



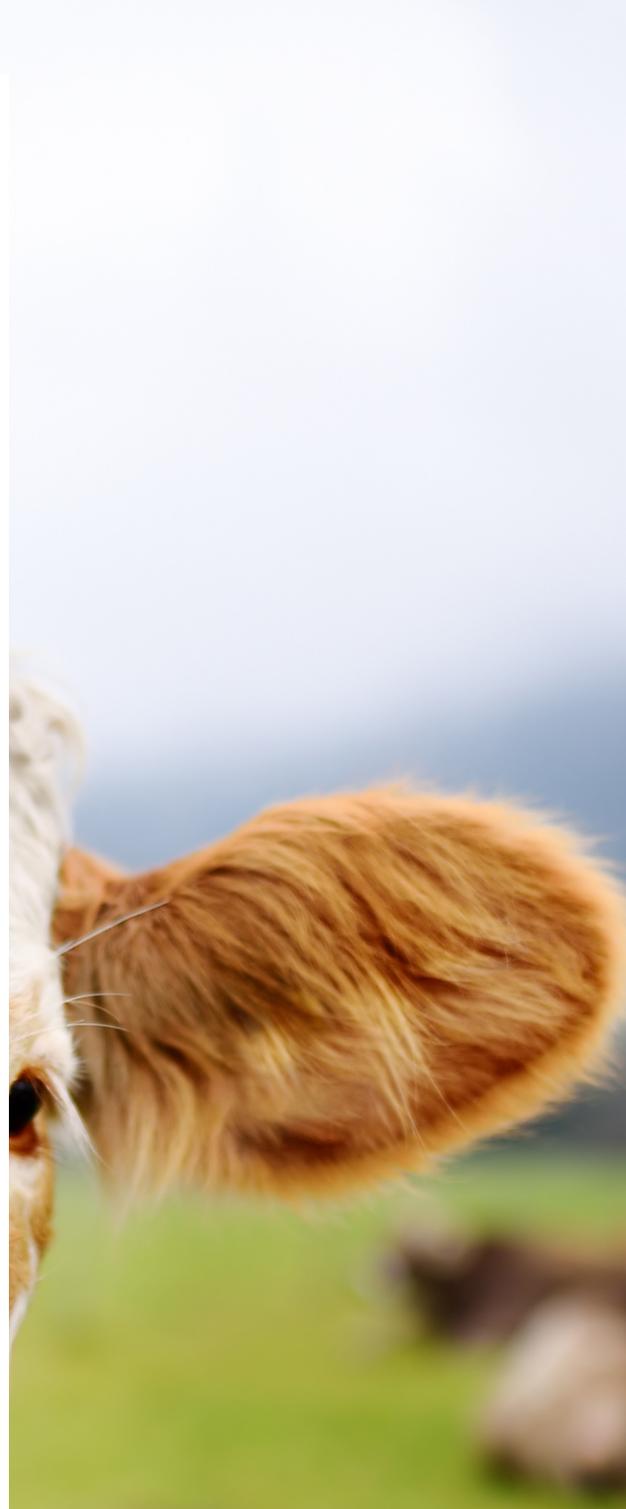
Australian Dairy
Nutritionals Group

HALF YEAR FINANCIAL REPORT

31 December 2020

Australian Dairy Nutritionals Ltd
and Australian Dairy Farms Trust

Growing local, going global



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AUSTRALIAN DAIRY NUTRITIONALS GROUP (ASX CODE: AHF)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2020

	Change	\$000 December 2020	\$000 December 2019
Revenues from ordinary activities	Up 3%	11,808	11,432
Loss from ordinary activities after tax attributable to members of the stapled entity	Up 425%	(3,347)	(637)
Loss for the period attributable to members of the stapled entity	Up 425%	(3,347)	(637)
		December 2020 cents	June 2020 cents
Net tangible asset backing per stapled security		7.4	7.9

Dividend Information	Amount per Share (Cents)	Franked Amount per Share (Cents)	Tax Rate for Franking (%)
Final dividend	Nil	Nil	Nil
Interim dividend	Nil	Nil	Nil
Record date			Not Applicable

The Group does not have any dividend re-investment plan in operation.

Loss or gain of control over other entities

There was no loss or gain of control over other entities during the period.

Investment in associates and joint ventures

Not applicable.

Audit Status

This report has been subject to audit review. There is no dispute or qualification to report.

Refer to the Directors' Report and Interim Financial Report for additional information.

Your directors submit the financial report of the Consolidated Group for the half-year ended 31 December 2020.

INFORMATION ON DIRECTORS

The following persons held office as directors of the Company during or since the end of the half-year:

Name	Position
Martin Bryant	Chairman
Michael Hackett	Director
Adrian Rowley	Director
Peter Skene	Director / Group CEO
Paul Morrell	Director

OPERATING RESULTS

The consolidated net loss attributed to members of the Group, after providing for income tax was \$3,347,341 (2019: \$636,585). This result is comprised of a net loss from the dairy processing segment of \$4,476,882 (2019: \$1,498,543 loss) and net profit from the dairy farm segment of \$1,129,541 (2019: \$861,958).

Total income for the half-year ended 31 December 2020 is \$13,193,625 up 6% against the 2019 comparative period of \$12,494,529. This is a result of a \$952,436 increase in revenue from the dairy processing segment and a \$253,340 decrease from the dairy farm segment.

Total expenses for the half-year ended 31 December 2020 were \$16,540,966, up 26% against the 2019 comparative period of \$13,131,114. This comprised a \$3,930,775 increase in expenses from the dairy processing segment and a \$520,923 decrease from the dairy farm segment.

The directors have adopted a conservative approach and fully impaired the goodwill in the dairy processing segment, resulting in a \$2,353,741 (December 2019: nil) impairment expense. The writedown of the goodwill has no impact on the cash position or future operations of the dairy processing segment and the directors are of the opinion that there is still significant value in the dairy processing plant operations and the portfolio of brand names not recognised in the Statement of Financial Position.

FINANCIAL POSITION

The net assets of the Group at 31 December 2020 total \$33,115,519, a decrease of \$189,979 from the June 2020 comparative.

The key assets and liabilities in the statement of financial position at 31 December 2020 are:

- cash and cash equivalents of \$5,485,209 (June 2020: \$6,361,821);
- non-current assets held for sale of \$6,967,477 (June 2020: nil);
- property, plant and equipment of \$26,132,743 (June 2020: \$29,757,034);
- intangible assets of \$435,211 (June 2020: \$2,753,218);
- biological assets (livestock) of \$5,223,948 (June 2020: \$5,368,015); and
- total borrowings of \$12,276,168 (June 2020: \$12,081,526).

REVIEW OF OPERATIONS

Farms - Australian Dairy Farms Trust (land owner) and SW Dairies Pty Ltd (farm operator)

Over the 6 months from 1 July 2020, South West Victoria, where all of the Group's farms are located, has experienced particularly favourable weather with plenty of rainfall over the winter months and relatively mild, sunny conditions to the end of the year. As a result, all of the farms have seen strong pasture growth and record levels of silage were cut through December for use in the typically drier final quarter of FY21 and beyond. This will reduce the Group's reliance on external feed requirements for the financial year.

The Group is also starting to see the results of its transition to organic farming practices in the quality of the soils on all of its farms. The number of soil organisms and soil nutrient levels have improved significantly as the soil 'comes back to life' after years of conventional farming practises including application of pesticides.

The combination of good seasonal conditions and relatively high farm gate milk prices in South West Victoria has meant the farm segment continues to perform strongly. Total milk production for the half-year was 7.1M litres, a decrease of 200K from the prior half-year 7.3M litres.

With the easing of the drought in grain producing areas in Victoria and New South Wales, the Group has also welcomed a significant reduction in both organic and non-organic grain prices, with feed costs down 17% over the equivalent period in FY20.

REVIEW OF OPERATIONS (cont'd)

The results also includes a gain on change in fair value of livestock during the half-year of \$1,385,709 (2019: \$1,057,962). Livestock carrying values have continued to increase through FY21 due to strong cattle prices in the open market.

Yaringa farm achieved organic certification in September 2019. The Group intends to transition the Yaringa herd to exclusively A2 beta casein only producing cows by June 2021 to coincide with the commissioning of the Group's infant formula plant and launch of its Ecklin South Organic A2 infant formula range. The Group's remaining farms are on track to achieve organic certification by the end of calendar year 2021.

On 29 October 2020, the Group announced that it had entered into a conditional agreement to sell the Drumborg farm located at 20 Sinclair Road, Drumborg, Victoria. The Board decided to sell the Drumborg farm as the milk produced by this farm is surplus to the Group's production requirements (both now and following commissioning of the Stage 1 infant formula plant) and, unlike the other Group farms, is located a significant distance (approximately 2 hours) from the Group's manufacturing operations in Camperdown, Victoria.

Settlement of the sale of the Drumborg farm occurred on 10 February 2021. The proceeds of the sale were used to repay \$6.15M to the Commonwealth Bank to reduce the Group's finance facility and the remaining proceeds of \$1.28M for livestock and plant and associated equipment were retained for working capital.

Drumborg farm contributed 4.2M litres of milk production last financial year so overall milk production will reduce for FY21 taking into account the sale of the Drumborg farm.

Processing

The Group manufactures a range milks, cream and yoghurt for distribution in the major supermarkets and niche retailers, hospitality businesses and home delivery. It also distributes The Collective range of dairy yoghurts, as well as The Collective's plant based yoghurts to Woolworths and independent retailers.

Dairy processing revenue for 1HFY20 was \$7,400,364, up \$767,754 on the equivalent period for 2019. This was primarily driven by a significant increase in sales in the home delivery channel during Melbourne's Covid-19 lockdown but was offset in part by a lower than anticipated sales of The Collective's dairy yoghurts. The Collective sales volumes were impacted by major ranging changes implemented as part of the Woolworth's range review in October 2020 where several lines were deleted in September 2020 in anticipation of new products to be launched in late October 2020, which included plant based yoghurt imported from New Zealand.

Sales of The Collective's new products launched late in October 2020 have been mixed. The lifting of the COVID-19 lockdown in Victoria combined with Christmas trading has made it difficult to gauge baseline performance of these new products, however the Group is closely monitoring sales performance now that the holiday period is over and trading returns to more consistent levels. The lower yoghurt sales volume directly impacted the performance of the manufacturing plant with lower production volumes. As the increase in the home delivery sales related to non-manufactured product they had no impact on production volumes.

Financial performance in the processing manufacturing segment also continues to be impacted by relatively high farm gate milk prices, leading to increased raw material costs. Furthermore, employee expenses were higher due to increased investment in sales and marketing personnel as part of the acquisition of Epicurean Pty Ltd and in preparation for the launch of the Group's two new infant formula brands. Total expenses for 1HFY21 were \$12,078,226, up \$3,930,775 on the same period in 2019. This increase also includes the non-cash impairment expense on goodwill of \$2,353,741 (December 2019: nil).

The Group's Ecklin South A2 Greek Yoghurt launched in July 2020 in Coles supermarkets nationally. Whilst sales volumes have increased steadily since the launch of this product, it was always going to be difficult for a single sku of a new brand to gain traction in the highly crowded and competitive yoghurt category. The Ecklin South A2 Greek yoghurt will be delisted in Coles from mid March 2021, however, management is continuing new product development under this brand in both the yoghurt and milk categories. De-listing of the single sku will not have a material impact on processing revenues.

Distribution

(i) Major supermarkets

Camperdown Dairy's 2L whole milk and skim milk products were ranged in over 100 Woolworths stores in Victoria in 1HFY21 and continues to perform well as a quality brand with strong provenance story. As noted above, sales of The Collective's dairy yoghurts were impacted by the changeover to new products as part of the October 2020 range review as well as the lifting of COVID-19 restrictions in Victoria and Christmas trading. The Group are monitoring sales of the new products as well as The Collective's plant based products carefully and expect to get a better understanding of sales performance as the January holiday period ends and customers return to school and work.

(ii) Foodservice and niche retailers

The Group participates in the foodservice and niche retailer segment through the Jonesys Distribution business. Since COVID-19 restrictions were lifted in Victoria in late October 2020, the Group has not seen a significant uplift in sales revenue and is looking at ways to restructure this business to gain efficiencies in its operations and sales function. The Group has recently consolidated its cold store warehouse operations which is expected to deliver efficiency and cost savings in its operations and distribution.

REVIEW OF OPERATIONS (cont'd)

(iii) Home delivery

The Group continued to see improvements in the performance of its home delivery business through most of 1HFY21, although there was an expected small reduction as COVID-19 restrictions eased in Victoria. The Group is focussed on growing this channel in calendar year 2021 with an emphasis on significantly expanding the distribution footprint in Victoria.

Construction of Infant Formula Plant and Camperdown Park Site

On 4 April 2019 the Group announced to the market that it had acquired an introductory infant formula plant including evaporator and drier (Plant) from an overseas vendor. The Board acquired the Plant in order to accelerate the Group's entry into the organic infant formula market in a sensible staged manner without the initial, much higher cost of a large dryer with significantly more capacity.

The Plant was shipped to Melbourne in July 2019 and has been stored in Camperdown, Victoria whilst the building to house the Plant is under construction on the Group's Camperdown Dairy Park site, located just 4km from its existing leased site in Camperdown.

After an extensive planning and development phase, the Group engaged Colac based Spence Construction to construct the purpose built building to house the Plant. Spence Construction commenced the build of the infant formula plant in June 2020 with a quoted cost of \$2.702M subject to agreed variations under the contract. \$148K in variations have been approved during the half-year, taking the quoted build cost to \$2.850M. The construction of the infant formula plant is largely completed at the date of this report, with \$153K remaining to be invoiced per the contract and some final construction works to be completed once the plant has been installed. Installation of the plant commenced at the beginning of calendar year 2021 and is expected to be completed by the end of June 2021. The infant formula plant is expected to be operational in July 2021, commencing with milk powders and followed by infant formula in the final quarter of calendar year 2021.

Capital Raising and Acquisition of Infant Formula Blending and Canning Line

(i) Placement

On 15 December 2020, the Group announced that it had accepted subscriptions from sophisticated and institutional investors for a placement of 108,333,334 new stapled securities at \$0.06 per security to raise \$6.5M (before costs) (Placement). The first tranche of the Placement completed on 22 December 2020, raising \$3.316M (before costs). The second tranche of the Placement was approved by securityholders at an extraordinary general meeting (EGM) of the Group held on 18 February 2021 and 53,060,436 stapled securities were issued on 25 February 2021, raising a further \$3,183,626.

The Lead Manager for the placement, Blue Ocean Equities, were paid a fee of 6% of the proceeds of the Placement and were approved to be issued 3,000,000 lead manager options on 18 February 2021 at the EGM.

The funds raised from the Placement will be applied toward:

- the acquisition of the high speed blending and packaging line (see below);
- investment in the launch of the Group's Future Tummy Health and Ecklin South Organic A2 infant formula ranges including a comprehensive marketing and promotion plan for the new ranges; and
- general working capital and transaction costs.

(ii) Acquisition of Infant Formula Blending & Canning Line

On 15 December 2020, the Group announced that it had secured the right to purchase a high speed blending and canning line for infant formula tins and nutritional powders (Blend & Can Line) from F.A Maker Pty Ltd (Vendor). The Line has capacity to produce 20 million tins per annum. The purchase price of the Line is \$US500,000, which includes dismantling and packing of the Line into shipping containers, of which 20% will be paid through the issue of stapled securities in AHF and the remaining 80% in cash. The Group is responsible for the cost of transporting the dismantled Line to Camperdown, Victoria. The total investment is estimated to be \$AU1million (which includes the purchase price and transportation costs).

On 18 December 2020, a deposit of US\$25,000 was paid and 450,068 stapled securities in AHF were issued to the vendor. A further progress payment of US\$275,000 was paid to the vendor following shipping of the Line from Malaysia and the Group received securityholder approval at the EGM on 18 February 2021 to issue up to a further 1.5M stapled securities to the Vendor in consideration of the remaining portion of the purchase price to be paid through the issue of stapled securities. A final cash payment of \$US100,000 is payable to the Vendor once the Line has cleared customs in Melbourne.

Launch of Infant Formula Brands – Future and Ecklin South Organic A2

The Group continued development of its proprietary Future (Tummy Health) infant formula formulation through 1HFY21 and this has now been finalised. The Group has also secured a contract manufacturer for the 3 step range, allowing it to bring forward the launch of this brand to Q4FY21. The contract manufacturer has additional capacity to support ongoing sales of this range, leaving the Group's new infant formula plant free to produce its Ecklin South Organic A2 milk powder and infant formula range from Q1FY22.

REVIEW OF OPERATIONS (cont'd)

Part of the proceeds of the Placement will be used to support the launch of the Future range in the final quarter of FY21, including a comprehensive education program in relation to the nutritional benefits of the products as well as an extensive social media campaign. Management are progressing discussions with potential retailers and distributors in both physical and digital channels both domestically and internationally.

Launch of the Ecklin South Organic A2 infant formula range is expected to occur in Q2FY22 once the Group's infant formula plant has been commissioned.

COVID-19

With the ever changing environment of the COVID-19 pandemic and associated Government mandated restrictions, the Group continues to act decisively, with the first priority being to protect the health and safety of our staff. For the corporate office, there is a seamless transition to remote working that has a minimal impact on the business. At the farms and the Camperdown manufacturing facility, measures have been implemented in line with recommended practises to limit unnecessary contact and promote social distancing. Jonesy's Distribution and Victorian Farmers Direct delivery drivers have contactless delivery processes, with minimal impact to customers.

The health and safety of our staff remains our first priority in the management of our response to the pandemic. The Group is continually monitoring the different areas of its business to ensure that it is adopting recommended practises relevant to each area and adapting its practises to ensure its business can continue to operate in a manner which ensures the safety of its customers and staff.

All entities in the Group were eligible for the cash flow boost incentive implemented by the Government in response to the pandemic and the Group has recognised a total of \$323,393 in government assistance from the cash flow boost in the consolidated statement of comprehensive income for the year ended 31 December 2020. Refer Note 3(a)(ii).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under S 307C of the Corporations Act 2001 is set out on page 25 for the half-year ended 31 December 2020.

This report is signed in accordance with a resolution of the board of directors.



Martin Bryant
Chairman

Melbourne
25 February 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

		December 2020	December 2019
	Notes	\$	\$
Revenue	3(a)	11,807,916	11,432,067
Other income	3(b)	1,385,709	1,062,462
Administration and non-dairy related costs	3(c)(v)	(416,705)	(455,563)
Employment expenses	3(c)(iv)	(3,125,613)	(3,152,238)
Finance costs	3(c)(i)	(272,431)	(286,596)
Dairy processing related costs	3(c)(iii)	(7,034,773)	(5,353,776)
Dairy farm related costs	3(c)(ii)	(2,249,815)	(2,453,049)
Depreciation and amortisation		(566,281)	(855,608)
Impairment expenses	3(c)(vi)	(2,353,741)	-
Deemed cost of livestock sold	3(c)(vi)	(521,607)	(574,284)
Loss before income tax		(3,347,341)	(636,585)
Income tax expense	3(d)	-	-
Loss for the period		(3,347,341)	(636,585)
Other comprehensive income			
Items that will be classified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income for the period		-	-
Total comprehensive loss for the period attributable to members		(3,347,341)	(636,585)
Loss is attributable to:			
Company shareholders		(2,949,313)	(343,267)
Trust unitholders		(398,028)	(293,318)
		(3,347,341)	(636,585)
Total comprehensive loss is attributable to:			
Company shareholders		(2,949,313)	(343,267)
Trust unitholders		(398,028)	(293,318)
		(3,347,341)	(636,585)
Earnings per stapled security:			
Basic earnings per stapled security (cents)	12	(0.89)	(0.18)
Diluted earnings per stapled security (cents)	12	(0.89)	(0.18)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Notes	December 2020 \$	June 2020 \$
ASSETS			
Current Assets			
Cash and cash equivalents		5,485,209	6,361,821
Trade and other receivables		1,796,079	2,081,011
Inventories		1,345,658	1,257,907
Non-current assets held for sale	4	6,967,477	-
Other current assets		430,813	164,949
Total Current Assets		16,025,236	9,865,688
Non-Current Assets			
Biological assets	5	5,223,948	5,368,015
Right of use assets		1,064,917	1,368,635
Intangible assets	6	435,211	2,753,218
Property, plant & equipment	7	26,132,743	29,757,034
Total Non-Current Assets		32,856,819	39,246,902
Total Assets		48,882,055	49,112,590
LIABILITIES			
Current Liabilities			
Trade and other payables		2,040,249	2,213,785
Lease liabilities		251,433	307,650
Provisions		662,527	565,064
Borrowings	8	12,276,168	12,081,526
Total Current Liabilities		15,230,377	15,168,025
Non-Current Liabilities			
Lease liabilities		437,332	524,132
Provisions		98,827	114,935
Total Non-Current Liabilities		536,159	639,067
Total Liabilities		15,766,536	15,807,092
Net Assets		33,115,519	33,305,498
EQUITY			
Issued capital	9	36,348,412	33,191,050
Reserves		720,408	720,408
Accumulated losses		(26,720,628)	(23,771,315)
Equity attributable to shareholders		10,348,192	10,140,143
Non-controlling interests			
Issued units	9	30,744,991	30,744,991
Accumulated losses		(7,977,664)	(7,579,636)
Equity attributed to non-controlling interests		22,767,327	23,165,355
Total Equity		33,115,519	33,305,498

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	December 2020	December 2019
Notes	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	12,136,902	12,273,668
R&D tax incentive	-	299,516
Payments to suppliers and employees	(13,298,391)	(12,464,187)
Interest received	5,174	60,354
Finance costs	(272,431)	(286,596)
Net operating cash flows	(1,428,746)	(117,245)
Cash Flows from Investing Activities		
Payment for property, plant & equipment	(2,550,608)	(831,064)
Payment for intangible assets	(44,813)	(53,086)
Payment for acquisition of Organic Nutritionals Pty Ltd	2(i) -	(1,235,013)
Net investing cash flows	(2,595,421)	(2,119,163)
Cash Flows from Financing Activities		
Proceeds from issue of stapled securities net of transaction costs	9 3,095,008	7,677,005
Repayment of borrowings - unsecured	(175,639)	(35,802)
Proceeds from borrowings - unsecured	370,281	355,818
Repayment of hire purchase loans	(79,769)	(127,765)
Repayment of lease principal	(62,326)	(62,298)
Net financing cash flows	3,147,555	7,806,958
Net increase / (decrease) in cash held	(876,612)	5,570,550
Cash at the beginning of the period	6,361,821	3,748,550
Cash at the end of the financial period	5,485,209	9,319,100

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

		Issued Capital Ordinary	Option Reserve	Accumulated Losses	Non- controlling Interest (Trust)	Total
	Notes	\$	\$	\$	\$	\$
Balance at 1 July 2020		33,191,050	720,408	(23,771,315)	23,165,355	33,305,498
Comprehensive income for the half-year						
Loss attributable to company shareholders / trust unitholders		-	-	(2,949,313)	(398,028)	(3,347,341)
Total comprehensive loss for the half-year		-	-	(2,949,313)	(398,028)	(3,347,341)
Transactions with equityholders in their capacity as equity holders and other transfers:						
Contributions of equity, net of transaction costs	9(iii)	3,095,008	-	-	-	3,095,008
Supplier securities issued	9(ii)	28,354	-	-	-	28,354
Employee performance securities issued	9(i)	34,000	-	-	-	34,000
Total transactions with equity holders		3,157,362	-	-	-	3,157,362
Balance at 31 December 2020		36,348,412	720,408	(26,720,628)	22,767,327	33,115,519
		Issued Capital Ordinary	Option Reserve	Accumulated Losses	Non- controlling Interest (Trust)	Total
	Notes	\$	\$	\$	\$	\$
Balance at 1 July 2019		25,474,856	591,634	(16,264,510)	23,212,681	33,014,661
AASB16 Adjustment		-	-	(20,865)	-	(20,865)
Balance at 1 July 2019		25,474,856	591,634	(16,285,375)	23,212,681	32,993,796
Comprehensive income for the half-year						
Loss attributable to company shareholders / trust unitholders		-	-	(343,267)	(293,318)	(636,585)
Total comprehensive loss for the half-year		-	-	(343,267)	(293,318)	(636,585)
Transactions with equityholders in their capacity as equity holders and other transfers:						
Contributions of equity, net of transaction costs	9(iv)	7,596,194	-	-	-	7,596,194
Option reserve - KMP options		-	162,977	-	-	162,977
Employee performance securities issued	9(v)	120,000	-	-	-	120,000
Transfer to retained earnings (options)		-	(34,203)	34,203	-	-
Total transactions with equity holders		7,716,194	128,774	34,203	-	7,879,171
Balance at 31 December 2019		33,191,050	720,408	(16,594,439)	22,919,363	40,236,382

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Australian Dairy Nutritionals Group ("the Group") was formed by the stapling of Australian Dairy Nutritionals Limited, previously named Australian Dairy Farms Limited ("the Company") and its controlled entities, and Australian Dairy Farms Trust ("the Trust"). The Financial Reports of the Group and the Trust have been presented jointly in accordance with ASIC Class Order 13/1050 relating to combining accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange.

These general purpose interim financial statements for half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Australian Dairy Nutritionals Limited and its controlled entities (referred to as the "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on the date of signing the directors' declaration.

(b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except for those as described in Note 1(c) below.

(c) New and Amended Standards Adopted by the Group

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period but determined that their application to the financial statements is either not relevant or not material.

NOTE 2: BUSINESS COMBINATIONS

(i) Organic Nutritionals Pty Ltd (31 December 2019 acquisition)

On 26 August 2019, Australian Dairy Nutritionals Limited acquired 100% of the issued capital and control of Organic Nutritionals Pty Ltd (Organic Nutritionals) for a total purchase consideration of \$1,235,013. This acquisition formed part of the Group's overall strategy to expand its dairy processing business and is a key step in its organic infant formula project.

The identifiable assets acquired and liabilities assumed on acquisition of Organic Nutritionals were as follows:

	\$
Purchase consideration:	
Cash	1,235,013
Total purchase consideration	1,235,013
Fair value of assets acquired and liabilities assumed:	
Trade and other receivables	14,879
Property, plant and equipment	1,220,134
Net identifiable assets acquired and liabilities assumed	1,235,013

(ii) Jonesy's Distribution Pty Ltd (31 December 2019 acquisition)

On 7 October 2019, Australian Dairy Nutritionals Limited (the Group) acquired the business assets of Jonesy's Dairy Fresh as part of a joint venture with Somerville Property Holdings Pty Ltd (Somerville Property). There was no consideration paid and the joint venture company, Jonesy's Distribution Pty Ltd (Jonesy's Distribution) is 75% owned by the Group and 25% owned by Somerville Property.

The business assets of Jonesy's Dairy Fresh include premium quality brands and products, long established relationships supplying cafes, restaurants and retailers and the associated delivery systems and infrastructure. The Group supplies Jonesy's Distribution with milk and dairy products, providing another distribution channel for its products.

NOTE 2: BUSINESS COMBINATIONS (cont'd)

The identifiable assets acquired and liabilities assumed on acquisition of the Jonesy's Dairy Fresh business assets were as follows:

	\$
Purchase consideration	-
Fair value of assets acquired and liabilities assumed:	
Property, plant and equipment	4,500
Net identifiable assets acquired and liabilities assumed	4,500

(iii) Epicurean Pty Ltd (30 April 2020 acquisition)

On 30 April 2020 the Group acquired 100% of the issued capital and control of Epicurean Dairy Pty Ltd (Epicurean Dairy). The acquisition expanded the Group's manufacturing arrangement for The Collective range of yoghurt products to include the exclusive right to manufacture, distribute and sell The Collective products in Australia.

The acquisition agreement for Epicurean Dairy also provides for the Group to pay royalties in the range of 1% - 4% of revenue on certain products commencing April 2022.

The identifiable assets acquired and liabilities assumed on acquisition of Epicurean Dairy were as follows:

	\$
Purchase consideration	-
Fair value of assets acquired and liabilities assumed:	
Cash and cash equivalents	106,947
Trade and other receivables ¹	907,939
Inventories	132,692
Other assets	36,939
Property plant and equipment	41,399
Trade and other payables	(1,202,593)
Provisions	(51,764)
Net identifiable assets acquired and liabilities assumed	(28,441)

¹ Included in trade and other receivables is a \$535,255 receivable from the vendor for the working capital adjustment on acquisition. At 30 June 2020 the provisional accounting for the acquisition estimated the receivable to be \$606,636. As required by AASB 3, the original estimate has been reassessed, resulting in the restatement of the 30 June 2020 comparative accounts in the Statement of Financial Position as set out below:

	Restated \$	Previously Reported \$
Statement of Financial Position		
Assets		
Current assets		
Receivables	2,081,011	2,152,392
All other current assets	7,784,677	7,784,677
Non-current assets	39,246,902	39,246,902
Total assets	49,112,590	49,183,971
Liabilities		
Current liabilities	15,168,025	15,168,025
Non-current Liabilities	639,067	639,067
Total liabilities	15,807,092	15,807,092
Net assets	33,305,498	33,376,879
Equity		
Issued capital and reserves	33,911,458	33,911,458
Accumulated losses	(23,271,315)	(23,699,934)
Non-controlling interests	23,165,355	23,165,355
Total Equity	33,305,498	33,376,879

NOTE 3: REVENUE AND EXPENSES

	Note	December 2020 \$	December 2019 \$
(a) Revenue			
Revenue from contracts with customers	(i)	11,431,379	11,034,381
Other sources of revenue	(ii)	376,537	397,686
Total revenue		11,807,916	11,432,067
 (i) Revenue disaggregation			
The revenue is disaggregated by service line and timing of revenue recognition.			
Service lines:			
- Dairy processing		7,400,364	6,632,610
- Dairy farms		4,031,015	4,401,771
		<u>11,431,379</u>	<u>11,034,381</u>
Timing of revenue recognition			
Services transferred to customers:			
- at a point in time		11,431,379	11,034,381
		<u>11,431,379</u>	<u>11,034,381</u>
 (ii) Other sources of revenue			
Interest - unrelated		5,174	60,354
Farm costs recoveries		20,979	26,098
R&D tax incentive		-	299,516
Government grants - Cashflow Boost subsidy		323,393	-
Fuel rebate and other revenue		26,991	11,718
		<u>376,537</u>	<u>397,686</u>
 (b) Other Income			
Gain on change in fair value of livestock (refer Note 5)		1,385,709	1,057,962
Gain on transfer of property, plant and equipment		-	4,500
		<u>1,385,709</u>	<u>1,062,462</u>
 (c) Expenses			
(i) Finance costs			
CBA facility		239,447	257,126
Loans - unsecured		9,717	713
Finance costs - right of use assets		23,267	28,757
		<u>272,431</u>	<u>286,596</u>
 (ii) Dairy related costs			
Feed costs		961,814	1,157,788
Repairs, maintenance and vehicle costs		189,294	161,603
Animal health costs		37,157	28,996
Land holding and lease costs		35,640	(88,739)
Breeding and herd testing expenses		189,929	65,552
Dairy shed expenses		62,910	59,877
Electricity		117,446	175,008
Other dairy related costs		655,625	892,964
		<u>2,249,815</u>	<u>2,453,049</u>

NOTE 3: REVENUE AND EXPENSES (cont'd)

	December 2020 \$	December 2019 \$
(iii) Dairy processing related costs		
Cost of goods sold	5,230,130	4,213,882
Freight costs	845,133	325,648
Property and lease costs	120,697	124,167
Loss allowance on receivables	28,152	178,082
Other dairy processing related costs	810,661	511,997
	7,034,773	5,353,776
(iv) Employment benefits expense		
Employee and director remuneration costs	2,091,613	2,989,261
Equity settled share based payment costs	34,000	162,977
	3,125,613	3,152,238
(v) Administration and non-dairy related costs		
Administration costs	222,938	267,727
Professional costs	193,767	187,836
	416,705	455,563
(vi) Other significant items		
Impairment of goodwill (refer Note 6(i))	2,353,741	-
Deemed cost of livestock sold (refer Note 5)	521,607	574,284

(d) Tax Expense

There is no income tax applicable to the result for the period due to the availability of carried forward tax losses.

NOTE 4: NON-CURRENT ASSETS HELD FOR SALE

On 29 October 2020 the Group announced to the ASX that it had entered into a contract of sale for the Drumborg farm located at 20 Sinclair Road, Drumborg, Victoria for \$6.15M plus livestock and associated equipment. The sale became unconditional on 30 November 2020 and was completed after balance date on 10 February 2021.

In accordance with AASB 5: Non-current Assets Held for Sale, the Group has reclassified the assets of the Drumborg farm in the proposed sale as held for sale.

Following is a detailed breakdown of the assets held for sale on 31 December 2020:

	December 2020 \$	June 2020 \$
Non-current assets		
Biological assets (refer note 5)	1,008,169	-
Right of use assets	182,412	-
Property, plant & equipment	5,776,896	-
Total assets	6,967,477	-

NOTE 5: BIOLOGICAL ASSETS

	Note	December 2020 \$	June 2020 \$
Non-current			
Dairy cattle	(i)	5,223,948	5,368,015
Total biological assets		5,223,948	5,368,015
Movements during the period:			
Opening carrying amount		5,368,015	4,928,422
Purchases of livestock		-	8,988
Transfer to non-current assets held for sale (refer note 5)		(1,008,169)	-
Deemed cost of livestock disposed		(521,607)	(1,143,695)
Gain from changes to fair value		1,385,709	1,574,300
Closing carrying amount		5,223,948	5,368,015
Movements during the period:			
		Number	Number
Opening balance		3,662	3,939
Transfer to non-current assets held for sale		(535)	-
Purchases		-	5
Natural increase and attrition		396	1,530
Sales		(600)	(1,812)
Closing balance		2,923	3,662

(i) Biological assets represent the dairy livestock owned by the Group. The livestock is valued at fair value, by an independent stock agent, based on the prices in the open dairy cattle market in the locality of the Group's dairy operations. A fair value gain of \$1,385,709 (December 2019: \$1,057,962) has been recognised in profit and loss at 31 December 2020, and represents price movements, natural increase and the movement in ages of young stock.

NOTE 6: INTANGIBLE ASSETS

	Notes	December 2020 \$	June 2020 \$
Goodwill			
- at cost		6,616,393	6,616,393
Less impairment expense		(6,616,393)	(4,262,652)
	(i)	-	2,353,741
Recipes, formulations and patents			
- at cost		346,846	346,846
		346,846	346,846
Product development			
- at cost		129,603	87,021
Less accumulated amortisation		(41,238)	(34,390)
		88,365	52,631
Total intangible assets		435,211	2,753,218

NOTE 6: INTANGIBLE ASSETS (cont'd)

(i) As set out in the 30 June 2020 financial statements, goodwill relates to the dairy processing segment cash-generating-unit (CGU) and was assessed for impairment using a value-in-use calculation applying reasonable based estimates of revenue, gross margin, discount rates and terminal growth rate. In the current half-year period the CGU trading performance is down on the projections used in the 2020 assessment and as a result the directors have adopted a conservative approach and fully impaired the goodwill, resulting in a \$2,353,741 (December 2019: nil) impairment expense. The writedown of the goodwill has no impact on the cash position or future operations of CDC's business and the directors are of the opinion that there is still significant value in the CDC plant operations and the portfolio of brand names not recognised in the Statement of Financial Position.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Note	December 2019 \$	June 2020 \$
Land, buildings and improvements			
- at cost		24,195,317	27,238,326
Less accumulated depreciation		(1,959,424)	(2,060,038)
Less accumulated impairment		(2,209,810)	(2,209,810)
	(i)	20,026,083	22,968,478
Plant and equipment - owned			
- at cost		9,147,622	9,683,794
Less accumulated depreciation		(3,040,962)	(2,895,238)
		6,106,660	6,788,556
Total property, plant and equipment		26,132,743	29,757,034

(i) Below is a table showing the carrying value of land, buildings and improvements by property:

Property name	Acquisition date	December 2020	June 2020
Brucknell No 1	22 October 2014	4,067,505	4,069,408
Brucknell No 2	22 October 2014	4,136,510	4,148,805
Brucknell No 3	6 March 2015	2,293,490	2,298,239
Missens Road	9 July 2015	1,485,118	1,488,798
Drumborg ¹	16 September 2015	-	5,298,432
Yarring - Nirranda South	4 October 2018	4,736,076	4,744,426
Depot & Old Geelong Road (Camperdown) - Land	17 November 2017	280,176	272,974
Infant Formula Plant Project	in progress	3,027,208	647,396
Total		20,026,083	22,968,478

Land, buildings and improvements represents the total holding costs of each farm including purchase price, acquisition costs, capitalised development, land improvement and conversion to organic costs since acquisition.

¹ On 29 October 2020 the Group announced to the ASX that it had entered into a contract of sale for the Drumborg farm (refer Note 4).

NOTE 8: BORROWINGS

	Note	December 2020 \$	June 2020 \$
Current			
Loans - unsecured	(i)	222,168	27,526
CBA facility - secured	(ii)	12,054,000	12,054,000
Total current borrowings		12,276,168	12,081,526

(i) The Group has unsecured short-term loans for payment of the Group's insurance policies.

(ii) The Group established borrowing facilities with the Commonwealth Bank of Australia Limited (CBA) in April 2016, as a three year re-drawable loan facility of \$10,000,000. Since that time, the term and principal amount has been varied and at 31 December 2020 the principle amount is \$12,054,000 with a facility maturity date of 4 October 2021. The facility is subject to compliance with predetermined covenants and at least annual reviews.

The directors are confident of restructuring or refinancing the facility prior to maturity date.

Collateral Provided:

The CBA facility is secured by a first registered mortgage over all the Group farms and a general security interest over all Group assets. In addition the Company has provided a negative pledge to not grant a security interest over its shareholding in Camperdown Dairy Company, and an unlimited guarantee secured over all its present and after acquired property.

NOTE 9: ISSUED CAPITAL

	December 2020 \$	June 2020 \$
Contributed equity of the Group	67,093,403	63,936,041

Movement in stapled securities:

Date	Details	Number of Stapled Securities	Issue Price \$	Shareholders \$	Unitholders \$	Stapled Entity \$
01 Jul 2020	Opening balance	370,986,440		33,191,050	30,744,991	63,936,041
07 Jul 2020	Employee performance securities (i)	500,000	0.068	34,000	-	34,000
21 Dec 2020	Supplier securities (ii)	450,068	0.063	28,354	-	28,354
21 Dec 2020	Placement - tranche 1 (iii)	55,272,898	0.06	3,316,374	-	3,316,374
	Transaction costs			(221,366)	-	(221,366)
31 December 2020		427,209,406		36,348,412	30,744,991	67,093,403

Date	Details	Number of Stapled Securities	Issue Price \$	Shareholders \$	Unitholders \$	Stapled Entity \$
01 Jul 2019	Opening balance	300,144,291		25,474,856	30,744,991	56,219,847
19 Aug 2019	Placement - tranche 2 (iv)	67,342,149	0.12	8,081,058	-	8,081,058
18 Nov 2019	Employee performance securities (v)	1,000,000	0.12	120,000	-	120,000
18 Nov 2019	Loan securities (vi)	2,500,000		-	-	-
	Transaction costs			(484,864)	-	(484,864)
30 June 2020		370,986,440		33,191,050	30,744,991	63,936,041

The basis of allocation of the issue price of stapled securities issued post stapling is determined by arrangement between the Company and Trust as set out in the Stapling Deed.

NOTE 9: ISSUED CAPITAL (cont'd)

- (i) On 7 July 2020, there were 500,000 stapled securities issued as a share based payment under the AHF Long Term Incentive Plan at a price of \$0.13 per security. The fair value of securities issued, determined by reference to the market price, was \$34,000.
- (ii) On 21 December 2020, there were 450,068 stapled securities issued to F.A Maker Pty Ltd for a 10% deposit on a high-speed blending and canning line for infant formula tins and nutritional powder bags. The fair value of securities issued, determined by reference to market price, was \$28,354.
- (iii) On 21 December 2020, there were 55,272,898 stapled securities issued on completion of a placement being conducted in two tranches. The fair value of securities issued in tranche 1, determined by reference to the placement price of \$0.06 per security, was \$3,316,374. The second tranche of 53,060,436 were issued on 25 February 2021 raising an additional \$3,183,626.
- (iv) On 19 July 2019, there were 67,342,149 stapled securities issued on completion of a placement being conducted in two tranches (refer (vii)). The fair value of securities issued in tranche 2, determined by reference to the placement price of \$0.12 per security, was \$8,081,058.
- (v) On 18 November 2019, there was 1,000,000 stapled securities granted as a share-based payment. The fair value of securities issued, determined by reference to market price, was \$120,000.
- (vi) On 18 November 2019, there was 2,500,000 loan securities granted as a share-based payment.

NOTE 10: SEGMENT REPORTING

(a) Segment Performance	Dairy Farms	Dairy Processing	Total
31 December 2020			
Revenue	\$	\$	\$
External sales	4,203,985	7,400,364	11,604,349
Other income	1,385,709	198,393	1,584,102
Interest revenue	2,587	2,587	5,174
Total segment revenue	5,592,281	7,601,344	13,193,625
Total group revenue			13,193,625
Segment net result before tax	1,129,541	(4,476,882)	(3,347,341)
31 December 2019			
Revenue	\$	\$	\$
External sales	4,739,103	6,632,610	11,371,713
Other income	1,057,962	4,500	1,062,462
Interest revenue	48,556	11,798	60,354
Total segment revenue	5,845,621	6,648,908	12,494,529
Total group revenue			12,494,529
Segment net result before tax	861,958	(1,498,543)	(636,585)

NOTE 10: SEGMENT REPORTING (cont'd)

	Dairy Farms	Dairy Processing	Total
(b) Segment Assets			
As at 31 December 2020			
Segment assets	\$ 35,331,909	\$ 13,550,146	\$ 48,882,055
Segment assets include:			
Additions to non-current assets	14,936	2,580,485	2,595,421
As at 30 June 2020			
Segment assets	\$ 34,847,737	\$ 14,326,234	\$ 49,183,971
Segment assets include:			
Additions to non-current assets	50,205	2,541,757	2,591,962
(c) Segment Liabilities			
As at 31 December 2020			
Segment liabilities	\$ 4,509,645	\$ 11,256,891	\$ 15,766,536
As at 30 June 2020			
Segment liabilities	\$ 4,477,396	\$ 11,329,696	\$ 15,807,092

NOTE 11: FAIR VALUE MEASUREMENTS

(a) Fair Value Hierarchy

The following tables detail the Group's assets measured and recognised at fair value on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

31 December 2020

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Non-financial assets					
Biological assets	5	-	5,223,948	-	5,223,948
Total non-financial assets recognised at fair value on a recurring basis		-	5,223,948	-	5,223,948
30 June 2020					
Biological assets	5	-	5,368,015	-	5,368,015
Total non-financial assets recognised at fair value on a recurring basis		-	5,368,015	-	5,368,015

NOTE 11: FAIR VALUE MEASUREMENTS

(b) Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair Value at 31 December 2020 \$	Valuation Technique(s)	Input Used
Non-financial assets			
Biological assets	5,223,948	Market approach using recent observable industry market data for dairy cattle	Breed, weight, condition
	5,223,948		

NOTE 12: EARNINGS PER STAPLED SECURITY CALCULATIONS

	December 2020 cents	December 2019 cents
Earnings per stapled security:		
Basic loss per stapled security	(0.89)	(0.18)
Diluted loss per stapled security	(0.89)	(0.18)
Reconciliation of earnings to profit or loss:		
Loss attributable to shareholders and unitholders	(3,347,341)	(636,585)
	Number of Securities	Number of Securities
Weighted average number of stapled securities outstanding during the year used in calculating basic EPS	374,515,017	350,277,340
Weighted average number of options outstanding	-	-
Weighted average number of stapled securities outstanding during the year used in calculating dilutive EPS	374,515,017	350,277,340

All options on issue are considered to be dilutive potential ordinary securities, however they are presently anti-dilutive at 31 December 2020 as the Group is in losses.

NOTE 13: SHARE BASED PAYMENTS

(a) Stapled securities granted to employees under the Group Incentive Plan as share-based payments during the half-year ended 31 December 2020 are as follows:

Grant Date	Number
7 July 2020	500,000

The fair value of securities granted, determined by reference to market price, was \$34,000.

These securities were issued as compensation to management personnel of the Group.

Stapled securities granted to employees under the Group Incentive Plan as share-based payments during the comparative half-year ended 31 December 2019 are as follows:

Grant Date	Number
18 November 2019	1,000,000

The fair value of securities granted, determined by reference to market price, was \$120,000.

These securities were issued as compensation to key management personnel of the Group.

NOTE 13: SHARE BASED PAYMENTS

(b) There were no loan securities issued during the half-year ended 31 December 2020.

Loan securities granted to key management personnel as share-based payments during the comparative half-year ended 31 December 2019 are as follows:

Grant Date	Number	Exercise Price	Vesting Date	Exercisable on or before
18 November 2019	2,500,000	\$0.115	18 November 2019	18 November 2022

A summary of key terms and conditions of the loan securities are:

- Loan securities are securities in the stapled entity, each carrying the same dividend rights and otherwise ranking pari passu in all respects with ordinary issued securities in the Group;
- Financial assistance is provided to participants by way of a limited recourse interest free loan to acquire the securities;
- The loan is repayable at any time or is repayable immediately if the participant ceases to be an employee;
- The Group retains security over the loan securities whilst ever there is an amount outstanding under the loan; and
- Loan securities that have not vested and / or are subject to loan repayment will be restricted from trading.

Under the applicable Accounting Standards, the loan securities and related limited recourse loan are accounted for as options, which gives rise to a share based payment expense. The value of the loan and the issue price of the shares are not recorded as loans receivable or share capital of the Group until repayment or part repayment of the loan occurs.

The fair value of loan securities granted during the half-year period was \$158,191 This value was calculated using a binomial option pricing model applying the following inputs:

Exercise price:	\$0.115
Life of the option:	3 years
Expected share price volatility:	79.977%
Weighted average risk-free interest rate:	0.75%

A summary of movements in the number of all loan securities during the half-year is as follows:

	December 2020	June 2020
Opening balance	9,500,000	7,000,000
Granted	-	2,500,000
Closing balance (exercisable)	9,500,000	9,500,000

(c) A summary of movements of all options during the half-year is as follows:

	December 2020	June 2020
Opening balance	2,500,000	16,250,000
Granted (i)	-	2,500,000
Forfeited (ii)	-	(16,250,000)
Exercised (iii)	-	-
Closing balance	2,500,000	2,500,000

(i) Granted options

During the half-year ended 31 December 2020 there were no options granted (2019: 2,500,000).

(ii) Cancelled and forfeited performance options

Options are forfeited if performance hurdles are not satisfied or after the holder ceases to be employed by the Group, unless the Board determines otherwise. During the half-year ended 31 December 2020 there were no options cancelled or forfeited (2019: 10,000,000).

(iii) Exercised performance options

During the half-year ended 31 December 2020 there were no performance options exercised (2019: nil).

NOTE 13: SHARE BASED PAYMENTS (cont'd)

(iv) Performance options approved but not issued

On 10 December 2020, securityholders approved the issue of 3,000,000 performance rights to Peter Skene (CEO), subject to achievement of specific performance hurdles. At the date of this report, the performance rights have not been issued.

(d) Included under employee benefits expense in the statement of profit or loss is \$34,000 (2019: \$162,977), which relates to equity-settled share-based payment transactions - securities and options.

NOTE 14: CAPITAL COMMITMENTS

As previously announced, the Group is constructing an infant formula plant on its Depot & Old Geelong Road (Camperdown) - Land. The construction has been largely completed at the date of this report, with \$153K remaining to be invoiced per the contract, with some final construction works to be completed once the plant has been installed. Installation of the plant commenced at the beginning of calendar year 2021 and is expected to be completed by the end of June 2021. The infant formula plant is expected to be operational in July 2021, commencing with milk powders and followed by infant formula in the final quarter of calendar year 2021.

On 15 December 2020, the Group announced that it had secured the right to purchase a high speed blending and canning line for infant formula tins and nutritional powders (Blend & Can Line) from F.A Maker Pty Ltd (Vendor). The Line has capacity to produce 20 million tins per annum. The purchase price of the Line is \$US500,000, of which 20% will be paid through the issue of stapled securities in AHF and the remaining 80% in cash. The total investment is estimated to be \$AU1million.

On 18 December 2020, a deposit of US\$25,000 was paid and 450,068 stapled securities in AHF were issued to the vendor. A further progress payment of US\$275,000 was paid to the vendor following shipping of the Line from Malaysia and the Group received securityholder approval at the EGM on 18 February 2021 to issue up to a further 1.5M stapled securities to the Vendor in consideration of the remaining portion of the purchase price to be paid through the issue of stapled securities. A final cash payment of \$US100,000 is payable to the Vendor.

NOTE 15: EVENTS AFTER THE BALANCE DATE

On 11 February 2021, the Group announced to the ASX the sale of the Drumborg farm. The proceeds of the sale were used to repay \$6.15M to the Commonwealth Bank to reduce the Group's finance facility and the remaining proceeds of \$1.28M for livestock and plant and associated equipment were retained for working capital.

On 15 February 2021, the Group announced to the ASX that its Security Purchase Plan was well supported by existing securityholders, \$1.032M had been raised and 16,706,011 securities were issued on 17 February 2021.

On 18 February 2021, the Group announced to the ASX the results of the EGM held on that day. The following new securities and options were approved at the EGM and the issues will be announced to the market in the coming days:

- Up to 4,000,000 stapled securities to Directors of the Group at an issue price of \$0.06;
- Up to 1,500,000 stapled securities in part consideration of the payment of the purchase price for the acquisition of the Blend and Pack line; and
- 3,000,000 options to Blue Ocean Equities as lead manager in the placement.

On 25 February 2021 the Group completed tranche 2 of the Placement, issuing a further 53,060,436 securities at an issue price of \$0.06 to raise \$3,183,626.

In the opinion of the directors there are no other material matters that have arisen since 31 December 2020 that have significantly affected or may significantly affect the Group, that are not disclosed elsewhere in this report or in the accompanying financial statements.



Australian Dairy Nutritionals Group

DIRECTORS' DECLARATION

For the half-year ended 31 December 2020

In accordance with a resolution of the directors of Australian Dairy Nutritionals Group, the directors of the stapled entity declare that:

- (a) the financial statements and notes set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

A handwritten signature in black ink, appearing to read 'M Bryant', is written over a horizontal line.

Martin Bryant
Chairman

Melbourne
25 February 2021



Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001*

To the Directors of Australian Dairy Nutritionals Limited

As lead auditor for the review of the financial report of Australian Dairy Nutritionals Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Dairy Nutritionals Limited and the entities it controlled during the half-year.

Nexia Brisbane Audit Pty Ltd
Nexia Brisbane Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'Gavin Ruddell'.

Gavin Ruddell
Director

Date: 25 February 2021

Nexia Brisbane Audit Pty Ltd

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AUSTRALIAN DAIRY NUTRITIONALS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Dairy Nutritionals Limited (the Company and its subsidiaries ("the Group")), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Nexia Brisbane Audit Pty Ltd

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AUSTRALIAN DAIRY NUTRITIONALS LIMITED (CONTINUED)

Responsibility of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Nexia Brisbane Audit P/L
Nexia Brisbane Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'Gavin Ruddell'.

Gavin Ruddell
Director

Level 28, 10 Eagle Street,
Brisbane QLD 4000

Date: 25 February 2021

Board of Directors

Martin Bryant
Chairman

Michael Hackett
Director

Adrian Rowley
Director

Peter Skene
Director

Paul Morrell
Director

Company Secretary

Kate Palethorpe
Company Secretary & Legal Counsel

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Auditor

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Stock Exchange

Australian Dairy Nutritionals Group is listed on the official List of the Australian Securities Exchange Limited (ASX).

The ASX Code is "AHF".