

Synlait

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 January 2025

personal use only



Synlait Milk Limited

Contents

	Page
Directors' responsibility statement	2
Condensed interim financial statements	
Income statement	3
Statement of comprehensive income	4
Statement of changes in equity	5
Statement of financial position	6
Statement of cash flows	7
Notes to the condensed interim financial statements	
1 Reporting entity	8
2 Basis of preparation of interim financial report	8
3 Impairment of assets and write-downs	12
4 Segment reporting	13
5 Expenses	16
6 Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities	17
7 Trade and other receivables	17
8 Inventories	18
9 Property, plant and equipment	18
10 Intangible assets	18
11 Loans and borrowings	19
12 Share capital	20
13 Related party transactions	20
14 Contingencies	21
15 Commitments	21
16 Events occurring after the reporting period	21
Interim review report	22

Directors' responsibility statement

The Directors are pleased to present the condensed interim financial statements of Synlait Milk Limited and its subsidiaries (together the Group) as set out on pages 3 to 21 for the six months ended 31 January 2025.

The Directors are responsible for ensuring that the condensed interim financial statements present fairly the financial position of the Group as at 31 January 2025 and the financial performance and cash flows for the six months ended on that date.

The Directors consider that the condensed interim financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the condensed interim financial statements with the Financial Markets Conduct Act 2013.

For and on behalf of the Board.



George Adams
Chair

24 March 2025



Paul Washer
Independent Director

24 March 2025

Income statement

For the six months ended 31 January 2025

	Notes	Period ended		Year ended
		31 January 2025 Unaudited \$'000	31 January 2024 Unaudited \$'000	31 July 2024 Audited \$'000
Revenue		916,767	793,525	1,636,858
Cost of sales	5	(829,793)	(749,910)	(1,587,844)
Gross profit		<u>86,974</u>	<u>43,615</u>	<u>49,014</u>
Other income		3,706	4,714	9,828
Sales and distribution expenses	5	(22,236)	(22,612)	(51,025)
Administrative and operating expenses	5	(34,345)	(36,317)	(75,985)
Impairment of cash generating unit	3	-	(50,343)	(114,564)
Loss on measurement to fair value less costs of disposal	3	-	(31,137)	-
Earnings / (loss) before net finance costs and income tax		<u>34,099</u>	<u>(92,080)</u>	<u>(182,732)</u>
Finance expenses		(22,732)	(23,492)	(47,689)
Finance income		484	184	585
Loss on derecognition of financial assets		(4,356)	(3,878)	(7,916)
Net finance costs		<u>(26,604)</u>	<u>(27,186)</u>	<u>(55,020)</u>
Profit / (loss) before income tax		7,495	(119,266)	(237,752)
Income tax (expense) / benefit		(2,687)	23,045	55,641
Net profit / (loss) after tax for the period		<u>4,808</u>	<u>(96,221)</u>	<u>(182,111)</u>
Earnings / (loss) per share				
Basic earnings per share (cents)		1.01	(44.02)	(83.31)
Diluted earnings per share (cents)		1.01	(44.02)	(83.31)

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

Synlait Milk Limited
Statement of comprehensive income
For the six months ended 31 January 2025

Statement of comprehensive income

For the six months ended 31 January 2025

	Period ended	Year ended
	31 January	31 July
	2025	2024
	Unaudited	Audited
	\$'000	\$'000
Profit / (loss) for the period	4,808	(182,111)
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss		
Effective portion of changes in fair value of cash flow hedges	(34,258)	6,328
Net change in fair value of cash flow hedges transferred to profit and loss	-	(50)
Exchange differences on translation of foreign operations	48	23
Income tax on other comprehensive income	9,592	(1,772)
Total items that may be reclassified subsequently to profit and loss	(24,618)	(3,850)
Other comprehensive income for the period, net of tax	(24,618)	(3,850)
Total comprehensive (loss) / income for the period	(19,810)	(185,961)

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

Synlait Milk Limited
Statement of changes in equity
For the six months ended 31 January 2025

Statement of changes in equity

For the six months ended 31 January 2025

	Share capital	Employee benefits reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total equity
Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity as at 1 August 2023 (Audited)	464,774	735	(2,924)	3	327,786	790,374
Profit or (loss) for the period	-	-	-	-	(96,221)	(96,221)
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	-	-	6,328	-	-	6,328
Exchange differences on translation of foreign operations	-	-	-	23	-	23
Net change in fair value of cash flow hedges transferred to profit and loss	-	-	(50)	-	-	(50)
Income tax on other comprehensive income	-	-	(1,772)	-	-	(1,772)
Total other comprehensive income	-	-	4,506	23	-	4,529
Total comprehensive income	-	-	4,506	23	(96,221)	(91,692)
Employee benefits reserve	-	198	-	-	-	198
Equity as at 31 January 2024 (Unaudited)	464,774	933	1,582	26	231,565	698,880
Equity as at 1 August 2024 (Audited)	464,774	1,120	(6,814)	43	145,675	604,798
Profit or (loss) for the period	-	-	-	-	4,808	4,808
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	-	-	(34,258)	-	-	(34,258)
Exchange differences on translation of foreign operations	-	-	-	48	-	48
Net change in fair value of cash flow hedges transferred to profit and loss	-	-	-	-	-	-
Income tax on other comprehensive income	-	-	9,592	-	-	9,592
Total other comprehensive income	-	-	(24,666)	48	-	(24,618)
Total comprehensive income	-	-	(24,666)	48	4,808	(19,810)
Issue of new shares	212,107	-	-	-	-	212,107
Employee benefits reserve	-	(437)	-	-	-	(437)
Equity as at 31 January 2025 (Unaudited)	676,881	683	(31,480)	91	150,483	796,658

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

Statement of financial position

As at 31 January 2025

	Notes	31 January 2025 Unaudited \$'000	31 January 2024 Unaudited \$'000	31 July 2024 Audited \$'000
ASSETS				
Cash and cash equivalents		49,041	30,504	10,273
Trade and other receivables	7	181,575	109,277	144,922
Intangible assets	10	4,684	3,443	5,149
Goods and services tax refundable		-	7,442	298
Prepayments		13,018	7,183	27,775
Inventories	8	347,112	316,261	209,702
Derivative financial instruments		19	10,718	3,389
Current tax receivables		2,908	7,512	5,233
Assets of a disposal group held for sale	3	-	163,535	-
Total current assets		598,357	655,875	406,741
Non-current assets				
Property, plant and equipment	9	894,351	947,677	908,443
Intangible assets	10	73,859	64,531	75,834
Goodwill	10	58,163	-	58,163
Other investments		2,315	885	1,860
Derivative financial instruments		207	4,784	39
Deferred tax assets		6,603	-	-
Biological assets		3,537	4,065	3,597
Right-of-use assets		36,316	35,530	39,338
Total non-current assets		1,075,351	1,057,472	1,087,274
Total assets		1,673,708	1,713,347	1,494,015
LIABILITIES				
Trade and other payables		334,126	286,634	257,896
Loans and borrowings	11	311,220	514,136	369,701
Goods and services tax payable		3,296	-	-
Derivative financial instruments		37,985	12,685	8,385
Lease liabilities		6,447	4,123	6,327
Liabilities directly associated with a disposal group held for sale	3	-	43,221	-
Total current liabilities		693,074	860,799	642,309
Non-current liabilities				
Loans and borrowings	11	129,714	75,654	191,255
Derivative financial instruments		6,084	900	4,453
Deferred tax liabilities		-	34,780	187
Lease liabilities		44,577	39,177	47,752
Other non-current liabilities		3,601	3,157	3,261
Total non-current liabilities		183,976	153,668	246,908
Total liabilities		877,050	1,014,467	889,217
Net assets		796,658	698,880	604,798
Equity				
Share capital	12	676,881	464,774	464,774
Reserves		(30,706)	2,541	(5,651)
Retained earnings		150,483	231,565	145,675
Total equity attributable to equity holders of the Group		796,658	698,880	604,798
Total equity and liabilities		1,673,708	1,713,347	1,494,015

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

Statement of cash flows

For the six months ended 31 January 2025

	Notes	Period ended		Year ended
		31 January 2025 Unaudited \$'000	31 January 2024 Unaudited \$'000	31 July 2024 Audited \$'000
Cash flows from operating activities				
Cash receipts from customers		894,333	774,149	1,576,411
Cash paid for milk purchased		(602,323)	(412,424)	(788,435)
Cash paid to other creditors and employees		(310,083)	(451,234)	(833,132)
Net movement in goods and services tax		3,594	(7,597)	865
Income tax refunds / (payments)		2,441	(1,007)	(2,900)
Net cash outflow from operating activities	6	(12,038)	(98,113)	(47,191)
Cash flows from investing activities				
Interest received		484	130	585
Acquisition of property, plant and equipment		(11,368)	(16,698)	(28,539)
Proceeds from sale of property, plant and equipment		159	222	753
Acquisition of intangible assets		(1,715)	(728)	(2,363)
Acquisition of biological assets		(41)	(41)	(925)
Proceeds from sale of biological asset		258	148	855
Acquisition of investment		(455)	-	-
Net cash outflow from investing activities		(12,678)	(16,967)	(29,634)
Cash flows from financing activities				
Receipt of shareholder loan		-	-	130,000
Repayment of subordinated bond		(180,000)	-	-
Receipt of borrowings	11	71,020	96,667	35,646
Net movement in working capital facility	11	(11,107)	70,362	(27,572)
Interest paid		(26,868)	(27,339)	(55,385)
Repayment of lease liabilities		(3,111)	(2,998)	(5,916)
Receipt of cash from issue of shares	12	212,108	-	-
Net cash inflow from financing activities		62,042	136,692	76,773
Net increase / (decrease) in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period		10,273	10,271	10,271
Effects of exchange rate changes on cash and cash equivalents		1,442	(51)	54
Cash included in disposal group classified as held for sale		-	(1,328)	-
Cash and cash equivalents at end of the period		49,041	30,504	10,273

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

Notes to the condensed interim financial statements

For the six months ended 31 January 2025

1 Reporting entity

The condensed interim financial statements presented consolidate the financial results of Synlait Milk Limited and its subsidiaries (together the Group).

Synlait Milk Limited is primarily involved in the manufacture and sale of dairy products.

The parent company, Synlait Milk Limited, is a profit-oriented entity, domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange and the Australian Securities Exchange. Synlait Milk Limited is an FMC reporting entity under the Financial Market Conducts Act 2013 and its financial statements comply with that Act.

2 Basis of preparation of interim financial report

The condensed interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) as appropriate for interim financial statements. They comply with International Accounting Standard 34 (NZ IAS 34) and New Zealand equivalent to International Accounting Standard 34 (NZ IAS 34) Interim Financial Reporting and other applicable financial reporting standards appropriate for profit oriented entities.

These interim financial statements should be read in conjunction with the Group's financial statements for the period ended 31 July 2024.

Certain comparative figures have been reclassified during the year for consistency with current year presentation including a reallocation of \$7.0m from sales and distribution expense to cost of sales for the year ended 31 July 2024. This is to better reflect the underlying nature of the costs and for consistency with similar costs incurred in both the current and preceding periods. These reclassifications had no effect on the reported results of operations.

Synlait Milk Limited is subject to seasonal fluctuations that impact both revenue and production levels. These occur due to changes in product mix decisions from fluctuations in customer demand and in response to the unpredictable nature of milk supply as climatic conditions influence milk supply across the South Island of New Zealand.

Items included in the interim financial statements of the Group are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The financial statements are presented in New Zealand Dollars (\$), which is the functional currency of the parent and are rounded to the nearest thousand (\$'000).

2 Basis of preparation of interim financial report (continued)

Going concern

At 31 January 2025, the Group recorded an after-tax profit of \$4.8m, operating cash flows of (\$12.0m), a shortfall of current assets over current liabilities of (\$94.7m), and senior debt of \$311.2m due for repayment on 1 October 2025.

In preparing these financial statements, the Directors have conducted a comprehensive assessment of certain events, conditions, and related uncertainties.

Material uncertainties previously disclosed

The financial statements for the 2024 financial year disclosed material uncertainties in respect of the Group's ability to maintain access to capital (bank financing) through a requirement to achieve a sufficient reversal of milk supply cessations and demonstrate a marked improvement in 2025 trading performance. It was emphasised that if this was not achieved, there would be a material uncertainty in respect of the Group's ability to access capital, continue operating, and realise its assets and discharge its liabilities in the normal course of business.

The Group has made positive progress in retention of milk supply and improvement of trading performance as described below:

Milk supply retention

As noted in the 2024 financial statements and Synlait's market updates, a significant majority of Synlait's farmer suppliers had submitted notices of cessation for the supply of raw milk to the Group's South Island operations.

The Group's Directors, executive and senior leadership, and milk supply teams have been engaged in a process to encourage farmers to withdraw their cessation notices, the majority of which would otherwise take effect on 31 May 2026 for the 2027 financial year (2026/2027 milk season). To incentivise farmers to withdraw their cessation notices, the Group has announced an incentive package comprising a one-off 20 cent per kilogram of milk solids payment (KgMS) to all farmers who are not under cease at 31 May 2025, and an additional secured milk premium of 10 cents per KgMS payment to all South Island farmers committed to a future with Synlait without a cessation notice as at 31 March 2025 for each of the 2025/2026, 2026/2027 and 2027/2028 seasons.

The initial response to the incentive package has seen a number of farmers withdrawing their cessation notices and potential new suppliers expressing interest in supplying Synlait. The Directors believe that the milk incentive package combined with a competitive milk price, a guarantee to match the market advanced rate (at a minimum) from the 2025/2026 season, reduced debt levels, financial and strategic support from Bright Dairy, and improved trading performance will encourage farmers to continue withdrawing their cessation notices.

The Directors continue to acknowledge that the level of outstanding cessation notices will instil a degree of uncertainty in the Group's stakeholders. There is a risk that if all cessation notices came into effect, the Group's South Island operations could be materially impacted during the 2026/2027 milk season (2027 financial year). However, the Directors believe this risk is becoming increasingly unlikely as progress continues.

Trading performance

EBITDA has improved by \$43.2m compared to the interim period ended 31 January 2024 and operating cash flows have improved by \$86.1m.

The improvement in EBITDA in the first six months of the year is attributed to accelerated demand for Advanced Nutrition products, optimisation of North Island operations, improved foreign exchange performance, improved stream returns on Ingredients products, and a focus on controlling working capital levels and operating expenditure. In addition, the Group continues to progress new business development opportunities to improve utilisation of the North Island operations and diversify the customer base of the South Island operations.

2 Basis of preparation of interim financial report (continued)

Going concern (continued)

Access to capital

Future access to capital has previously been disclosed as being subject to significant uncertainty. At 31 January 2025, the Group had total loans and borrowings of \$441m, comprised of \$311m of senior bank debt which falls due on 1 October 2025 and a \$130m shareholder loan which will be repaid in July 2026. During the period, the Group met all banking covenants and is forecasting that covenants will continue to be met over the duration of the financial year. This has provided the Directors with an increased level of confidence in the Group's ability to achieve a successful refinance in the 2026 financial year.

Conclusion

The Directors are satisfied that the Group will be able to generate sufficient cashflows and have sufficient access to capital (bank financing) to make good on obligations to all creditors including the banking syndicate and farmer suppliers.

While the future will always be uncertain, the progress made to date in improving trading performance and retaining milk supply has provided a sufficient basis for the Directors to conclude that it is appropriate to prepare the Group's interim financial statements on a going concern basis.

However, despite the progress made to date, the Group will continue to be subject to material uncertainty in respect of access to capital until such time there is demonstrated sustained improvement in trading performance and a sufficient withdrawal of cessation notices is confirmed, both of which are interdependent and will continue to be subject to uncertainty. This represents a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

The financial statements do not include any adjustments that may be required if the Group is unable to continue as a going concern.

New accounting policies, standards, interpretations, and amendments adopted during the period

There are no new policies, standards, interpretations, or amendments that were adopted in the period which have or are expected to have a material impact on the Group.

New accounting policies, standards, interpretations, and amendments not yet adopted

NZ IFRS 18 - Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 - Presentation and Disclosure in Financial Statements to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged and introduces increased disclosure of management defined performance measures as well as new principles for aggregation and disaggregation of information included in the consolidated income statement. IFRS 18 is applicable to the Group beginning on 1 August 2027. The Group is currently evaluating the impact of the adoption of IFRS 18 on its consolidated financial statements.

There are no other standards that are not yet effective which are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Basis of preparation of interim financial report (continued)

Material events and other significant items during the period

Strategic review of North Island assets

On 9 September 2024 the Group completed a strategic review of its North Island assets. The key outcome of the review was a decision to refocus the North Island operations to produce Advanced Nutrition products which do not require milk. As a consequence, the Group has entered into a contract to sell its raw milk supply to a North Island milk processor. This has resulted in a related onerous contract provision of \$3.6m at 31 January 2025 and is included in accounts payable and other accruals.

Equity placement and change of control

On 1 October 2024 the Group completed a placement of 384,616,437 common shares for proceeds of \$217.8m to Bright Dairy and The a2 Milk Company, resulting in Bright Dairy and The a2 Milk Company holding 65.25% and 19.83% of the Group's common shares, respectively, and triggering a change of control under the NZX Takeovers Code. The proceeds were used to repay bank facilities which fell due on 1 October 2024 and repay the subordinated bond which was subjected to accelerated repayment as a consequence of the change of control.

Settlement with The a2 Milk Company

On 1 October the Group completed the settlement of a number of matters which were in arbitration with The a2 Milk Company. Key details of the settlement included:

- The a2 Milk Company made a one-off payment to the Group in the order of \$24.75 million. This payment included amounts that had been withheld from payment pending resolution of matters in dispute.
- The Group will make an additional SAMR slot at Dunsandel available to The a2 Milk Company for a potential new China label registered product. The a2 Milk Company and the Group will work together to develop the new product, prepare the SAMR registration dossier and aim to seek registration from SAMR by December 2029.
- The Group has agreed the exclusivity it had under the Nutritional Powders Manufacturing and Supply Agreement (NPMSA) for a2 至初®, a2 Platinum®, and other nutritional products ceased to apply from 1 January 2025.
- The Group acknowledged that The a2 Milk Company is developing manufacturing capability and could move volumes away from the Group when it has the capability to do so. The exception to this is registered China label 至初® Infant Formula products which must be produced in the Group's Dunsandel facility through the SAMR registration the Group continues to hold and is due for renewal in 2027.

Climate Risk

The Group's operations are likely to be impacted by future climate change. These impacts may be physical (e.g. severe or unusual weather patterns and events) or transitional (e.g. changes to government regulations or customer and supplier needs and demands). The Group regularly assesses its operating environment with regard to the impact of climate change.

Specific consideration has been given in these financial statements to the impact of future climate change on the useful lives of the Group's property, plant, and equipment and impairment of intangible assets (NZUs). No significant impacts were noted during the period.

Milk price accrual

At interim reporting date, the milk price accrual is a key management estimate. The milk price accrual represents the amount the Group is forecasting to pay its suppliers for the current year less advance payments made during the period. The Group's policy is to value its inventory using the weighted average monthly milk price based on the Group's forecast annual milk price for the season. Managements' forecast of the milk price for the season is the basis of the calculation of the milk price accrual and at interim reporting date requires judgement from management. Key assumptions in the calculation of the forecast annual milk price for the season include dairy commodity prices, on-farm milk composition, sales and production curves, annual foreign exchange conversion rate and other conversion costs.

3 Impairment of assets and write-downs

Impairment of assets

The Group recorded total asset impairments of \$114.6m in the 2024 financial year, of which \$50.3m was recognised in the six month period ended 31 January 2024 and \$64.2m recognised upon completion of comprehensive impairment testing immediately prior to release of the Group's 2024 annual financial statements.

The impairment charge was driven primarily by underutilisation of the Group's North Island operations. Consequently, substantially all of the impairment charge was allocated against the assets of North Island cash generating unit. \$6m of the impairment was allocated to goodwill with the balance allocated pro-rata against remaining assets.

The Group has not performed a further impairment test because trading performance has been inline with expectations, market capitalisation has increased since 31 July 2024, and no other significant adverse changes which would have a material impact on recoverable amounts have occurred in the Group's operations.

Loss on measurement to fair value less costs of disposal

During the six month period ended 31 January 2024, the Group recorded a \$31.1m write-down against the Dairyworks disposal group as a consequence of indicative offers being below the net asset value of the disposal group. The write-down was reversed when the Dairyworks sale process was discontinued in June 2024, and the assets and liabilities of Dairyworks were reclassified from 'held for sale' to their respective 'held for use' line items in the statement of financial position. The results of the Group for the six month period ended 31 January 2024 have been re-presented to include the results of Dairyworks (\$4.9m of profit) in profit / (loss) from continuing operations.

The following is a disaggregation of assets and liabilities which were classified as held for sale at 31 January 2024:

	31 January 2024 Unaudited \$'000
Assets of a disposal group classified as held for sale	
Cash	1,328
Trade and other receivables and other current assets	8,826
Inventories	66,002
Property, plant and equipment	29,345
Intangible assets	17,093
Goodwill	58,163
Impairment of goodwill resulting from measurement to FVLCD	(31,137)
Right-of-use assets	13,915
Total	163,535
Liabilities of a disposal group classified as held for sale	
Trade and other payables and other current liabilities	(24,353)
Current tax liability	(4,199)
Lease liabilities	(13,420)
Deferred tax liabilities	(1,249)
Total	(43,221)

4 Segment reporting

(a) Reportable segments

The Group identifies the following segments:

- Synlait: manufacture and sale of liquid milk and milk powder based products (nutritionals, ingredients, fresh milk, and ultra heat treatment ('UHT') milk products). The Synlait segment is an aggregation of the Group's North Island and South Island operations which share similar production processes, composition of fixed assets, organisational structures, product margins, classes of customers, and long term growth rates.

- Dairyworks: manufacture and sale of cheese and other products (cheese, butter).

The accounting policies of the Group have been consistently applied to the operating segments. Net Profit After Tax (NPAT) is the measure reported to the chief operating decision-maker (the "Board") for the purposes of resource allocation and assessment of performance for the Group. A consistent measure has been used for the purpose of reporting the performance of each operating segment.

(b) Disaggregation of financial information by segment

The following is an analysis of the Group's revenue and results by reportable segment:

	31 January 2025 Unaudited			
	Synlait \$'000	Dairyworks \$'000	Eliminations \$'000	Total \$'000
External revenue	778,331	138,436	-	916,767
Inter-segment revenue from sale of goods	<u>219</u>	<u>-</u>	<u>(219)</u>	<u>-</u>
Revenue from sale of goods	778,550	138,436	(219)	916,767
Net profit / (loss) after tax for the period	603	4,205	-	4,808
Finance income	442	42	-	484
Finance expense	(20,485)	(2,247)	-	(22,732)
Loss on derecognition of financial assets	(3,611)	(745)	-	(4,356)
Depreciation and amortisation	(25,774)	(3,198)	-	(28,972)
Income tax expense	(1,014)	(1,673)	-	(2,687)
Earnings before interest, taxes, depreciation and amortisation	51,045	12,026	-	63,071
Total assets	1,487,732	185,976	-	1,673,708
Total liabilities	<u>(842,674)</u>	<u>(34,376)</u>	<u>-</u>	<u>(877,050)</u>
Total net assets	<u>645,058</u>	<u>151,600</u>	<u>-</u>	<u>796,658</u>

4 Segment reporting (continued)

	31 January 2024 Unaudited			
	Synlait \$'000	Dairyworks \$'000	Eliminations \$'000	Total \$'000
External revenue	651,675	141,850	-	793,525
Inter-segment revenue from sale of goods	<u>1,214</u>	<u>-</u>	<u>(1,214)</u>	<u>-</u>
Revenue from sale of goods	652,889	141,850	(1,214)	793,525
Net profit / (loss) after tax for the period	(70,014)	(26,207)	-	(96,221)
Finance income	184	-	-	184
Finance expense	(21,527)	(1,965)	-	(23,492)
Loss on derecognition of financial assets	(3,182)	(696)	-	(3,878)
Depreciation and amortisation	(30,527)	-	-	(30,527)
Income tax benefit / (expense)	24,924	(1,879)	-	23,045
Impairment of CGU	(50,343)	-	-	(50,343)
Loss on measurement to fair value less costs of disposal	-	(31,137)	-	(31,137)
Earnings before interest, taxes, depreciation and amortisation	10,457	9,470	-	19,927
Total assets	1,549,812	163,535	-	1,713,347
Total liabilities	<u>(971,246)</u>	<u>(43,221)</u>	<u>-</u>	<u>(1,014,467)</u>
Total net assets	<u>578,566</u>	<u>120,314</u>	<u>-</u>	<u>698,880</u>
	31 July 2024 Audited			
	Synlait \$'000	Dairyworks \$'000	Eliminations \$'000	Total \$'000
External revenue	1,344,081	292,777	-	1,636,858
Inter-segment revenue from sale of goods	<u>2,559</u>	<u>-</u>	<u>(2,559)</u>	<u>-</u>
Revenue from sale of goods	1,346,640	292,777	(2,559)	1,636,858
Net profit / (loss) after tax for the period	(189,918)	7,807	-	(182,111)
Finance income	585	-	-	585
Finance expense	(43,415)	(4,274)	-	(47,689)
Loss on derecognition of financial assets	(6,569)	(1,347)	-	(7,916)
Depreciation and amortisation	(57,596)	(6,128)	-	(63,724)
Impairment of CGU	(114,564)	-	-	(114,564)
Income tax benefit / (expense)	59,515	(3,874)	-	55,641
Earnings before interest, taxes, depreciation and amortisation	(27,874)	23,430	-	(4,444)
Total assets	1,370,538	123,477	-	1,494,015
Total liabilities	<u>(819,582)</u>	<u>(69,635)</u>	<u>-</u>	<u>(889,217)</u>
Total net assets	<u>550,956</u>	<u>53,842</u>	<u>-</u>	<u>604,798</u>

4 Segment reporting (continued)

(c) Geographical revenue

The Group operates in one principal geographical area being New Zealand. Although the Group sells to many different countries, it is understood that a significant portion of both infant nutritional and ingredients sales are ultimately consumed in China.

The proportion of sales revenue by geographical area is summarised below:

	Period ended	Year ended	
	31 January	31 January	
	2025	2024	
	Unaudited	Unaudited	
		31 July	
		2024	
		Audited	
China	7 %	5 %	8 %
Rest of Asia	20 %	19 %	19 %
Middle East and Africa	4 %	7 %	4 %
New Zealand	59 %	62 %	54 %
Australia	5 %	5 %	7 %
Rest of World	5 %	2 %	8 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

All Group non-current assets are located in New Zealand, other than \$0.1m (31 January 2024: \$0.1m, 31 July 2024: \$0.1m) located in China.

(d) Other profit and loss disclosures

Revenues of approximately 45% (31 January 2024: 43%, 31 July 2024: 44%) are derived from the top three external customers.

5 Expenses

	Period ended		Year ended
	31 January 2025 Unaudited \$'000	31 January 2024 Unaudited \$'000	31 July 2024 Audited \$'000
Notes			
<i>The following items of expenditure are included in cost of sales:</i>			
Depreciation and amortisation	21,632	22,264	46,290
Employee and contractor costs	51,651	52,135	103,410
Energy costs	17,573	16,326	28,818
Outbound Freight	8,117	10,630	20,071
Milk transport	13,121	16,827	28,365
Repairs and maintenance	9,540	8,924	16,596
Inventory provisions and write-downs	18,067	8,354	30,134
<i>The following items of expenditure are included in sales and distribution expense:</i>			
Depreciation and amortisation	3,728	4,083	9,174
Employee and contractor costs	12,630	12,422	26,107
Insurance	708	837	1,614
Freight	1,303	1,059	9,285
Consultancy, legal, and transaction costs	254	490	1,147
Rent and storage	620	1,346	1,953
<i>The following items of expenditure are included in administrative and operating expense:</i>			
Bad debt expense	1,597	-	-
Depreciation and amortisation	3,612	4,179	8,260
Employee and contractor costs	17,462	16,891	33,746
Director fees	369	388	764
Share based payments expense	60	198	399
Consultancy, legal, and transaction costs	2,143	4,223	12,852
Information services and subscriptions	5,306	5,442	10,525

6 Reconciliation of profit / (loss) after income tax to net cash outflow from operating activities

	Period ended		Year ended
	31 January 2025 Unaudited \$'000	31 January 2024 Unaudited \$'000	31 July 2024 Audited \$'000
(Loss) / profit for the period	4,808	(96,221)	(182,111)
Non-cash items:			
Impairment of assets	-	50,343	114,564
Loss on measurement of Dairyworks disposal group to FVLCD	-	31,137	-
Depreciation and amortisation of non-current assets	25,660	27,629	55,905
Depreciation of right-of-use assets	3,312	2,897	7,819
Loss / (gain) on sale of property, plant and equipment	170	(241)	(381)
(Gain) / loss on livestock sales	(417)	(98)	(854)
Gain on derecognition of lease	-	-	(286)
New Zealand Units surrendered	3,163	1,843	2,785
Non-cash share based payments expense	(437)	198	385
Interest costs classified as financing cash flow	22,732	23,437	47,690
Interest received classified as investing cash flow	(484)	(130)	(585)
Loss on derecognition of financial assets	4,356	3,881	7,916
Deferred tax	2,802	(21,021)	(53,589)
Loss / (gain) on derivative financial instruments	175	339	(54)
Unrealised foreign exchange (gain) / loss	(1,442)	51	(56)
Loss / (gain) on revaluation of biological assets	101	(118)	(445)
Movements in working capital:			
(Increase) in trade and other receivables	(36,651)	(22,299)	(52,601)
Decrease / (increase) in prepayments	14,757	3,684	(16,038)
(Increase) / decrease in inventories	(137,410)	(79,757)	92,804
Decrease / (increase) in goods and services tax refundable	3,594	(7,597)	865
Increase / (decrease) in trade and other payables	76,848	(13,039)	(65,972)
Decrease / (increase) in current tax asset	2,325	(3,031)	(4,952)
Net cash outflow from operating activities	(12,038)	(98,113)	(47,191)

7 Trade and other receivables

The Group has derecognised trade receivables that have been sold pursuant to the terms of receivables purchase agreements that the Group has entered into with its banks. The Group has assessed the terms of the agreements and has determined that substantially all the risks and rewards have been transferred to the respective banks.

8 Inventories

	31 January 2025 Unaudited \$'000	31 January 2024 Unaudited \$'000	31 July 2024 Audited \$'000
Raw materials at cost	111,111	81,380	99,099
Work in progress at cost	37,903	75,986	54,301
Finished goods at cost	220,947	168,643	72,800
Less: Provision for impairment and write-downs of inventory	<u>(22,849)</u>	<u>(9,748)</u>	<u>(16,498)</u>
Total inventories	<u>347,112</u>	<u>316,261</u>	<u>209,702</u>

Total inventories as at 31 January 2024 excludes \$66.0m of Dairyworks inventories which are included in assets of a disposal group held for sale.

9 Property, plant and equipment

During the six months ended 31 January 2025, \$10.4m was added to capital work in progress and \$17.8m of historical work in progress was capitalised.

10 Intangible assets

During the six months ended 31 January 2025, \$1.9m was added to intangible work in progress and \$6.4m of historical work in progress was capitalised, of which \$2.7m was transferred from work in progress for property, plant, and equipment.

11 Loans and borrowings

	31 January 2025 Unaudited	31 January 2024 Unaudited	31 July 2024 Audited
Current liabilities			
Working capital facility (syndicated) NZD	5,505	111,967	26,237
Working capital facility (syndicated) USD	66,289	68,869	56,664
Revolving credit facility	175,714	154,298	107,265
Term loan	64,286	-	-
Loan facility fees	(574)	(355)	(185)
Subordinated Bond	-	180,000	180,000
Subordinated bond fees	-	(643)	(280)
	<u>311,220</u>	<u>514,136</u>	<u>369,701</u>
Non-current liabilities			
Revolving credit facility	-	75,702	61,608
Loan facility fees	-	(48)	-
Shareholder loan	130,000	-	130,000
Shareholder loan fees	(286)	-	(353)
	<u>129,714</u>	<u>75,654</u>	<u>191,255</u>
Total loans and borrowings	<u>440,934</u>	<u>589,790</u>	<u>560,956</u>

During the period, Bank of East Asia was added to the Group's banking syndicate which includes ANZ Bank, Bank of China, China Construction Bank, HSBC, Rabobank, Kiwibank, Bank of Communications, and Industrial Bank of China.

The Group's banking facilities all expire on 1 October 2025 and include:

- A working capital facility peaking at \$160m (together with a \$10m on demand bilateral facility).
- A revolving credit facility of \$205m.
- A term loan facility of \$75m.

The Group is subject to capital requirements imposed by its bank through covenants agreed as part of the lending facility arrangements. The Group met all externally imposed capital requirements for the six months ended 31 January 2025. The covenants for the 2025 financial year are as follows:

1. Total shareholder funds of no less than NZD \$500m at all times.
2. Working capital ratio of no less than 1.2x for the period from 1 August 2024 to 31 March 2025, increasing to no less than 1.5x for the period from 1 April 2025 to 31 July 2025.
3. Interest coverage ratio of no less than 2.5x for the 31 July 2025 reporting date.
4. Senior leverage ratio of no greater than 2.5x for the 31 July 2025 reporting date.

The Group also has a \$130m shareholder loan from the Group's majority shareholder, Bright Dairy. The loan will be repaid in July 2026.

Retail bond

During the period the subordinated bond was repaid in full. \$169m was repaid on 13 November 2024 when bond holders elected for early redemption of bonds upon change of control with the balance of \$11m repaid on the maturity date of 17 December 2024.

12 Share capital

The Group had 603,198,098 ordinary shares on issue as at 31 January 2025 (31 January 2024: 218,581,661, 31 July 2024: 218,581,661).

On 1 October 2024 308,333,333 and 76,283,104 shares were granted to Bright Dairy Holding Limited and The a2 Milk Company, respectively, for a total of 384,616,437 shares granted under a placement which gained shareholder approval on 18 September 2024 for total gross proceeds of \$217.8m. Total transaction costs incurred in respect of the placement were \$5.7m resulting in total net proceeds of \$212.1m.

The placement resulted in Bright Dairy Holding Limited's holding in the Group increasing to 65.25% from 39.01% immediately prior to the placement, triggering a change in control under the NZX Takeovers Code.

There were no shares issued during the six months ended 31 January 2024 or year ended 31 July 2024.

13 Related party transactions

(a) Transactions with other related parties

	Period ended	Year ended
	31 January	31 July
	2025	2024
	Unaudited	Audited
	\$'000	\$'000
<i>Purchase of goods and services</i>		
Bright Dairy and Food Co Ltd - Directors fees	133	133
<i>Sale of goods and services</i>		
Bright Dairy and Food Co Ltd - Sale of milk powder products	154	268
<i>Other</i>		
Bright Dairy and Food Co Ltd - Interest charged on shareholder loan	5,243	-

(b) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	31 January	31 January	31 July
	2025	2024	2024
	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000
<i>Current payables</i>			
Bright Dairy and Food Co Ltd - Reimbursement of costs	(1,023)	(1,218)	(890)
Bright Dairy and Food Co Ltd - Interest payable	(541)	-	(569)
<i>Non-current payables (loans and borrowings)</i>			
Bright Dairy and Food Co Ltd - Shareholder loan	(130,000)	-	(130,000)

14 Contingencies

No contingent liabilities or assets have been recognised in these financial statements (31 January 2024: \$nil, 31 July 2024 \$nil).

15 Commitments

The Group has committed expenditure as at 31 January 2025 for routine operational capital expenditure projects of \$3.8m (31 January 2024: \$4.2m, 31 July 2024: \$2.7m).

The Group has also committed a further investment of \$1.3m to a public-private limited partnership in which \$2.2m has been invested to date. The joint venture is intended to undertake a portfolio of investments that will help accelerate delivery of biological emissions tools to all New Zealand farmers.

16 Events occurring after the reporting period

There were no events which occurred subsequent to 31 January 2025 which require adjustment to or disclosure in the interim consolidated financial statements.

Independent Auditor's Review Report

To the Shareholders of Synlait Milk Limited (**Group**)

Report on the condensed interim financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements on pages 3 to 21 do not:

- present fairly, in all material respects, the Group's financial position as at 31 January 2025 and its financial performance and cash flows for the six-month period then ended and comply with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (**NZ IAS 34**) issued by the New Zealand Accounting Standards Board.

We have completed a review of the accompanying condensed interim financial statements which comprise:

- the condensed interim statement of financial position as at 31 January 2025;
- the condensed interim income statement, statements of comprehensive income, changes in equity and cash flows for the six-month period then ended; and
- notes, including material accounting policy information.

Basis for conclusion

We conducted our review of the condensed interim financial statements in accordance with NZ SRE 2410 (Revised) Review of Financial Statements Performed by the Independent Auditor of the Entity (**NZ SRE 2410 (Revised)**). Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the condensed interim financial statements* section of our report.

We are independent of Synlait Milk Limited in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Material uncertainty related to going concern

We draw attention to Note 2 of the condensed interim financial statements, which indicates that the Group recorded operating cash outflows of \$12.0m for the six-month period ended 31 January 2025 and that its current liabilities exceed its current assets by \$94.7m as at that date. \$311.2m of borrowings are classified as current liabilities and are due for repayment or refinancing in the next twelve months from the date of these condensed interim financial statements.

The ability of the Group to continue trading as a going concern is dependent on the ability of the Directors to successfully execute the milk supply retention incentive with the Group's South Island raw milk suppliers by 31 May 2025. As explained in Note 2, the Directors are confident that with continued improvement and sufficient withdrawal of cessation notices, the Group can successfully refinance the senior bank debt in the 2026 financial year. Nonetheless, the Group remains subject to material uncertainty regarding access to capital (bank financing) until sustained improvement and sufficient withdrawal of cessation notices are confirmed, which may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Use of this Independent Auditor's Review Report

This report is made solely to the Shareholders. Our review work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the Independent Auditor's Review Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders for our review work, this report, or any of the conclusions we have formed.

Responsibilities of Directors for the condensed interim financial statements

The Directors of Synlait Milk Limited on behalf of the Group are responsible for:

- the preparation and fair presentation of the condensed interim financial statements in accordance with NZ IAS 34; and
- implementing necessary internal control to enable the preparation of condensed interim financial statements that is fairly presented and free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the condensed interim financial statements

Our responsibility is to express a conclusion on the condensed interim financial statements based on our review.

NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the condensed interim financial statements, taken as a whole, are not prepared, in all material respects, in accordance with NZ IAS 34.

A review of the condensed interim financial statements prepared in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on the condensed interim financial statements.

The engagement partner on the review resulting in this independent auditor's review report is Ian Proudfoot.

For and on behalf of:



Christchurch

24 March 2025