Australian Dairy Nutritionals Group

Interim Financial Report

For the half year ending 31 December 2021

Australian Dairy Nutritionals Group

AUSTRALIAN DAIRY NUTRITIONALS GROUP (ASX CODE: AHF)

RESULTS FOR ANNOUNCEMENT TO THE MARKET
For the half-year ended 31 December 2021

	Change	$000 December 2021	$000 December 2020
Revenues from ordinary activities	Down 27%	8,622	11,808
Profit/(loss) from ordinary activities after tax attributable to members of the stapled	Up 103%	86	(3,347)
Proft/(loss) for the period attributable to members of the stapled entity	Up 103%	86	(3,347)

	December 2021 cents	December 2020 cents
Net tangible asset backing per stapled security	8.1	7.4

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

On 28 October 2021, the Group incorporated Australian Nutritionals Group Pty Ltd to hold a China trademark and is otherwise non-trading.

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 2021 (the period).

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
Adrian Rowley	Director
Jason Dong	Director
Peter Skene	Director / Group CEO

OPERATING RESULTS

The consolidated net profit attributed to members of the Group, after providing for income tax was $86,313 (2020: $3,347,341 loss).This result is comprised of a net loss (including an allocation of all corporate and head office costs) from the dairy processing segment of $1,652,614 (2020: $4,476,882) and net profit from the dairy farm segment of $1,738,927 (2020: $1,129,541).

Total income for the half-year ended 31 December 2021 is $11,360,512 down 14% against the 2020 comparative period of $13,193,625. This is a result of a $2,271,454 decrease in revenue from the dairy processing segment and a $438,341 increase from the dairy farm segment.

Total expenses for the half-year ended 31 December 2021 were $11,274,199, down 32% against the 2020 comparative period of $16,540,966. This comprised a $5,095,722 decrease in expenses from the dairy processing segment and a $171,045 decrease from the dairy farm segment (largely attributed to the sale of the Ecklin South farm in September 2021).

In the 2020 comparative, the directors adopted a conservative approach and fully impaired the goodwill in the dairy processing segment, resulting in a $2,353,741 impairment expense. The write-down of the goodwill had 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 2021 total $41,427,766, an increase of $7,440,801 from the June 2021 comparative. This increase is predominantly a result of the Group recording its land and buildings at fair value.

The key assets and liabilities in the statement of financial position at 31 December 2021 are:

- cash and cash equivalents of $2,011,954 (June 2021: $6,192,119);
- property, plant and equipment of $33,012,493 (June 2021: $28,227,815);
- biological assets (livestock) of $5,169,321 (June 2021: $4,795,079; and
- borrowings of $187,340 (June 2021: $5,980,506).

The business is now in the final year of its 5 year strategy which has required it to make significant investments in infrastructure, products and people in order to bring the strategy to fruition. This has required significant cash outflows to be made well in advance of revenue generating activities. This half-year has been no different, with the Group funding the commencement of testing and trialling the infant formula plant, future infant formula inventory and raw materials, packaging, marketing and promotional expenses for both infant formula ranges.

The Group has placed significant focus on developing a distribution network for its infant formula ranges and this includes appointment of a tier 1 distributor for the Chinese cross border e-commerce channel as well as achieving ranging for both infant formulas in Chemist Warehouse stores nationally. With the key distribution arrangements in place, the Board is expecting to start seeing consistent cash inflows to the Group from sales of its infant formula products.

The Board is continually monitoring the cash position of the Group and has a number of short, medium and long term strategies for management of the Group's cash position to ensure operations are well funded. The Group is holding just under $1 million inventory of the future Gradulac Gentle infant formula range to support ongoing development of its distribution network and although not a preferred strategy for funding, our farming operations carry surplus non-milking livestock valued at approximately $1.9 million.

With strong demand for quality farmland in South West Victoria, the Group has received unsolicited offers for the farm properties at attractive valuations. It is not the Board's preference to pursue further straight farm sales however, it is continually identifying and assessing potential strategic partnerships to bolster its agricultural industry expertise and improve the performance of its farming assets.

In addition to the above, as a listed entity, the Group also has capital raising opportunities available to it from existing shareholders as well as sophisticated investors with strong alignment to the Group's strategy and future objectives.

REVIEW OF OPERATIONS

Farms - Australian Dairy Farms Trust (landowner) and SW Dairy Farms Pty Ltd (farm operator)

The first half of FY22 has been a busy period for the Group's farm properties. Once again, South West Victoria has been the beneficiary of excellent seasonal conditions, delivering plentiful rainfall and good pasture growth at all of the Group's farms. High levels of silage were cut in late December 2021, ensuring there is plenty of inventory available as pastures dry out in the second half of the financial year.

In September 2021 the Group sold its Ecklin South farm, bringing the farm portfolio to 3 farms: the two Brucknell farms and the Yaringa farm at Nirranda South. The Board decided to sell the Ecklin South farm to bring its farm holdings in line with its future milk production requirements. The sale of Ecklin South netted $5,521,339 for the Group, allowing it to pay out its bank facility with Commonwealth Bank of Australia, delivering a balance sheet with minimal borrowings for the Group.

In October 2021, the Brucknell South farm joined the Yaringa farm in achieving full organic certification. The Brucknell North farm also achieved organic certification of its pastures in October 2021, however its herd is yet to commence the 6-month organic conversion process. The decision whether to commence this process will be made when the Group has better visibility of FY23 farmgate milk prices.

During the half-year period, the Group changed its accounting policy on the measurement of the carrying amount of land and buildings from cost to fair value to better represent the value of its farm assets. This change was made as farm values in Southwest Victoria have risen strongly in the past few years, meaning the carrying value of the farms was significantly out of step with the actual valuation of the farms. This resulted in a $7,174,988 increase in the value of the farm portfolio of the Group.

The results also include a gain on change in fair value of livestock during the half-year of $1,183,171 (2020: $1,385,709). Livestock carrying values have continued to increase in the first half of FY22 due to strong cattle prices in the open market.

The impacts of the ongoing COVID-19 restrictions were also felt at the farms with skilled labour shortages causing difficulties and this is likely to continue until there is greater certainty and confidence around domestic and international border arrangements. The Board extends its thanks to the farm management team for their additional effort during this time.

Processing

In the first half of FY22 the Group formally commenced the transition from being solely a producer of fresh dairy products (milk, cream and yoghurt) to a producer of dairy nutritionals with the launch of its future Gradulac Gentle infant formula range. As part of this process, and, in light of continued lower than anticipated sales of The Collective products, the Board determined it was in the best interests of the Group to terminate its manufacturing and distribution arrangement with The Collective. The Group have worked with The Collective to agree transitional arrangements, including The Collective purchasing the Group's high speed pouch machine for $365,000. Manufacturing of The Collective products is anticipated to cease by the end of March 2022, at which time further restructuring and consolidation will be undertaken to reduce costs and increase efficiencies in this segment.

The future Gradulac Gentle infant formula range was launched in October 2021. To the best of managements knowledge, the 3-stage range featuring a staged lactose formulation is unique in the market. The Group is supporting the launch with a comprehensive digital marketing and promotional program to create awareness of the brand and educate end consumers in relation to the benefits of the range.

Management has been strongly focused on developing domestic and international distribution opportunities for the future range as well as the organic A2 infant formula range to be launched mid-year.

Some notable positives during the period include:

- launch of the Group's future infant formula website (www.futureformula.com.au) and social media platforms offering guaranteed supply for subscribers;
- appointment of a Tier 1 distributor for the Chinese cross border e-commerce channel (CBEC);
- ranging of the future range and organic A2 range with Woolworths Market, a platform which allows customers shopping on Woolworths Online to purchase products from third party suppliers; and
- a binding terms sheet to establish a joint venture with Wellnex Life (WLL) for the distribution of the future formula range and organic A2 infant formula range focusing on the domestic pharmacy channel.

On 16 February 2022 the Group announced the completion of the joint venture with WLL, which included confirmation that both the future range and the organic A2 range will be ranged in Chemist Warehouse, Australia's largest infant formula retailer. The Board is buoyed by the opportunity these listings will provide the Group in the second half of FY22.

The dairy processing net loss for 1HFY22 was $1,652,614, down $2,824,268 on the equivalent period for 1HFY21. Whilst the dairy processing segment recorded a net loss, this is a significant improvement on 2020, indicating the Group's consolidation and restructuring activities are translating to improved financial performance.

Revenue for 1HFY22 was $5,329,890, down $2,271,454 on the equivalent period for 1HFY21. This was primarily due to lower than anticipated sales of The Collective products, although this was partially offset by increased sales in the home delivery sector.

REVIEW OF OPERATIONS (cont'd)

Total expenses for 1HFY22 were $6,982,504, down $5,095,722 on the equivalent period for 1HFY21. The cost reduction is attributable to lower production and a $2,353,741 impairment of goodwill in the 1HFY21 comparative. Whilst high farmgate milk prices are beneficial for the Group's farm segment, the same cannot be said for fresh manufacturing where rising milk prices lead to increased raw material prices. This is more relevant for fresh dairy products such as milk and yoghurt which tend to operate on tighter margins than nutritional products, a further justification for the Group's transition to higher margin, nutritional products.

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.

Construction of the building to house the new infant formula plant was completed in March 2021, with the focus during the period shifting to installation and commissioning of the Plant. Installation and commissioning of the Plant progressed relatively well despite the ongoing COVID-19 restrictions in Victoria during the period. The restrictions added significant complexity to the management of this project, particularly availability of contractors who contracted COVID-19, site access by contractors travelling from metropolitan Melbourne and associated interruptions to the sequence of works.

The Board is pleased that the installation and commissioning process was only delayed by approximately 4-6 weeks because of the ongoing restrictions and credits the management team for their strong leadership through this difficult period. The Plant has now entered the testing and trial phase, with the plant expected to be operational for milk powders in Q3FY22 or early Q4FY22.

In conjunction with the Plant, the Group is also finalising the specification and artwork for the organic A2 infant formula range in readiness for production when the Plant is complete. The organic A2 infant formula will be branded under the Ocean Road Dairies brand which is jointly owned by the joint venture entity established with Wellnex Life. Once launched, the Ocean Road Dairies organic A2 infant formula range will be sold in Chemist Warehouse stores nationally.

Distribution

(i) Major supermarkets

Camperdown Dairy's 2L whole and skim milk products continue to perform well in Woolworths stores in Victoria, with the brand now seen as a quality regional Victorian producer. The Group was also pleased to announce prior to Christmas 2021 that Camperdown Dairy organic A2 fresh milk will be launched in Woolworths stores in March 2022.

As noted above, sales of The Collective's dairy yoghurts continued to underperform in the period, resulting in the Board decision to terminate this arrangement. Sales of the children's pouch products were particularly impacted by the long period of home schooling for Victorian families as these products are typically in school lunch boxes.

(ii) Foodservice and niche retailers

The Group participates in the foodservice and niche retailer segment through Camperdown Dairy and the Jonesy's Distribution business. Distribution of the Jonesy's Dairy Fresh range was licensed to Sealane in May 2021. This has proved a successful move, enabling the Group to reduce costs by bringing the management of this business into Camperdown Dairy. It has also significantly lowered the administration of this business segment, freeing up management to focus on more material areas of the Group's business.

The extended Covid-19 restrictions again impacted the foodservice segment, however, with the lifting of restrictions in late October 2021 we are seeing some recovery in this segment.

(iii) Home delivery

The Group continued to see improvements in the performance of its home delivery business through most of 1HFY22, assisted by the extended lockdown in Victoria through the majority of the period. A significant amount of work has been done to ready the business for an expanded distribution footprint, including launch of a new website (www.victorianfarmersdirect.com.au), customer acquisition activities and actions to enhance user experience. These actions are readying the business for a focus on expanding the distribution footprint in Victoria.

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.

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.

COVID-19 restrictions and associated resourcing issues continue to pose challenges for both the farm segment and the infant formula plant project. For the farm segment, the key concern is availability of skilled staff which, will depend on the State and Federal Governments' appetite to keep domestic and international borders open.

REVIEW OF OPERATIONS (cont'd)

For the infant formula plant project, the Group still expects the new plant to be operational for milk powders in Q3FY22 or early Q4FY22. The recent Omicron wave in Victoria has delayed the availability of key contractors, however management have mitigated lost time as best as possible, limiting it to 4-6 weeks.

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 2021.

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

Martin Bryant
Chairman

28 February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	December 2021 $	December 2020 $
Revenue	2(a)	8,621,999	11,807,916
Other income	2(b)	2,738,513	1,385,709
Administration and non-dairy related costs	2(c)(v)	(415,717)	(416,705)
Employment expenses	2(c)(iv)	(2,281,803)	(3,125,613)
Finance costs	2(c)(i)	(93,737)	(272,431)
Dairy processing related costs	2(c)(iii)	(4,965,483)	(7,034,773)
Dairy farm related costs	2(c)(ii)	(1,802,307)	(2,249,815)
Depreciation and amortisation		(524,719)	(566,281)
Impairment expenses	2(c)(vi)	-	(2,353,741)
Deemed cost of livestock sold	2(c)(vi)	(1,190,433)	(521,607)
Profit / (loss) before income tax		**86,313**	**(3,347,341)**
Income tax expense	2(d)	-	-
Profit / (loss) for the period		**86,313**	**(3,347,341)**
Other comprehensive income			
Items that will be classified subsequently to profit or loss		-	-
Items that will not be reclassified to profit or loss			
Fair value movement on land and buildings at fair value through other comprehensive income	5(a)(i)	7,174,988	-
Other comprehensive income for the period		**7,174,988**	**-**
Total comprehensive income / (loss) for the period attributable to members		**7,261,301**	**(3,347,341)**
Loss is attributable to:			
Company shareholders		(1,282,903)	(2,949,313)
Trust unitholders		1,369,216	(398,028)
		86,313	**(3,347,341)**
Total comprehensive loss is attributable to:			
Company shareholders		(1,282,903)	(2,949,313)
Trust unitholders		8,544,204	(398,028)
		7,261,301	**(3,347,341)**
Earnings per stapled security:			
Basic earnings per stapled security (cents)	11	0.02	(0.89)
Diluted earnings per stapled security (cents)	11	0.02	(0.89)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	December 2021 $	June 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents		2,011,954	6,192,119
Trade and other receivables		1,250,635	1,321,409
Inventories		1,923,160	1,038,700
Other current assets		360,782	151,020
Total Current Assets		**5,546,531**	**8,703,248**
Non-Current Assets			
Biological assets	3	5,169,321	4,795,079
Right of use assets		448,419	956,287
Intangible assets	4	465,854	429,173
Property, plant & equipment	5	33,012,493	28,227,815
Total Non-Current Assets		**39,096,087**	**34,408,354**
Total Assets		**44,642,618**	**43,111,602**
LIABILITIES			
Current Liabilities			
Trade and other payables		1,883,291	1,969,469
Lease liabilities		170,953	200,079
Provisions		588,587	566,887
Borrowings	6	187,340	5,980,506
Total Current Liabilities		**2,830,171**	**8,716,941**
Non-Current Liabilities			
Lease liabilities		301,023	309,468
Provisions		83,658	98,228
Total Non-Current Liabilities		**384,681**	**407,696**
Total Liabilities		**3,214,852**	**9,124,637**
Net Assets		**41,427,766**	**33,986,965**
EQUITY			
Issued capital	7	40,829,898	40,562,399
Reserves		8,005,352	918,363
Accumulated losses		(31,435,200)	(30,152,297)
Equity attributable to shareholders		**17,400,050**	**11,328,465**
Non-controlling interests			
Issued units	7	30,744,991	30,744,991
Accumulated losses		(6,717,275)	(8,086,491)
Equity attributed to non-controlling interests		**24,027,716**	**22,658,500**
Total Equity		**41,427,766**	**33,986,965**

The accompanying notes form part of these financial statements.

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	December 2021 $	December 2020 $
Cash Flows from Operating Activities		
Receipts from customers	8,574,452	12,136,902
Payments to suppliers and employees	(10,679,680)	(13,298,391)
Interest received	2,924	5,174
Finance costs	(93,737)	(272,431)
Net operating cash flows	**(2,196,041)**	**(1,428,746)**
Cash Flows from Investing Activities		
Payment for property, plant & equipment	(1,364,261)	(2,550,608)
Proceeds from sale of property, plant & equipment	5,521,339	-
Payment for intangible assets	(60,445)	(44,813)
Payment for biological assets	(45,504)	-
Net investing cash flows	**4,051,129**	**(2,595,421)**
Cash Flows from Financing Activities		
Proceeds from issue of stapled securities net of transaction costs	-	3,095,008
Repayment of borrowings - unsecured	(124,897)	(175,639)
Proceeds from borrowings - unsecured	312,237	370,281
Repayment of CBA facility	(5,980,506)	-
Repayment of hire purchase loans	(179,394)	(79,769)
Repayment of lease principal	(62,693)	(62,326)
Net financing cash flows	**(6,035,253)**	**3,147,555**
Net increase / (decrease) in cash held	**(4,180,165)**	**(876,612)**
Cash at the beginning of the period	6,192,119	6,361,821
Cash at the end of the financial period	**2,011,954**	**5,485,209**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

	Note	Issued Capital Ordinary	Asset Revaluation Reserve	Option Reserve	Accumulated Losses	Non-controlling Interest (Trust)	Total
		$	$	$	$	$	$
Balance at 1 July 2021		**40,562,399**	**-**	**918,363**	**(30,152,297)**	**22,658,500**	**33,986,965**
Comprehensive income for the half-year							
Profit / (loss) attributable to company shareholders / trust unitholders for the period		-	-	-	(1,282,903)	1,369,216	86,313
Other comprehensive income for the period		-	7,174,988	-	-	-	7,174,988
Total comprehensive income / (loss) for the half-year		**-**	**7,174,988**	**-**	**(1,282,903)**	**1,369,216**	**7,261,301**
Transactions with equity holders in their capacity as equity holders and other transfers:							
Share-based payments	7(i)	92,500	-	-	-	-	92,500
Shares issued on exercise of rights	7(ii)	87,999	-	(87,999)	-	-	-
Share-based payment - supplier	7(iii)	87,000		-	-	-	87,000
Total transactions with equity holders		**267,499**	**-**	**(87,999)**	**-**	**-**	**179,500**
Balance at 31 December 2021		**40,829,898**	**7,174,988**	**830,364**	**(31,435,200)**	**24,027,716**	**41,427,766**

	Note	Issued Capital Ordinary	Option Reserve	Accumulated Losses	Non-controlling Interest (Trust)	Total
		$	$	$	$	$
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 for the period		-	-	(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 equity holders in their capacity as equity holders and other transfers:						
Contributions of equity, net of transaction costs	7(vi)	3,095,008	-	-	-	3,095,008
Supplier securities issued	7(v)	28,354	-	-	-	28,354
Employee performance securities issued	7(iv)	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**

The accompanying notes form part of these financial statements.

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

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 2021 have been prepared in accordance with the 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 2021, 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) Change in Accounting Policy

During the half-year period, the Group changed its accounting policy on the measurement of the carrying amount of land and buildings from cost to fair value to better represent the value of its farm assets.

Land and buildings are now shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings. Valuation assessments may also be conducted by directors using the same methodology applied in previous independent valuations, taking into account comparable sales achieved which reflect the prevailing economic conditions, to assess whether the book values represent fair values.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity and all other decreases are recognised in profit or loss.

(d) Capital Management

The Board is continually monitoring the cash position of the Group and has a number of short, medium and long term strategies for management of the Group's cash position to ensure operations are well funded. The Group is holding just under $1 million inventory of the future Gradulac Gentle infant formula range to support ongoing development of its distribution network and although not a preferred strategy for funding, our farming operations carry surplus non-milking livestock valued at approximately $1.9 million.

With strong demand for quality farmland in South West Victoria, the Group has received unsolicited offers for the farm properties at attractive valuations. It is not the Board's preference to pursue further straight farm sales however, it is continually identifying and assessing potential strategic partnerships to bolster its agricultural industry expertise and improve the performance of its farming assets.

In addition to the above, as a listed entity, the Group also has capital raising opportunities available to it from existing shareholders as well as sophisticated investors with strong alignment to the Group's strategy and future objectives.

NOTE 2: REVENUE AND EXPENSES

	Note	December 2021 $	December 2020 $
(a) Revenue			
Revenue from contracts with customers	(i)	8,599,520	11,431,379
Other sources of revenue	(ii)	22,479	376,537
		8,621,999	**11,807,916**
(i) Revenue disaggregation			
The revenue is disaggregated by service line and timing of revenue recognition.			
Service lines:			
- Dairy processing		5,328,428	7,400,364
- Dairy farms		3,271,092	4,031,015
		8,599,520	11,431,379
Timing of revenue recognition			
Services transferred to customers:			
- at a point in time		8,599,520	11,431,379
(ii) Other sources of revenue			
Interest - unrelated		2,924	5,174
Farm costs recoveries		15,071	20,979
Government grants - Cashflow Boost subsidy		-	323,393
Fuel rebate and other revenue		4,484	26,991
		22,479	376,537
(b) Other Income			
Gain on change in fair value of livestock (refer Note 3)		1,183,171	1,385,709
Gain on disposal of property, plant and equipment (refer Note 5(a)(ii))		1,555,342	-
		2,738,513	**1,385,709**
(c) Expenses			
(i) Finance costs			
CBA facility		60,905	239,447
Loans - unsecured		5,246	9,717
Finance costs - right of use assets		27,586	23,267
		93,737	**272,431**
(ii) Dairy related costs			
Feed costs		790,993	961,814
Repairs, maintenance and vehicle costs		144,148	189,294
Animal health costs		21,577	37,157
Land holding and lease costs		23,474	35,640
Breeding and herd testing expenses		72,168	189,929
Dairy shed expenses		67,299	62,910
Electricity		97,084	117,446
Other dairy related costs		585,564	655,625
		1,802,307	**2,249,815**

NOTE 2: REVENUE AND EXPENSES (cont'd)

	December 2021 $	December 2020 $
(iii) Dairy processing related costs		
Cost of goods sold	3,628,727	5,230,130
Freight costs	557,789	845,133
Property and lease costs	118,011	120,697
Loss allowance on receivables	(22,880)	28,152
Other dairy processing related costs	683,836	810,661
	4,965,483	**7,034,773**
(iv) Employment benefits expense		
Employee and director remuneration costs	2,189,303	2,091,613
Equity settled share-based payment costs	92,500	34,000
	2,281,803	**2,125,613**
(v) Administration and non-dairy related costs		
Administration costs	221,367	222,938
Equity settled share-based payment - professional costs	87,000	-
Professional costs	107,350	193,767
	415,717	**416,705**
(vi) Other significant items		
Impairment of goodwill	-	2,353,741
Deemed cost of livestock sold (refer Note 3)	1,190,433	521,607

(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 3: BIOLOGICAL ASSETS

	Note	December 2021 $	June 2021 $
Non-current			
Dairy cattle	(i)	5,169,321	4,795,079
Total biological assets		**5,169,321**	**4,795,079**
Movements during the period:			
Opening carrying amount		4,795,079	5,368,015
Purchases of livestock		381,504	107,423
Deemed cost of livestock disposed		(1,190,433)	(2,294,548)
Gain from changes to fair value		1,183,171	1,614,189
Closing carrying amount		**5,169,321**	**4,795,079**
Movements during the period:		**Number**	**Number**
Opening balance		2,900	3,662
Purchases		158	58
Natural increase and attrition		181	1,177
Sales		(771)	(1,997)
Closing balance		**2,468**	**2,900**

(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 $1,183,171 (December 2020: $1,385,709) has been recognised in profit and loss at 31 December 2021, and represents price movements, natural increase and the movement in ages of young stock.

NOTE 4: INTANGIBLE ASSETS

	December 2021 $	June 2021 $
Recipes, formulations and patents		
- at cost	346,846	346,846
	346,846	**346,846**
Product development		
- at cost	224,343	163,898
Less accumulated amortisation	(105,335)	(81,571)
	119,008	**82,327**
Total intangible assets	**465,854**	**429,173**

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	Note	December 2021 $	June 2021 $
Land, buildings and improvements			
- at fair value (independent valuation)	(i)	20,475,000	-
- at fair value (directors valuation)	(iii)	4,936,863	-
- at cost		-	22,433,563
Less accumulated depreciation		-	(1,290,995)
		25,411,863	**21,142,568**
Plant and equipment - owned			
- at cost		11,229,149	10,482,037
Less accumulated depreciation		(3,628,519)	(3,396,790)
		7,600,630	**7,085,247**
Total property, plant and equipment		**33,012,493**	**28,227,815**

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

Property name	Note	Acquisition date	December 2021	June 2021
Brucknell No 1	(i)	22 October 2014	6,425,000	4,056,706
Brucknell No 2	(i)	22 October 2014	6,400,000	4,124,416
Yarring - Nirranda South	(i)	4 October 2018	7,650,000	4,727,862
Brucknell No 3 (ii)	(ii)	6 March 2015	-	2,288,819
Missens Road (ii)	(ii)	9 July 2015	-	1,481,499
Depot & Old Geelong Road (Camperdown) - Land	(iii)	17 November 2017	272,974	272,974
Infant Formula Plant Project	(iii)	in progress	4,663,889	4,190,292
Total			**25,411,863**	**21,142,568**

(i) Registered valuers Preston Rowe Paterson completed an independent valuation of all farms for the half-year ended 31 December 2021. The basis of the valuation was ‘As Is and In Use’ with vacant possession and the combined fair value of all farm properties (excluding the Infant Formula Plant and Depot and Old Geelong Road Land) was $20,475,000. The total fair value on all farms exceeds historical written down value by $7,147,988.

(ii) On 30 September 2021, the Group announced to the ASX that it had sold its farm property located at 300-350 Missens Road (Brucknell No 3 and Missens Road) for $5,625,000. A gain on disposal of $1,555,342 has been recorded in other income.

(iii) On 31 January 2022, the Group announced to the ASX that the infant formula plant project had moved to the trial and testing phase. On completion of the project and at an appropriate time, the directors will engage an independent valuer to assess the fair value of the infant formula plant and associated land. The directors have assessed the fair value of the Infant Formula Plant and associated land at 31 December 2021 and the carrying amount is representative of its current replacement cost.

NOTE 6: BORROWINGS

	Note	December 2021 $	June 2021 $
Current			
Loans - unsecured	(i)	187,340	-
CBA facility - secured	(ii)	-	5,980,506
Total current borrowings		**187,340**	**5,980,506**

(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 varied and at 30 June 2021 the principle amount was $5,980,506 with a facility maturity date of 4 October 2021. The facility was repaid in full on 30 September 2021.

NOTE 7: ISSUED CAPITAL

	December 2021 $	June 2021 $
Contributed equity of the Group	71,574,889	71,307,390

Movement in stapled securities:

Date	Details	Number of Stapled Securities	Issue Price $	Shareholders $	Unitholders $	Stapled Entity $
01 Jul 2021	Opening balance	501,698,361		40,562,399	30,744,991	71,307,390
08 Sep 2021	Employee performance securities (i)	1,850,000	0.050	92,500	-	92,500
08 Sep 2021	Performance rights exercised (ii)	1,000,000	0.088	87,999	-	87,999
10 Nov 2021	Supplier securities (iii)	1,500,000	0.058	87,000	-	87,000
31 December 2021		**506,048,361**		**40,829,898**	**30,744,991**	**71,574,889**

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 (iv)	500,000	0.068	34,000	-	34,000
21 Dec 2020	Supplier securities (v)	450,068	0.063	28,354	-	28,354
21 Dec 2020	Placement - tranche 1 (vi)	55,272,898	0.06	3,316,374	-	3,316,374
17 Feb 2021	SPP - external (vii)	16,706,011	0.06	1,002,362	-	1,002,362
25 Feb 2021	Placement - tranche 2 (vi)	53,060,436	0.06	3,183,626	-	3,183,626
9 Mar 2021	Supplier securities (v)	1,472,509	0.07	103,405	-	103,405
9 Mar 2021	SPP - directors (vii)	2,249,999	0.06	135,000	-	135,000
9 Mar 2021	Consulting services (viii)	1,000,000	0.06	60,000	-	60,000
	Transaction costs			(491,772)	-	(491,772)
30 June 2021		**501,698,361**		**40,562,399**	**30,744,991**	**71,307,390**

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 7: ISSUED CAPITAL (cont'd)

(i) On 8 September 2021, there were 1,850,000 stapled securities issued as a share-based payment under the AHF Long Term Incentive Plan at a price of $0.050 per security. The fair value of securities issued, determined by reference to the market price, was $92,500.

(ii) On 8 September 2021, there were 1,000,000 stapled securities issued at a price of $0.088 per security upon vesting of employee performance rights.

(iii) On 10 November 2021, there were 1,500,000 stapled securities issued as a share-based payment for consulting services under the AHF Long Term Incentive Plan at a price of $0.058 per security. The fair value of securities issued, determined by reference to the market price, was $87,000.

(iv) 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 $0.068 per security. The fair value of securities issued, determined by reference to the market price, was $34,000.

(v) 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. A further 1,472,509 stapled securities were issued as a progress payment on 9 March 2021 with a fair value determined by reference to the market price of $103,405.

(vi) 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, with transaction costs of $221,366. The second tranche of 53,060,436 were issued on 25 February 2021 raising an additional $3,183,626.

(vii) On 17 February 2021, there were 16,706,011 stapled securities issued on completion of a Security Purchase Plan (SPP). The fair value of securities issued, determined by reference to the placement price of $0.06 per security, was $1,002,362. The director component of 2,249,999 stapled securities were issued following securityholder approval on 9 March 2021, raising an additional $135,000.

(vii) On 9 March 2021, there were 1,000,000 stapled securities issued as a share-based payment for consulting services under the AHF Long Term Incentive Plan at a price of $0.06 per security. The fair value of securities issued, determined by reference to the market price, was $60,000.

NOTE 8: SEGMENT REPORTING

(a) Segment Performance	**Dairy Farms**	**Dairy Processing**	**Total**
31 December 2021			
Revenue	**$**	**$**	**$**
External sales	3,290,647	5,328,428	8,619,075
Other income	2,738,513	-	2,738,513
Interest revenue	1,462	1,462	2,924
Total segment revenue	**6,030,622**	**5,329,890**	**11,360,512**
Total group revenue			**11,360,512**
Segment net result before tax	**1,738,927**	**(1,652,614)**	**86,313**

	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)**

NOTE 8 : SEGMENT REPORTING (cont'd)

	Dairy Farms	Dairy Processing	Total
(b) Segment Assets			
As at 31 December 2021	**$**	**$**	**$**
Segment assets	29,297,685	15,344,934	44,642,619
Segment assets include:			
Additions to non-current assets	412,596	1,386,352	1,798,948

	Dairy Farms	Dairy Processing	Total
As at 30 June 2021	**$**	**$**	**$**
Segment assets	28,220,235	14,891,367	43,111,602
Segment assets include:			
Additions to non-current assets	134,985	4,953,454	5,088,439

	Dairy Farms	Dairy Processing	Total
(c) Segment Liabilities			
As at 31 December 2021	**$**	**$**	**$**
Segment liabilities	1,313,702	1,901,150	3,214,852

	Dairy Farms	Dairy Processing	Total
As at 30 June 2021	**$**	**$**	**$**
Segment liabilities	1,105,560	8,019,077	9,124,637

NOTE 9: 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 2021 are as follows:

Grant Date	Number
8 September 2021	1,850,000

The fair value of securities granted, determined by reference to market price, was $92,500.

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

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.

(b) Performance rights granted to employees under the Group Incentive Plan as share-based payments

A summary of movements in performance rights is as follows:

	December 2021	June 2021
Opening balance	1,000,000	-
Granted (i)	-	3,000,000
Forfeited (ii)	-	(2,000,000)
Exercised (iii)	(1,000,000)	-
Closing balance	-	1,000,000

(i) Granted performance rights

During the half-year ended 31 December 2021 there were no performance rights granted.

In the June 2021 comparative, the following performance rights were granted:

- On 10 December 2020 the Group issued 3,000,000 performance rights to Peter Skene.

  The issue price of the rights was 8.1 cents calculated using the Black-Scholes method, the expiry date was 30 June 2021 and the rights vested when various performance hurdles were met. Other Key inputs include volatility of 56.50% and a risk free rate of 0.09%.

  The fair value of the rights issued was $242,998. 1,000,000 of the performance rights vested on 30 June 2021.

(ii) Cancelled and forfeited performance rights

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 2021 there were no options cancelled or forfeited.

In the June 2021 comparative, 2,000,000 performance rights issued to Peter Skene were forfeited as performance hurdles were not met.

(iii) Exercised performance rights

During the half-year ended 31 December 2021, 1,000,000 stapled securities were issued to Peter Skene on exercise of performance rights (refer Note 7(ii)).

In the June 2021 comparative there were no performance rights exercised.

NOTE 9: SHARE BASED PAYMENTS (cont'd)

(c) Options

A summary of movements in options is as follows:

	December 2021	June 2021
Opening balance	9,500,000	2,500,000
Granted (i)	-	7,000,000
Closing balance	9,500,000	9,500,000

(i) Granted options
During the half-year ended 31 December 2021 there were no options granted.

In the June 2021 comparative, the following options were granted:

- On 16 February 2021 the Group issued 4,000,000 performance options to management personnel.
  The issue price of the options was 0.009 cents calculated using the Black-Scholes method, the expiry date is 15 August 2022, the options vest on issue and have an exercise price of 9 cents. Other Key inputs include volatility of 56.32% and a risk-free rate of 0.09%.
  The fair value of the options issued was $35,341.
- On 17 February 2021 the Group issued 3,000,000 lead manager options for fees associated with the capital raise.
  The issue price of the options was 2.5 cents calculated using the Black-Scholes method, the expiry date is 17 February 2024 and the options will vest when the stapled security price is 9 cents or more for a period of 5 consecutive trading days.
  The fair value of the options issued was $74,615.

(ii) There were no options cancelled, forfeited or exercised during the half-year ended 31 December 2021 (June 2021: nil).

(d) Loan securities

A summary of movements in the number of loan securities is as follows:

	December 2021	June 2021
Opening balance	9,500,000	9,500,000
Closing balance (exercisable)	9,500,000	9,500,000

There were no loan securities issued, cancelled, forfeited or exercised during the half-year ended 31 December 2021 (June 2021: nil)

(e) Other share-based payments

During the half-year ended 31 December 2021, there were 1,500,000 stapled securities issued as a share based payment for consulting services under the AHF Long Term Incentive Plan at a price of $0.058 per security. The fair value of securities issued, determined by reference to the market price, was $87,000.

During the half-year ended 31 December 2020 there were no other share based payments.

(e) Total expenses arising from share-based transactions recognised during the period

	Note	December 2021 $	December 2020 $
Equity settled share-based payments - employment benefit costs	2(iv)	92,500	34,000
Equity settled share-based payment - professional costs	2(v)	87,000	-

NOTE 10: 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 2021

	Note	Level 1	Level 2	Level 3	Total
		$	$	$	$
Non-financial assets					
Biological assets	3	-	5,169,321	-	5,169,321
Land and buildings	5	-	25,411,863	-	25,411,863
Total non-financial assets recognised at fair value on a recurring basis		**-**	**30,581,184**	**-**	**30,581,184**

30 June 2021

	Note	Level 1	Level 2	Level 3	Total
Biological assets	3	-	4,795,079	-	4,795,079
Total non-financial assets recognised at fair value on a recurring basis		**-**	**4,795,079**	**-**	**4,795,079**

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

In the absence of an active market for an identical asset, the Group selects and uses one or more valuation techniques to measure the fair value of the asset. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach uses prices and other relevant information generated by market transactions for identical or similar assets.
- Income approach converts estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach reflects the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Description	Fair Value at 31 December 2021 $	Valuation Technique(s)	Input Used
Non-financial assets			
Land and buildings	25,411,863	Market approach using recent observable comparable sales evidence	Price per hectare, improvements value, current replacement cost
Biological assets	5,223,948	Market approach using recent observable industry market data for dairy cattle	Breed, weight, condition
	30,581,184		

NOTE 11: EARNINGS PER STAPLED SECURITY CALCULATIONS

	December 2021 cents	December 2020 cents
Earnings per stapled security:		
Basic loss per stapled security	0.02	(0.89)
Diluted loss per stapled security	0.02	(0.89)
Reconciliation of earnings to profit or loss:		
Profit / (loss) attributable to shareholders and unitholders	86,313	(3,347,341)
	Number of Securities	**Number of Securities**
Weighted average number of stapled securities outstanding during the year used in calculating basic EPS	503,891,804	374,515,017
Weighted average number of options outstanding	-	-
Weighted average number of stapled securities outstanding during the year used in calculating dilutive EPS	**503,891,804**	**374,515,017**

All options on issue are considered to be dilutive potential ordinary securities, however they are presently anti-dilutive at 31 December 2021 as the average market price of stapled securities during the period is less than the exercise price of all options.

NOTE 12: CAPITAL COMMITMENTS

There are no capital expenditure commitments contracted for the year half-year ended 31 December 2021.

NOTE 13: EVENTS AFTER THE BALANCE DATE

- On 19 January 2022, the Group announced to the ASX that it has added another key partner to its growing infant formula distribution network, achieving a listing on Woolworths Everyday Market for both the future® infant formula range and the organic A2 infant formula range (to be launched later in the year).
- On 20 January 2022, the Group announced to the ASX the results of its AGM held on that day. Included in the resolutions was the issue of 6,000,000 performance rights to Directors with various performance conditions attached. The 6,000,000 performance rights were subsequently issued to directors on 21 February 2022.
- On 16 February 2022, the Group announced to the ASX that it has formalised a joint venture with Wellnex Life Limited (ASX: WNX) to launch Ocean Road Dairies. Ocean Road Dairies will produce Australia's first organic A2 infant formula range using Australian milk and has secured national distribution with Australia's largest retailer of infant formula, Chemist Warehouse. The Ocean Road Dairies organic A2 infant formula range is in the final stages of development and is targeted for launch in Chemist Warehouse stores nationally from July 2022. National distribution of the future Gradulac Gentle infant formula range has also been achieved in Chemist Warehouse and Symbion (a major wholesaler to circa 3,000 pharmacies in Australia). Initial orders of the future range have been received and the products are expected to be on the shelves in Chemist Warehouse stores nationally in early March 2022.

In the opinion of the directors there are no other material matters that have arisen since 31 December 2021 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 2021

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 2021 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.

Martin Bryant
Chairman

Melbourne

28 February 2022

Nexia Australia

Auditor's Independence Declaration under s307C 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 Group (the stapled entity which comprises Australian Dairy Nutritionals Limited, Australian Dairy Farms Trust and the entities they controlled at the end of the period or from time to time during the period) for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. any applicable code of professional conduct in relation to the review.

Nexia Brisbane Audit P/L

Nexia Brisbane Audit Pty Ltd

Gavin Ruddell
Director

Date: 28 February 2022

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Nexia Australia

Independent Auditor's Review Report to the Stapled Security Holders of Australian Dairy Nutritionals Limited and the Unit Holders of Australia Dairy Farms Trust

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Australian Dairy Nutritionals Group (the stapled entity which comprises Australian Dairy Nutritionals Limited ("the Company"), Australian Dairy Farms Trust and the entities they controlled at the end of the period or from time to time during the period) ("the Group"), which comprises the consolidated condensed statement of financial position as at 31 December 2021, the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed 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 2021 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.

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Nexia Australia

Independent Auditor's Review Report to the Stapled Security Holders of Australian Dairy Nutritionals Limited and the Unit Holders of Australia Dairy Farms Trust (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 2021 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 Pty Ltd

Nexia Brisbane Audit Pty Ltd

Gavin Ruddell
Director

Level 28, 10 Eagle Street,
Brisbane QLD 4000

Date: 28 February 2022

Board of Directors

Martin Bryant
Chairman

Adrian Rowley
Director

Jason Dong
Director

Peter Skene
Director / Group CEO

Company Secretary

Kate Palethorpe
Company Secretary

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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”.