The Group'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, Food Safety, Environment, Health and Safety, and policies and procedures for employees.

Board Composition

The Board can have up to seven elected directors from Shareholders, and up to three appointed directors. Pursuant to the Constitution of the Company, one third of elected directors retire by rotation each year, while appointed directors are appointed for a term not longer than three years, after which they are eligible for re-appointment for a further three year term. Elected directors Mark Dewdney and Richard Luxton were re-elected during the year. Appointed director Ross Townshend resigned. David Walsh was appointed and Peter Schuyt was re-appointed as directors 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	1
David Walsh	6
Board Meetings Held	**7**

Board Committees

People and Remuneration Committee: Membership comprises Louise Cullen (Chair), Stephen Allen, Mark Dewdney, Richard Luxton and Peter Schuyt. 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 David Walsh (Chair), Louise Cullen, Mark Dewdney, Julie Langley, Richard Luxton, David Muggeridge and Peter Schuyt. 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 Group fulfils its governance and related responsibilities in regard to the farming activities of the Group 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	$123,333
Louise Cullen	$72,000
Mark Dewdney	$54,667
Julie Langley	$54,667
Richard Luxton	$72,000
David Muggeridge	$54,667
Peter Schuyt	$60,500
Ross Townshend	$16,000
David Walsh	$62,667
	$ 570,500

Directors' Shareholdings

At 31 July 2022 Directors held the following shares in the Group:

	Beneficially Held	Non-Beneficially Held	Held By Associated Persons
Stephen Allen	2,064,940	-	844,960
Louise Cullen	2,917,860	-	-
Mark Dewdney	2,414,470	-	-
Julie Langley	856,030	-	-
Richard Luxton	3,762,980	-	-
David Muggeridge	1,087,450	-	-

Directors' Insurance

The Group paid insurance premiums during the year for Directors and Officers Liability Insurance as permitted by the Constitution and the Companies Act 1993. This insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Group 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 2022 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	50
$110,000 - $119,999	61
$120,000 - $129,999	48
$130,000 - $139,999	25
$140,000 - $149,999	21
$150,000 - $159,999	14
$160,000 - $169,999	11
$170,000 - $179,999	3
$180,000 - $189,999	2
$190,000 - $199,999	7
$200,000 - $209,999	3
$210,000 - $219,999	1
$220,000 - $229,999	2
$230,000 - $239,999	2
$240,000 - $249,999	1
$250,000 - $259,999	2
$260,000 - $269,999	1
$300,000 - $309,999	1
$320,000 - $329,999	1
$360,000 - $369,999	2
$380,000 - $389,999	1
$470,000 - $479,999	1
$510,000 - $519,999	1
$530,000 - $539,999	2
$1,150,000 - $1,159,999	1
	264

Donations & Grants

Donations and grants for the year ended 31 July 2022 were $40,000 (2021: $30,200).

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 Group. Directors who hold shares in the Group 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
	Director	Waikato Valley Cricket Association
	Trustee	Acorn Trust
Mark Dewdney	Director, Shareholder	MDLP General Partner Ltd
	Director	Dairy Goat Co-operative
	Director	Nicholson United Autos Ltd
	Director	Marire General Partner Ltd
	Trustee, Beneficiary	Dewdney Family Trust
	Trustee	Marvic Family Trust
	Trustee	Mark Dewdney Family Trust
	Trustee	Vicki Dewdney Trust
	Partner	Matangi Dairies LP Ltd
Julie Langley	Director, Shareholder	KM & JL Langley Limited
	Shareholder	Langley Trading Ltd
	Shareholder	Langley Foods Ltd

Director	Position	Company
Richard Luxton	Director, Shareholder	Aslan Farms Ltd
	Director	MDLP General Partner Ltd
	Director	Marire General Partner Ltd
	Director	Marire Limited Partnership Ltd
	Partner	Matangi Dairies LP Ltd
	Trustee	Meat the Need
David Muggeridge	Director, Shareholder	Muggeridge Farms Ltd
	Trustee	DP & MA Muggeridge Family Trust
Peter Schuyt	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.
	Trustee	Schuyt Family Trust
Ross Townshend	Chairman, Shareholder	RML Engineering Ltd (and subsidiaries)
Resigned 15 November 2021	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
David Walsh	Director	Datam Ltd
Commenced 16 November 2021	Director	New Zealand Post Holdings Ltd
	Director	Fliway Group Ltd
	Director	Fliway Holdings Ltd
	Director	Fliway International Ltd
	Director	Fliway Logistics Ltd
	Director	Fliway Transport Ltd
	Director	Supply Chain Solutions Ltd

BALANCE SHEET

as at 31 July 2022

	Note	GROUP 2022 ($)	GROUP 2021 ($)
Current Assets			
Cash and Cash Equivalents	14	10,540,247	18,503,154
Derivatives	18	2,362,517	7,968,532
Receivables and Prepayments	13	51,226,559	43,098,021
Tax Receivable		62,657	37,887
Inventories	12	107,617,744	86,425,204
Biological Assets		790,263	499,172
Total Current Assets		172,599,987	156,531,970
Non Current Assets			
Property, Plant and Equipment	9	151,224,283	137,624,406
Investment Property	11	2,236,000	1,698,000
Intangible Assets	10	3,898,000	4,639,705
Derivatives	18	1,949,243	1,161,883
Deferred Tax Asset	8	7,031,993	4,425,559
Equity Accounted Investments		665,218	779,079
Total Non Current Assets		167,004,737	150,328,632
Total Assets		**339,604,724**	**306,860,602**
Current Liabilities			
Loans and Borrowings	16	41,472,191	36,513,000
Derivatives	18	11,486,242	1,754,504
Accounts Payable and Accruals	17	32,137,690	30,038,097
Tax Payable		1,775,060	2,409,999
Owing to Suppliers		37,053,517	35,135,714
Total Current Liabilities		123,924,700	105,851,314
Non Current Liabilities			
Loans and Borrowings	16	35,365,483	25,672,300
Derivatives	18	3,783,402	1,792,493
Total Non Current Liabilities		39,148,885	27,464,793
Total Liabilities Excluding Co-operative Shares Classified as a Liability		**163,073,585**	**133,316,107**
PLUS Co-operative Shares	15	72,285,666	75,749,246
Total Liabilities		235,359,251	209,065,353
Net Assets		104,245,473	97,795,249
Retained Earnings		92,859,949	78,573,676
Reserves		11,385,524	19,221,573
Equity		104,245,473	97,795,249
Members Funds Memorandum Account:			
Co-operative Shares Classified as a Liability	15	72,285,666	75,749,246
Retained Earnings		92,859,949	78,573,676
Reserves		11,385,524	19,221,573
Total Members Funds		**176,531,139**	**173,544,495**

For and on behalf of the Board:

SB Allen Chairman of Directors
14 October 2022

S.B. Allen

DJ Walsh Chairman of Audit, Risk and Compliance Committee
14 October 2022

STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31 July 2022

	Note	GROUP Year Ended 31 July 2022 ($)	GROUP Year Ended 31 July 2021 ($)
Profit or Loss Items			
Revenue from Contracts with Customers	3	436,471,888	383,654,521
less Payments for Own Milk Supplied		(166,246,123)	(143,612,148)
less Other Cost of Sales		(208,422,246)	(192,033,325)
Gross Profit		61,803,519	48,009,048
plus Other Income	3	1,622,408	975,675
less Sales and Marketing Expenses		(29,436,942)	(24,577,451)
less Administration Expenses	4	(13,285,484)	(12,106,260)
Surplus from Operating Activities		20,703,501	12,301,012
Finance Income	6	1,932,167	8,000,309
less Finance Expenses	6	(2,787,168)	(2,383,142)
Net Finance Expense		(855,001)	5,617,167
Surplus before Income Tax		19,848,500	17,918,179
less Income Tax Expense	7	(5,562,227)	(5,021,781)
Net Surplus		**14,286,273**	**12,896,398**
Other Comprehensive Income			
Movement in Land Revaluation Reserve		2,580,653	-
Change in Fair Value of Cash Flow Hedges		(15,225,437)	1,851,327
Movement in Foreign Exchange Reserve		545,613	(490,257)
Income Tax on Other Comprehensive Income		4,263,122	(518,371)
Other Comprehensive Income for the Year		(7,836,049)	842,699
Total Comprehensive Income		**6,450,224**	**13,739,097**

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 2022

GROUP	Translation Reserve ($)	Hedging Reserve ($)	Revaluation Reserve ($)	Retained Earnings ($)	Total Equity ($)
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 Group					
Issue of ordinary shares	-	-	-	-	-
Balance at 31 July 2021	**113,409**	**3,641,398**	**15,466,766**	**78,573,676**	**97,795,249**
Balance at 1 August 2021	**113,409**	**3,641,398**	**15,466,766**	**78,573,676**	**97,795,249**
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	545,613	-	-	-	545,613
Movement in Land Revaluation Reserve	-	-	2,580,653	-	2,580,653
Movement in Hedging Reserve, Net of Tax	-	(10,962,315)	-	-	(10,962,315)
Total Other Comprehensive Income	**545,613**	**(10,962,315)**	**2,580,653**	**-**	**(7,836,049)**
Profit for the Period	-	-	-	14,286,273	14,286,273
Total Comprehensive Income	**545,613**	**(10,962,315)**	**2,580,653**	**14,286,273**	**6,450,224**
Transactions with owners of Group					
Issue of ordinary shares	-	-	-	-	-
Balance at 31 July 2022	**659,022**	**(7,320,917)**	**18,047,419**	**92,859,949**	**104,245,473**

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 2022

	Note	GROUP Year Ended 31 July 2022 ($)	GROUP Year Ended 31 July 2021 ($)
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		433,280,948	394,936,192
Dividends Received		-	2,119
Interest Received		9,654	54,123
		433,290,602	394,992,434
Cash was applied to:			
Payments for Milk		(164,328,321)	(136,271,431)
Payments to Creditors and Employees		(254,070,375)	(226,760,744)
Interest Paid		(2,980,091)	(488,748)
Taxation Paid		(4,565,248)	(3,535,775)
		(425,944,035)	(367,056,698)
Net Cash Flows From / (Applied To) Operating Activities	20	**7,346,567**	**27,935,736**
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds From Sale of Property, Plant and Equipment		35,870	119,861
Proceeds From Sale of Investments		327,573	228,163
		363,443	348,024
Cash was applied to:			
Acquisition of Property, Plant and Equipment		(26,345,509)	(20,883,464)
Acquisition of Intangible Assets		(516,202)	(638,944)
Purchase of Share Investments		-	-
		(26,861,711)	(21,522,408)
Net Cash Flows From / (Applied To) Investing Activities		**(26,498,268)**	**(21,174,384)**
Cash Flows From Financing Activities			
Cash was provided from:			
Increase in Co-operative Shares	15	1,788,840	2,835,090
Proceeds from Borrowings		14,652,374	-
		16,441,214	2,835,090
Cash was applied to:			
Decrease in Co-operative Shares	15	(5,252,420)	(3,082,475)
Repayment of Borrowings		-	(15,944,798)
		(5,252,420)	(19,027,273)
Net Cash Flows From / (Applied To) Financing Activities		**11,188,794**	**(16,192,183)**
Net Increase / (Decrease) in Cash and Cash Equivalents		(7,962,907)	(9,430,831)
Add: Opening Cash and Cash Equivalents Balance		18,503,154	27,933,985
Closing Cash and Cash Equivalents Balance	14	**10,540,247**	**18,503,154**

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 2022. At 31 July 2022 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 21 October 2022.

(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 Group'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 recognise.

(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	
	2022 ($)	2021 ($)
Revenue from contracts with customers	436,471,888	383,654,521
Other Income		
Rental Income from Investment Property	75,000	75,000
Rental Income from Farm Houses	56,881	58,109
Fair Value movement in Investment Property	538,000	-
Insurance Claim Proceeds	38,909	-
MilkTest NZ LP Income	213,721	271,656
Sundry Income	699,897	570,910
	1,622,408	**975,675**
Total Revenue	**438,094,296**	**384,630,196**

	GROUP	
Analysis of revenue from contracts with customers	2022 ($)	2021 ($)
Nature of Revenue		
Sale of goods	434,682,083	381,427,287
Royalties/Commissions	1,789,805	2,227,234
	436,471,888	**383,654,521**
Timing of revenue recognition		
At a point in time	418,609,292	365,231,350
Over time	17,862,596	18,423,171
	436,471,888	**383,654,521**
Disaggregation of Revenue		
Australasia (NZ and AUS)	126,108,247	108,242,652
Asia / Pacific	244,259,855	217,259,627
Americas / Europe	63,806,206	55,927,085
Other	2,297,580	2,225,157
	436,471,888	**383,654,521**

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	2022 ($)	2021 ($)
NZ IFRS Revenue from Contracts with Customers	3	436,471,888	383,654,521
Other Income	3	1,622,408	975,675
Net Foreign Exchange Loss	6	1,922,513	7,946,186
Agency Shipping costs offset		4,320,083	2,446,670
Non-GAAP measure: Total Underlying Revenue		**444,336,892**	**395,023,052**

4 — ADMINISTRATION EXPENSES

	GROUP	
	2022 ($)	2021 ($)
The following items are included in administration expenses:		
Directors' Fees	570,500	504,000
Directors' Expenses*	17,974	33,946

* 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.

Auditors Remuneration (KPMG)		
Audit of Financial Statements	235,480	236,038
Other Services**	67,926	38,608

** 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	
	2022 ($)	2021 ($)
Wages and Salaries	48,021,500	46,093,155
Superannuation Contributions and Other Employee Related Expenses	4,740,577	4,312,874
Change in Liability for Short-term Employee Benefits (Annual Leave and Days in Lieu)	1,137,108	385,418
	53,899,185	**50,791,447**

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	2022 ($)	2021 ($)
Interest Income	9,654	54,123
Net Foreign Exchange Gain	1,922,513	7,946,186
Total Finance Income	**1,932,167**	**8,000,309**
Financial Overheads	(23,374)	(34,811)
Interest Expense on External Borrowings	(2,763,794)	(2,348,331)
Total Finance Expense	**(2,787,168)**	**(2,383,142)**
Net Finance Income / (Expense)	**(855,001)**	**5,617,167**

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 2022 ($)	2021 ($)
Current Tax Expense		
Current Period	5,854,608	5,894,576
Adjustment for Prior Periods	(1,949,069)	(19,408)
	3,905,539	5,875,168
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	(483,184)	(845,697)
Adjustment for Prior Periods	2,139,872	(7,690)
	1,656,688	(853,387)
Total Income Tax Expense	**5,562,227**	**5,021,781**

Reconciliation of Effective Tax Rate	2022 (%)	GROUP 2022 ($)	2021 (%)	2021 ($)
Profit for the Period	-	14,286,273	-	12,896,398
Total Income Tax Expense	-	5,562,227	-	5,021,781
Profit Excluding Income Tax	**-**	**19,848,500**	**-**	**17,918,179**
Income Tax Using the Group's Domestic Tax Rate	28.0	5,557,580	28.0	5,017,090
Impact of Tax Rate in Foreign Countries	(0.3)	(64,446)	(0.9)	(168,855)
Tax Exempt Income	(0.8)	(150,640)	0.0	-
Non-deductible Expenses	0.2	35,289	1.1	201,239
Legislative Change of Depreciation on Buildings	0.0	(6,359)	(0.0)	(0)
Tax Credits on Dividend Income	0.0	-	(0.0)	(593)
Recognition of Previously Unrecognised Tax Losses	0.0	-	0.0	-
Under/(Over) Provided in Prior Periods	1.0	190,803	(0.2)	(27,100)
	28.0	**5,562,227**	**28.0**	**5,021,781**

Income Tax Recognised Directly in Other Comprehensive Income	GROUP 2022 ($)	2021 ($)
Income Tax on Derivatives	4,263,122	(518,371)

Imputation Credits	GROUP 2022 ($)	2021 ($)
Imputation Credits Available for use in Subsequent Reporting Periods	39,981,302	37,498,277

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 2022 ($)	Assets 2021 ($)	Liabilities 2022 ($)	Liabilities 2021 ($)	Net 2022 ($)	Net 2021 ($)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	430,019	2,673,541	-	-	430,019	2,673,541
Investment Property	-	-	(77,199)	(83,558)	(77,199)	(83,558)
Derivatives	2,847,024	-	-	(1,416,099)	2,847,024	(1,416,099)
Inventory	1,728,479	1,596,165	-	-	1,728,479	1,596,165
Provisions and Accruals	2,103,670	1,655,509	-	-	2,103,670	1,655,509
Other items	-	-	-	-	-	-
Tax Assets /(Liabilities)	**7,109,192**	**5,925,215**	**(77,199)**	**(1,499,657)**	**7,031,993**	**4,425,558**

Movement in Temporary Differences During The Year	Balance 1 August 2020 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2021 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2022 ($)
Deferred tax assets and liabilities are attributable to the following:							
Property, Plant and Equipment	2,039,222	634,319	-	2,673,541	(2,243,522)	-	430,019
Investment Property	(83,558)	-	-	(83,558)	6,359	-	(77,199)
Derivatives	(897,727)	-	(518,371)	(1,416,098)	-	4,263,122	2,847,024
Inventory	1,371,646	224,519	-	1,596,165	132,314	-	1,728,479
Provisions and Accruals	1,660,960	(5,451)	-	1,655,509	448,161	-	2,103,670
Other items	-	-	-	-	-	-	-
Deferred Tax Assets /(Liabilities)	**4,090,543**	**853,387**	**(518,371)**	**4,425,559**	**(1,656,688)**	**4,263,122**	**7,031,993**

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 Group 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 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	21,373,404	190,543	34,351,778
Revaluation of Land to Fair Value	-	-	-	-	-	-	-	-
Disposals	-	-	(147,085)	(603,706)	(176,155)	-	-	(926,946)
Capitalisation of Work in Progress						(12,947,513)		(12,947,513)
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**
Balance at 1 August 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
Additions	-	18,924	5,083,003	18,961,834	151,965	26,163,955	774,841	51,154,522
Revaluation of Land to Fair Value	2,580,653	-	-	-	-	-	-	2,580,653
Disposals	-	-	-	(1,717,952)	(37,622)	-	(595,361)	(2,350,935)
Capitalisation of Work in Progress	-	-	-	-	-	(24,558,255)	-	(24,558,255)
Effect of Movement in Exchange Rates	-	-	-	(13,561)	-	-	14,168	607
Balance at 31 July 2022	**22,424,000**	**3,938,393**	**62,601,188**	**229,218,798**	**3,826,681**	**24,267,469**	**2,111,148**	**348,387,677**
DEPRECIATION AND IMPAIRMENTS								
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**
Balance at 1 August 2021	-	2,103,363	19,969,238	158,272,507	2,642,639	-	948,932	183,936,679
Depreciation	-	177,297	1,702,009	12,758,454	349,279	-	476,351	15,463,390
Disposals	-	-	-	(1,659,268)	(35,114)	-	(539,388)	(2,233,770)
Effect of Movement in Exchange Rates	-	-	-	(17,621)	-	-	14,716	(2,905)
Balance at 31 July 2022	**-**	**2,280,660**	**21,671,247**	**169,354,072**	**2,956,804**	**-**	**900,611**	**197,163,394**
CARRYING AMOUNTS								
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**
At 1 August 2021	19,843,347	1,816,106	37,548,947	53,715,970	1,069,699	22,661,769	968,568	137,624,406
At 31 July 2022	**22,424,000**	**1,657,733**	**40,929,941**	**59,864,726**	**869,877**	**24,267,469**	**1,210,537**	**151,224,283**

POLICY

(a) Recognition and Measurement of 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 $216,297 (2021: $488,748).

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 2022 the Group has determined that no indication of impairment exists.

(d) Recognition and Measurement of Assets at Fair Value

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

A revaluation was undertaken as at 31 July 2022 by Fergusson Lockwood and Associates Ltd, independent registered valuers. The land was valued at $22.424m, an increase of $2.581m from the last valuation undertaken as at 31 July 2020. 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 land at cost when purchased was $4,397,051.

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

Capital Commitments

During the period ended 31 July 2022, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is $5,978,987 (2021: $3,293,076). These commitments are expected to be settled in the following financial year.

10 — INTANGIBLE ASSETS

	GROUP	
	Software ($)	Total ($)
COST		
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**
Balance at 1 August 2021	10,890,802	10,890,802
Additions	516,203	516,203
Disposals	-	-
Balance at 31 July 2022	**11,407,005**	**11,407,005**
AMORTISATION AND IMPAIRMENT LOSSES		
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**
Balance at 1 August 2021	6,251,097	6,251,097
Amortisation for the Year	1,257,908	1,257,908
Disposals	-	-
Balance at 31 July 2022	**7,509,005**	**7,509,005**
CARRYING AMOUNTS		
At 1 August 2020	5,087,732	5,087,732
At 31 July 2021	**4,639,705**	**4,639,705**
At 1 August 2021	4,639,705	4,639,705
At 31 July 2022	**3,898,000**	**3,898,000**

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	
	2022 ($)	2021 ($)
Balance at 1 August	1,698,000	1,698,000
Change in Fair Value	538,000	-
Balance at 31 July	**2,236,000**	**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 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	
	2022 ($)	2021 ($)
Finished Goods	88,973,129	72,937,462
Raw Materials	18,644,615	13,487,742
Total Inventories	**107,617,744**	**86,425,204**

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). At balance date there was a provisional write down of $2,869,384 (2021: $1,831,939) relating to inventory that had a net realisable value less than its cost of manufacture.

GROUP	2022 ($)	2021 ($)
Inventory valued at net realisable value included in finished goods above:	2,071,294	676,262

13 — RECEIVABLES & PREPAYMENTS

	GROUP 2022 ($)	GROUP 2021 ($)
Trade Receivables	46,985,308	38,763,140
Prepayments and Sundries	4,241,251	4,334,882
	51,226,559	**43,098,021**

Trade Receivables Denominated in Foreign Currencies	USD ($)	AUD ($)	JPY (¥)	CNY (¥)
2022	8,820,426	1,474,427	1,589,741,813	34,721,730
2021	10,096,409	3,046,240	790,831,588	33,389,415

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 2022 ($)	GROUP 2021 ($)
JPY Bank Deposits	1,747,305	3,828,704
USD Bank Deposits	436,110	1,206,465
CNY Bank Deposits	7,784,740	4,957,646
NZD Bank Deposits	572,092	8,510,339
Cash and Cash Equivalents in the Statement of Cash Flows	**10,540,247**	**18,503,154**

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 qualifying 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 Group's Issued Shares were as follows:

	2022 Shares	2022 ($)	2021 Shares	2021 ($)
Shares at the beginning of the Year	151,498,490	75,749,246	151,993,262	75,996,631
Shares Issued	3,577,680	1,788,840	5,670,180	2,835,090
Shares Repurchased	(10,504,840)	(5,252,420)	(6,164,952)	(3,082,475)
Fully Paid Shares at the end of the Year	**144,571,330**	**72,285,666**	**151,498,490**	**75,749,246**
Treasury Stock	7,738,565		811,405	

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 Group.

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.

	2022 ($)	2021 ($)
Current		
JPY Bank Loans	3,697,519	4,031,044
USD Bank Loans	2,383,601	2,134,240
NZD Bank Loans	35,000,000	30,000,000
Lease Liabilities	391,071	347,716
	41,472,191	**36,513,000**
Non Current		
NZD Bank Loans	34,500,000	25,000,000
Lease Liabilities	865,483	672,300
	35,365,483	**25,672,300**
Total Loans and Borrowings	**76,837,674**	**62,185,300**

2022	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current	JPY	1.09%-1.325%	2023	310,000,000	3,697,519
	USD	2.33%	2023	1,500,000	2,383,601
	NZD	3.09%	2023	35,000,000	35,000,000
	NZD	2.94%-4.15%	2023	391,071	391,071
Non Current	NZD	3.23%-4.52%	2024 - 2025	34,500,000	34,500,000
	NZD	2.94%-4.15%	2024 - 2033	865,483	865,483

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

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 2025 of NZD $25.5 million, JPY ¥690 million and USD $1.5 million (2021: NZD $45.0 million, JPY ¥1,090 million and USD $1.5 million). The JPY and USD loans are held by the respective subsidiaires.

17 — ACCOUNTS PAYABLE & ACCRUALS

	GROUP	
	2022 ($)	2021 ($)
Trade Payables	12,955,811	9,771,035
Employee Entitlements	8,964,280	7,827,172
Income in Advance	1,652,949	1,148,439
Accruals	8,564,650	11,291,451
Total Accounts Payable and Accruals	**32,137,690**	**30,038,097**

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
2022 Interest Rate Hedges	5,000,000	32,000,000	37,000,000
2021 Interest Rate Hedges	5,000,000	27,000,000	32,000,000

	GROUP	
	2022 ($)	2021 ($)
Fair Value		
Current Liabilities	-	(88,058)
Non Current Liabilities	-	(723,223)
Current Assets	7,141	-
Non Current Assets	853,334	198,767
Net Fair Value of Interest Rate Hedges	**860,475**	**(612,514)**

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.

2022		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts	Buy	271,165,759	108,457,345	379,623,104
	Sell	-	-	-
Option Contracts	Call	31,907,475	6,226,780	38,134,255
	Put	(32,754,783)	(6,590,240)	(39,345,023)

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)

Fair Value	2022 ($)	2021 ($)
Current Assets	2,355,376	7,968,532
Non Current Assets	1,095,909	963,116
Current Liabilities	(11,486,242)	(1,666,446)
Non Current Liabilities	(3,783,402)	(1,069,270)
Net Fair Value of Foreign Currency Hedges	**(11,818,359)**	**6,195,932**

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 2022 financial year was a loss of $45,388 (2021: gain of $8,036,513).

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. As at 31 July 2022 the gearing ratio was 27.3% (2021: 20.1%). 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 (2021: $70,000,000). The Group is not subject to any other 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	
	2022 ($)	2021 ($)
Australasia (NZ and AUS)	7,314,496	9,565,358
Asia / Pacific	33,630,512	21,607,025
Americas / Europe	5,807,697	6,879,171
Other	6,192	711,586
Total Trade Receivables (Note 13)	**46,758,897**	**38,763,140**

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

	Gross Receivable 2022 ($)	Impairment 2022 ($)	Gross Receivable 2021 ($)	Impairment 2021 ($)
Not Past Due	39,343,152	-	36,796,052	-
Past Due 0-30 days	7,415,745	-	1,948,010	-
Past Due 31-120 days	-	-	19,078	-
Total Trade Receivables (Note 13)	**46,758,897**	**-**	**38,763,140**	**-**

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		2022 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	(76,837,674)	(76,837,674)	(217,775)	(41,254,416)	(4,763,388)	(30,602,095)
Accounts Payable and Accruals	17	(21,520,461)	(21,520,461)	(21,520,461)	-	-	-
Owing to Suppliers		(37,053,516)	(37,053,516)	(37,053,516)	-	-	-
Co-operative Shares		(72,285,666)	(72,285,666)	-	(72,285,666)	-	-
Total Non-Derivative Financial Liabilities		**(207,697,317)**	**(207,697,317)**	**(58,791,752)**	**(113,540,082)**	**(4,763,388)**	**(30,602,095)**
Derivative Financial Liabilities							
Interest Rate Swaps		-	-	-	-	-	-
Options Contracts		(1,564,356)	(1,564,356)	(900,222)	(267,757)	(396,377)	-
Forward Exchange Contracts							
- Outflow		(13,705,288)	(325,490,489)	(131,340,988)	(91,796,079)	(102,353,422)	-
- Inflow		-	311,785,201	125,031,137	87,686,883	99,067,181	-
Total Derivative Financial Liabilities		**(15,269,644)**	**(15,269,644)**	**(7,210,073)**	**(4,376,953)**	**(3,682,618)**	**-**

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	(21,062,486)	(21,062,486)	(21,062,486)	-	-	-
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		**(194,132,746)**	**(194,132,746)**	**(56,410,077)**	**(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)**

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:

2022	USD ($)	AUD ($)	CNY (¥)	JPY (¥ - 000's)
Net Cash Flow Exposure Before Hedging	103,094,914	52,289,977	436,836,358	5,472,994
less Foreign Exchange Contracts and Options	(127,000,000)	(63,000,000)	(315,000,000)	(3,150,000)
Net Unhedged Exposure	**(23,905,086)**	**(10,710,023)**	**121,836,358**	**2,322,994**

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**

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:

2022	NZD ($)	USD ($)	AUD ($)	CNY (¥)	JPY (¥)	EUR (€)
Cash and Cash Equivalents	(520,073)	241,113	7,105	33,130,203	164,510,268	480,227
Loans and Borrowings	(69,500,000)	(1,500,000)	-	-	(310,000,000)	-
Interest Rate Swaps	37,000,000	-	-	-	-	-
Net Unhedged Exposure	**(33,020,073)**	**(1,258,887)**	**7,105**	**33,130,203**	**(145,489,732)**	**480,227**

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**

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 2022 it is estimated that a general increase of one percentage point in NZ interest rates would decrease Group profit before income tax by approximately $395,880 (2021: $318,762). 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 NZD. At 31 July 2022 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 $6,009,037 (2021: increase by $2,921,506). Foreign exchange hedging has been included in this calculation.

20 — RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Year Ended 31 July 2022 ($)	Year Ended 31 July 2021 ($)
Profit (Loss) for the Year	14,286,273	12,896,398
Adjustments for Non Cash Items		
Depreciation	15,463,390	15,275,557
Amortisation of Intangible Assets	1,257,908	1,086,970
Movement in Deferred Tax	(2,606,434)	(335,016)
Revaluation of Investment Property	(538,000)	-
Revaluation of Biological Assets	(393,287)	(203,666)
Movement in Investments	(213,711)	(147,644)
Loss/(Gain) on Sale of Property, Plant and Equipment	43,322	12,653
Total Non Cash Items	13,013,188	15,688,854
Movements in Working Capital		
Trade and Other Receivables	(8,153,307)	5,403,960
Derivatives – Assets	4,818,654	(1,811,228)
Derivatives – Liabilities	11,722,647	(538,227)
Inventories	(21,192,540)	(16,530,680)
Biological Assets	102,193	747,371
Owing to Suppliers	1,917,803	7,340,717
Trade and Other Payables	1,464,655	4,384,618
Total Movements in Working Capital	(9,319,895)	(1,003,469)
Items Classified as Investing / Financing Activities	(10,632,999)	353,953
Net Cash Flows From/(Applied to) Operating Activities	**7,346,567**	**27,935,736**

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 2022 ($)	Year Ended 31 July 2021 ($)
Short Term Employee Benefits	2,137,353	2,296,221
Long Term Employee Benefits	-	-
	2,137,353	**2,296,221**

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 (2021: 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 $570,500 (2021: $504,000), 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 ($)	Payable 31 July 2022 ($)	Amounts Received ($)	Receivable 31 July 2022 ($)
Foodstuffs North Island	Peter Schuyt	-	-	5,839,369	521,554
DairyNZ	Peter Schuyt	-	-	-	-
RML Engineering Ltd	Ross Townshend	3,159,888	41,560	-	-
Nicholson United Autos Ltd	Mark Dewdney	3,069	-	-	-
AgResearch Limited	Louise Cullen	6,210	-	-	-
		3,169,167	**41,560**	**5,839,369**	**521,554**

Tax Management NZ Ltd (Peter Schuyt) - During the year the group utilised the services of Tax Management NZ Ltd to make tax payments through to the IRD in the ordinary course of business.

	Value of Transactions 2022 ($)	Balance Outstanding 31 July 2022 ($)	Value of Transactions 2021 ($)	Balance Outstanding 31 July 2021 ($)
Directors' Farm Supply (included in Owing to Suppliers)	14,167,140	2,679,000	10,665,892	2,472,105

22 — GROUP ENTITIES

	Country of Incorporation	Ownership Interest 2022	Ownership Interest 2021
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 NZ LP	New Zealand	10%	10%

POLICY

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has rights or exposure 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 2022 that would impact these financial statements.

Independent Auditor's Report

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

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of The Tatua Co-operative Dairy Company Limited (the 'company') and its subsidiaries (the 'group') on pages 24 to 52:

i. Present fairly in all material respects the group's financial position as at 31 July 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— The consolidated balance sheet as at 31 July 2022;

— 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.

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 consolidated financial statements* section of our report.

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $3.7m 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.

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 $108 million (2021: $86 million) which represents 32% of total assets. A significant portion of the cost of finished goods inventory is represented by an estimated cost for milk solids supplied by co-operative shareholders and actual cost for milk produced by other suppliers. The group has determined that the estimated cost of the milk solids supplied from co-operative shareholders is best represented by the Farmgate Milk Price calculated in accordance with the Farmgate Milk Price Manual. A model is prepared to calculate the weighted average cost of milk solids supplied from both co-operative shareholders and other suppliers. The weighted average cost of milk solids supplied is then split into the individual cost for three core product ingredients (Fat, Whey protein and Casein protein). The model incorporates a number of significant inputs, including the Farmgate Milk Price, purchased milk cost from other suppliers, and a valued component ratio of fat to protein. The judgment required to consider these variabilities and uncertainties are the reason we have considered this a key audit matter.	Our audit procedures included, among others, challenge of management's significant input assumptions in the model. We considered the appropriateness of management's use of the Farmgate Milk Price as the best estimate of the cost of milk solids supplied from the co-operative shareholders. We compared the Farmgate Milk Price used to the latest publicised rate for the 2021/22 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 2021/22 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, 2021 / 2022 In Review and 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 consolidated 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 consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— Assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

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

Our objective is:

— To obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— To issue an independent auditor's report that includes our opinion.

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Hamilton

21 October 2022

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Willis Towers Watson Ltd

Chairman

SB Allen

Directors

SB Allen
Dr. LE Cullen
MBN Dewdney
JL Langley
RJ Luxton
DP Muggeridge
PM Schuyt
DJ Walsh

Chief Executive Officer

BA Greaney

General Manager Finance & Corporate Administration

ML Bull

General Manager Operations

TA Keir

General Manager Marketing & Sales

SJ Rolfe

General Manager Co-operative Affairs

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