TATUA

ANNUAL REPORT 2023

FROM HERE TO THE WORLD

SPECIALISED DAIRY

CONTENTS

Year in Review

Financial Statements

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

HIGHLIGHTS

Total Underlying Revenue

$535m

Kilograms of Qualifying Milksolids received from Shareholders

14.8m

Total Earnings per kilogram of Qualifying Milksolids

$15.20

Cash Payout to Shareholders per kilogram of Qualifying Milksolids

$12.30

Reinvestment per kilogram of Qualifying Milksolids

$2.90

Specialised Products Revenue

$211m

Change in Total Underlying Revenue

+20%

Revenue via Subsidiary Offices

45%

Proportion of Products Exported

90%

Gearing Ratio

16%

REPORT FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

Over the dairy season from June through to the end of May, we processed 14.85 million kilograms of Tatua shareholder supplied milksolids.

As a farmer owned co-operative, these milksolids are the basis for distributing the earnings generated over the financial year, less any funds retained for reinvestment.

Wet conditions and lack of sunshine early in the season severely impacted milk supply, with milk received over the peak September/October period 6.6% behind the previous season. Fortunately, those same wet conditions helped boost milk supply later in the season, to be 22% ahead in April and 110% ahead in May. The overall quantity of shareholder supplied milksolids ended 1.0% higher than the previous season.

Tatua shareholder supplied milk was supplemented by milksolids purchased from other processors throughout the season, whose ongoing cooperation we continue to value. Other procured dairy and non-dairy ingredients were also utilised in the manufacture of our range of dairy and non-dairy specialised ingredient products.

The total milk and cream solids processed from all sources was 2.65 million kilograms higher than the previous season, which flowed through to total production of 39,948 metric tonnes.

Our Ingredients business, consisting of caseinate, whey protein concentrate (WPC) and anhydrous milkfat (AMF) typically contributes around 50% of our Group revenue. During the year, global caseinate prices lifted sharply from the already elevated prices of the previous year, to reach unprecedented highs in January, before sharply declining to more typical levels by year-end.

The pricing effect of caseinate, and to some extent WPC, combined with AMF sales volumes being higher than usual, resulted in our Ingredients business revenue increasing to 60% of Group sales revenue. We consider this to be an exceptional combination of circumstances that has provided a notable uplift in earnings.

Revenue from our more specialised Nutritionals, Foods, and Flavours businesses, together, also increased over the previous year, despite being capacity constrained in some areas. Our well diversified mix of specialised ingredients, and consumer and foodservice products, continue to serve the business well, including providing some buffering from the impact of dairy commodity price cycles on overall earnings.

We are pleased to report record total underlying revenue of $535 million and earnings of $225 million for the year. Our earnings equate to $15.20 per kilogram of Shareholder supplied milksolids before retention for reinvestment. We elected to retain $2.90 per kilogram of milksolids, leaving a cash payout to Shareholders of $12.30 per kilogram of milksolids.

When finalising our cash payout, we were very conscious of the need to balance the requirements of our Shareholders and their farming operations with the need for ongoing investment in the business. This is especially important when on-farm input costs have increased well beyond general inflation, and interest rates on lending are the highest they have been in recent times.

We seek to maintain strength and stability in our balance sheet so we have the ability to respond to the unexpected when necessary, as well as invest in projects that support our long-term sustainability, and earnings generation. Our gearing (debt divided by debt plus equity) averaged 22.7% for the year, reducing to 16% at year-end balance date.

Through the year we progressively and cautiously unwound most of the Covid-19 protocols we have had in place to protect our people and the business from transmission of the virus.

"Tatua is an innovative, ambitious and agile business committed to offering specialised dairy solutions all while ensuring we care for our people, animals, environment and communities."

This has allowed greater in-person work interactions across our various teams as well as the reinstatement of Company-organised social occasions that assist to build familiarity, connectivity, and our ability to work well together across all functions. We remain well prepared to reinstate Covid-19 protocols if the need arises.

A comprehensive review of our Company Constitution was completed during the year with the proposed changes adopted at a Special Meeting of the Shareholders in May. This represented the culmination of over two years of careful consideration that clarified and strengthened some key constitutional areas, including providing greater optionality around milk sourcing.

OUTLOOK

With the rebalancing of global supply and demand, and return of caseinate and WPC prices to more typical levels, the returns from exceptional global caseinate pricing in particular, are being reversed. This is reflected in our forecast reduced Bulk Ingredients revenue for the financial year ahead. Nevertheless, we remain positive that, with steady demand at normalised prices, Ingredients will continue to be an important part of the business overall.

We are forecasting further growth of our specialised products as we commercialise new products in the areas we have available production capacity. In response to demand for some products outstripping our ability to supply we are progressing with an assessment of the viability of investing in further capacity to grow the specialty business. This would see milksolids re-allocated from commodity manufacture.

Over recent years we have invested heavily in systems to treat our wastewater to a very high standard, as our highest sustainability priority. We have also assessed our greenhouse gas emissions profile as a processor, and more broadly as a co-operative. We acknowledge this is an area we will increasingly need to focus as low carbon technologies become available and economically viable.

We remain very positive about the opportunities we have to further develop and improve all aspects of the business over the year ahead, and further into the future.

ACKNOWLEDGEMENTS

Thank you everyone working at Tatua, from milk collection through to our teams in market, and all those in between. While acknowledging our full-year result has been buoyed by favourable market conditions for our product mix, there is no doubt it is the coming together of everyone's efforts and inputs that has fully enabled the year that we have had.

Thank you also to our Shareholders for your full and continued support of the Co-operative, and the ongoing high quality of the milk you supply.

We would also like to thank the diverse range of individuals and organisations that have partnered with us across all aspects of the business throughout the year. We endeavour to be straight forward and uncomplicated in our interactions and dealings, and sincerely hope this has been your experience in working with us.

Finally, a very sincere thank you to all of our customers in all of our markets for your ongoing business. It has been a pleasure to be able to resume international travel and reconnect with many of you and we look forward to continuing to strengthen our relationships over the year ahead.

Our sincerest thanks to you all.

S.B. Allen

Stephen Allen
Chair

Brendhan Greaney
Chief Executive Officer

FROM HERE TO THE WORLD

Our global connections reach far and wide – from our farming families supplying fresh milk to our processing facility at Tatuanui, New Zealand, to our distribution partners and in-market teams collaborating closely with our customers in 38 countries around the world. We value strong connections, many of which have been nurtured over decades. With the lifting of Covid-19 related travel restrictions, our sales teams have valued the ability to connect in person with our customers in multiple markets and to explore new business opportunities. During the year we were also able to host customers to our site in New Zealand for the first time in three years.

Our team in Japan welcomed Charles Wilson to the role of President during the year, and in China, Daniel Young was appointed President to lead our Shanghai-based team.

Tatua Japan

Based in Tokyo, Tatua Japan's business focus is nutritional ingredients for human and microbial applications, bulk ingredients including caseinates and whey protein concentrate, dairy flavour ingredients, and specialty cream products for foodservice and food & beverage manufacturing.

The 2023 financial year saw the end of Japanese Government Covid-19 counter measures and a broader re-opening of the border and economy. Tourism numbers rebounded and Tatua Japan welcomed the return of face-to-face customer interactions.

Like many other global economies, Japan faced economic challenges in the wake of Covid-19 and other international events. Inflation reached uncharacteristic highs, impacting consumer demand and presenting additional challenges for local food manufacturers, particularly those reliant on imported raw materials and energy.

In an attempt to break years of deflation and promote wage growth, the Central Bank of Japan maintained interest rates below zero. This was in contrast to most other global economies and saw the Japanese yen at multidecade lows against major currencies.

Despite the various challenges, our Japanese business weathered the year very well. Caseinate prices reached record levels as buyers brought forward demand and built inventories to help mitigate the risks of supply chain uncertainty. In other parts of our business, including dairy ingredients, volumes and prices were supported by robust demand in consumer products, and in foodservice, in response to increased community and tourist activity.

Tatua Shanghai

Based in Shanghai, our China team's business focus is on ingredients for human and microbial nutrition, flavour ingredients, specialty cream products for foodservice and retail, and bulk ingredients including caseinates, whey protein concentrate and anhydrous milkfat.

Following China's transition from its zero Covid-19 strategy at the beginning of 2023, the anticipated quick market rebound did not come to fruition as we had expected. Consumption of dairy has been steady, but with many manufacturers actively reducing their inventories as supply chains normalised, demand for additional product fell away. A consequence of this rebalancing was that commodity dairy prices softened – in some cases dramatically.

Despite the falling commodity prices, Tatua Shanghai's diversified product offering provided some stability, leading to a successful year overall, with revenues slightly ahead of prior year.

Tatua USA

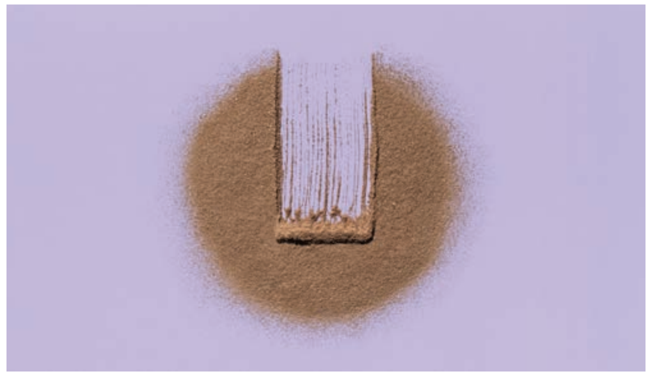
Based in Bethlehem, Pennsylvania, our USA team's focus is ingredients for human and microbial nutrition, and bulk ingredients including caseinates, whey protein concentrate and anhydrous milkfat. Our USA team also collaborate closely in supplying our customers in Europe.

The financial year began with US inflation running at over 8%, having just begun to retreat from its peak in May 2022. This impacted consumer buying patterns and motivated customers to work down stock levels to reduce working capital exposure. As the year progressed, inflation dropped to near 4%, and we began to see consumer sentiment improve.

As with our other subsidiaries, post-Covid-19 supply chain recovery and economic adjustment saw Tatua USA achieve high caseinate pricing in the first half of the year, followed by a rapid demand decline in the second half. This reduction was partly due to customers having secured higher stock levels earlier in the year to ensure supply, and was coupled with a cautious outlook on demand thereafter, due to economic and interest rate uncertainties.

In contrast to the demand swings seen for caseinate, our specialised added value products generally remained stable, while our bionutrients business grew strongly.

DIVERSIFIED AND SPECIALISED GROWTH



$320m

Record Bulk Ingredients Revenue

+11%

Whey Protein Concentrate Revenue

+22%

Caseinate Revenue

+68%

Anhydrous Milkfat Revenue

We were pleased to have achieved a new milestone for Tatua this season, with total underlying revenue exceeding $500 million for the first time. This was largely the result of our bulk ingredients business, where unique market conditions led to increased revenue for our caseinates and anhydrous milkfat products in particular.

$535m

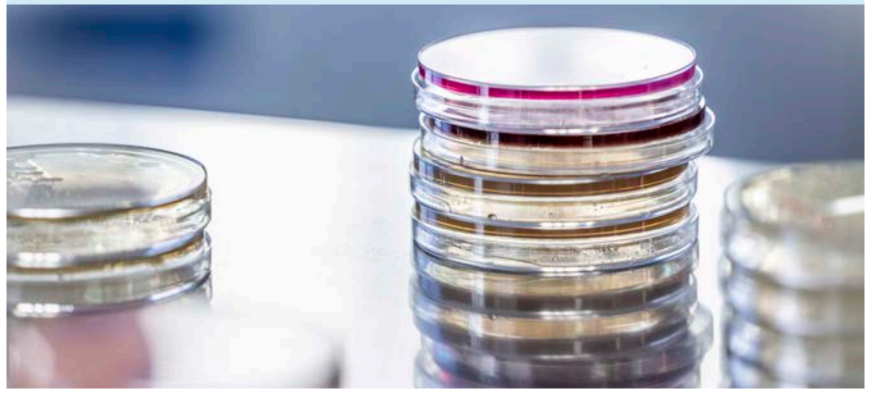
Record Total Underlying Revenue

$211m

Specialised Products Revenue

+19%

Aerosol Cream Revenue



+18%

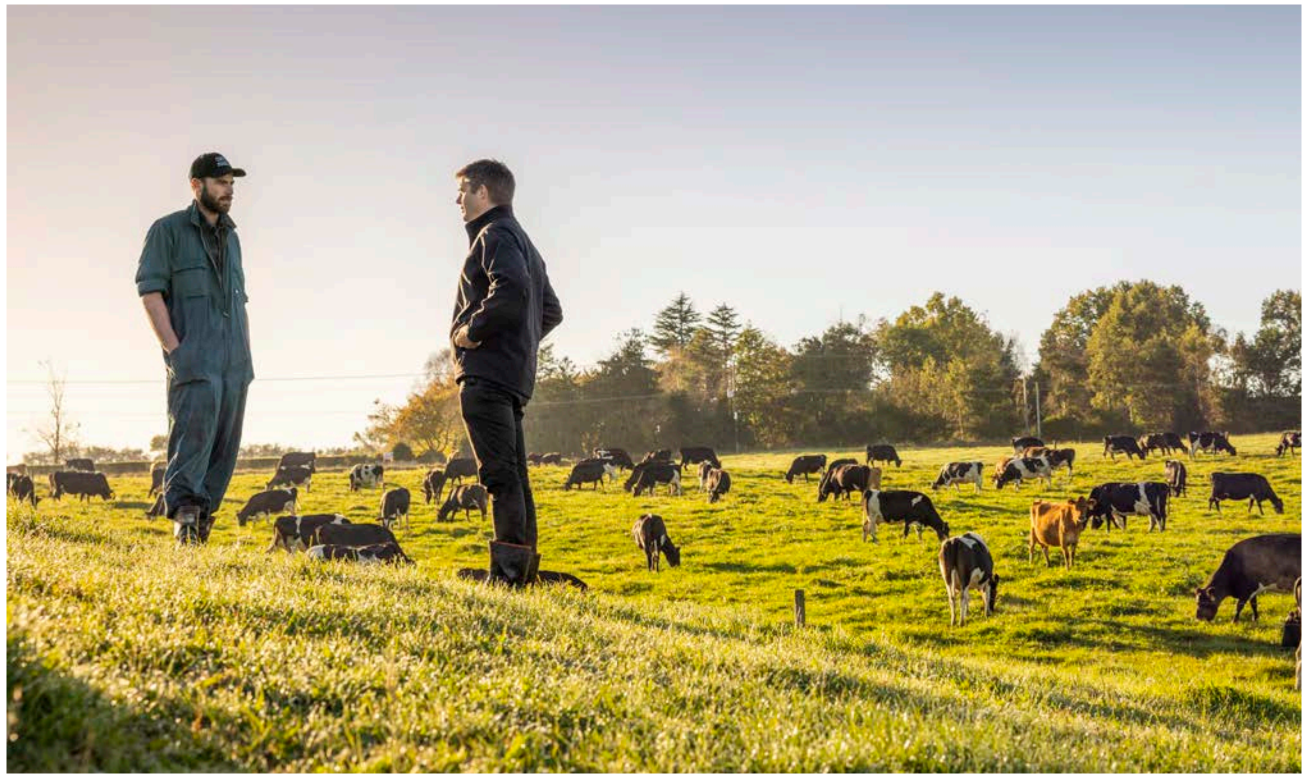
Specialty Cream Revenue

+7%

Flavour Pastes Revenue

BUILDING RESILIENCE AND SUSTAINABILITY

Resilience and sustainability are core to the future of our business, and this year we have taken important steps to refine our approach to both.



ENVIRONMENTAL RESPONSIBILITY

Promoting Responsible Farming

Through our Tatua 360 stewardship programme we strive to enhance biodiversity, preserve natural resources, and ensure the long-term sustainability of our on-farm operations. This is principally achieved through a farm planning process.

Back in 2017 we introduced the concept of farm plans to our dairy farmer shareholders, and in 2018 began working with 20 shareholders on the development of their farm specific plans. Since then, we have progressed this work, with around 20% of shareholders completing their farm plans each year.

During this time, we learned what worked well and identified areas for improvement, and combining feedback from shareholders with evolving Farm planning regulations, we fine-tuned our processes and outputs. We now have a process that ensures the plans produced are relevant to our farmers as well as fulfilling current and future regulatory requirements.

Many shareholders have already made good progress in implementing the opportunities identified through this process, and over time, we may look to broaden these plans beyond the current scope of water, soil, biodiversity, and greenhouse gas emissions, to include other aspects of farm operation.

In the meantime, we are proud to have reached the milestone of having all of our shareholders operating with a comprehensive farm plan. We know, however, that this is just the beginning, and that there will always be more we can do.

All Tatua farms have:

- An annual greenhouse emissions profile
- Biosecurity Plans
- Farm Environment Plans
- Animal Health & Wellbeing Plans
- An Independent Food Safety assessment
- Farm specific Health & Safety Plans

Improving Environmental Sustainability

Through innovative processes and recycling initiatives, we aim to reduce our environmental impact, work toward closed-loop systems, and contribute to a more sustainable future. We prioritise environmental stewardship by reducing our footprint and promoting sustainability in our supply chain and wider policies.

Some 2023 initiatives include:

- Water reduction projects resulted in a further 21 million litres of water saving across our manufacturing site
- Continuation of carbon footprint tracking and measurement
- Development of a sustainable procurement policy
- Plastic pallet wrap recycling programme
- Progressing consent to establish a solar farm that will supply 1/3 of site electricity requirements
- Commissioning of new treated wastewater discharge line to improve management of irrigation loads
- Anaerobic digestion of selected waste streams, with utilisation of resulting heat and biogas

SOCIAL RESPONSIBILITY

Through professional development opportunities, promoting a positive work-life balance and prioritising employee safety, we endeavour for our teams to thrive both professionally and personally.

People are essential to the success of our co-operative, from our shareholder farmers to our operations, technical, administration and sales teams on site, and our sales teams in Japan, China and the USA.

Caring for our People

We aim to create a positive and healthy work environment that fosters innovation, creativity and growth, by prioritising the needs and interests of our people– including a culture of inclusion and high performance, and a focus on developing future trusted leaders.

Some 2023 initiatives include:

- Family fun day for shareholders and Tatua employees
- Wellbeing committee organised events – photo competition, financial wellbeing seminars, bootcamp classes, Round the Bridges fun run and walk, support of employee social sports teams
- Regular audits to provide assurance that we continue to achieve high standards of employment practices and health and safety within our business
- Baking for our farmers – employees baked and delivered fresh home-baking to our supply farms in July
- Employee training and development programme
- Sales development training for sales team
- Annual team events – winter function, Christmas barbeque and team building
- Redesigned Leadership Development Programme
- Piloted Mindset Training which will be rolled out to the business in 2024
- Clifton Strengths Coaching and Team Sessions
- Refreshed Development Conversations Programme
- Regular Leadership Forum

Supporting our Community

By sharing knowledge, resources and fostering mutual trust, we aim to promote positive social, environmental and economic impact ensuring that our business supports community development.

Some initiatives this year include:

- Tatuanui School native plant nursery support – children grow and nurture native plants and help with community planting events on local farms
- Donation to Rural Support Trust to support rural communities affected by Cyclone Gabrielle
- Supported community wellbeing evening held with Sir John Kirwan
- Provided funds for sports, technology and educational activities to our four local schools
- Charity Fundraising – Tatua employees held fundraising events to support Cancer Society Daffodil Day and local Community House
- Hosted career days for schools to support the next generation
- Participated in speaking engagements and presentations with local schools and community organisations

FINANCIAL PERFORMANCE SUMMARY

2022/23 IN REVIEW

Total Underlying Revenue

$535m

+20%

Group Surplus

$15.20 cents/kg qualifying milksolids

+20%

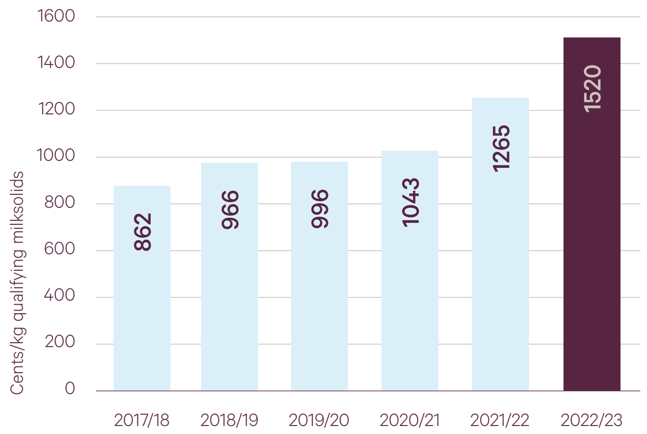
Payout to Shareholders

$12.30 cents/kg qualifying milksolids

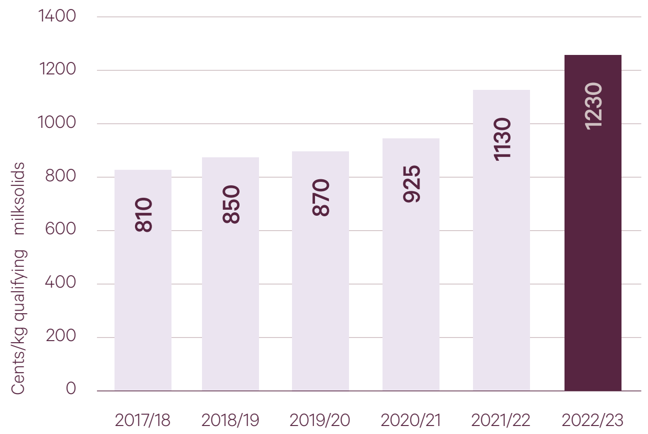
+9%

Summary	2022/23	2021/22
Total Milk Received from Suppliers (litres)	165,204,629	164,292,606
Qualifying Milksolids Received from Suppliers (kilograms)	14,821,502	14,703,629
Total Underlying Revenue ($)	535,184,738	444,336,892
Group Profit Before Payout & Tax (cents/kilogram qualifying Milksolids)	1,520	1,265
Cash Payout to Suppliers (cents/kilogram qualifying Milksolids)	1,230	1,130
Group Depreciation (cents/kilogram qualifying Milksolids)	115	105
Capital Expenditure ($)	19,236,678	27,112,470
Group Assets ($)	365,415,207	339,604,724
Year-End Gearing Ratio: (% Debt to debt plus members funds)	16	27

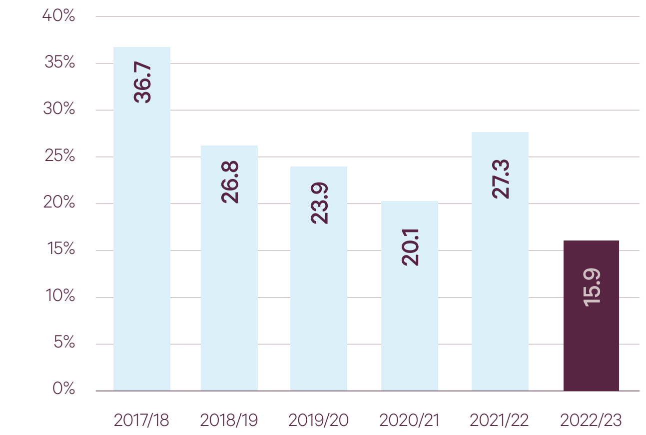
Group Surplus before Payout and Tax



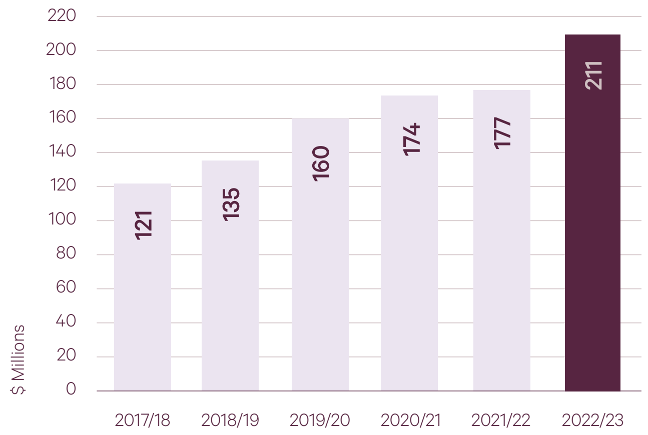
Payout – Income Equivalent



Gearing (% Debt to debt plus members funds)



Members Funds



STATUTORY INFORMATION

for the year ended 31 July 2023

Principal Activities

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

Co-operative Group

The Board of Directors resolved on 25 July 2023 that, in the opinion of the Board, the Group has been a co-operative company during the year ended 31 July 2023 because its principal activity has been processing and marketing products derived from milk supplied by its shareholders and because 100% of the voting rights in the Group are held by those shareholders.

Role of the Board

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

Key responsibilities of the Board include:

— Setting strategic direction and establishing policies to support the effective management of the Group;

— Appointing and reviewing the performance of the CEO;

— Setting the terms of CEO and executive management employment;

— Monitoring the financial performance of the Group, and Tatua's risk management;

— Ensuring that Tatua has robust corporate governance practices;

— Ensuring Tatua's regulatory and legislative compliance; and

— Ensuring Tatua has robust health, safety and wellbeing processes which protect all people associated with the Group.

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

Framework

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

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

Board Composition

Pursuant to clause 20.1 of the Constitution of the Company, the number of Directors, including any Appointed Director(s), shall be not less than six nor more than nine. One third of elected directors retire by rotation each year and are eligible for re-election, while appointed directors are appointed for a term not longer than three years, after which they may be re-appointed for a further three year term. Elected directors Louise Cullen and Julie Langley were re-elected during the year.

Board Meetings Held During the Year

Board Members	Meetings Attended
Stephen Allen (Chair)	9
Louise Cullen	9
Mark Dewdney	9
Julie Langley	8
Richard Luxton	9
David Muggeridge	9
Peter Schuyt	7
David Walsh	8
Board Meetings Held	**9**

Board Committees

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

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

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

Directors' Remuneration

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

Stephen Allen	$128,333
Louise Cullen	$80,667
Mark Dewdney	$62,667
Julie Langley	$62,667
Richard Luxton	$80,667
David Muggeridge	$62,667
Peter Schuyt	$62,083
David Walsh	$80,874
	$ 620,624

Directors' Shareholdings

At 31 July 2023 Directors held the following shares in the Group:

	Beneficially Held	Non-Beneficially Held	Held By Associated Persons
Stephen Allen	2,129,440	-	892,310
Louise Cullen	3,128,540	-	-
Mark Dewdney	2,548,970	-	-
Julie Langley	873,190	-	-
Richard Luxton	3,988,350	-	-
David Muggeridge	1,277,840	-	-

Directors' Insurance

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

Employees' Remuneration

During the year to 31 July 2023 the following number of employees of the Group received total remuneration of at least $100,000 NZD: Total remuneration includes salaries, bonus payments, and other benefits received in the capacity as an employee during the year, e.g. company vehicles, insurance and superannuation. Bonus payments may relate to multiple years.

Remuneration	Number of Employees
$100,000 - $109,999	31
$110,000 - $119,999	40
$120,000 - $129,999	51
$130,000 - $139,999	46
$140,000 - $149,999	33
$150,000 - $159,999	21
$160,000 - $169,999	12
$170,000 - $179,999	13
$180,000 - $189,999	6
$190,000 - $199,999	3
$200,000 - $209,999	6
$210,000 - $219,999	4
$220,000 - $229,999	2
$230,000 - $239,999	2
$240,000 - $249,999	1
$250,000 - $259,999	2
$260,000 - $269,999	2
$270,000 - $279,999	1
$290,000 - $299,999	1
$300,000 - $309,999	1
$320,000 - $329,999	1
$380,000 - $389,999	1
$390,000 - $399,999	1
$460,000 - $469,999	1
$540,000 - $549,999	1
$560,000 - $569,999	1
$1,230,000 - $1,239,999	1
	285

Donations & Grants

Donations and grants for the year ended 31 July 2023 were $247,000 (Cyclone Relief Support and Educational Support) (2022: $40,000).

DISCLOSURE OF INTERESTS

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

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

Director	Position	Company
Stephen Allen	Director	Rangitata GP 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	David Johnstone Charitable Trust
	Trustee	JES Allen Estate
	Trustee	JR Allen Estate
	Trustee	Annandale Trust
	Partner	Rangitata Dairies LP
	Trustee	Cheadle Trust
	Director	Farmers' Mutual Group (FMG)
	Director	Farmers' Mutual Insurance Ltd (FMIL)
	Director	Mowata GP Ltd
Louise Cullen	Director	AgResearch Ltd
	Director	Waikato Valley Cricket Association
	Director, Shareholder	Cookson Trust Farms Ltd
	Director, Shareholder	Balachraggan Farms Ltd
	Director, Shareholder	Capra Farming Ltd
	Director, Shareholder	Acorn Goats Ltd
	Trustee	Acorn Trust
Mark Dewdney	Independent Chair	New Zealand King Salmon Ltd & Subsidiaries
	Director	Marire General Partner Ltd
	Director, Shareholder	MDLP General Partner Ltd
	Trustee/Beneficiary	Dewdney Family Trust
	Trustee	Marvic Family Trust
	Trustee	Mark Dewdney Family Trust
	Trustee	Vicki Dewdney Trust
	Partner	Matangi Dairies LP
	Director (Retired Sept 22)	Dairy Goat Co-operative
	Director (Retired Oct 22)	Nicholson United Autos Ltd

Director	Position	Company
Julie Langley	Director, Shareholder	KM & JL Langley Limited
	Shareholder	Langley Trading Ltd
	Shareholder	Langley Foods Ltd
Richard Luxton	Director, Shareholder	Aslan Farms Ltd
	Director	MDLP General Partner Ltd
	Director	Marire General Partner Ltd
	Director	Marire Holdings Ltd
	Partner	Marire LP
	Partner	Matangi Dairies LP
David Muggeridge	Director, Shareholder	Muggeridge Farms Ltd
	Trustee	DP & MA Muggeridge Family Trust
Peter Schuyt	Director	Tax Management NZ Ltd
	Director	Foodstuffs North Island Ltd
	Director, Shareholder	Ahikouka Holdings Ltd
	Director, Shareholder	Greenleaf Fresh Ltd
	Director, Shareholder	Schuyt Investments Ltd
	Trustee	Schuyt Family Trust
	Director (Retired Oct 22)	DairyNZ Inc.
David Walsh	Director	Datam Ltd
	Director	New Zealand Post Holdings Ltd
	Director	Fliway Group Ltd
	Director	Fliway Holdings Ltd
	Director	Fliway International Ltd
	Director	Fliway Logistics Ltd
	Director	Fliway Transport Ltd
	Director	Supply Chain Solutions Ltd
	Director	New Zealand Post Finance Ltd

BALANCE SHEET

as at 31 July 2023

	Note	GROUP 2023 ($)	GROUP 2022 ($)
Current Assets			
Cash and Cash Equivalents	14	34,455,110	10,540,247
Derivatives	18	6,668,769	2,362,517
Receivables and Prepayments	13	58,548,446	51,226,559
Tax Receivable		317,758	62,657
Inventories	12	107,610,206	107,617,744
Biological Assets		617,144	790,263
Total Current Assets		208,217,433	172,599,987
Non Current Assets			
Property, Plant and Equipment	9	144,719,154	151,224,283
Investment Property	11	1,475,000	2,236,000
Intangible Assets	10	3,431,367	3,898,000
Derivatives	18	2,409,295	1,949,243
Deferred Tax Asset	8	4,275,375	7,031,993
Equity Accounted Investments		887,583	665,218
Total Non Current Assets		157,197,774	167,004,737
Total Assets		**365,415,207**	**339,604,724**
Current Liabilities			
Loans and Borrowings	16	8,761,918	41,472,191
Derivatives	18	3,645,710	11,486,242
Accounts Payable and Accruals	17	28,002,502	32,137,690
Tax Payable		11,231,821	1,775,060
Owing to Suppliers		36,844,236	37,053,517
Total Current Liabilities		88,486,187	123,924,700
Non Current Liabilities			
Loans and Borrowings	16	65,708,658	35,365,483
Derivatives	18	36,127	3,783,402
Total Non Current Liabilities		65,744,785	39,148,885
Total Liabilities Excluding Co-operative Shares		**154,230,972**	**163,073,585**
Classified as a Liability			
PLUS Co-operative Shares	15	74,136,046	72,285,666
Total Liabilities		228,367,018	235,359,251
Net Assets		137,048,189	104,245,473
Retained Earnings		123,228,938	92,859,949
Reserves		13,819,251	11,385,524
Equity		137,048,189	104,245,473
Members Funds Memorandum Account:			
Co-operative Shares Classified as a Liability	15	74,136,046	72,285,666
Retained Earnings		123,228,938	92,859,949
Reserves		13,819,251	11,385,524
Total Members Funds		**211,184,235**	**176,531,139**

For and on behalf of the Board:

SB Allen Chair of Directors
09 October 2023

S.B. Allen

DJ Walsh Chair of Audit, Risk and Compliance Committee
09 October 2023

STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31 July 2023

	Note	GROUP Year Ended 31 July 2023 ($)	GROUP Year Ended 31 July 2022 ($)
Profit or Loss Items			
Revenue from Contracts with Customers	3	538,535,453	436,471,888
less Payments for Own Milk Supplied		(182,500,557)	(166,246,123)
less Other Cost of Sales		(247,111,187)	(208,422,246)
Gross Profit		**108,923,709**	**61,803,519**
plus Other Income	3	876,255	1,622,408
less Sales and Marketing Expenses		(36,126,985)	(29,436,942)
less Administration Expenses	4	(14,886,442)	(13,285,484)
Surplus from Operating Activities		**58,786,537**	**20,703,501**
Finance Income	6	555,842	1,932,167
less Finance Expenses	6	(16,300,085)	(2,787,168)
Net Finance Expense		**(15,744,243)**	**(855,001)**
Surplus before Income Tax		43,042,294	19,848,500
less Income Tax Expense	7	(12,673,305)	(5,562,227)
Net Profit		**30,368,989**	**14,286,273**
Other Comprehensive Income			
Movement in Land Revaluation Reserve		(7,785,470)	2,580,653
Change in Fair Value of Cash Flow Hedges		15,372,565	(15,225,437)
Movement in Foreign Exchange Reserve		(853,346)	545,613
Income Tax on Other Comprehensive Income		(4,300,022)	4,263,122
Other Comprehensive Income for the Year		**2,433,727**	**(7,836,049)**
Total Comprehensive Income		**32,802,716**	**6,450,224**

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 2023

GROUP	Translation Reserve ($)	Hedging Reserve ($)	Revaluation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at 1 August 2021	**113,409**	**3,641,398**	**15,466,766**	**78,573,676**	**97,795,249**
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	545,613	-	-	-	545,613
Movement in Land Revaluation Reserve	-	-	2,580,653	-	2,580,653
Movement in Hedging Reserve, Net of Tax	-	(10,962,315)	-	-	(10,962,315)
Total Other Comprehensive Income	**545,613**	**(10,962,315)**	**2,580,653**	**-**	**(7,836,049)**
Profit for the Period	-	-	-	14,286,273	14,286,273
Total Comprehensive Income	**545,613**	**(10,962,315)**	**2,580,653**	**14,286,273**	**6,450,224**
Transactions with owners of Group					
Issue of ordinary shares	-	-	-	-	-
Balance at 31 July 2022	**659,022**	**(7,320,917)**	**18,047,419**	**92,859,949**	**104,245,473**
Balance at 1 August 2022	**659,022**	**(7,320,917)**	**18,047,419**	**92,859,949**	**104,245,473**
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	(853,346)	-	-	-	(853,346)
Movement in Land Revaluation Reserve	-	-	(7,785,470)	-	(7,785,470)
Movement in Hedging Reserve, Net of Tax	-	11,072,543	-	-	11,072,543
Total Other Comprehensive Income	**(853,346)**	**11,072,543**	**(7,785,470)**	**-**	**2,433,727**
Profit for the Period	-	-	-	30,368,989	30,368,989
Total Comprehensive Income	**(853,346)**	**11,072,543**	**(7,785,470)**	**30,368,989**	**32,802,716**
Transactions with owners of Group					
Issue of ordinary shares	-	-	-	-	-
Balance at 31 July 2023	**(194,324)**	**3,751,626**	**10,261,949**	**123,228,938**	**137,048,189**

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 2023

	Note	GROUP Year Ended 31 July 2023 ($)	GROUP Year Ended 31 July 2022 ($)
Cash Flows From Operating Activities			
Cash was provided from:			
Receipts from Customers		519,861,618	433,280,948
Interest Received		555,842	9,654
		520,417,460	433,290,602
Cash was applied to:			
Payments for Milk		(182,709,837)	(164,328,321)
Payments to Creditors and Employees		(284,138,952)	(254,070,375)
Interest Paid		(5,269,088)	(2,980,091)
Taxation Paid		(5,015,049)	(4,565,248)
		(477,132,926)	(425,944,035)
Net Cash Flows From / (Applied To) Operating Activities	20	**43,284,534**	**7,346,567**
Cash Flows From Investing Activities			
Cash was provided from:			
Proceeds From Sale of Property, Plant and Equipment		99,431	35,870
Proceeds From Sale of Investments		10,000	327,573
		109,431	363,443
Cash was applied to:			
Acquisition of Property, Plant and Equipment		(18,077,402)	(26,345,509)
Acquisition of Intangible Assets		(884,983)	(516,202)
Purchase of Share Investments		-	-
		(18,962,385)	(26,861,711)
Net Cash Flows From / (Applied To) Investing Activities		**(18,852,954)**	**(26,498,268)**
Cash Flows From Financing Activities			
Cash was provided from:			
Increase in Co-operative Shares	15	3,226,545	1,788,840
Proceeds from Borrowings		(2,367,097)	14,652,374
		859,448	16,441,214
Cash was applied to:			
Decrease in Co-operative Shares	15	(1,376,165)	(5,252,420)
Repayment of Borrowings		-	-
		(1,376,165)	(5,252,420)
Net Cash Flows From / (Applied To) Financing Activities		**(516,717)**	**11,188,794**
Net Increase / (Decrease) in Cash and Cash Equivalents		23,914,863	(7,962,907)
Add: Opening Cash and Cash Equivalents Balance		10,540,247	18,503,154
Closing Cash and Cash Equivalents Balance	14	**34,455,110**	**10,540,247**

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

NOTES TO THE FINANCIAL STATEMENTS

1 — REPORTING ENTITY

The Tatua Co-operative Dairy Company Limited ("Tatua") is a co-operative company domiciled and incorporated in New Zealand, and registered under the Co-operative Companies Act 1996 and the Companies Act 1993. Tatua is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013.

These financial statements set out the performance, position and cash flows of Tatua and its subsidiaries (the "Group") for the year ended 31 July 2023. At 31 July 2023 the Group consists of The Tatua Co-operative Dairy Company Ltd and its subsidiaries Tatua Japan Co. Ltd, Tatua Dairy Products (Shanghai) Co., Ltd and Tatua USA Ltd. The Group is a producer and marketer of dairy products with sales to both domestic and export markets.

2 — BASIS OF PREPARATION

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

(a) Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as appropriate for Tier 1, for-profit entities, NZIFRS and IFRS. Accounting policies have been applied consistently to all periods presented in these financial statements. The financial statements were approved by the Board of Directors on 9 October 2023.

(b) Basis of Measurement

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

— Land is measured at fair value. Refer to Note 9.

— Biological assets are measured at fair value less point-of-sale costs.

— Investment property is measured at fair value. Refer to Note 11.

— Derivative financial instruments are measured at fair value. Refer to Note 18.

— The carrying value of financial instruments measured at amortised cost equals their fair values.

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgement

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

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

Note 12. - Milk cost included in inventory.

(e) Goods and Services Tax

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

(f) New Standards and Interpretations

(i) New and amended standards adopted by the Group

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

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

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

3 — OPERATING REVENUE & OTHER INCOME

	GROUP	
	2023 ($)	**2022 ($)**
Revenue from contracts with customers	538,535,453	436,471,888
Other Income		
Rental Income from Investment Property	75,000	75,000
Rental Income from Residential Property	59,159	56,881
Fair Value movement in Investment Property	(761,000)	538,000
Insurance Claim Proceeds	-	38,909
MilkTest NZ LP Income	232,434	213,721
Sundry Income	1,270,662	699,897
Total Other Income	**876,255**	**1,622,408**
Total Revenue	**539,411,708**	**438,094,296**

	GROUP	
Analysis of revenue from contracts with customers	**2023 ($)**	**2022 ($)**
Nature of Revenue		
Sale of goods	536,355,339	434,682,083
Royalties/Commissions	2,180,114	1,789,805
	538,535,453	**436,471,888**
Timing of revenue recognition		
At a point in time	518,612,282	418,609,292
Over time	19,923,171	17,862,596
	538,535,453	**436,471,888**
Disaggregation of Revenue		
Australasia (NZ and AUS)	163,054,460	126,108,247
Asia / Pacific	290,600,014	244,259,855
Americas / Europe	84,880,979	63,806,206
Other	-	2,297,580
	538,535,453	**436,471,888**

POLICY

(a) Revenue from contracts with customers

Revenue from the sale of goods is measured based on the consideration specified in a contract with customers, net of returns.

Revenue recognised at a point in time

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

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

Revenue recognised over time

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

(b) Other Income

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

(c) Non-GAAP Measure: Total Underlying Revenue

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

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

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

	Note	2023 ($)	2022 ($)
Revenue from Contracts with Customers	3	538,535,453	436,471,888
Other Income	3	876,255	1,622,408
Net Foreign Exchange Loss	6	(11,358,198)	1,922,513
Agency Shipping costs offset		7,131,228	4,320,083
Total Underlying Revenue		**535,184,738**	**444,336,892**

4 — ADMINISTRATION EXPENSES

	GROUP 2023 ($)	GROUP 2022 ($)
The following items are included in administration expenses:		
Directors' Fees	620,624	570,500
Directors' Expenses*	53,542	17,974

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

	GROUP 2023 ($)	GROUP 2022 ($)
Auditors Remuneration (KPMG)		
Audit of Financial Statements	277,463	235,480
Other Services**	38,399	67,926

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

5 — PERSONNEL EXPENSES

	GROUP 2023 ($)	GROUP 2022 ($)
Wages and Salaries	52,396,240	48,021,500
Superannuation Contributions and Other Employee Related Expenses	5,352,315	4,740,577
Change in Liability for Short-term Employee Benefits (Annual Leave and Days in Lieu)	2,054,149	1,137,108
	59,802,704	**53,899,185**

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

POLICY — Employee Benefits

Defined Contribution Plans

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

Short-term Benefits

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

6 — FINANCE INCOME & EXPENSE

Recognised in Profit or Loss	GROUP 2023 ($)	GROUP 2022 ($)
Interest Income	555,842	9,654
Net Foreign Exchange Gain	-	1,922,513
Total Finance Income	**555,842**	**1,932,167**
Net Foreign Exchange Loss	(11,358,198)	
Financial Overheads	(22,263)	(23,374)
Interest Expense on External Borrowings	(4,919,624)	(2,763,794)
Total Finance Expense	**(16,300,085)**	**(2,787,168)**
Net Finance Income / (Expense)	**(15,744,243)**	**(855,001)**

POLICY

(a) Finance Income and Expense

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

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

(b) Foreign Currency Transactions

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

7 — INCOME TAX EXPENSE

Income Tax Recognised in Profit or Loss	GROUP 2023 ($)	GROUP 2022 ($)
Current Tax Expense		
Current Period	14,570,455	5,854,608
Adjustment for Prior Periods	(353,747)	(1,949,069)
	14,216,708	3,905,539
Deferred Tax Expense		
Origination and Reversal of Temporary Differences	(1,873,332)	(483,184)
Adjustment for Prior Periods	329,929	2,139,872
	(1,543,403)	1,656,688
Total Income Tax Expense	**12,673,305**	**5,562,227**

Reconciliation of Effective Tax Rate	GROUP 2023 (%)	GROUP 2023 ($)	GROUP 2022 (%)	GROUP 2022 ($)
Profit for the Period	-	30,368,989	-	14,286,273
Total Income Tax Expense	-	12,673,305	-	5,562,227
Profit Excluding Income Tax	**-**	**43,042,294**	**-**	**19,848,500**
Income Tax Using the Group's Domestic Tax Rate	28.0	12,036,917	28.0	5,557,580
Impact of Tax Rate in Foreign Countries	0.9	379,881	(0.3)	(64,446)
Tax Exempt Income	0.5	213,080	(0.8)	(150,640)
Non-deductible Expenses	0.3	110,506	0.2	35,289
Legislative Change of Depreciation on Buildings	(0.1)	(43,260)	0.0	(6,359)
Tax Credits on Dividend Income	0.0	-	0.0	-
Recognition of Previously Unrecognised Tax Losses	0.0	-	0.0	-
Under/(Over) Provided in Prior Periods	(0.1)	(23,819)	1.0	190,803
	29.4	**12,673,305**	**28.0**	**5,562,227**

Income Tax Recognised Directly in Other Comprehensive Income	GROUP 2023 ($)	GROUP 2022 ($)
Income Tax on Derivatives	(4,300,022)	4,263,122

Imputation Credits	GROUP 2023 ($)	GROUP 2022($)
Imputation Credits Available for use in Subsequent Reporting Periods	42,901,268	39,981,302

POLICY

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

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

8 — DEFERRED TAX ASSETS & LIABILITIES

Recognised Deferred Tax Assets and Liabilities – Group	Assets 2023 ($)	Assets 2022 ($)	Liabilities 2023 ($)	Liabilities 2022 ($)	Net 2023 ($)	Net 2022 ($)
Deferred tax assets (liabilities) are attributable to the following:						
Property, Plant and Equipment	583,121	430,019	-	-	583,121	430,019
Investment Property	-	-	(77,199)	(77,199)	(77,199)	(77,199)
Derivatives	-	2,847,024	(1,452,998)	-	(1,452,998)	2,847,024
Inventory	2,745,290	1,728,479	-	-	2,745,290	1,728,479
Provisions and Accruals	2,304,748	2,103,670	-	-	2,304,748	2,103,670
Other items	172,412	-	-	-	172,412	-
Tax Assets /(Liabilities)	**5,805,571**	**7,109,192**	**(1,530,197)**	**(77,199)**	**4,275,374**	**7,031,993**

Movement in Temporary Differences During The Year	Balance 31 July 2021 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2022 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2023 ($)
Deferred tax assets and liabilities are attributable to the following:							
Property, Plant and Equipment	2,673,541	(2,243,522)	-	430,019	153,102	-	583,121
Investment Property	(83,558)	6,359	-	(77,199)	0	-	(77,199)
Derivatives	(1,416,098)	-	4,263,122	2,847,024	-	(4,300,022)	(1,452,998)
Inventory	1,596,165	132,314	-	1,728,479	1,016,811	-	2,745,290
Provisions and Accruals	1,655,509	448,161	-	2,103,670	201,078	-	2,304,748
Other items	-	-	-	-	172,412	-	172,412
Deferred Tax Assets /(Liabilities)	**4,425,559**	**(1,656,688)**	**4,263,122**	**7,031,993**	**1,543,403**	**(4,300,022)**	**4,275,374**

POLICY

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

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

9 — PROPERTY, PLANT & EQUIPMENT

GROUP	Land ($)	Land Improve-ments ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work in Progress ($)	Right-of-use assets ($)	Total ($)
COST OR DEEMED COST								
Balance at 1 August 2021	19,843,347	3,919,469	57,518,185	211,988,477	3,712,338	22,661,769	1,917,500	321,561,085
Additions	-	18,924	5,083,003	18,961,834	151,965	26,163,955	774,841	51,154,522
Revaluation of Land to Fair Value	2,580,653	-	-	-	-	-	-	2,580,653
Disposals	-	-	-	(1,717,952)	(37,622)	-	(595,361)	(2,350,935)
Capitalisation of Work in Progress	-	-	-	-	-	(24,558,255)	-	(24,558,255)
Effect of Movement in Exchange Rates	-	-	-	(13,561)	-	-	14,168	607
Balance at 31 July 2022	**22,424,000**	**3,938,393**	**62,601,188**	**229,218,798**	**3,826,681**	**24,267,469**	**2,111,148**	**348,387,677**
Balance at 1 August 2022	22,424,000	3,938,393	62,601,188	229,218,798	3,826,681	24,267,469	2,111,148	348,387,677
Additions	-	19,509	6,233,751	23,064,420	181,622	18,867,834	188,446	48,555,583
Revaluation of Land to Fair Value	(7,765,000)	-	-	-	-	-	-	(7,765,000)
Disposals	-	-	-	(420,798)	(103,531)	-	(529,703)	(1,054,030)
Capitalisation of Work in Progress						(30,203,890)		(30,203,890)
Effect of Movement in Exchange Rates	-	-	-	(17,267)	-	-	(18,250)	(35,518)
Balance at 31 July 2023	**14,659,000**	**3,957,902**	**68,834,939**	**251,845,153**	**3,904,772**	**12,931,413**	**1,751,644**	**357,884,823**
DEPRECIATION AND IMPAIRMENTS								
Balance at 1 August 2021	-	2,103,363	19,969,238	158,272,507	2,642,639	-	948,932	183,936,679
Depreciation	-	177,297	1,702,009	12,758,454	349,279	-	476,351	15,463,390
Disposals	-	-	-	(1,659,268)	(35,114)	-	(539,388)	(2,233,770)
Effect of Movement in Exchange Rates	-	-	-	(17,621)	-	-	14,716	(2,905)
Balance at 31 July 2022	**-**	**2,280,660**	**21,671,247**	**169,354,072**	**2,956,804**	**-**	**900,611**	**197,163,394**
Balance at 1 August 2022	-	2,280,660	21,671,247	169,354,072	2,956,804	-	900,611	197,163,394
Depreciation	-	174,037	1,914,679	14,186,308	350,401	-	476,273	17,101,698
Disposals	-	-	-	(399,849)	(79,652)	-	(615,634)	(1,095,135)
Effect of Movement in Exchange Rates	-	-	-	(962)	-	-	(3,326)	(4,288)
Balance at 31 July 2023	**-**	**2,454,697**	**23,585,926**	**183,139,569**	**3,227,553**	**-**	**757,924**	**213,165,669**
CARRYING AMOUNTS								
At 1 August 2021	19,843,347	1,816,106	37,548,947	53,715,970	1,069,699	22,661,769	968,568	137,624,406
At 31 July 2022	**22,424,000**	**1,657,733**	**40,929,941**	**59,864,726**	**869,877**	**24,267,469**	**1,210,537**	**151,224,283**
At 1 August 2022	22,424,000	1,657,733	40,929,941	59,864,726	869,877	24,267,469	1,210,537	151,224,283
At 31 July 2023	**14,659,000**	**1,503,205**	**45,249,013**	**68,705,584**	**677,219**	**12,931,413**	**993,720**	**144,719,154**

POLICY

(a) Recognition and Measurement of Assets at Cost

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Borrowing costs capitalised during the year were $349,464 (2022: $216,297).

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

(b) Depreciation

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

The Group has established the following useful lives:

— Land Improvements – 10 to 20 years

— Buildings – 5 to 50 years

— Plant and Equipment – 2.5 to 20 years

— Vehicles – 5 to 10 years

— Right-of-use Assets – 1 to 13 years

(c) Impairment

At each reporting date, the Group reviews its assets to determine whether there is any indication of impairment. At 31 July 2023 the Group has determined that no indication of impairment exists.

(d) Recognition and Measurement of Assets at Fair Value

Land is stated at its fair value (Improvements are excluded from this valuation). 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 2023 by Property Advisory Limited and Savills (NZ) Limited, independent registered valuers. The land was valued at $14.659m, a decrease of $7.765m from the last valuation undertaken as at 31 July 2022. The valuation established a market value using a direct sales comparison approach and was undertaken in accordance with the Property Institute of New Zealand (PINZ) International Valuation Standards. Any gain on revaluation is recognised in other comprehensive income and held in equity and any loss is recognised in profit and loss, unless there is a credit balance existing in the revaluation surplus. The value of the land at cost is $4,397,051 (2022: $4,397,051).

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

Capital Commitments

During the period ended 31 July 2022, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is $907,347 (2022: $5,978,987). These commitments are expected to be settled in the following financial year.

10 — INTANGIBLE ASSETS

	GROUP	
	Software ($)	Total ($)
COST		
Balance at 1 August 2021	10,890,802	10,890,802
Additions	516,203	516,203
Disposals	-	-
Balance at 31 July 2022	**11,407,005**	**11,407,005**
Balance at 1 August 2022	11,407,005	11,407,005
Additions	884,983	884,983
Disposals	-	-
Balance at 31 July 2023	**12,291,988**	**12,291,988**
AMORTISATION AND IMPAIRMENT LOSSES		
Balance at 1 August 2021	6,251,097	6,251,097
Amortisation for the Year	1,257,908	1,257,908
Disposals	-	-
Balance at 31 July 2022	**7,509,005**	**7,509,005**
Balance at 1 August 2022	7,509,005	7,509,005
Amortisation for the Year	1,351,616	1,351,616
Disposals	-	-
Balance at 31 July 2023	**8,860,621**	**8,860,621**
CARRYING AMOUNTS		
At 1 August 2021	4,639,705	4,639,705
At 31 July 2022	**3,898,000**	**3,898,000**
At 1 August 2022	3,898,000	3,898,000
At 31 July 2023	**3,431,367**	**3,431,367**

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	
	2023 ($)	2022 ($)
Balance at 1 August	2,236,000	1,698,000
Change in Fair Value	(761,000)	538,000
Balance at 31 July	**1,475,000**	**2,236,000**

POLICY

Investment property is held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss and included in 'Other Income'. Investment property comprises land and buildings that are leased to PGG Wrightson Ltd. The fair value of investment property was determined by Savills New Zealand, independent registered valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

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

12 — INVENTORIES

	GROUP	
	2023 ($)	2022 ($)
Finished Goods	88,093,633	88,973,129
Raw Materials	19,516,573	18,644,615
Total Inventories	**107,610,206**	**107,617,744**

POLICY

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

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

Impairment

Inventories are reviewed for impairment based on their age and/or condition. If any impairment exists the asset is written down to its net realisable value (if any). At balance date there was a provisional write down of $3,077,459 (2022: $2,869,384) relating to inventory that had a net realisable value less than its cost of manufacture.

GROUP	2023 ($)	2022 ($)
Inventory valued at net realisable value included in finished goods above:	2,265,083	2,071,294

13 — RECEIVABLES & PREPAYMENTS

	GROUP	
	2023 ($)	2022 ($)
Trade Receivables	54,672,675	46,985,308
Prepayments and Sundries	3,875,771	4,241,251
	58,548,446	**51,226,559**

	USD ($)	AUD ($)	JPY (¥)	CNY (¥)
Trade Receivables Denominated in Foreign Currencies				
2023	14,745,178	3,936,049	1,372,461,773	24,087,181
2022	8,820,426	1,474,427	1,589,741,813	34,721,730

POLICY

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

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

14 — CASH & CASH EQUIVALENTS

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

	GROUP	
	2023 ($)	2022 ($)
JPY Bank Deposits	9,411,650	1,747,305
USD Bank Deposits	433,769	436,110
CNY Bank Deposits	6,950,662	7,784,740
NZD Bank Deposits	17,659,029	572,092
Cash and Cash Equivalents in the Statement of Cash Flows	**34,455,110**	**10,540,247**

15 — MEMBERS FUNDS

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

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

POLICY

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

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

	2023		2022	
	Shares	($)	Shares	($)
Shares at the beginning of the Year	144,571,330	72,285,666	151,498,490	75,749,246
Shares Issued	6,453,090	3,226,545	3,577,680	1,788,840
Shares Repurchased	(2,752,330)	(1,376,165)	(10,504,840)	(5,252,420)
Fully Paid Shares at the end of the Year	**148,272,090**	**74,136,046**	**144,571,330**	**72,285,666**
Treasury Stock	4,037,805		7,738,565	

RESERVES

Translation Reserve

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

Hedging Reserve

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

Revaluation Reserve

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

Retained Earnings

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

Treasury Stock

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

16 — LOANS & BORROWINGS

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

	2023 ($)	2022 ($)
Current		
JPY Bank Loans	3,559,536	3,697,519
USD Bank Loans	4,863,025	2,383,601
NZD Bank Loans	-	35,000,000
Lease Liabilities	339,357	391,071
	8,761,918	**41,472,191**
Non Current		
NZD Bank Loans	65,000,000	34,500,000
Lease Liabilities	708,658	865,483
	65,708,658	**35,365,483**
Total Loans and Borrowings	**74,470,576**	**76,837,674**

2023	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current	JPY	1.07% - 1.325%	2023	310,000,000	3,559,536
	USD	6.34%	2023	3,000,000	4,863,025
	NZD	7.52%	2023	-	-
	NZD	2.94% - 4.15%	2023	339,357	339,357
Non Current	NZD	6.57% - 6.82%	2025 - 2026	65,000,000	65,000,000
	NZD	2.94% - 4.15%	2024 - 2033	708,658	708,658

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

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 2026 of NZD $40 million, JPY 690 million (2022: NZD $25.5 million, JPY 690 million and USD $1.5 million). The JPY and USD loans are held by the respective subsidiaires.

17 — ACCOUNTS PAYABLE & ACCRUALS

	GROUP	
	2023 ($)	2022 ($)
Trade Payables	11,664,873	12,955,811
Employee Entitlements	11,018,429	8,964,280
Income in Advance	447,015	1,652,949
Accruals	4,872,185	8,564,650
Total Accounts Payable and Accruals	**28,002,502**	**32,137,690**

POLICY

Trade payables are recognised at the amount invoiced, and are not discounted due to their short-term nature. Employee entitlements which remain unused at balance date, and amounts expected to be paid under short-term cash bonus plans are accrued for.

18 — DERIVATIVES

Interest Rate Hedges

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

Notional Amounts	Less than 12 Months	More than 12 Months	Total
2023 Interest Rate Hedges	12,000,000	20,000,000	32,000,000
2022 Interest Rate Hedges	5,000,000	32,000,000	37,000,000

	GROUP	
	2023 ($)	2022 ($)
Fair Value		
Current Liabilities	-	-
Non Current Liabilities	-	-
Current Assets	340,420	7,141
Non Current Assets	893,261	853,334
Net Fair Value of Interest Rate Hedges	**1,233,681**	**860,475**

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.

2023		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts	Buy	267,600,230	63,897,169	331,497,399
	Sell	-	-	-
Option Contracts	Call	6,590,240	-	6,590,240
	Put	(6,226,780)	-	(6,226,780)

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

Fair Value	2023 ($)	2022 ($)
Current Assets	6,328,348	2,355,376
Non Current Assets	1,516,034	1,095,909
Current Liabilities	(3,645,710)	(11,486,242)
Non Current Liabilities	(36,127)	(3,783,402)
Net Fair Value of Foreign Currency Hedges	**4,162,545**	**(11,818,359)**

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 2023 financial year was a loss of $9,575,391 (2022: loss of $45,388).

19 — FINANCIAL RISK MANAGEMENT

Capital Management

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

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

The Board primarily monitors capital on the basis of the gearing ratio. As at 31 July 2023 the gearing ratio was 15.86% (2022: 27.3%). This ratio is calculated as net interest bearing debt divided by total capital. Net interest bearing debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as members funds plus net interest bearing debt. Tatua is a co-operative company, and as such, members funds change in proportion to milk supplied (Refer Note 15). The Group is required to meet certain ratios under its bank covenants, which have been met, including a requirement that Group members funds be not less than $70,000,000 (2022: $70,000,000). The Group is not subject to any other externally imposed capital requirements.

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

Quantitative Disclosures

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

a. Credit Risk

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

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

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

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

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

	Carrying Amount	
	2023 ($)	2022 ($)
Australasia (NZ and AUS)	15,910,196	7,314,496
Asia / Pacific	26,925,759	33,630,512
Americas / Europe	11,807,118	5,807,697
Other	29,602	6,192
Total Trade Receivables (Note 13)	**54,672,675**	**46,758,897**

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

	Gross Receivable 2023 ($)	Impairment 2023 ($)	Gross Receivable 2022 ($)	Impairment 2022 ($)
Not Past Due	48,008,665	-	39,343,152	-
Past Due 0-30 days	6,654,826	-	7,415,745	-
Past Due 31-120 days	9,184	-	-	-
Total Trade Receivables (Note 13)	**54,672,675**	**-**	**46,758,897**	**-**

b. Liquidity Risk

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

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

GROUP		2023 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Non-Derivative Financial Liabilities	**Note**					
Loans and Borrowings	16	(74,470,576)	(85,415,302)	(13,427,315)	(4,383,566)	(67,604,420)
Accounts Payable and Accruals	17	(16,537,058)	(16,537,058)	(16,537,058)	-	-
Owing to Suppliers		(36,844,236)	(36,844,236)	(36,844,236)	-	-
Co-operative Shares		(74,136,046)	(74,136,046)	(74,136,046)	-	-
Total Non-Derivative Financial Liabilities		**(201,987,916)**	**(212,932,642)**	**(140,944,656)**	**(4,383,566)**	**(67,604,420)**
Derivative Financial Liabilities						
Interest Rate Swaps		-	-	-	-	-
Options Contracts		(516,486)	(516,486)	(516,486)	-	-
Forward Exchange Contracts						
- Outflow		(3,165,351)	(103,687,166)	(89,713,546)	(13,973,620)	-
- Inflow		-	100,521,815	86,584,321	13,937,493	-
Total Derivative Financial Liabilities		**(3,681,837)**	**(3,681,838)**	**(3,645,712)**	**(36,126)**	**-**

GROUP	Note	2022 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Non-Derivative Financial Liabilities						
Loans and Borrowings	16	(76,837,674)	(80,725,994)	(43,506,136)	(5,730,888)	(31,488,970)
Accounts Payable and Accruals	17	(21,520,461)	(21,520,461)	(21,520,461)	-	-
Owing to Suppliers		(37,053,517)	(37,053,517)	(37,053,517)	-	-
Co-operative Shares		(72,285,666)	(72,285,666)	(72,285,666)	-	-
Total Non-Derivative Financial Liabilities		**(207,697,318)**	**(211,585,638)**	**(174,365,780)**	**(5,730,888)**	**(31,488,970)**
Derivative Financial Liabilities						
Interest Rate Swaps		-	-	-	-	-
Options Contracts		(1,564,356)	(1,564,356)	(1,167,978)	(396,377)	-
Forward Exchange Contracts						
- Outflow		(13,705,288)	(325,490,489)	(223,137,067)	(102,353,422)	-
- Inflow		-	311,785,201	212,718,020	99,067,181	-
Total Derivative Financial Liabilities		**(15,269,644)**	**(15,269,644)**	**(11,587,025)**	**(3,682,618)**	**-**

c. Foreign Currency Exchange Risk

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

The Group has a policy of maintaining a level of foreign currency hedging that allows for a degree of certainty in its future cash flows and to help protect it against sudden movements in the value of the New Zealand dollar against the United States dollar, Japanese yen and Australian dollar. The Group uses forward exchange contracts and currency options to hedge its foreign currency exposure. All of the forward exchange contracts and options have maturities of less than two years at balance date.

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

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

2023	USD ($)	AUD ($)	CNY (¥)	JPY (¥ - 000's)
Net Cash Flow Exposure Before Hedging	121,681,454	31,848,981	334,735,664	5,134,115
less Foreign Exchange Contracts and Options	(97,000,000)	(24,000,000)	(217,500,000)	(3,300,000)
Net Unhedged Exposure	**24,681,454**	**7,848,981**	**117,235,664**	**1,834,115**

2022	USD ($)	AUD ($)	CNY (¥)	JPY (¥ - 000's)
Net Cash Flow Exposure Before Hedging	103,094,914	52,289,977	436,836,358	5,472,994
less Foreign Exchange Contracts and Options	(94,000,000)	(42,000,000)	(315,000,000)	(3,150,000)
Net Unhedged Exposure	**9,094,914**	**10,289,977**	**121,836,358**	**2,322,994**

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:

2023	NZD ($)	USD ($)	AUD ($)	CNY (¥)	JPY (¥)	EUR (€)
Cash and Cash Equivalents	14,707,772	246,953	273,040	6,360,127	836,237,428	428,616
Loans and Borrowings	(65,000,000)	(3,000,000)	-	-	(310,000,000)	-
Interest Rate Swaps	32,000,000	-	-	-	-	-
Net Unhedged Exposure	**(18,292,228)**	**(2,753,047)**	**273,040**	**6,360,127**	**526,237,428**	**428,616**

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

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 2023 it is estimated that a general increase of one percentage point in NZ interest rates would decrease Group profit before income tax by approximately $532,356 (2022: $395,880). 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 2023 it is estimated that a general decrease of one cent in the NZD/USD exchange rate would increase the Group's total comprehensive income by $4,416,731 (2022: increase by $6,009,037). Foreign exchange hedging has been included in this calculation.

20 — RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Year Ended 31 July 2023 ($)	Year Ended 31 July 2022 ($)
Profit (Loss) for the Year	30,368,989	14,286,273
Adjustments for Non Cash Items		
Depreciation	17,101,694	15,463,390
Amortisation of Intangible Assets	1,351,616	1,257,908
Movement in Deferred Tax	2,756,618	(2,606,434)
Revaluation of Investment Property	761,000	(538,000)
Revaluation of Biological Assets	(289,387)	(393,287)
Movement in Investments	(232,366)	(213,711)
Loss/(Gain) on Sale of Property, Plant and Equipment	(54,603)	43,322
Total Non Cash Items	21,394,572	13,013,188
Movements in Working Capital		
Trade and Other Receivables	(7,576,988)	(8,153,307)
Derivatives – Assets	(4,766,303)	4,818,654
Derivatives – Liabilities	(11,587,807)	11,722,647
Inventories	7,538	(21,192,540)
Biological Assets	462,507	102,193
Owing to Suppliers	(209,280)	1,917,803
Trade and Other Payables	5,321,573	1,464,655
Total Movements in Working Capital	(18,348,760)	(9,319,895)
Items Classified as Investing / Financing Activities	9,869,733	(10,632,999)
Net Cash Flows From/(Applied to) Operating Activities	**43,284,534**	**7,346,567**

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

21 — RELATED PARTY TRANSACTIONS

Directors and Shareholders

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

Key Management Personnel

Compensation	Year Ended 31 July 2023 ($)	Year Ended 31 July 2022 ($)
Short Term Employee Benefits	2,801,307	2,137,353
Long Term Employee Benefits	-	-
	2,801,307	**2,137,353**

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 (2022: 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 $620,624 (2022: $570,550), which is separately disclosed within the directors' report.

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

Related Party	Director	Amounts Paid ($)	Payable 31 July 2023 ($)	Amounts Received ($)	Receivable 31 July 2023 ($)
Foodstuffs North Island	Peter Schuyt	357,252	21,624	6,255,810	661,545
AgResearch Limited	Louise Cullen	-	82,455	-	-
		357,252	**104,079**	**6,255,810**	**661,545**

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

	Value of Transactions 2023 ($)	Balance Outstanding 31 July 2023 ($)	Value of Transactions 2022 ($)	Balance Outstanding 31 July 2022 ($)
Directors' Farm Supply (included in Owing to Suppliers)	17,616,122	3,283,670	14,421,970	2,933,830

22 — GROUP ENTITIES

	Country of Incorporation	Ownership Interest	
		2023	2022
Subsidiaries			
Tatua Japan Limited	Japan	100%	100%
Tatua USA Limited	USA	100%	100%
Tatua Dairy Products (Shanghai) Co., Ltd	China	100%	100%
Equity Accounted Investee			
MilkTest NZ LP	New Zealand	10%	10%

POLICY

(a) Basis of Consolidation

Subsidiaries

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

Equity Accounted Investees (Joint Ventures)

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

Transactions Eliminated on Consolidation

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

(b) Foreign Currency

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

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

23 — SUBSEQUENT EVENTS

There were no material events subsequent to 31 July 2023 that would impact these financial statements.

Independent Auditor's Report

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

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of The Tatua Co-operative Dairy Company Limited (the 'company') and its subsidiaries (the 'group') on pages 22 – 56 present fairly, in all material respects:

i. The group's financial position as at 31 July 2023 and its financial performance and cash flows for the year ended on that date; in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— The consolidated balance sheet as at 31 July 2023;

— The consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— Notes, including a summary of significant accounting policies.

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $4.7m determined with reference to a benchmark of group total revenue. We chose the benchmark because, in our view, this is a key measure of the group's performance.

KPMG

Key audit matters

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

The key audit matter	How the matter was addressed in our audit
Inventory – Milk Cost	
Refer to Note 12 of the financial statements. The group has inventory of $108 million (2022: 108 million) which represents 29.4% 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 publicised rate for the 2022/23 season. We compared a sample of purchased wholemilk and cream from other parties to their respective invoices. We compared the valued component ratio of fat to protein in the model to the ratio that was physically paid to farmers based on their fat and protein supply split during the 2022/23 season. We checked that the split of protein into its casein and whey components was calculated correctly. We checked that the mechanics of the model were calculating correctly and were consistent with the prior year. We did not identify material exceptions from the procedures performed and found the judgements and assumptions to be balanced and consistent.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes Directory, 2022 / 2023 In Review and Statutory Information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

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) issued by the New Zealand Accounting Standards Board;
- Implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is 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.

KPMG

KPMG
Hamilton

9 October 2023

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Insurance Brokers

Willis Towers Watson Ltd

Chair

SB Allen

Directors

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

Chief Executive Officer

BA Greaney

General Manager Finance and Administration

ML Bull

General Manager Operations

TA Keir

General Manager Marketing and Sales

SJ Rolfe

General Manager Co-operative Affairs

PJ van Boheemen

General Manager Strategic Projects

TA Winter

Head of People and Capability

PA Pilkington


FROM HERE
TO THE WORLD