TATUA

2019 ANNUAL REPORT


TATUA

TATUA



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TATUA

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YEAR IN REVIEW

FINANCIAL STATEMENTS

2019 KEY HIGHLIGHTS

GROUP OPERATING REVENUE

$364m

TOTAL EARNINGS PER KG MILKSOLIDS

$9.66

CASH PAYOUT TO SHAREHOLDERS PER KG MILKSOLIDS

$8.50

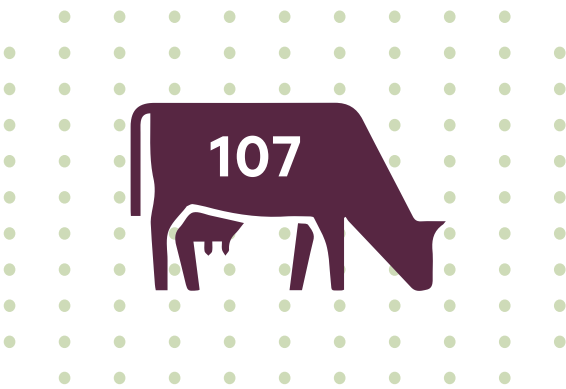
PRODUCTS EXPORTED

88%

GEARING RATIO

27%

SUPPLY FARMS



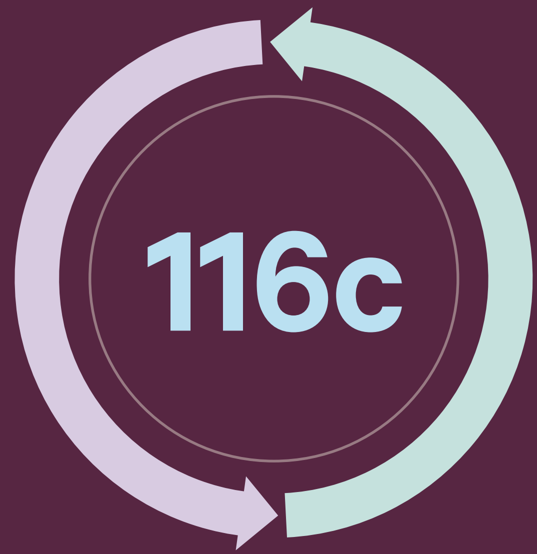
TOGETHER WE ARE BUILDING THE FUTURE OF SPECIALISED DAIRY

SPECIALTY ADDED VALUE SALES % OF TOTAL REVENUE

53%

WE'VE LOVED DAIRY SINCE 1914

REINVESTMENT PER KG MILKSOLIDS



MILKSOLIDS RECEIVED FROM SUPPLIERS (KG)

14.5m

% OF EMPLOYEES WHO ARE PROUD TO WORK AT TATUA – 2019 EMPLOYEE SURVEY RESULTS

90%

PASSIONATE AND DEDICATED

REPORT FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

“Thank you to all our people at Tatua for your dedication and commitment in what was another very productive and complete year. The financial result is only one indicator of the contribution you have made and all that you have achieved.”

The 2018/19 financial year was outstanding for Tatua. This was particularly so when viewed against the background of an uncertain and challenging international and domestic environment, including growing trade tensions between some of our important markets.

At home in New Zealand, our farmers have faced a wave of policy developments - most notably, new environmental policy relating to carbon emissions and healthy waterways. We continue to support our farmers and approach these matters constructively alongside our industry colleagues.

Given this economic and political environment, we are delighted to have achieved record revenue of $364 million and earnings of $140 million in the Co-operative’s 105th year of business. This was the result of combined effort by all of our people; from our supplying farms through to our teams in market, and all who partner and support us.

A total of 14.5 million kilograms of milksolids was received from our Shareholders, which is our divisor for earnings. Supply was slightly lower than last season, reflecting the very dry summer conditions. We also purchased less milksolids from external suppliers.

Demand for our bulk ingredient product mix of caseinate, whey protein concentrate and anhydrous milk fat through the year was steady, with pricing relatively stable at favourable levels. However, the overall income from this important part of our business reduced due to the lower volume of milksolids processed.

Continued focus on developing our more specialised businesses, including bionutrients, nutritional ingredient powders, flavour ingredients, and consumer and foodservice products, contributed significantly to the growth in income and the annual result.

Our total earnings of $140 million divided by the shared milksolids supplied equates to $9.66 per kilogram of milksolids before retentions and taxation. We elected to retain $1.16 per kilogram of milksolids from total earnings for reinvestment, leaving a cash payout of $8.50 per kilogram of milksolids.

In deciding our retention, we sought to strike a balance between providing a strong cash payout to our Shareholders, being able to continue to fund our capital programme in the business, and maintaining our debt levels within an acceptable range.

We have progressed our environmental sustainability initiatives, including completing farm environmental plans with the co-operation and support of our Shareholders on just less than 20% of our supplying farms. We have captured learnings from this first year of the rollout and will be targeting completion of a greater number of plans over the year ahead.

After nearly twelve months of planning, we have committed $15 million of capital to the next phase of our wastewater treatment development, following an earlier investment of over $6 million. It is our long term goal to have water leave our processing facilities as pure as the water that we have received. We intend to progressively improve our overall environmental performance as part of our broader sustainability platform.

OUTLOOK

Our capital investment programme for the year ahead will be almost double our annual depreciation and will be focussed mainly on infrastructure and manufacturing process improvements. We continue to have sufficient capacity within our existing processing plant to enable growth and further optimisation of our more specialised businesses in particular.

We acknowledge the considerable uncertainty that still exists within the global trade environment and the requirement to remain well diversified across markets, customers and product groups. We also believe it is important to remain nimble and flexible in order to respond to the evolving risks and opportunities.

We remain concerned about aspects of the proposed domestic environmental policy changes as well as how the considerable uncertainty created is impacting farmers. We value the opportunity to submit our views on the policy changes through the various consultation processes, both directly and via industry organisations.

We are encouraging our Shareholders to scrutinise the proposed policies and communicate their concerns to the Government, as well as relaying the substantial improvements they have already made to the environmental performance of their farms.

It is our very sincere hope that through consultation, and broad industry and community engagement, sensible and pragmatic policy outcomes will be achieved that will benefit the environment without being detrimental to our urban and rural communities.

Despite heightened uncertainty, we are encouraged that global demand for dairy remains strong and that supply and demand deficits continue to widen in a number of the markets in which we operate. For these reasons we remain positive in our outlook for the year ahead and the longer term viability of dairy.

ACKNOWLEDGEMENTS

Firstly, thank you to all our people at Tatua for your dedication and commitment in what was another very productive and complete year. The financial result is only one indicator of the contribution you have made and all that you have achieved.

Thank you to our Shareholders for your full and continued support for the Co-operative and our people, as well as the high quality milk you continue to supply.

We would also like to thank all of our providers of goods and services who work closely with us in our day-to-day operations across the business. We value the relationships we have with you, some of which began when the Company was established over 105 years ago.

Finally, a sincere thank you to all of our very valued customers in all of our markets. We appreciate your business and look forward to continuing to work collaboratively with you over the year ahead.

S.B. Allen

STEPHEN ALLEN
CHAIRMAN

BRENDHAN GREANEY
CHIEF EXECUTIVE OFFICER

WELCOME RICHARD LUXTON DIRECTOR

Richard joined the Tatua Board of Directors in November 2018. Richard continues a proud family history with Tatua; the Luxton family have continuously supplied milk to Tatua since 1921. Richard is a sixth generation dairy farmer.

Richard's career has included time in manufacturing and supply chain roles, both locally and globally, prior to focusing on dairy farming. He has extensive corporate farming experience having been involved in managing two large scale farming businesses in both the North and South Island. He has a Commerce Degree and a Diploma in Agribusiness. In 2013, Richard completed the Kellogg Rural Leadership Programme.

He is a director of JD & RD Wallace Ltd and Kotare Ltd, two Waikato and King Country based farming groups. Richard is also on the St Peter's School Foundation Committee.

FAREWELL DR. KEVIN OLD DIRECTOR

2019 marks Kevin Old's 26th year as a Tatua Director, although his links with Tatua go back more than three generations to 1922.

Kevin's contributions over his 26 years as a board member have included time as Tatua's Deputy Chairman, Chairman of the People and Remuneration Committee of the Board, as well as serving on the Finance, Audit and Risk and Farm Advisory Committees.

During his farming career, Kevin has continued his academic studies, completing a Ph.D. entitled: 'An Integrated Theory of the Roles of Governing Boards of New Zealand and Australian Co-operative Dairy Companies'. This research gave him a unique perspective on Tatua and the co-operative style of organisation that has served the Company so well.

With extensive dairy industry experience, including a prestigious Nuffield Scholarship he has been closely involved with the development of New Zealand's animal traceability scheme and the Dairy Companies Association of New Zealand. Kevin is currently an academic at Lincoln University teaching Agri-business.

When Kevin joined the Tatua Board in 1993 the Company processed the equivalent of seven million kilograms of milksolids from 142 shareholder suppliers. This compares to approximately 15 million kilograms from 107 shareholder suppliers today. Tatua's gross revenue was $46.3 million in 1993 versus $364 million in the year ended July 2019.

It gives us great pleasure to acknowledge and thank Kevin for his 26 years of service to Tatua. We will miss Kevin's wisdom, great intellect, sense of humour and unparalleled commitment to, and understanding of, co-operative principals.

Fortunately Kevin and the Old family will continue as part of the Tatua Shareholder family.

Thank you so much Kevin for your wonderful contribution to Tatua.

TATUA TOGETHER

AT TATUA WE SHARED MANY ACHIEVEMENTS AND EVENTS TOGETHER DURING THE YEAR

85%

OF TATUA EMPLOYEES COMPLETED THE 2019 EMPLOYEE SURVEY

"I LOVE WORKING HERE AND BELIEVE THAT TATUA VALUES IT'S EMPLOYEES AND TREATS THEM WELL GIVING PLENTY OF OPPORTUNITY FOR PERSONAL AND CAREER GROWTH."

150

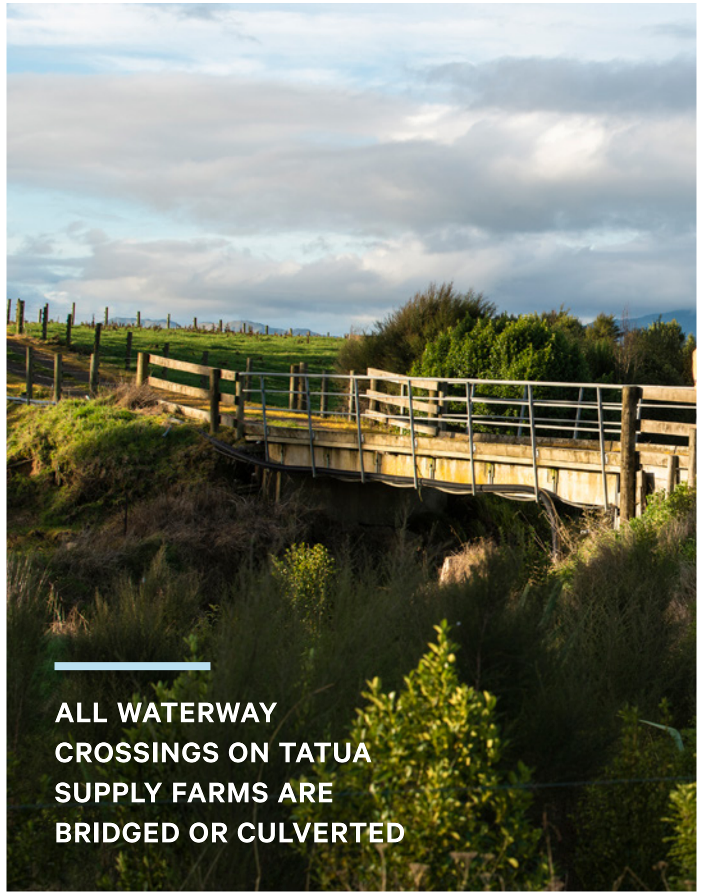
STAFF AND SHAREHOLDERS ATTENDED FAMILY DAY

NEW TANKER DESIGN LAUNCHED

CORPORATE CHALLENGE CYCLE TEAM

AT TATUA WE CARE

GREENHOUSE GAS EMISSIONS ARE ESTIMATED AND REPORTED FOR ALL TATUA FARMS



ALL WATERWAY CROSSINGS ON TATUA SUPPLY FARMS ARE BRIDGED OR CULVERTED

STOCK ARE EXCLUDED FROM ALL WATERWAYS

ALL FARMS HAVE A NUTRIENT BUDGET COMPLETED TO MODEL NUTRIENT UTILISATION

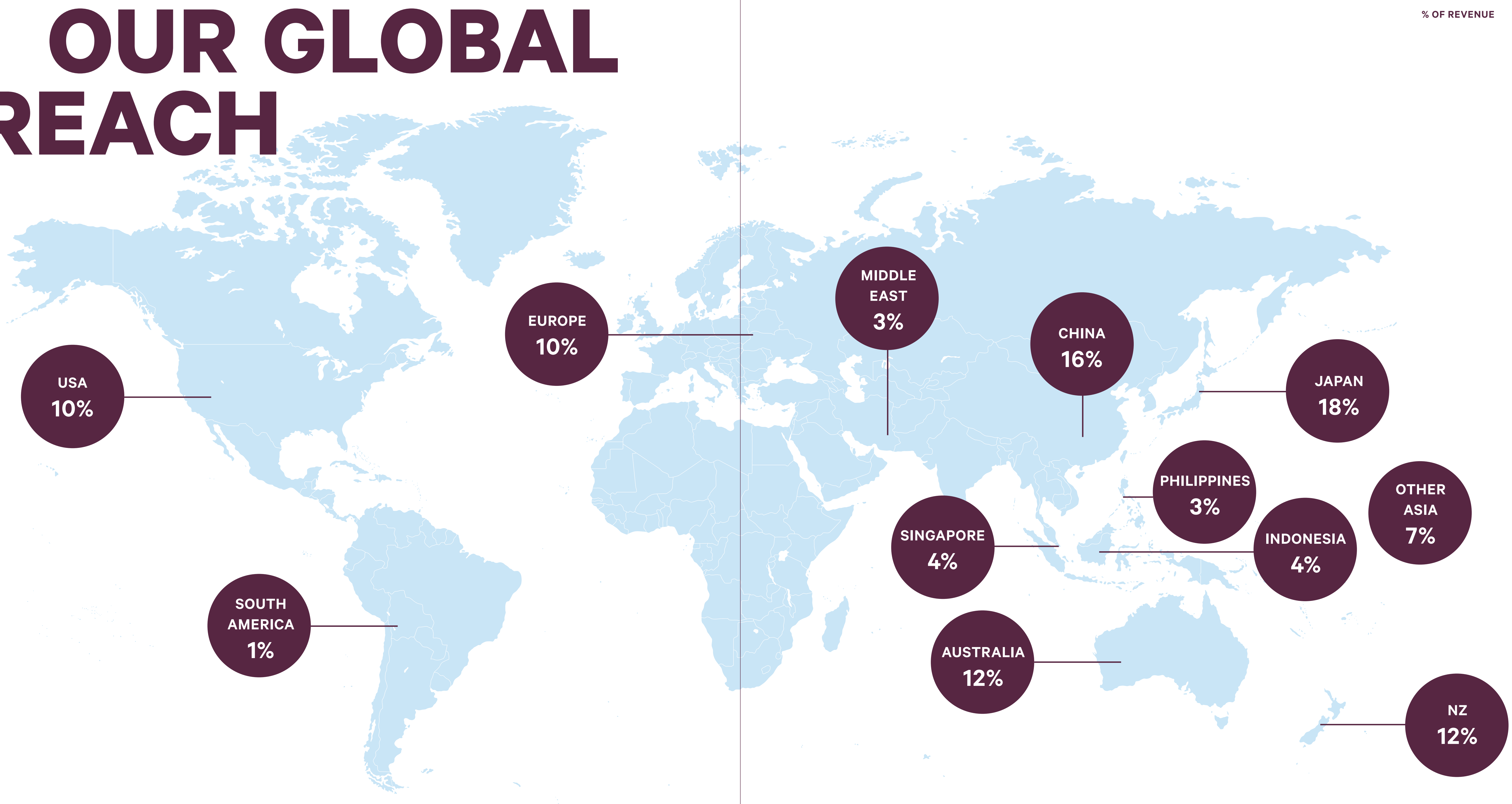
GREATER UTILISATION OF RECOVERED WATER ACROSS SITE

ALL TATUA FARMS WILL HAVE A FARM ENVIRONMENT PLAN BY 2023

PHASE TWO OF WASTEWATER TREATMENT PLANT CONSTRUCTION BEGINS

10 PROJECTS COMPLETED, SAVING 31 MILLION LITRES OF WATER ANNUALLY

OUR GLOBAL REACH



200+
INDIVIDUAL PRODUCTS

88%
OF PRODUCTS EXPORTED

TOP 5 DESTINATIONS: JAPAN, CHINA, NZ, AUSTRALIA, USA

TATUA JAPAN ESTABLISHED 2004

TATUA SHANGHAI ESTABLISHED 2015

TATUA USA ESTABLISHED 2015

BUILDING THE FUTURE OF SPECIALISED DAIRY

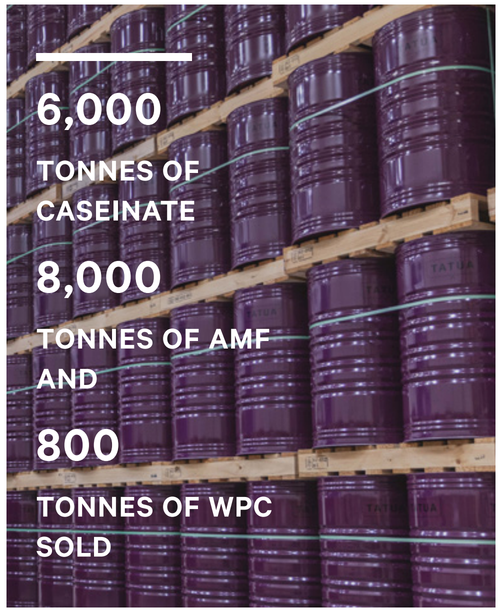
6%
SALES GROWTH IN DAIRY WHIP

12%
SALES GROWTH IN THE USA

NZ FOOD AWARDS 2019 WINNER

NZFOODAWARDS Winner

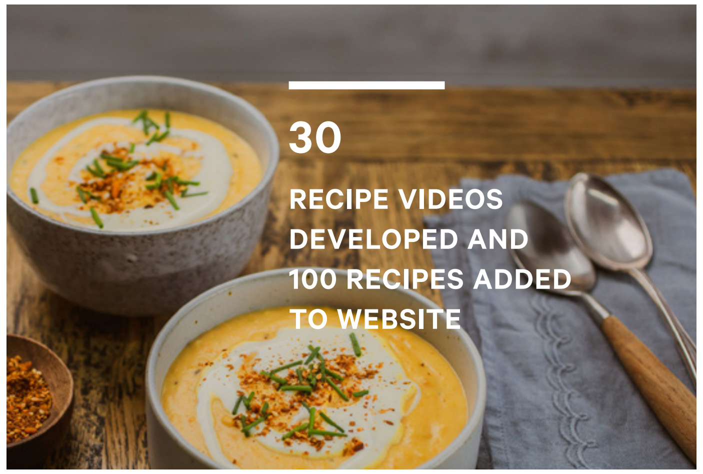
13%
GROWTH IN PREMIUM CREAM SALES IN NZ



6,000
TONNES OF CASEINATE

8,000
TONNES OF AMF AND

800
TONNES OF WPC SOLD



30
RECIPE VIDEOS DEVELOPED AND 100 RECIPES ADDED TO WEBSITE

DAIRY WHIP SILO REBRANDED

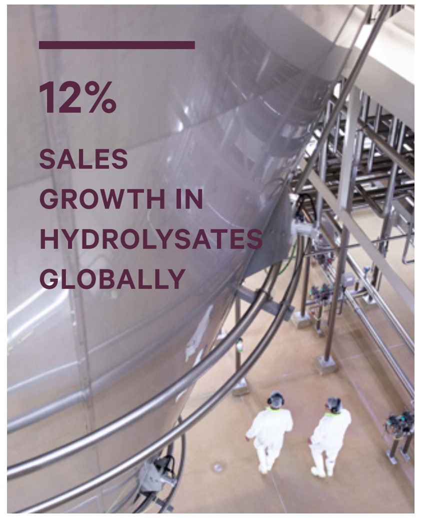
Best.
Best Design Awards Finalist 2019

FINALIST NZ BEST DESIGN AWARDS 2019

NEW ECOLEAN PACKAGING LAUNCHED

14%
GROWTH IN DAIRY FLAVOUR INGREDIENTS SALES GLOBALLY

26%
SALES GROWTH IN CHINA



12%
SALES GROWTH IN HYDROLYSATES GLOBALLY

KEY FINANCIAL PERFORMANCE SUMMARY

KEY FINANCIAL PERFORMANCE SUMMARY

GROUP OPERATING REVENUE

$364m

4%

GROUP SURPLUS

966 CENTS/KG MILKSOLIDS

12%

PAYOUT TO SUPPLIERS

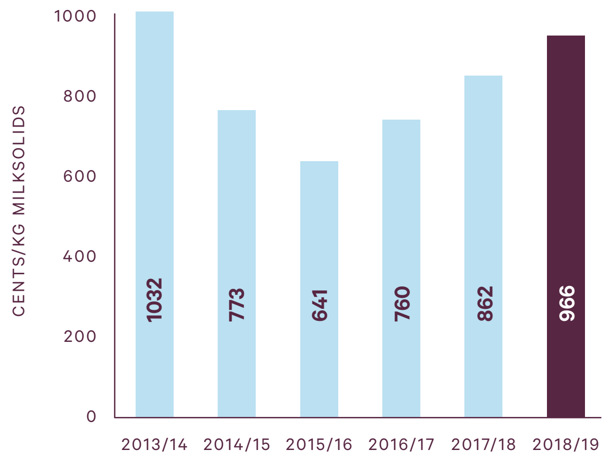
850 CENTS/KG MILKSOLIDS

5%

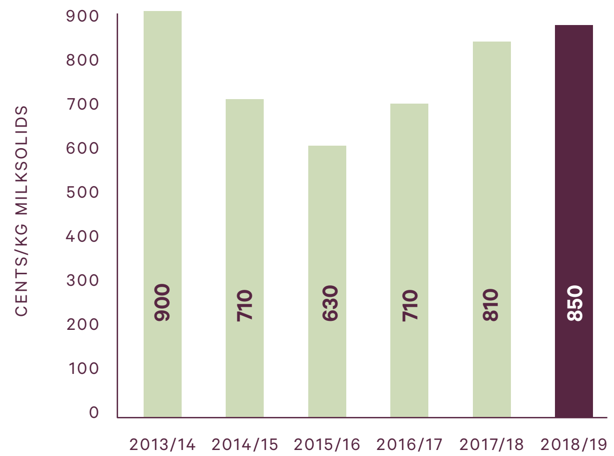
2018/2019 IN REVIEW

Summary	2018/19	2017/18
Milk Received from Suppliers (litres)	163,244,553	165,693,452
Milksolids Received from Suppliers (kgs)	14,458,814	14,686,362
Group Revenue ($)	$364,281,708	$349,988,970
Group Surplus Before Payout & Tax (cts/kg m'solids)	966	862
Group Depreciation (cts/kg m'solids)	95	84
Cash Payout to Suppliers (cts/kg m'solids)	850	810
Capital Expenditure ($)	$9,676,146	$15,159,140
Group Assets ($)	$255,763,421	$254,913,805
Gearing: Debt to Debt + Equity (%)	27%	37%

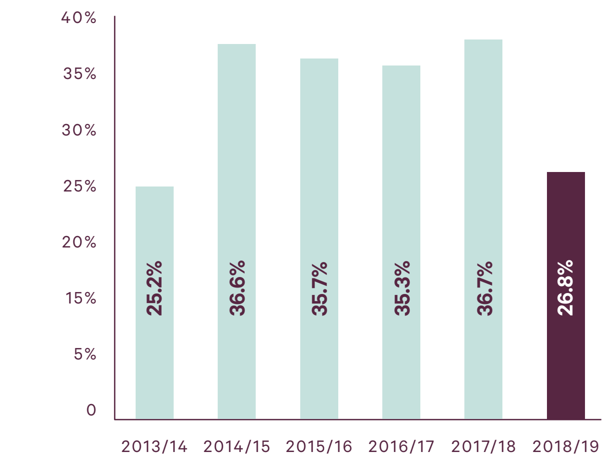
GROUP SURPLUS BEFORE PAYOUT AND TAX



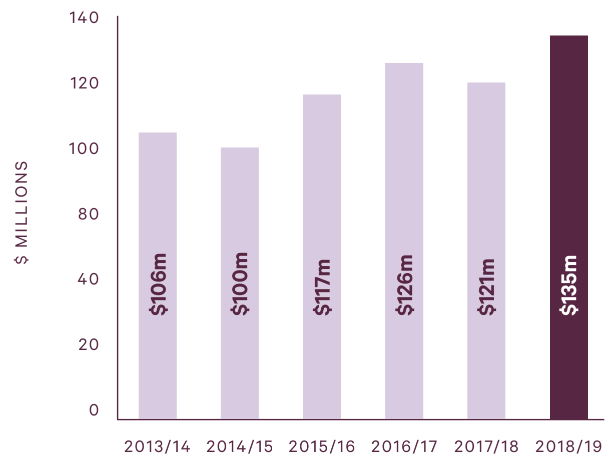
PAYOUT – INCOME EQUIVALENT



GEARING (%DEBT TO DEBT PLUS MEMBERS FUNDS)



MEMBERS FUNDS



STATUTORY INFORMATION

FOR THE YEAR ENDED 31 JULY 2019

Principal Activities

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

Co-operative Company

The Board of Directors resolved on the 26 July 2019 that, in the opinion of the Board, the Company has been a co-operative company during the year ended 31st July 2019 because its principal activity has been processing and marketing products derived from milk supplied by its shareholders and because 100% of the voting rights in the Company are held by those shareholders.

Role of the Board

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

Key responsibilities of the Board include:

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

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

Framework

The Board delegates the day-to-day operations of the Company to the CEO through a framework of formal delegations. The Company's corporate governance framework includes the Company's Constitution, Charter, Terms of Reference for the Board's Committees and a range of policies including Ethics, Risk Management, Environment, Health & Safety, and policies and procedures for employees.

Board Composition

The Board can have up to seven elected directors from Shareholders, and up to three appointed directors. Pursuant to the Constitution of the Company, one third of elected directors retire by rotation each year, while appointed directors are appointed for a term not longer than three years, after which they are eligible to re-appointment for a further three year term. Elected directors, Mark Dewdney and Bruce Wilton retired by rotation during the year. Mark Dewdney was relected.

Board Meetings Held During the Year

	MEETINGS ATTENDED
Stephen Allen (Chairman)	7
Louise Cullen	7
Mark Dewdney	7
Richard Luxton (elected Nov 18)	5
David Muggeridge	7
Kevin Old	7
Peter Schuyt	7
Ross Townshend	6
Bruce Wilton (retired Nov 18)	2
Board Meetings Held	**7**

Board Committees

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

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

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

Directors' Remuneration

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

Stephen Allen	$115,667
Louise Cullen	$56,000
Mark Dewdney	$61,000
Richard Luxton (elected Nov 18)	$31,000
David Muggeridge	$51,000
Kevin Old	$46,000
Peter Schuyt	$61,000
Ross Townshend	$46,000
Bruce Wilton (retired Nov 18)	$15,000
	$482,667

Directors' Shareholdings

At 31 July 2019 Directors held the following shares in the Company:

	BENEFICIALLY HELD	NON-BENEFICIALLY HELD	HELD BY ASSOCIATED PERSONS
Stephen Allen	1,954,500	-	833,900
Louise Cullen	2,867,290	-	-
Mark Dewdney	1,984,530	-	-
Richard Luxton	3,626,770	-	-
David Muggeridge	1,277,840	-	-
Kevin Old	1,139,500	-	2,577,130

Directors' Insurance

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

Employees' Remuneration

During the year to 31 July 2019 the following number of employees of the Group received total remuneration of at least $100,000: Total remuneration includes salaries, bonus payments, and other benefits received in the capacity as an employee during the year, e.g. company vehicles, insurance and superannuation. Bonus payments may relate to multiple years, but paid in one lump sum.

	NUMBER OF EMPLOYEES
$100,000 - $109,999	49
$110,000 - $119,999	28
$120,000 - $129,999	23
$130,000 - $139,999	12
$140,000 - $149,999	11
$150,000 - $159,999	2
$160,000 - $169,999	4
$170,000 - $179,999	5
$180,000 - $189,000	3
$190,000 - $199,999	2
$200,000 - $209,999	1
$210,000 - $219,999	2
$220,000 - $229,999	2
$230,000 - $239,999	1
$240,000 - $249,999	1
$280,000 - $289,999	1
$290,000 - $299,999	1
$360,000 - $369,999	1
$410,000 - $419,999	1
$420,000 - $429,999	1
$430,000 - $439,999	2
$910,000 - $919,999	1
	154

Donations & Grants

Donations and grants for the year ended 31 July 2019 were $10,005 (2018: $nil).

Disclosure of Interests

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

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

DIRECTOR	POSITION	COMPANY
Stephen Allen	Director	Farmers' Mutual Group (FMG)
	Director	Farmers' Mutual Insurance Ltd (FMIL)
	Director	Mowata GP Ltd
	Director	Rangitata GP Ltd
	Partner	Rangitata Dairies LP Ltd
	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
	Trustee	Sarah Ethne Allen Trust
	Trustee	SB & BL Allen Family Trust
	Trustee	Cheadle Trust
	Trustee	David Johnstone Charitable Trust
	Trustee	JES Allen Estate
	Trustee	JR Allen Estate
Louise Cullen	Director, Shareholder	Cookson Trust Farms Ltd
	Director, Shareholder	Balachraggan Farms Ltd
	Director, Shareholder	Capra Farming Ltd
	Director, Shareholder	Acorn Goats Ltd
	Trustee	Te Aroha Free Kindergarten Association Inc.
Mark Dewdney	Director	Yanakie Farm Management Pty Ltd
	Director	Dairy Goat Co-operative
	Director	Nicholson United Autos Ltd
	Director, Shareholder	Namaste Farming Pty Ltd
	Director, Shareholder	Namaste Land Pty Ltd
	Trustee/Beneficiary	Dewdney Family Trust
	Trustee	Marvic Family Trust
	Trustee	Mark Dewdney Family Trust
	Trustee	Vicki Dewdney Trust
Richard Luxton	Director, Shareholder	Fidus Management Group Ltd
	Director, Shareholder	Promass Ltd
	Director	Wallace Hybrid General Partner Ltd
	Director	Templeview Dairies Ltd
	Director, Shareholder	Aslan Farms Ltd
	Director	Kotare Pastoral Ltd
	Director	J.D. & R.D. Wallace (1951) Ltd
	Director	JD & RD Wallace General Partner Ltd
	Director	Luxton Group General Partner Ltd
	Director	Pukekara Ltd
	Director	Tui Dale Ltd
	Shareholder	Marire Holdings Ltd

DIRECTOR	POSITION	COMPANY
David Muggeridge	Director, Shareholder	Muggeridge Farms Ltd
Kevin Old	Director, Shareholder	Kold Holdings Ltd
	Director, Shareholder	VGO Ltd
	Trustee	VGO Trust
	Trustee/Beneficiary	CR & AL Old Trust
Peter Schuyt	Director	TSB Bank Ltd
	Director, Shareholder	Dairy Investment Fund Ltd
	Director	Tax Management NZ Ltd
	Director	Foodstuffs North Island Ltd
	Director	DairyNZ Inc.
	Director	Alliance Group Ltd
	Director, Shareholder	Ahikouka Holdings Ltd
	Trustee	Schuyt Family Trust
Ross Townshend	Chairman	MSC Consulting Group Ltd
	Chairman	Robert Monk Transport Ltd
	Chairman	Bector Automation RML Pvt Ltd (India)
	Chairman	RML Engineering Ltd, and subsidiaries
	Director, Shareholder	Ranworth Farm Ltd
	Director, Shareholder	Townshend Holdings (2015) Ltd
	Director, Shareholder	Townshend Developments Ltd
	Shareholder	Elanza Technologies Ltd
	Shareholder	Architectural Investments Ltd
	Consultant	Murray Goulburn Co-operative Company Ltd
	Consultant	Walter and Wild Ltd

BALANCE SHEET

AS AT 31 JULY 2019

	NOTE	GROUP 2019 ($)	GROUP 2018 ($) RESTATED*
Current Assets			
Cash and Cash Equivalents	14	12,914,511	9,302,159
Derrivates	18	1,158,318	1,640,760
Receivables and Prepayments	13	48,842,867	48,506,299
Tax Receivable		-	-
Inventories	12	51,004,174	54,868,652
Biological Assets		714,767	437,281
Total Current Assets		114,634,637	114,755,151
Non Current Assets			
Property Plant and Equipment	9	126,338,873	127,406,241
Investment Property	11	1,586,000	1,175,000
Intangible Assets	10	5,540,900	6,154,272
Deferred Tax Asset	8	6,613,365	4,653,946
Equity Accounted Investments		1,049,646	769,195
Total Non Current Assets		141,128,784	140,158,654
Total Assets		**255,763,421**	**254,913,805**
Current Liabilities			
Loans and Borrowings	16	37,442,563	56,176,909
Derrivates	18	8,962,038	6,185,267
Accounts Payable and Accruals	17	23,788,865	24,540,780
Tax Payable		2,383,574	1,658,641
Owing to Suppliers		23,591,197	22,559,535
Total Current Liabilities		96,168,237	111,121,132
Non Current Liabilities			
Loans and Borrowings	16	24,850,000	23,150,000
Deferred Tax Liability	8	-	-
Total Non Current Liabilities		24,850,000	23,150,000
Total Current Liabilities Excluding Co-operative Shares Classified as a Liability		**121,018,237**	**134,271,132**
PLUS Co-operative Shares		73,450,586	72,603,030
Total Liabilities		194,468,823	206,874,162
Net Assets		**61,294,598**	**48,039,643**
Retained Earnings		50,755,867	38,853,679
Reserves		10,538,731	9,185,964
Equity		61,294,598	48,039,643
Members Funds Memorandum Account:			
Co-operative Shares Classified as a Liability	15	73,450,586	72,603,030
Retained Earnings		50,755,867	38,853,679
Reserves		10,538,731	9,185,964
Total Members Funds		134,745,184	120,642,673

S.B. Allen

SB Allen Chairman of Directors
6 November 2019

P.M. Schuyt

PM Schuyt Chairman of Audit, Risk and Compliance Committee
6 November 2019

* The Group has initially applied NZ IFRS 15 and NZ IFRS 9 at 1 August 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements, refer to Note 2(f)(i)

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2019

	NOTE	GROUP YEAR ENDED 31 JULY 2019 ($)	GROUP YEAR ENDED 31 JULY 2018 ($) RESTATED*
Profit or Loss Items			
Revenue from Contracts with Customers		364,281,708	349,988,970
less Payments for Milk Supplied		(122,858,294)	(118,919,379)
less Other Cost of Sales		(184,437,293)	(190,731,005)
Gross Profit		56,986,121	40,338,586
plus Other Income	3	1,372,496	1,140,723
less Sales and Marketing Expenses		(21,970,705)	(24,116,040)
less Administration Expenses	4	(13,030,247)	(11,879,693)
Surplus from Operating Activities		23,357,665	5,483,576
Finance Income	6	41,607	6,551,427
less Finance Expenses	6	(6,562,344)	(3,683,148)
Net Finance Income		(6,520,737)	2,868,279
Surplus before Income Tax		**16,836,928**	**8,351,855**
less Income Tax Expense	7	(4,541,505)	(2,523,647)
Net Surplus		**12,295,423**	**5,828,208**
Other Comprehensive Income			
Movement in Land Revaluation Reserve		3,133,928	-
Change in Fair Value of Cash Flow Hedges		(3,014,825)	(17,326,769)
Movement in Foreign Exchange Reserve		389,513	776,560
Income Tax on Other Comprehensive Income		844,152	4,851,495
Other Comprehensive Income for the Year		1,352,768	(11,698,714)
Total Comprehensive Income		**13,648,191**	**(5,870,506)**

* The Group has initially applied NZ IFRS 15 and NZ IFRS 9 at 1 August 2018. Under the transition methods chosen, comparative information has not been restated except for certain hedging requirements, refer to Note 2(f)(i)

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2019

GROUP	NOTE	TRANSLATION RESERVE ($)	HEDGING RESERVE ($)	REVALUATION RESERVE ($)	RETAINED EARNINGS ($)	TOTAL EQUITY ($)
Balance at 1 August 2017		**(501,950)**	**9,408,790**	**11,977,838**	**33,025,471**	**53,910,149**
Other Comprehensive Income						
Movement in Foreign Exchange Reserve		776,560	-	-	-	776,560
Movement in Land Revaluation Reserve		-	-	-	-	-
Movement in Hedging Reserve, Net of Tax		-	(12,475,274)	-	-	(12,475,274)
Restated Total Other Comprehensive Income		776,560	(12,475,274)	-	-	(11,698,714)
Tax Paid Surplus/(Deficit)		-	-	-	5,828,208	5,828,208
Restated Total Comprehensive Income		776,560	(12,475,274)	-	5,828,208	(5,870,506)
Transactions with Owners of Company						
Issue of Ordinary Shares		-	-	-	-	-
Restated balance at 31 July 2018		**274,610**	**(3,066,484)**	**11,977,838**	**38,853,679**	**48,039,643**
Balance at 1 August 2018		**274,610**	**(3,066,484)**	**11,977,838**	**38,853,679**	**48,039,643**
Adjustment on initial application of IFRS 15, Net of Tax	2(f)(i)	-	-	-	(393,234)	(393,234)
Other Comprehensive Income						
Movement in Foreign Exchange Reserve		389,512	-	-	-	389,512
Movement in Land Revaluation Reserve		-	-	3,133,928	-	3,133,928
Movement in Hedging Reserve, Net of Tax		-	(2,170,674)	-	-	(2,170,674)
Related Total Other Comprehensive Income		389,512	(2,170,674)	3,133,928	(393,234)	959,532
Tax Paid Surplus/(Deficit)		-	-	-	12,295,423	12,295,423
Restated Total Comprehensive Income		389,512	(2,170,674)	3,133,928	11,902,189	13,254,955
Transactions with owners of Company						
Issue of ordinary shares		-	-	-	-	-
Balance at 31 July 2019		**664,122**	**(5,237,158)**	**15,111,766**	**50,755,868**	**61,294,598**

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 2019

	NOTE	GROUP YEAR ENDED 31 JULY 2019 ($)	GROUP YEAR ENDED 31 JULY 2018 ($)
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		361,454,781	354,839,216
Dividends Received		285	330
Interest Received		41,607	29,186
		361,496,673	354,868,732
Cash was applied to:			
Payments for Milk		(121,826,632)	(114,476,309)
Payments to Creditors & Employees		(201,480,628)	(217,525,397)
Interest Paid		(3,687,326)	(3,657,425)
Taxation Paid		(4,931,839)	(2,529,998)
		(331,926,426)	(338,189,129)
Net Cash Flows From / (Applied To) Operating Activities	20	**29,570,248**	**16,679,603**
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds from Sale of Property, Plant & Equipment		77,871	131,723
Proceeds from Sale of Investments		62,159	-
		140,030	131,723
Cash was applied to:			
Acquisition of Property, Plant & Equipment		(9,676,149)	(16,341,404)
Acquisition of Intangible Assets		(234,987)	-
Purchase of Share Investments		-	(121,069)
		(9,911,136)	(16,462,473)
Net Cash Flows From / (Applied To) Investing Activities		**(9,771,105)**	**(16,330,750)**
Cash Flows From Financing Activities			
Cash was provided from:			
Increase in Co-operative Shares	15	3,261,981	19,556
Proceeds from Borrowings		-	3,296,709
		3,261,981	3,316,265
Cash was applied to:			
Decrease in Co-operative Shares		(2,414,425)	(1,288,366)
Repayment of Borrowings		(17,034,346)	-
		(19,448,771)	(1,288,366)
Net Cash Flows From / (Applied To) Financing Activities		**(16,186,790)**	**2,027,899**
Net Increase / (Decrease) in Cash and Cash Equivalents		3,612,352	2,376,752
Add: Opening Cash and Cash Equivalents Balance		9,302,159	6,925,407
Closing Cash and Cash Equivalents Balance	14	**12,914,511**	**9,302,159**

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

NOTES TO THE FINANCIAL STATEMENTS

01 — REPORTING ENTITY

The Tatua Co-operative Dairy Company Limited (the parent company) is a co-operative company domiciled and incorporated in New Zealand, and registered under the Co-operative Companies Act 1996 and the Companies Act 1993.

At 31 July 2019 the Group consists of The Tatua Co-operative Dairy Company Ltd and its subsidiaries Tatua Japan Co. Ltd, Tatua Dairy Products (Shanghai) Co., Ltd and Tatua USA Ltd.

Tatua is an FMC reporting entity in terms of the Financial Markets Conduct Act. The Group is a producer and marketer of dairy products with sales to both domestic and export markets. These financial statements are for the year ended 31 July 2019.

02 — BASIS OF PREPARATION

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

(a) Statement of Compliance and Basis of Preparation

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

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

These financial statements were approved by the Board of Directors on 6 November 2019, and have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 2013.

(b) Basis of Measurement

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

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgement

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

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

Note 12. - Milk cost included in inventory.

(e) Goods and Services Tax

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

(f) New Standards and Interpretations

(i) New and amended standards adopted by the Group

NZ IFRS 15 - Revenue from Contracts with Customers

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and related interpretations. Under NZ IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted NZ IFRS 15 retrospectively using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 August 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under NZ IAS 18, NZ IAS 11 and related interpretations. Additionally, the disclosure requirements in NZ IFRS 15 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to NZ IFRS 15 on retained earnings at 1 August 2018.

	NOTE	IMPACT OF ADOPTING NZ IFRS 15 AT 1 AUGUST 2018 ($)
Retained Earnings		
Contracts with overseas based customers	(a)	(393,234)
		(393,234)

The following tables summarise the impacts of adopting NZ IFRS 15 on the Group's Balance Sheet as at 31 July 2019 and its Statement of Comprehensive Income for the year then ended for each of the line items affected. There was no material impact on the Group's Statement of Cash Flows for the year ended 31 July 2019.

	AS REPORTED UNDER NZ IFRS 15 ($)	ADJUSTMENTS ($)	AMOUNTS WITHOUT ADOPTION OF NZ IFRS 15 ($)
Impact on the Group's Balance Sheet			
Receivables and Prepayments	48,842,867	4,631,210	53,474,077
Inventories	51,004,174	(2,907,594)	48,096,580
Retained Earnings	50,755,867	1,722,103	52,477,970
Reserves	10,538,731	1,513	10,540,244
Impact on the Group's Statement of Comprehensive Income			
Revenue from Contracts with Customers	364,281,708	4,829,354	369,111,062
Other Cost of Sales	(184,437,293)	(2,656,875)	(187,094,168)

(a) Contracts with overseas customers

Under NZ IAS 18, revenue for these contracts focused on when the significant risks and rewards were transferred to the customer. Under NZ IFRS 15, revenue is recognised when control has passed to the customer. The definition of control is widened to take into account five criteria, one of which is when the significant risks and rewards transfer to the customer. On review of certain open contracts it was deemed that under NZ IFRS 15, control had not passed to the customer in the 2018 financial year to recognise that revenue and therefore a corresponding adjustment to opening retained earnings was made to reflect the revenue being recognised in 2019 instead.

On application of NZ IFRS 15, the Group has determined there are two performance obligations in its contracts for export sales; firstly, supplying the goods and secondly, arranging and paying for shipping on behalf of the customer. Therefore, the Group's revenue now excludes the amount attributable to shipping costs incurred on behalf of the customer. The effect of this adjustment is to reduce reported revenue by $1,909,777. Distribution costs are reduced by the same amount. This change in measurement of revenue has no impact on opening retained earnings of the Group.

NZ IFRS 9 - Financial Instruments

NZ IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces NZ IAS 39 Financial Instruments: Recognition and Measurement.

To apply the classification and measurement requirements, the Group's financial assets were evaluated based on the facts and circumstances as at the date of initial application and the classifications were applied retrospectively. The only change in classification was that Trade Receivables and Cash & Cash Equivalents changed from 'Loans & Receivables' to 'Financial Assets at Other Amortised Cost'. There were no material changes to the basis of measurement, or carrying values of any financial assets or financial liabilities as a result of the analysis.

The standard introduces an 'expected credit loss model' for receivables, under which it will no longer be necessary for a triggering event to occur before impairment loss is recognised. 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 expected losses are not material.

NZ IFRS 9 introduces new hedge accounting requirements which aim to align hedge accounting with risk management. The hedge accounting requirements of the standard are applied on a prospective basis from the date of initial application except for the requirements relating to the time value of options which are applied retrospectively to hedge relationships that existed at the beginning of the comparative period or were designated thereafter.

The adoption of NZ IFRS 9 has therefore resulted in a change in accounting policy for options. The Group previously designated only the intrinsic value of options into hedging relationships. Under NZ IAS 39 the fair value change in the time value component of these options has been recognised in profit or loss, which led to unnecessary volatility in earnings. Under NZ IFRS 9 the time value of options is treated as a non-profit and loss item and recognised in the hedging reserve initially. Subsequently the cumulative amount is transferred to profit and loss at the same time as the hedged item impacts the Statement of Comprehensive Income.

Retrospective application of NZ IFRS 9 for the above change in accountng policy for time value of options has had the following effects on the amounts presented for 2018. Note that the impact at 1 August 2017 of the retrospective application was not material.

	31 JULY 2018 AS PREVIOUSLY REPORTED ($)	ADJUSTMENTS ($)	RESTATED AT 31 JULY 2018 ($)
Balance Sheet			
Retained Earnings	38,406,559	447,120	38,853,679
Reserves	9,633,084	(447,120)	9,185,964
Statement of Comprehensive Income			
Finance Income	5,930,427	621,000	6,551,427
Surplus before Income Tax	7,730,855	621,000	8,351,855
Income Tax	(2,349,767)	(173,880)	(2,523,647)
Net Surplus	5,381,088	447,120	5,828,208
Change in Fair Value of Cash Flow Hedges	(16,705,769)	(621,000)	(17,326,769)
Income Tax on Other Comprehensive Income	4,677,615	173,880	4,851,495

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

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

NZ IFRS 16 - Leases (effective for the 2020 financial statements)

This standard will replace all existing guidance on leases, including NZ IAS 17 Leases. The standard introduces a single, on balance sheet accounting model for leases that is similar to current financial lease accounting. The Group has assessed the estimated impact that initial application of NZ IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 August 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

(a) Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of subsidiary offices and the New Zealand based electricity sub-station. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise additional right to use assets and lease liabilities of $1.4m as at 1 August 2019. The Group does not expect the adoption of NZ IFRS 16 to impact its ability to comply with the loan covenants as detailed in Note 19.

(b) Leases in which the Group is a lessor

No significant impact is expected for other leases in which the Group is a lessor.

(c) Transition

The group plans to apply NZ IFRS 16 as of 1 August 2019 using the modified retrospective approach. The lease liability is measured at the present value of the remaining lease payments, discounted using an appropriate incremental borrowing rate. The right to use asset is measured at an amount equal to the lease liability on transition. The group intends to use practical expedients such as applying a single discount rate to a portfolio of leases.

03 — OPERATING REVENUE AND OTHER INCOME

	GROUP	
	2019 ($)	2018 ($)
Revenue from contracts with customers	**364,281,708**	**349,988,970**
Other Income		
Sundry Asset Sales / Gain on Disposal of Property, Plant & Equipment	-	33,082
Rental Income from Investment Property	75,000	75,000
Rental Income from Farm Houses	48,970	52,338
Fair Value movement in Investment Property	411,000	-
Insurance Claim Proceeds	111,145	-
MilkTest NZ Ltd Income	338,347	239,823
Sundry Income	388,034	740,480
	1,372,496	1,140,723
Total Revenue	**365,654,204**	**351,129,693**

Analysis of revenue from contracts with customers

	2019 ($)
Nature of Revenue	
Sale of goods	350,955,687
Royalties / Commissions	13,326,021
	364,281,708
Timing of revenue recognition	
At a point in time	345,405,864
Over time	18,875,844
	364,281,708
Disaggregation of Revenue	
Australasia (NZ and AUS)	105,197,985
Asia / Pacific	184,425,203
Americas / Europe	71,932,976
Other	2,725,544
	364,281,708

Policy

(a) Revenue from contracts with customers

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

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

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

04 — ADMINISTRATION EXPENSES

	GROUP	
	2019 ($)	2018 ($)
The following items are included in administration expenses:		
Auditors Remuneration (KPMG)		
Audit of Financial Statements	171,479	143,864
Other Services	8,275	6,275
Directors' Fees	482,667	469,905
Directors' Expenses	3,650	5,548

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

05 — PERSONNEL EXPENSES

	GROUP	
	2019 ($)	2018 ($)
Wages and Salaries	43,491,570	39,708,369
Superannuation Contributions and Other Employee Related Expenses	3,725,203	3,831,486
Increase in Liability for Short-term Employee Benefits (Annual Leave and Days in Lieu)	1,844,290	542,554
	49,061,063	**44,082,409**

Personnel expenses are included in cost of sales, sales & 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.

06 — FINANCE INCOME AND EXPENSE

RECOGNISED IN PROFIT OR LOSS	GROUP 2019 ($)	GROUP 2018 RESTATED ($)
Interest Income	41,607	29,186
Net Foreign Exchange Gain	-	6,522,241
Total Finance Income	**41,607**	**6,551,427**
Net Foreign Exchange Loss	(2,855,193)	-
Financial Overheads	(19,825)	(25,723)
Interest Expense on External Borrowings	(3,687,326)	(3,657,425)
Total Finance Expense	**(6,562,344)**	**(3,683,148)**
Net Finance Income / (Expense)	**(6,520,737)**	**2,868,279**

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.

07 — INCOME TAX EXPENSE

INCOME TAX RECOGNISED IN PROFIT OR LOSS	GROUP 2019 ($)	GROUP 2018 RESTATED ($)
Current Tax Expense		
Current Period	5,653,195	3,286,359
Adjustment for Prior Periods	(134,265)	9,105
	5,518,930	3,295,464
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	(1,116,559)	(805,005)
Adjustment for Prior Periods	139,134	33,188
	(977,425)	(771,817)
Total Income Tax Expense	**4,541,505**	**2,523,647**

RECONCILIATION OF EFFECTIVE TAX RATE	GROUP 2019 (%)	GROUP 2019 ($)	GROUP 2018 (%)	GROUP 2018 ($)
Profit for the Period		12,295,423		5,828,208
Total Income Tax Expense		4,541,505		2,523,647
Profit Excluding Income Tax		**16,836,928**		**8,351,855**
Income Tax Using the Group's Domestic Tax Rate	28.0%	4,714,339	28.0%	2,338,520
Impact of Tax Rate in Foreign Countries	(0.1%)	(10,609)	(0.7%)	(56,812)
Tax Exempt Income	(0.7%)	(116,511)	(0.0%)	(3,357)
Non-deductible Expenses	(0.3%)	(50,503)	3.2%	263,386
Tax Credits Converted to Losses	(0.0%)	(80)	(0.0%)	(92)
Recognition of Previously Unrecognised Tax Losses	0.0%	-	(0.7%)	(60,291)
Under / (Over) Provided in Prior Periods	0.0%	4,869	0.5%	42,293
	27.0%	4,541,505	30.2%	2,523,647

INCOME TAX RECOGNISED DIRECTLY IN OTHER COMPREHENSIVE INCOME	GROUP 2019 ($)	GROUP 2018 ($)
Derivatives	844,152	4,851,495
Total Income Tax Recognised Directly in Other Comprehensive Income	**844,152**	**4,851,495**

IMPUTATION CREDITS	2019 ($)	2018 ($)
Imputation Credits Available for use in Subsequent Reporting Periods	27,369,425	24,329,569

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.

08 — DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities — GROUP

	ASSETS		LIABILITIES		NET	
DEFERRED TAX ASSETS AND LIABILITIES ARE ATTRIBUTABLE TO THE FOLLOWING:	2019 ($)	2018 ($)	2019 ($)	2018 ($)	2019 ($)	2018 ($)
Property, Plant and Equipment	1,165,030	1,351,007	-	-	1,165,030	1,351,007
Investment Property	-	-	(81,014)	(81,014)	(81,014)	(81,014)
Derivatives	2,036,673	1,018,641	-	-	2,036,673	1,018,641
Biological Assets	-	-	-	-	-	-
Inventory	1,602,526	1,119,482	-	-	1,602,526	1,119,482
Provisions and Accruals	1,890,150	1,245,830	-	-	1,890,150	1,245,830
Other items	-	-	-	-	-	-
Tax Assets / (Liabilities)	6,694,379	4,734,960	(81,014)	(81,014)	6,613,365	4,653,946

Movement in Temporary Differences During The Year

	BALANCE	RECOGNISED IN	RECOGNISED IN	BALANCE	RECOGNISED IN	RECOGNISED IN	RECOGNISED IN	BALANCE
DEFERRED TAX ASSETS AND LIABILITIES ARE ATTRIBUTABLE TO THE FOLLOWING:	1 AUGUST 2017 ($)	PROFIT OR LOSS ($)	OTHER COMPREHENSIVE INCOME ($)	31 JULY 2018 ($)	OPENING RETAINING EARNINGS ($)	PROFIT OR LOSS ($)	OTHER COMPREHENSIVE INCOME ($)	31 JULY 2019 ($)
Property, Plant and Equipment	1,195,703	155,304	-	1,351,007	-	(185,977)	-	1,165,030
Investment Property	(81,014)	-	-	(81,014)	-	(0)	-	(81,014)
Derivatives	(3,658,974)	(173,880)	4,851,495	1,018,641	-	173,880	844,152	2,036,673
Biological Assets	-	-	-	-	-	-	-	-
Inventory	443,907	675,575	-	1,119,482	137,843	345,201	-	1,602,526
Provisions and Accruals	1,134,750	111,080	-	1,245,830	-	644,320	-	1,890,150
Other items	(3,736)	3,736	-	-	-	-	-	-
Tax Loss Carry-forwards	-	-	-	-	-	-	-	-
Tax Assets / (Liabilities)	(969,364)	771,815	4,851,495	4,653,946	137,843	977,425	844,152	6,613,365

Policy

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

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

09 — PROPERTY, PLANT AND EQUIPMENT

GROUP	LAND ($)	LAND IMPROVEMENTS ($)	BUILDINGS ($)	PLANT AND EQUIPMENT ($)	VEHICLES ($)	CAPITAL WORK IN PROGRESS ($)	TOTAL ($)
Cost or Deemed Cost							
Balance at 1 August 2017	15,372,071	3,818,590	49,842,841	169,412,532	3,562,199	13,678,073	255,686,306
Additions	-	-	689,240	20,011,897	127,217	(5,669,214)	15,159,140
Revaluation of Land & Improvements to Fair Value	-	-	-	-	-	-	-
Disposals	-	-	-	(211,202)	(302,507)	-	(513,709)
Effect of Movement in Exchange Rates	-	-	-	-	-	-	-
Balance at 31 July 2018	15,372,071	3,818,590	50,532,081	189,213,227	3,386,909	8,008,859	270,331,737
Balance at 1 August 2018	15,372,071	3,818,590	50,532,081	189,213,227	3,386,909	8,008,859	270,331,737
Additions	-	-	608,939	11,594,108	365,923	(2,892,824)	9,676,146
Revaluation of Land & Improvements to Fair Value	3,133,929	-	-	-	-	-	3,133,929
Disposals	-	-	(161,922)	(207,006)	(364,725)	-	(733,653)
Effect of Movement in Exchange Rates	-	-	-	-	-	-	-
Balance at 31 July 2019	18,506,000	3,818,590	50,979,098	200,600,329	3,388,107	5,116,035	282,408,159
Depreciation and Impairment Losses							
Balance at 1 August 2017	-	1,408,582	14,633,034	112,035,681	2,878,687	-	130,955,984
Depreciation	-	175,298	1,264,605	10,775,039	186,541	-	12,401,483
Disposals	-	-	-	(197,019)	(234,953)	-	(431,972)
Effect of Movement in Exchange Rates	-	-	-	-	-	-	-
Balance at 31 July 2018	-	1,583,880	15,897,639	122,613,701	2,830,275	-	142,925,495
Balance at 1 August 2018	-	1,583,880	15,897,639	122,613,701	2,830,275	-	142,925,495
Depreciation	-	174,198	1,308,637	12,037,490	180,434	-	13,700,759
Disposals	-	-	(160,284)	(130,464)	(266,220)	-	(556,968)
Effect of Movement in Exchange Rates	-	-	-	-	-	-	-
Balance at 31 July 2019	-	1,758,078	17,045,992	134,520,727	2,744,489	-	156,069,286
Carrying Amounts							
At 1 August 2017	15,372,071	2,410,008	35,209,807	57,376,851	683,512	13,678,073	124,730,322
At 31 July 2018	15,372,071	2,234,710	34,634,442	66,599,526	556,634	8,008,859	127,406,242
At 1 August 2018	15,372,071	2,234,710	34,634,442	66,599,526	556,634	8,008,859	127,406,242
At 31 July 2019	18,506,000	2,060,512	33,933,106	66,079,602	643,618	5,116,035	126,338,873

Policy

(a) Recognition and Measurement for Assets at Cost

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Borrowing costs capitalised during the year were nil (2018: nil).

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

(b) Depreciation

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

The Group has established the following useful lives:

- Land Improvements - 10 to 20 years
- Buildings - 3 to 50 years
- Plant and Equipment - 2.5 to 20 years
- Vehicles - 5 to 10 years

(c) Impairment

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

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

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

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

(d) Recognition and Measurement for Assets at Fair Value

Land is stated at its 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 2019 by Fergusson Lockwood and Associates Ltd, independent registered valuers. The land was valued at $18.506m, an increase of $3.134m from the 2018 year. The valuation established a market value using a direct sales comparison approach and was undertaken in accordance with the Property Institute of New Zealand (PINZ) International Valuation Standards.

The value of the land at cost is $3,414,704 (2018: $3,414,704).

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

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

Capital Commitments

During the period ended 31 July 2019, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is $1,286,314 (2018: $982,617). These commitments are expected to be settled in the following financial year.

10 — INTANGIBLE ASSETS

	GROUP	
	SOFTWARE ($)	TOTAL ($)
Cost		
Balance at 1 August 2017	8,742,680	8,742,680
Additions	794,155	794,155
Disposals	-	-
Balance at 31 July 2018	9,536,835	9,536,835
Balance at 1 August 2018	9,536,835	9,536,835
Additions	234,987	234,987
Disposals	-	-
Balance at 31 July 2019	9,771,822	9,771,822
Amortisation and Impairment Losses		
Balance at 1 August 2017	2,506,214	2,506,214
Amortisation for the Year	876,349	876,349
Disposals	-	-
Balance at 31 July 2018	3,382,563	3,382,563
Balance at 1 August 2018	3,382,563	3,382,563
Amortisation for the Year	848,360	848,360
Disposals	-	-
Balance at 31 July 2019	4,230,923	4,230,923
Carrying Amounts		
At 1 August 2017	6,236,466	6,236,466
At 31 July 2018	6,154,272	6,154,272
At 1 August 2018	6,154,272	6,154,272
At 31 July 2019	5,540,900	5,540,900

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	
	2019 ($)	2018 ($)
Balance at 1 August	1,175,000	1,175,000
Change in Fair Value	411,000	-
Balance at 31 July	**1,586,000**	**1,175,000**

Policy

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

The fair value of investment property was determined by external, independent property 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	
	2019 ($)	2018 ($)
Finished Goods	40,925,785	44,908,284
Raw Materials	10,078,389	9,960,368
	51,004,174	**54,868,652**

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 valued at the Farmgate milk price rate. The weighted average cost of milk is then separated into three core ingredients, Fat, Whey Protein and Casein Protein, with the Valued Component Ratio (value of fat to protein) being a key input to calculate the separation.

Impairment

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

There was a write down of $2,512,251 during the period (2018: $769,305) relating to inventory that had a net realisable value less than its cost of manufacture.

Inventory valued at net realisable value included in finished goods above:

GROUP	
2019	2018
918,010	581,991

13 — RECEIVABLES AND PREPAYMENTS

	GROUP	
	2019 ($)	2018 ($)
Trade Receivables	42,505,472	45,450,324
Prepayments and Sundries	6,337,395	3,055,975
	48,842,867	**48,506,299**

	GROUP				
TRADE RECEIVABLES DENOMINATED IN FOREIGN CURRENCIES	USD ($)	AUD ($)	JPY (¥)	EUR (€)	CNY (¥)
2019	10,648,777	2,271,279	1,024,834,588	12,783	26,517,369
2018	8,451,164	2,391,783	1,655,592,518	-	13,952,164

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 AND CASH EQUIVALENTS

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

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

	GROUP	
	2019 ($)	2018 ($)
JPY Bank Deposits	5,818,772	646,962
USD Bank Deposits	249,292	1,586,421
CNY Bank Deposits	6,688,815	2,921,000
NZD Bank Deposits	157,632	4,147,776
Cash and Cash Equivalents in the Statement of Cash Flows	**12,914,511**	**9,302,159**

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 case for every whole 1000 shares held. No shareholder shall cast votes exceeding 5% of the total votes which could be cast if all shareholders were present and voting. Redemption Features - Shares are redeemed at nominal value of 50 cents, or paid up value if lower.

Policy

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

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

	2019		2018	
	SHARES	($)	SHARES	($)
Shares at the beginning of the Year	145,206,060	72,603,030	145,146,947	72,573,473
Shares Issued	6,523,962	3,261,981	6,394,993	3,197,497
Shares Repurchased	(4,828,850)	(2,414,425)	(6,335,880)	(3,167,940)
Fully Paid Shares at the end of the Year	146,901,172	73,450,586	145,206,060	72,603,030
Treasury Stock	5,408,723		7,103,835	

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.

Retained Earnings

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

Treasury Stock

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

16 — LOANS AND BORROWINGS

Interest-bearing borrowings are classified as financial liabilities and are measured at amortised cost using the effective interest rate.	GROUP	
	2019 ($)	2018 ($)
Current		
JPY Bank Loans	9,881,698	13,854,120
USD Bank Loans	7,560,865	7,322,789
NZD Bank Loans	20,000,000	35,000,000
	37,442,563	56,176,909
Non Current		
JPY Bank Loans	-	-
NZD Bank Loans	24,850,000	23,150,000
Total	**62,292,563**	**79,326,909**

	2019				
	CURRENCY	NOMINAL INTEREST RATE	YEAR OF MATURITY	FACE VALUE	CARRYING AMOUNT (NZD)
Current Bank Loans	JPY	1.32%	2020	¥710,000,000	$9,881,698
	USD	3.45%	2020	$5,000,000	$7,560,865
	NZD	2.70%	2020	$20,000,000	$20,000,000
Non Current Bank Loans	NZD	3.45%	2021	$350,000	$350,000
	NZD	2.88%	2022	$24,500,000	$24,500,000

	2018				
	CURRENCY	NOMINAL INTEREST RATE	YEAR OF MATURITY	FACE VALUE	CARRYING AMOUNT (NZD)
Current Bank Loans	JPY	1.04%	2019	¥1,050,000,000	$13,854,120
	USD	3.28%	2019	$5,000,000	$7,322,789
	NZD	3.7%	2019	$35,000,000	$35,000,000
Non Current Bank Loans	NZD	2.98%	2020	$20,000,000	$20,000,000
	NZD	2.73%	2021	$3,150,000	$3,150,000

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

The Group has committed (but undrawn) facilities with expiry dates through to 2022 of NZD $55.2 million, JPY ¥ 1,050 million and USD $2 million. The JPY and USD loans are held by the respective subsidiaires.

17 — ACCOUNTS PAYABLE AND ACCRUALS

	GROUP	
	2019 ($)	2018 ($)
Trade Payables	8,142,162	9,053,003
Employee Entitlements	8,435,997	6,591,707
Income in Advance	-	-
Accruals	7,210,706	8,896,070
	23,788,865	**24,540,780**

Policy

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

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

18 — DERIVATIVES

Interest Rate Hedges

The Group has a policy of monitoring interest rate movements and where appropriate taking out interest rate cover.

The Group currently has a number of interest rate swaps in place.

	GROUP	
INTEREST RATE SWAPS	2019 ($)	2018 ($)
Notional Contract Amount	32,000,000	44,000,000
Fair Value		
Assets	-	-
Liabilities	(1,738,329)	(945,392)
Net Fair Value	**(1,738,329)**	**(945,392)**

	2019		
	LESS THAN 12 MONTHS	MORE THAN 12 MONTHS	TOTAL
Interest Rate Hedges	-	32,000,000	32,000,000

	2018		
	LESS THAN 12 MONTHS	MORE THAN 12 MONTHS	TOTAL
Interest Rate Hedges	12,000,000	32,000,000	44,000,000

Foreign Currency Hedges

The Group's foreign exchange rate contracts and options notional amounts and fair values are presented below.

The Group uses zero cost collar structures for option contracts. All options are bought options. Exposure is covered in Note 19.

	2019 NOTIONAL AMOUNTS		
	LESS THAN 12 MONTHS	MORE THAN 12 MONTHS	TOTAL
Foreign Exchange Contracts:			
Buy	151,223,957	50,051,560	201,275,517
Sell	-	-	-
Option Contracts:			
Call	44,673,309	23,693,680	68,366,989
Put	(47,078,502)	(25,271,843)	(72,350,345)

	2018 NOTIONAL AMOUNTS		
	LESS THAN 12 MONTHS	MORE THAN 12 MONTHS	TOTAL
Foreign Exchange Contracts:			
Buy	92,582,615	43,387,388	135,970,003
Sell	-	-	-
Option Contracts:			
Call	80,321,705	18,850,171	99,171,876
Put	(85,436,541)	(19,836,985)	(105,273,526)

	GROUP	
	2019 ($)	2018 ($)
Fair Value:		
Assets	1,158,318	1,640,760
Liabilities	(7,223,709)	(5,239,875)
Net Fair Value	**(6,065,391)**	**(3,599,115)**

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 2019 financial was a loss of $2,199,518 (2018: gain of $12,542,918). There was an ineffectiveness in the cash flow hedges in the 2019 year.

19 — FINANCIAL RISK MANAGEMENT

Capital Management

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

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

The Board primarily monitors capital on the basis of the gearing ratio. For the period ending 31 July 2019 the gearing ratio was 27% (2018: 37%). This ratio is calculated as net interest bearing debt divided by total capital. Net interest bearing debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as members funds plus net interest bearing debt. Tatua is a co-operative company, and as such, members funds change in proportion to milk supplied. Refer to Note 15. The Group is required to meet certain ratios under its bank covenants, which have been met, including a requirement that Group members funds be not less than $70,000,000 (2018: $70,000,000), but otherwise the Group is not subject to any externally imposed capital requirements.

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

Quantitative Disclosures

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

a. Credit Risk

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

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

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

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

The carrying amount of financial assets represents the Group's maximum credit exposure. The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

The Group's maximum exposure to credit risk for trade and other receivables, by geographic region, is as follows:	GROUP - CARRYING AMOUNT	
	2019 ($)	2018 ($)
Australasia (NZ and AUS)	7,408,941	7,879,660
Asia / Pacific	25,223,319	28,979,515
Americas / Europe	9,872,602	8,591,149
Other	610	-
	42,505,472	**45,450,324**

The status of Group trade receivables at the reporting date is as follows:	GROSS RECEIVABLE	IMPAIRMENT	GROSS RECEIVABLE	IMPAIRMENT
	2019 ($)	2019 ($)	2018 ($)	2018 ($)
Not Past Due	39,882,643	-	42,722,119	-
Past Due 0-30 days	2,353,290	-	1,828,371	-
Past Due 31-120 days	269,539	-	899,834	-
	42,505,472	**-**	**45,450,324**	**-**

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.	2019 BALANCE SHEET ($)	CONTRACTUAL CASH FLOWS ($)	LESS THAN 6 MONTHS ($)	6-12 MONTHS ($)	1-2 YEARS ($)	MORE THAN 2 YEARS ($)
Loans & Borrowings (note 16)	62,292,563	62,292,563	-	37,442,563	350,000	24,500,000
Accounts Payable and Accruals (note 17)	23,788,865	23,788,865	23,788,865	-	-	-
Derivative Liabilities (note 18)	7,223,709	7,223,709	3,046,032	2,552,698	1,624,979	-
Owing to Suppliers	23,591,197	23,591,197	23,591,197	-	-	-
Co-operative Shares	73,450,586	73,450,586	-	73,450,586	-	-
Total Non-derivative Liabilities	**190,346,920**	**190,346,920**	**50,426,094**	**113,445,847**	**1,974,979**	**24,500,000**

	2018 BALANCE SHEET ($)	CONTRACTUAL CASH FLOWS ($)	LESS THAN 6 MONTHS ($)	6-12 MONTHS ($)	1-2 YEARS ($)	MORE THAN 2 YEARS ($)
Loans & Borrowings (note 16)	79,326,909	79,326,909	-	56,176,909	20,000,000	3,150,000
Accounts Payable and Accruals (note 17)	24,540,780	24,540,780	24,540,780	-	-	-
Derivative Liabilities (note 18)	5,239,875	5,239,875	1,622,792	1,541,073	2,076,010	-
Owing to Suppliers	22,559,535	22,559,535	22,559,535	-	-	-
Co-operative Shares	72,603,030	72,603,030	-	72,603,030	-	-
Total Non-derivative Liabilities	**204,270,129**	**204,270,129**	**48,723,107**	**130,321,012**	**22,076,010**	**3,150,000**

c. Foreign Currency Exchange Risk

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

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

The Group uses forward exchange contracts and currency options to hedge its foreign currency exposure. All of the forward exchange contracts and options have maturities of less than two years at balance date. The Group classifies its forward exchange and option contracts, which are hedging forecast transactions, as cash flow hedges.

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

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

	2018			
	USD ($)	AUD ($)	CNY (¥)	JPY (¥ - 000'S)
Net Cash Flow Exposure Before Hedging	101,730,258	20,504,000	-	5,105,625
less Foreign Exchange Contracts and Options	(88,000,000)	(12,000,000)	-	(3,400,000)
Net Unhedged Exposure	**13,730,258**	**8,504,000**	**-**	**1,705,625**

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:

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

	2018				
	NZD ($)	USD ($)	AUD ($)	CNY (¥)	JPY (¥)
Cash and Cash Equivalents	27,303	1,090,519	29,562	13,586,742	357,874,264
Loans and Borrowings	(58,150,000)	(5,000,000)	-	-	(1,050,000,000)
Interest Rate Swaps	44,000,000	-	-	-	-
Net Unhedged Exposure	**(14,122,697)**	**(3,909,481)**	**29,562**	**13,586,742**	**(692,125,736)**

e. Sensitivity Analysis

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

Interest Rates:

At 31 July it is estimated that a general increase of one percentage point in NZ interest rates would decrease Group profit before income tax by approximately $427,224 (2018: $425,993). Interest rate swaps have been included in this calculation.

Foreign Exchange Rates:

The Group has a foreign exchange policy to mitigate the risk associated with the fluctuations in the value of the New Zealand Dollar. At 31 July it is estimated that a general increase of one cent in the NZD / USD exchange rate would decrease the Group's profit by $869,430 (2018: $1,802,026). Foreign exchange hedging has been included in this calculation.

20 — RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP	
	YEAR ENDED 31 JULY 2019 ($)	YEAR ENDED 31 JULY 2018 RESTATED ($)
Profit / (Loss) For The Year	**12,295,423**	**5,828,208**
Adjustments for Non Cash Items:		
Depreciation	13,700,759	12,401,483
Amortisation of Intangible Assets	848,360	876,349
Movement in Deferred Tax	(1,959,419)	(5,623,311)
Revaluation of Investment Property	(411,000)	-
Revaluation of Biological Assets	(185,754)	-
Movement in Investments	(342,611)	-
Loss / (Gain) on Sale of Property, Plant and Equipment	98,814	-
	24,044,572	13,482,729
Movements in Working Capital:		
Trade and Other Receivables	(336,568)	(4,955,561)
Derivatives - Assets	482,442	15,155,740
Derivatives - Liabilities	2,776,771	3,938,011
Inventories	3,864,478	(5,029,635)
Biological Assets	(91,732)	(300,156)
Owing to Suppliers	1,031,662	3,154,704
Trade and Other Payables	(26,982)	1,305,995
	7,700,071	13,269,098
Items Classified as Investing / Financing Activities	(2,174,395)	(10,072,224)
Net Cash Flows From / (Applied to) Operating Activities	**29,570,248**	**16,679,603**

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	GROUP	
Key Management Personnel Compensation	YEAR ENDED 31 JULY 2019 ($)	YEAR ENDED 31 JULY 2018 ($)
Short Term Employee Benefits	2,089,761	1,838,776
Long Term Employee Benefits	-	-

Transactions and Balances with Key Management Personnel

Key management personnel may conduct business with the Group.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows: Nil (2018: 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 $482,667 (2018: $469,905), which is separately disclosed within the directors report.

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

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

Foodstuffs North Island Ltd (Peter Schuyt) - Sales during the year (GST inclusive) $3,443,575 (2018: $2,658,405), Receivable at year end (GST inclusive) $291,567 (2018: $270,276).

DairyNZ Ltd (Peter Schuyt) - Amounts paid during the year (GST inclusive) $10,031 (2018: $nil), Payable at the year end (GST inclusive) $10,031 (2018: $nil).

RML Engineering Ltd (Ross Townshend) - Amounts paid during the year (GST inclusive) $18,063 (2018: $32,827), Payable at year end (GST inclusive) $7,152 (2018: $446).

Nicholson United Autos Ltd (Mark Dewdney) - Amounts paid during the year (GST inclusive) $140,184 (2018: $76,444), Payable at year end (GST inclusive) $1,353 (2018: $1,348).

Directors Farm Supply (included in Owing to Suppliers)

	VALUE OF TRANSACTIONS	BALANCE OUTSTANDING	VALUE OF TRANSACTIONS	BALANCE OUTSTANDING
	18/19 ($)	31 JULY 2019 ($)	17/18 ($)	31 JULY 2018 ($)
Directors' Farm Supply (including Owing to Suppliers)	9,865,100	1,738,913	8,477,067	1,463,386

22 — GROUP ENTITIES

SUBSIDIARIES	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2019	2018
Tatua Japan Limited	Japan	100%	100%
Tatua USA Limited	USA	100%	100%
Tatua Dairy Products (Shanghai) Co., Ltd	China	100%	100%
Equity Accounted Investee			
Milktest New Zealand Limited	New Zealand	10%	10%

Policy

(a) Basis of Consolidation

Subsidiaries

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

Equity Accounted Investees (Joint Ventures)

Joint ventures are those arrangements in which the Group has contractually agreed to share control and where the Group has rights to the net assets rather than rights to the assets and obligations for the liabilities. Joint ventures are initially recognised at cost (including any goodwill identified on acquisition). Subsequent to initial recognition they are accounted for using the equity method in the consolidated financial statements. The consolidated financial statements include the Group's share of the profit or loss after tax of joint ventures after adjustments to align the accounting policies of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Transactions Eliminated on Consolidation

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

(b) Foreign Currency

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

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

23 — SUBSEQUENT EVENTS

There were no material events subsequent to 31 July 2019 that would impact these financial statements.

Independent Auditor's Report

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

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of The Tatua Co-operative Dairy Company Limited (the 'Company') and its subsidiaries (the 'Group') on pages 28 to 55:

i. present fairly in all material respects the Group's financial position as at 31 July 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated balance sheet as at 31 July 2019;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to tax advice and a share registry audit. 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 $1.7m determined with reference to a benchmark of Group total revenue. We chose total revenue as the benchmark for the Group as this is a key measure of the Group's performance. We agreed with the Audit, Risk and Compliance Committee that we would report misstatements identified during our audit, to them, above $85,000 as well as misstatements below that amount that in our view, warranted reporting for qualitative reasons.

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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 $51 million (2018: $55 million) which represents 20% 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 2018/19 season. We compared a sample of purchased wholemilk and cream (quality and value) from other parties to their respective invoices. We compared the valued component ratio of fat to protein in the model to the ratio that was physically paid to farmers based on their fat and protein supply split during the 2018/19 season. We checked that the split of protein into its casein and whey components was calculated correctly. We checked that the mechanics of the model were calculating correctly and were consistent with the prior year. We did not identify material exceptions from the procedures performed and found the judgements and assumptions to be balanced and consistent.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes the Report from the Chairman & Chief Executive Officer, the Key Financial Performance Summary, Statutory Information, Statistics & Progress Table, and Directory. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

KPMG

Use of this independent auditor’s report

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

Responsibilities of the Directors for the consolidated financial statements

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

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

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

Our objective is:

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

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

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

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

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

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

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

For and on behalf of

KPMG

Hamilton

6 November 2019

STATISTICS

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

Summary of Milk Payment Rates		2018/19		2017/18		2016/17	
		CENTS / KG FAT	CENTS / KG PROTEIN	CENTS / KG FAT	CENTS / KG PROTEIN	CENTS / KG FAT	CENTS / KG PROTEIN
Advance Rate	20 July	406.0	507.0	347.0	518.0	252.0	600.0
Retrospective Increase	20 December	22.0	28.0	21.0	31.0	27.0	64.0
Retrospective Increase	20 March	37.0	46.0	34.0	50.0	19.0	46.0
Retrospective Increase	20 April	36.0	46.0	33.0	50.0	16.0	38.0
Retrospective Increase	20 May	37.0	45.0	33.0	49.0	16.0	38.0
Retrospective Increase	20 June	45.0	57.0	33.0	50.0	22.0	53.0
Retrospective Increase	20 July	45.0	56.0	49.0	74.0	22.0	52.0
Retrospective Increase	20 August	45.0	57.0	50.0	74.0	22.0	52.0
Retrospective Increase	20 September	45.0	56.0	33.0	49.0	22.0	53.0
Final Payment	20 October	45.4096	56.2620	33.0032	49.0347	25.2675	59.3988
Total Payout Averaged Over All Grades		**763.410**	**954.262**	**666.003**	**994.035**	**443.268**	**1,055.399**

PROGRESS TABLE

YEAR	NO. OF SUPPLIERS	MILKSOLIDS FROM OWN SUPPLY (KG)	PAYOUT CENTS/KG MS (INCOME EQUIVALENT)	TOTAL SHARE-HOLDERS FUNDS $	COMMODITY PRODUCTS (TONNES)			
					PROTEINS	POWDERS	CHEESE	AMF
2018/19	107	14,458,814	850.0	134,745,184	8,272			7,802
2017/18	110	14,686,362	810.0	120,642,673	8,590			8,833
2016/17	113	14,968,366	710.0	126,493,623	9,018			10,735
2015/16	114	15,568,586	630.0	116,869,514	9,645			10,194
2014/15	118	15,663,949	710.0	100,371,192	9,654			9,791
2013/14	109	13,223,427	900.0	106,167,944	7,408			9,535
2012/13	108	12,523,609	740.0	87,044,650	7,168			8,069
2011/12	109	13,186,565	750.0	76,825,363	8,037			9,469
2010/11	111	12,041,622	810.0	75,438,331	6,715			7,288
2005/06	121	12,237,952	459.1	50,988,615	6,718			8,364
2000/01	136	8,908,866	552.3	25,376,429	8,000			
1995/96	146	7,989,118	418.7	15,082,806	7,863			
1990/91	130	6,382,505	261.7	11,604,650	2,705			
1985/86	104	5,013,554	241.4	5,611,760	1,753			
1980/81	87	3,618,763	155.2	1,738,208	971	761		
1975/76	74	2,938,277	81.3	752,270	1,144	1,275		
1970/71	70	2,182,343	48.9	275,015	1,005	609		
1965/66	70	1,926,323	47.0	232,534	926			
1960/61	62	1,314,518	40.6	157,920	474			
1955/56	56	1,038,843	42.5	111,051	347			
1950/51	49	916,178	36.1	84,624	318			
1945/46	43	613,418	24.2	40,832		885		
1940/41	45	752,929	19.4	37,342		1,112		
1935/36	46	763,155	14.3	32,113			1,110	
1930/31	49	697,178	12.4	29,788			1,024	
1925/26	51	324,125	20.3	23,213			846	

Note: For seasons to 1985/86 milkfat has been converted to "milksolids" using a factor of 1kg milk fat = 1.74 kg milksolids

DIRECTORY

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SOLICITORS

Harkness Henry & Co

BANKERS

Bank of New Zealand Ltd

INSURANCE BROKERS

Willis Towers Watson Ltd

CHAIRMAN

SB Allen

DIRECTORS

SB Allen
Dr. LE Cullen
MBN Dewdney
RJ Luxton
DP Muggeridge
Dr. KM Old
PM Schuyt
RE Townshend

CHIEF EXECUTIVE OFFICER

BA Greaney

GENERAL MANAGER MARKETING AND SALES

SJ Rolfe

GENERAL MANAGER OPERATIONS

TA Keir

GENERAL MANAGER FINANCE AND ADMINISTRATION

ML Bull

GENERAL MANAGER CO-OPERATIVE AFFAIRS

PJ van Boheemen

GENERAL MANAGER STRATEGIC PROJECTS

TA Winter

HEAD OF PEOPLE AND CAPABILITY

PA Pilkington

TATUA