



PROSPECTIVE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MAY 2020





Dairy Goat Co-operative

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 May 2020

	2020	2019
	\$'000	\$'000
Revenue	248,088	226,760
Cost of sales	(144,632)	(134,803)
Gross profit	103,456	91,957
Other income	2,146	1,135
Payment to suppliers	(70,521)	(66,228)
Distribution costs	(1,922)	(1,850)
Marketing and development costs	(8,938)	(10,208)
Administration costs	(12,030)	(7,252)
	(91,265)	(84,403)
Operating Profit	12,191	7,554
Finance income	-	(440)
Finance expenses	(2,142)	(940)
Net finance costs	(2,142)	(1,380)
Profit/(Loss) before tax for year	10,049	6,174
Income tax expense	(2,814)	(1,729)
Profit/(Loss) after tax for year	7,235	4,445
Other Comprehensive Income		
Changes in fair value of cashflow hedges	-	-
Changes in fair value of investment assets	-	-
Income Tax related to cashflow hedges	-	-
Other Comprehensive Income net of tax	-	-
Total Comprehensive Income Attributable to owners	7,235	4,445





Dairy Goat Co-operative

STATEMENT OF CHANGES IN EQUITY For the year ended 31 May 2020

	2020	2019
	\$'000	\$'000
Issued capital		
Balance at beginning of year	-	-
Capital issued during year	-	-
Balance at end of the year	-	-
Other reserves		
Balance at beginning of year	(19)	67,990
Contributions from owners - milk supply rights issued		(68,009)
Changes in other reserves	-	-
Balance at end of the year	(19)	(19)
Investment fair value reserve		
Balance at beginning of year	259	259
Changes in fair value of investment assets	-	-
Balance at end of the year	259	259
Cashflow hedge reserve		
Balance at beginning of year	544	777
Changes in fair value of cashflow hedges	-	(233)
Income Tax related to cashflow hedges	-	-
Balance at end of the year	544	544
Retained earnings		
Balance at beginning of year	33,912	86,800
Co-operative Shares Classified as a Liability	-	(57,333)
Profit/(Loss) after tax for year	7,235	4,445
Closing balance	41,147	33,912
Total equity balance as at 31 May	41,931	34,696



Dairy Goat Co-operative

STATEMENT OF FINANCIAL POSITION As at 31 May 2020

	2020	2019
	\$'000	\$'000
Current assets		
Cash and bank balances	-	-
Trade and other receivables	53,126	49,825
Inventories	70,034	65,000
Derivatives	1,921	1,950
Total current assets	125,081	116,775
Non-current assets		
Property plant and equipment	160,449	125,000
Goodwill	338	338
Intangible assets	196	256
Other assets	1,157	1,157
Total non-current assets	162,140	126,751
TOTAL ASSETS	287,221	243,526
Current liabilities		
Bank Overdraft	424	663
Trade and other payables	62,824	50,254
Current tax liabilities	1,076	600
Total current liabilities	64,324	51,517
Non-current liabilities		
Borrowings	44,000	19,000
Deferred tax liabilities	5,314	6,661
Total non-current liabilities	49,314	25,661
Total liabilities Excluding Co-operative Shares Classified as a Liability	113,638	77,178
Plus: Co-operative Shares	131,652	131,652
TOTAL LIABILITIES	245,290	208,830
NET ASSETS	41,931	34,696
Issued Capital	-	-
Reserves	784	784
Retained earnings	41,147	33,912
TOTAL EQUITY	41,931	34,696
Members Funds Memorandum Account		
Co-operative Shares Classified as a Liability	131,652	131,652
Reserves	784	784
Retained earnings	41,147	33,912
TOTAL MEMBERS FUNDS	173,583	166,348





Dairy Goat Co-operative

STATEMENT OF CASH FLOWS For the Year Ended 31 May 2020

	2020	2019
	\$'000	\$'000
Cash flows from operating activities		
Cash was provided from:		
Sales receipts	235,914	213,675
Interest received	15	26
Dividend received	12	14
Rent received	65	9
	<u>236,006</u>	<u>213,724</u>
Cash was applied to:		
Payment for goat milk	(116,203)	(125,582)
Payment of creditors and employees	(104,679)	(86,337)
Payment of interest	(2,282)	(759)
Payment of taxation	-	(2,850)
	<u>(223,164)</u>	<u>(215,528)</u>
Net cash inflow from operating activities	<u>12,842</u>	<u>(1,804)</u>
Cash flows from investing activities		
Cash was provided from:		
Financial assets	-	-
	<u>-</u>	<u>-</u>
Cash was applied to:		
Purchase of property, plant & equipment	(35,854)	(19,422)
Purchase of intangibles	-	-
	<u>(35,854)</u>	<u>(19,422)</u>
Net cash flow from investing activities	<u>(35,854)</u>	<u>(19,422)</u>
Cash flows from financing activities		
Cash was provided from:		
Proceeds from borrowings	-	-
Milk supply rights	6,256	414
	<u>6,256</u>	<u>414</u>
Cash was applied to:		
Repayment of borrowings	-	-
	<u>-</u>	<u>-</u>
Net cash flow from financing activities	<u>6,256</u>	<u>414</u>
Net increase (decrease) in cash held	<u>(16,756)</u>	<u>(20,812)</u>
Plus cash held at beginning of the year	<u>(27,662)</u>	<u>1,150</u>
Balance of cash held at end of year	<u>(44,418)</u>	<u>(19,662)</u>
Represented by:		
Bank balances	(44,000)	(19,000)
Bank overdraft	(418)	(662)
Cash and cash equivalents in the statement of financial position	<u>(44,418)</u>	<u>(19,662)</u>





**Notes to the Prospective Financial Statements
For the Year Ended 31 May 2020**

1. REPORTING ENTITY

Dairy Goat Co-operative (N.Z.) Limited (the "Group") is a company domiciled and incorporated in New Zealand and registered under the Companies Act 1993, and the Co-operative Companies Act 1996. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013.

The company is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013.

The consolidated financial statements of Dairy Goat Co-operative (N.Z.) Limited as at and for the year ended 31 May 2020 comprise the company and its subsidiaries (together referred to as the "Group").

Dairy Goat Co-operative (N.Z.) Limited operates as a developer, manufacturer and seller of nutritional goat milk and cow milk products.

2. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been consistently applied throughout the period.

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for tier 1 profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

Basis of Measurement

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

- Investment financial assets are measured at fair value.
- Derivative financial instruments are measured at fair value.

Functional and presentation currency

These financial statements are presented in New Zealand dollars (\$'000), which is the Group's functional currency. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to NZD at the exchange rate at that date. All financial information presented has been rounded to the nearest thousand dollar.

Use of estimates and judgements

The directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

3. REVENUE AND OTHER INCOME

Policy

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Dividend received

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

4. DISTRIBUTIONS TO SUPPLIERS

Policy

Distributions to suppliers are accrued for as the milk is supplied to the Group, at a rate approved by the directors. The directors have yet to approve a final distribution for the 2020 season. A payout assumption of \$19.00 (2019: \$19.00) per kg of goat milk solids has been used for these accounts. A liability is fully recognised for the full amount of the final distribution (even though approved after balance date) as an indicative final rate is provided to suppliers pre balance date.

5. NET FINANCE COSTS

Policy

Interest expense

Interest expense is recognised using the effective interest method.

Interest expenses directly attributable to the construction of property, plant and equipment that take a substantial period of time to be completed are added to the costs of those assets, until the assets are completed. Interest expenses of \$0 were capitalised during the year (2019: \$0)

Interest received

Interest revenue is accrued on a time basis using the effective interest method.

Foreign Exchange

Transactions in foreign currencies are translated to NZ dollars using exchange rates at the dates of the transactions. Any gains and losses are recorded in the Statement of Comprehensive Income.

6. INCOME TAX EXPENSE

Policy

Income tax expense is the sum of the tax payable and deferred tax and is calculated using rates enacted at balance date

Current and deferred tax are recognised as an expense or income in profit or loss, except when the tax relates to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income.

7. DEFERRED TAX

Policy

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are only recognised to the extent that it is probable that they can be utilised against future taxable profits.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period they reverse.

8. TRADE AND OTHER RECEIVABLES

Policy

Measurement

Trade receivables are initially measured at fair value, then adjusted for any impairment. Accounts receivable are classified as a Loans and Receivables financial asset.

Impairment

Trade receivables are reduced through the use of an doubtful debt provision. The Group applies a mix of duration factors and frequency of default to determine which customers are provided for. Changes in the provision are recognised in the Statement of Comprehensive Income. The value of the provision at 31 May 2020 is \$0 (2019: \$0).

9. INVENTORIES

Policy

Valuation

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on the first in - first out (FIFO) method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Goat milk included within inventories is valued at the weighted average price of goat milk purchased on the international market, adjusted for margins, foreign exchange rates and estimated cost of production.

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).

10. OTHER ASSETS

Policy

Measurement

Investment in equity securities held by the Group are classified as Investment Fair Value. The equity investments are classified as being within level 1 of the fair value hierarchy as quoted prices in an active market are available. These prices are translated to the functional currency of the Group at the balance sheet date.

Gains and losses arising from changes in fair value are recognised in other comprehensive income.

Impairment

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price.

11. PROPERTY, PLANT AND EQUIPMENT

Policy

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure directly attributable to the acquisition of the asset. Subsequent expenditure that increases the economic benefits derived from the asset is capitalised. Cost may include borrowing costs if the asset meets the criteria for a qualifying asset.

Depreciation

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of the asset and is included within Cost of Sales in the Statement of Comprehensive Income. Depreciation methods, useful lives and residual values are reassessed at each reporting date. The estimated useful lives are as follows:

Buildings and structures & fitouts	10 - 50 years
Plant & equipments	3 - 20 years
Computer hardware	2 - 5 years
Motor Vehicles	6 - 10 years
Office furniture & equipment	2 - 20 years

Impairment

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

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

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

Capital commitments

As at 31 May 2020, there were no capital commitments (2019: \$16.0m).

12. INTANGIBLE ASSETS AND GOODWILL

Policy

Software

The Group classifies purchased software as an intangible asset, the cost of which is amortised over a period of 5 years.

Goodwill

Goodwill represents the excess consideration transferred over the fair value of the Groups share of the net identifiable assets of an acquired subsidiary. Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill is tested at least annually for impairment against the recoverable amount of the cash generating unit (CGU) to which it has been allocated. The recoverable amount of the CGU to which goodwill is allocated exceeds the net assets plus goodwill allocated. Therefore the group has determined that no impairment to goodwill has occurred.

13. TRADE AND OTHER PAYABLES

Policy

Trade Payables

Trade payables are recognised at cost. Trade payables are classed as an 'other amortised cost financial liability'.

Employee Entitlements

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

Contingent liabilities

There were no contingent liabilities as at 31 May 2020 (2019: Nil).

14. LOANS AND BORROWINGS

Current liabilities

Current portion of secured bank loans

Non-current liabilities

Non current portion of secured bank loans

	2020 \$'000	2019 \$'000
Current portion of secured bank loans	-	-
Non current portion of secured bank loans	44,000	19,000
	44,000	19,000

Details

The secured bank facility maximum is \$45m (2019: \$45m), with repayments and final maturity in December 2021 unless an extension is agreed.

Policy

Borrowings are recorded initially at fair value, net of transaction costs. Borrowings are classed as an 'Other Amortised Cost' financial liability.

15. DERIVATIVES

Policy

Measurement

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 and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

As at 31 May 2019 and 2020 no derivative financial assets or derivative financial liabilities have been offset in the statement of financial position. The potential for offsetting of any derivative financial instruments is immaterial.

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.

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

16. CAPITAL AND RESERVES

Policy

Investment Fair Value reserve

The investment fair value revaluation reserve arises on the revaluation of investment fair value financial assets. Where a revalued investment fair value financial asset is sold or impaired, the portion of the reserve which relates to that investment fair value financial asset, is recognised in profit or loss.

Cash flow hedge reserve

The cash flow hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges.

17. FINANCIAL RISK MANAGEMENT

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

Credit risk

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has a credit policy in place under which each new customer is individually analysed for credit worthiness and assigned a purchase limit before the standard payment and delivery terms and conditions are offered. Where available the Group reviews external ratings. In other instances bankers' references are obtained. Purchase limits are reviewed on a regular basis. The Group does not require collateral in respect of trade and receivables.

Market risk

The Group enters into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks. The board determines the Group's financial risk policies and objectives, and provides guidelines for derivative instrument utilisation. This committee also establishes procedures for control and valuation, risk analysis, counterparty credit approval, and ongoing monitoring and reporting.

a) Foreign currency risk

The Group is exposed to foreign currency risk on sales that are denominated in a currency other than the Group's functional currency, New Zealand dollars (\$). The currencies in which transactions are primarily denominated are U.S. dollars (USD), the European Euro (EUR) and the Great Britain Pound (GBP).

At any point in time the Group hedges 20% - 80% of its estimated foreign currency exposure in respect of forecasted sales and purchases over the following one to two years. The Group uses forward exchange contracts and collar options to hedge its foreign currency risk, which are all designated as cashflow hedges.

b) Interest rate risk

The Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts, which are all designated as cashflow hedges.

Capital risk management

The Group manages its capital considering shareholder's interest, the value of the Group's assets and its credit ratings.

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 Group is subject to external imposed capital requirements through its bank facilities. The Group is required to meet certain ratios under its bank covenants, which have been met at 31 May 2020 and 31 May 2019, but otherwise the Group is not subject to any externally imposed capital structure.

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

18. INVESTMENT IN SUBSIDIARIES AND JOINT VENTURES

Company	Classification	Country of Incorporation	Status	Ownership Interest	
				2020	2019
Dairy Goat Europe, S.L.	Subsidiary	Spain	Operating	100%	100%
Dairy Blenders Limited	Subsidiary	New Zealand	Dormant	100%	100%
Pacific Orient Limited	Joint venture	New Zealand	Dormant	50%	50%
DGC Vitacare UK Limited	Joint venture	New Zealand	Dormant	50%	50%

Policy

Control exists when the Group has the power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect the amount of the entity's return.

19. RELATED PARTY TRANSACTIONS

Shareholders:

The Group receives product from shareholders who in turn receive a payment based on the volume of product supplied.

20. LEASES

Policy

Recognition

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

21. EVENTS SUBSEQUENT TO BALANCE DATE

At the date of preparing the financial statements, there are no matters or events that have arisen, or been disclosed, subsequent to balance date that would require adjustment, or disclosure in, these financial statements.