ANNUAL REPORT

2016

Our future, is made by us

Westland Milk Products
Hokitika · New Zealand

Securing our future

OUR FUTURE
IS MADE BY US

Season Highlights

Supplying farms

429

183,074

Cows milked

Metric tonnes of products manufactured

129,131

Blocks of Westgold butter packed

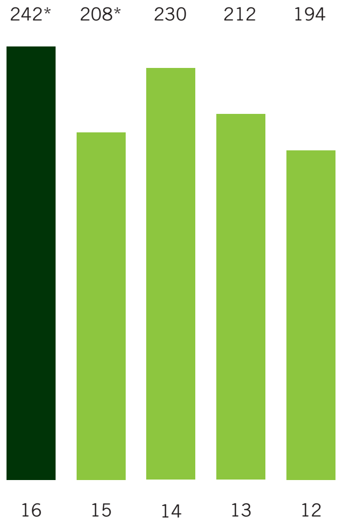
11,200,000

Sachets of EasiYo packed

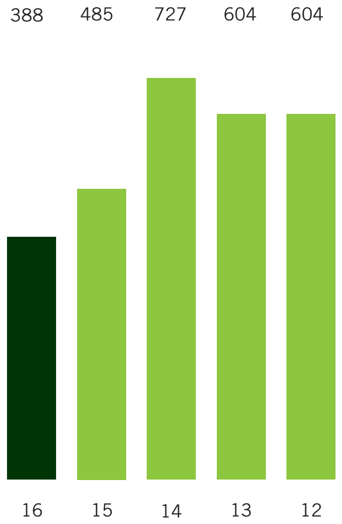
14,900,000

Five Year Trends

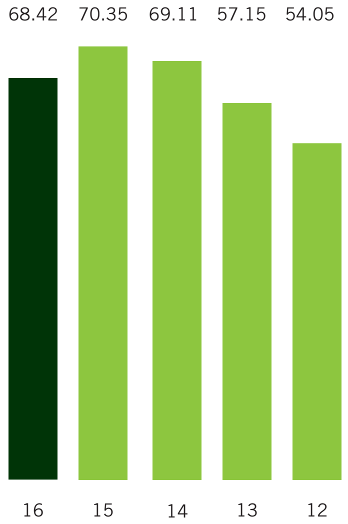
TOTAL EQUITY
Incl. shares classified as liabilities.
(Dollars in millions)



PAYOUT TO SHAREHOLDERS
(Cents/kgms)



MILK SOLIDS
(Million kilograms)



*For further information on Total Equity changes refer Statement of Changes in Members Fund.

Five Year Trends

	2016	2015	2014	2013	2012
Milk Received From Suppliers [M litres]	743	765	753	621	587
Milk Fat - Own Supplier [M kgs]	39.164	40.286	39.574	32.785	31.086
Protein - Own Supplier [M kgs]	29.260	30.065	29.531	24.363	22.962
Milk Solids Received from Suppliers [M kgs]	68.424	70.351	69.105	57.148	54.048
Average Milk Solids per Farm [kgs]	159,495	163,607	161,085	139,726	136,141
Average Milk Fat %	5.27	5.27	5.26	5.28	5.30
Average Protein %	3.94	3.93	3.92	3.92	3.91
Protein : Fat Ratio %	74.71	74.63	74.62	74.31	73.87
Finest Milk %	98.50	98.70	98.80	98.80	98.60
Production [Tonne] - Powder	78,664	69,997	74,020	65,426	57,777
Production [Tonne] - Butter	32,973	34,394	33,696	30,700	32,123
Production [Tonne] - Protein	6,741	7,062	6,465	5,169	5,008
Production [Tonne] - AMF	10,753	11,631	10,506	7,003	5,089
Turnover [$Million]	588	639	830	566	534
Total Assets [$Million]	571	538	478	430	379
Total Equity [$Million] (incl. Shares classified as liabilities)	242	208	230	212	194
Payout to Shareholders					
- Fat [cents/kg]	334	413	603	508	462
- Protein [cents/kg]	556	688	1,004	846	771
- Operating Surplus [cents/kg]	362	495	757	634	614
- Retentions [cents/kg] **	26	(10)	(30)	(30)	(10)
- Net Average Payout [cents/kg]	388	485	727	604	604
Equity : Assets Ratio [%]	42	39	48	49	51
Tangible Net Worth [%] ***	40	48	46	48	49
Current Ratio [%]	280	182	196	125	110
Working Capital to Total Assets Ratio [%]	25	18	24	10	4

** 2014 included a 30 cent/kg milk accrual that the Board has subsequently taken as a retention in 2015.

*** Tangible net worth percentage has been added to the five year trends. This ratio excludes the positive and / or negative impact of derivatives and intangibles from the Equity : Asset Ratio. The tangible net worth forms part of the Group banking covenants.

Chairman's Report Matt O'Regan

Our final net average cash payout to shareholders for the 2015-16 season of $3.88 is a disappointing one. It is below break-even point for our farmers and fails to reach our goal of remaining industry competitive.

The poor result is due to a higher cost structure in the business – necessary to support our value-added strategies – combined with lower than forecast sales of these products due to a mix of commissioning issues and rapidly changing markets.

This has happened against a background of a second consecutive challenging dairy season for our shareholders, during which prices remained low and the New Zealand dollar stubbornly high.

International dairy market prices remained weak due to global over supply. The downward pressure that this has put on payout has been made worse by a strong New Zealand dollar, which has abandoned its usual pattern of losing ground against the United States dollar when commodity prices reduce. The introduction of intervention support by the European Union, while effectively putting a floor under some commodity prices, resulted in stockpiles that, until worked through, will reduce the speed of product price recovery. Nevertheless, there have been some positive signals recently. As I write, there seems to be some light on the horizon indicating an upward trend in market prices.

Longer term, we need to execute our value-added strategy more effectively. Westland cannot compete by relying on commodity returns for its milk. We remain confident that the strategy we have in place, underpinned by the UHT and nutritional product processing capability Westland built during the last year, will provide higher returns and a degree of cushioning against cyclical extremes. The announcement, since the end of the year under review, of a joint venture with our largest nutritional powders customer, Ausnutria, to blend and can nutritional products at Rolleston, will significantly increase our production of value-added powders. This is a good example of implementation of the value-added strategy.

Matt O'Regan
Chairman

A future enabler of our value-added strategy will be our ability to manage milk flow to ensure that growth in supplier milk production is matched by the same growth in value-adding processing capacity. Shareholders were consulted during the latter part of the season on how the co-operative is evaluating options to achieve this. These meetings stimulated spirited debate, which was most welcome and will help the team design a system that best fits the requirements of suppliers and plant processing.

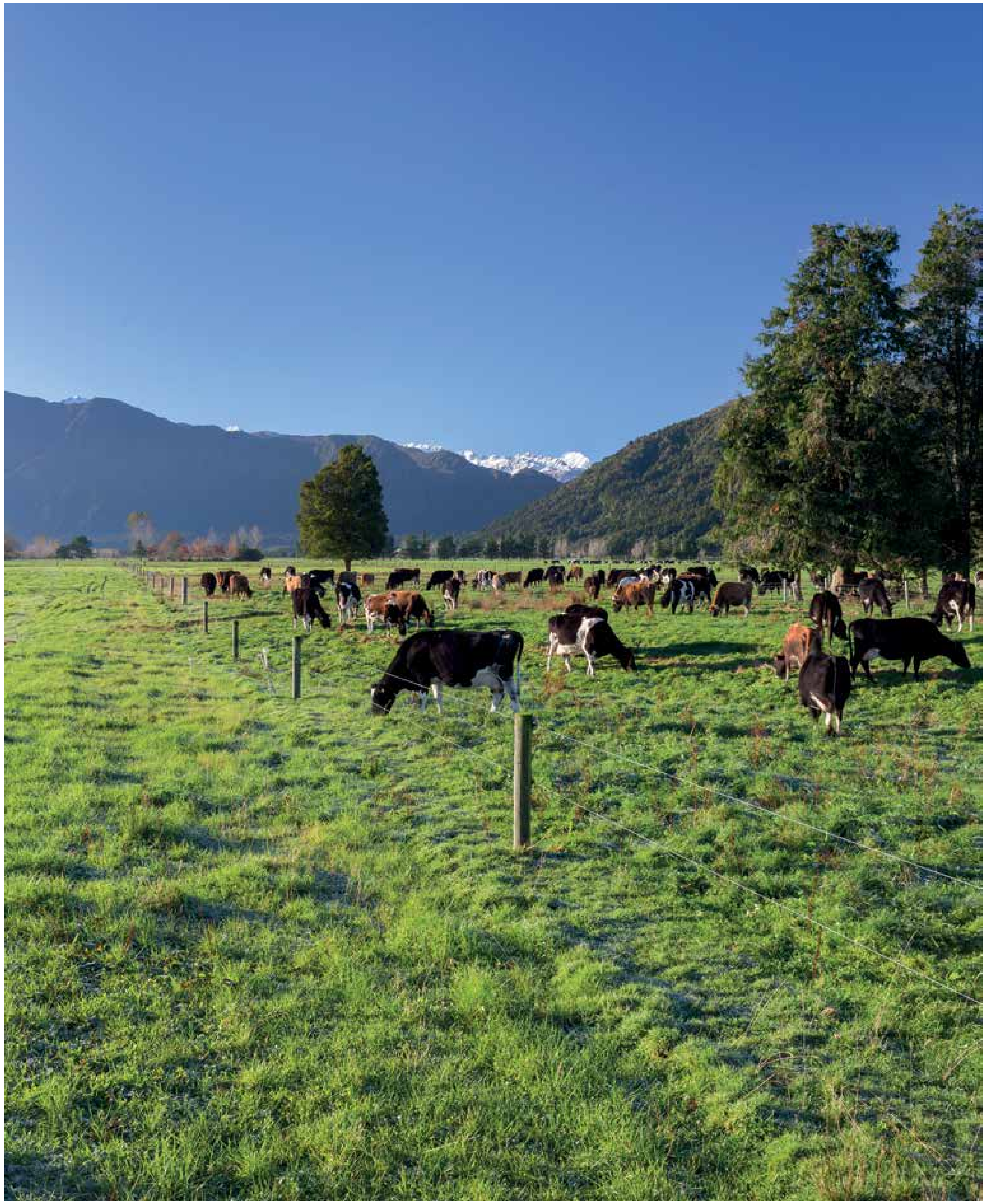
Our growth strategies are strongly linked with the Westland approach of fostering direct engagement by directors and senior management with overseas customers, to build strong relationships and assess for themselves the state of our markets. First-hand experiences gained from director and management visits to China and Europe proved invaluable. When visiting China you get to see the potential and opportunity this huge market offers. It is a premium market for our products, but the risks are equally high as government regulation changes cause uncertainty. It is a complicated market in which we must be active, but Westland will be equally active in growing markets outside of China.

The past year saw the completion of the rebranding of Westgold. Under the theme 'crafted over generations' this has created the platform for our future consumer goods development programme. With awards for packaging design, and being named Champion Butter at the New Zealand Champions of Cheese awards in March 2016, Westgold is well positioned for growth in the markets that we have targeted.

EasiYo continued to grow sales to $60.6 million, up 14% on the prior year. For the year ahead EasiYo has committed to a profit reinvestment strategy to further accelerate sales growth in both existing and new markets.

As an industry and as dairy farmers we are facing the toughest period for the last thirty years. Yet while farmers worked to identify every possible way to trim budgets, the company's milk volume reduced by only three percent. Against these tough economic times, our farmers have been challenged - by continued expectations from customers, industry bodies and regulatory authorities, to farm more sustainably and with stronger environmental protections. This has become the norm and is unlikely to ease just because prices are low.

Farmers are being proactive in their response to required environmental improvements. This was recognised and received international acclaim for the role our farmers played in the considerable improvement to the water quality of Lake Brunner; achieving targets five years ahead of schedule.



Chairman's Report Matt O'Regan

News like this has real value, not just to our community, but for shareholders and the company as we are increasingly subject to environmental and sustainability audits by many of our key customers. A prime example was Nestlé's audit of 30 of our suppliers' farms. We have also continued to work on our Farm Excellence programme so that Westland has the confidence, when customers ask for farm inspections, to be able to say: any farm, anywhere, any time.

It is important we continue to retain control over these improvement processes so that farmers and dairy companies demonstrate real leadership rather than being subject to the decision-making of others. In that way we help ensure new farm practice regulations and expectations are delivering value for farmers as well as the wider environment.

This is especially important for our West Coast shareholders. Our often wet environment and steep topography create unique conditions not necessarily allowed for in national agreements such as the Water Accord. Westland's proactive approach has led to another key environmental achievement, our shared objectives agreement with the West Coast Regional Council. The agreement gives far better outcomes for farmers and the local environment than a more generic national plan. The response of our shareholders has been particularly encouraging. Many have spent considerable sums of money improving the sustainable management of their farms, viewing this as a valuable investment and an assurance of the ongoing sustainability of both their business and their family's inheritance.

Acknowledgements
Rod Quin, CEO since April 2009, decided that after seven years in the role it was an appropriate time for him to leave the company. Rod played a critical leading role in developing and implementing Westland's strategy to move into value added products and reduce the Co-operative's reliance on the highly volatile bulk dairy commodities market. Westland has long held the aspiration of manufacturing value-add products and under Rod's leadership this has become a reality. He lifted the company's profile and image nationally and internationally.

When Rod announced his departure, the Board commenced a search for a new Chief Executive to drive forward Westland's strategy. In late July the Board was pleased to announce that Toni Brendish will take up the role of company CEO commencing on the 5th of September 2016. Toni brings to Westland a wealth of experience across the food and nutrition sectors. As a Board, we see her as the best person to carry Westland into the future.

On behalf of the Board I thank the Senior Management Team and staff for their continued efforts in what has been a very challenging year.

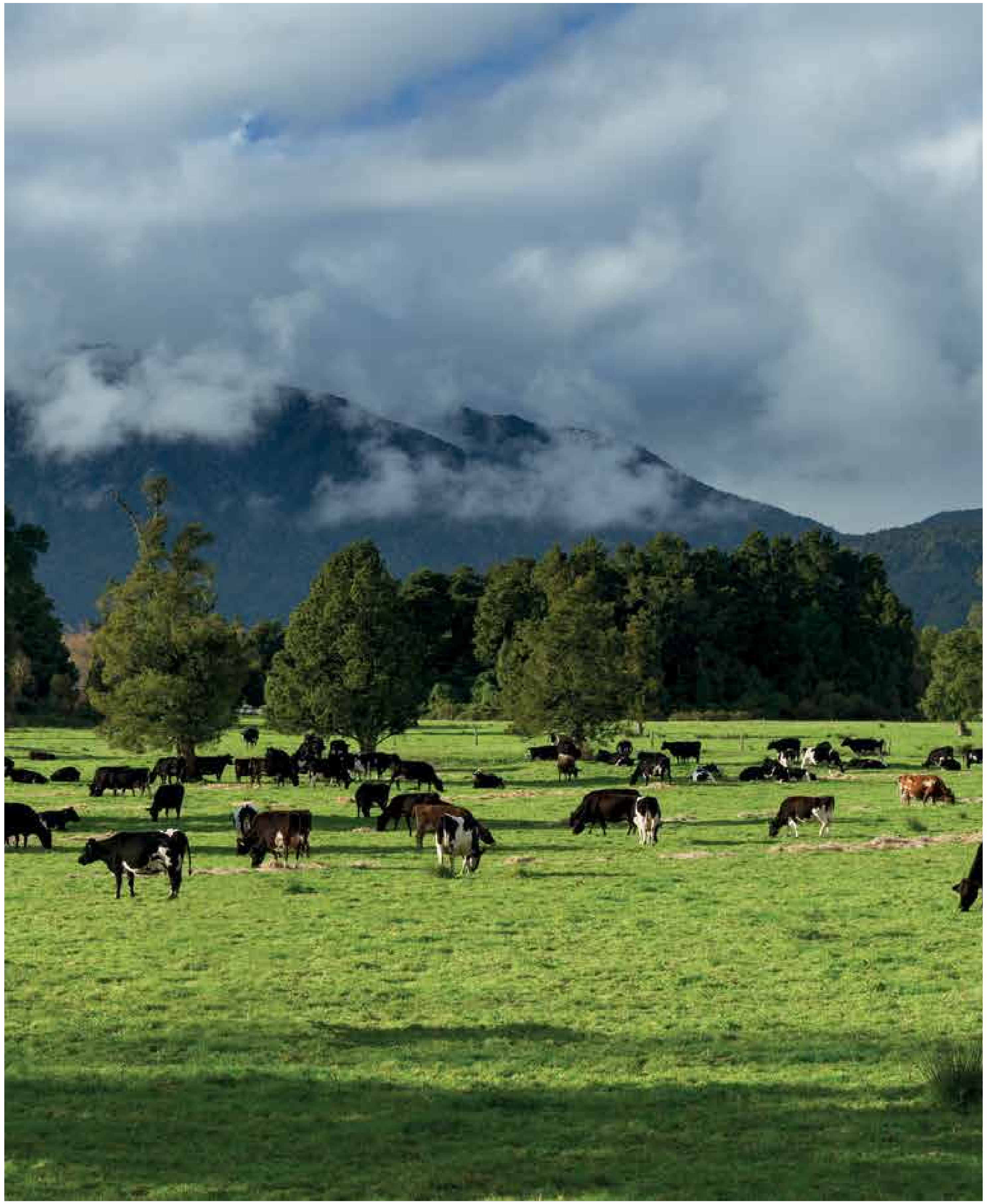
In November 2015 we welcomed Pete Morrison and Rebecca Keoghan to the Board. Pete is a large-scale farmer and businessman with Westland milk supply in the east and west of our collection areas; Rebecca comes from a dairy farming and operational background. The breadth of Rebecca's expertise and her commitment, not only to her dairy farming profession but also to her community, was recognised in Rebecca being named New Zealand's 2016 Dairy Woman of the Year.

Barry Paterson will retire as a Director at the 2016 AGM after six years on the Board. I thank him on behalf of the shareholders for his contribution and dedication to the company.

To my fellow directors I thank you for your support, encouragement, and continued dedication and commitment to the company. A special thank you must go to Deputy Chairman Raelyn Lourie who works tirelessly for the Co-operative.

As stated above, it has been a tough year for shareholders, suppliers and the company. However, while we close this season with a less than desired performance by our company, we start the 2016-17 season with more product capability and flexibility than ever before. The capability Westland now has in its manufacturing of value-added products, and the returns they will generate, will allow us to continue our journey up the value chain to ensure Westland remains the preferred processor of our shareholders' milk. I thank Shareholders for their continued support of their company and look forward to the prospects of better product prices becoming a reality.

Matt O'Regan
Chairman



Looking to the future with the Langes

The Lange family's story of connection to the land and dairying is one that is repeated widely among Westland Milk Products' shareholders. It's a story grounded in a strong tradition of intergenerational farming and a genuine appreciation for sustainable stewardship of the land.

Gerard (he prefers Ged) and Fleur Lange, with their two children Sophie and Kimberley-Anne, run 460 milking cows on 300 hectares in the West Coast's Kowhitirangi district near Hokitika where they achieve an impressive 500kg of milk solids per cow.

For the Langes, as with many of Westland's shareholder suppliers, dairying is more than a business; it is an intergenerational lifestyle that provides for a quality family life, and generates pride in what their land, animals and labour produce.

Ged has been farming since he was eight years old when he started milking with his dad Bernie. He's had the farm in Kowhitirangi since 2002, and he and Fleur have farmed it in partnership since 2006. Fleur and Ged's farming partnership echoes the traditional on-farm roles of previous generations with Ged running the farm and Fleur the house, but that's the way Fleur likes it. Nevertheless, when it comes to the farm business the two are very much a farm partnership, and each contributes in their own way to the best interests of the farm and their family.

Ged and Fleur see an improvement in dairy farm incomes going forward, helped not only by Westland's drive toward a higher proportion of value-added products but also by initiatives on-farm.

With pressure on farmers to cut costs by reducing the use of bought-in animal feed, Ged and Fleur have demonstrated some local innovation by proving that you can grow crops otherwise thought unsuitable on the 'wet West Coast'. Aware of demands for farmers to operate within strict environmental regulations, they have also experimented with ways of preparing the ground and found that 'flipping' ground reduces run-off. Flipping is a practice where the hard pan found on many wet West Coast soils is flipped, bringing the deeper more fertile soils to the top and breaking up the pan.

"Even small changes in working practice can make a big difference to farming's sustainability," Ged says.

Targeting fertiliser applications by testing every paddock and only applying it where needed is good environmental practice and reduces costs. Fleur says they have also been reviewing every dollar that goes out, reducing reliance on out-sourced feed supplements, and tried 16-hour milkings as other ways to get the farm business through lean times. Better use of technology, such as CRS Cash Manager, is also reducing costs; and Ged says he's finding that even the use of a cellphone for on-farm communication with staff and Fleur is saving time and money.

In another example, the Langes have used an animal nutritionist for the past six years, resulting in increased production. Ged says it is about not only seeing the bigger picture, but using the specialist technical knowledge to break it down into parts where efficiencies can be identified.

"We also see farmers diversifying more so not all their eggs are in one basket. Even on a West Coast dairy property there are opportunities for crops, tree planting and so on to bring in additional income and create more opportunities for entrepreneurialism."

Sustainability of farming businesses is also about continuity of ownership into the next generation. Fleur and Ged encourage their children to be involved in the farm. Like generations of children before them, the Lange children began learning the ropes through fun things like feeding the calves … another generation of West Coast farmers in the making.

Location: Kowhitirangi

Stock: 460 milking cows

Area: 300 hectares

SHAREHOLDER CASE STUDY

Ged and Fleur Lange, with their two children Sophie and Kimberley-Anne

BOARD OF DIRECTORS

Matt O'Regan - Chairman

Matt joined the board in 2005 and has been Charmain since 2009. He has more than 20 years of dairying experience, and is currently Managing Director of Mangawaro Enterprises, a dairy farming company at Inangahua.

Raelyn Lourie - Deputy Chair

Raelyn joined the board in 2008 and has been Deputy Chair since 2012. Raelyn brings expertise from the private sector, and currently farms in Kokatahi.

Noel Robb - Director

Noel joined the Board in 2004 and brings extensive experience in farm development and new dairy conversions, having been dairy farming since the 1990's.

Barry Paterson - Director

Barry joined the Board in 2010, bringing a diverse range of management skills from his various roles in the arable and manufacturing industries.

Frank Dooley - Director

Frank was elected to the Board in 2010, bringing strong corporate governance expertise gained through his own Chartered Accountancy business in Westport.

Rebecca Keoghan - Director

Rebecca was elected to the Board in 2015, she has a Bachelor of Medical Science and was voted the 2016 Dairy Woman of the Year.

Pete Morrison - Director

Pete was elected to the Board in 2015 after more than 15 years supplying Westland Milk Products from farms in both Canterbury and the West Coast.

Bob Major - Appointed Director

Bob joined the Board in 2011, having spent the majority of his career in global leadership roles. He is now a professional director.

Bede O'Connor - Director

An experienced dairy farmer, and member of the TB Free committee, Bede joined the Board in 2012.

Keith Smith - Appointed Director

Keith joined the Board in 2013, bringing specialised skills to Westland, including corporate re-organisation. He also acts as a financial advisor.

Brent Taylor - Appointed Director

Brent joined the Board in 2014, bringing more than 40 years' experience in the dairy industry. He is a professional director and consultant.

SENIOR MANAGEMENT TEAM

Rod Quin - Chief Executive Officer

Since his appointment in 2009, Rod has led the Company on a successful transformation from a commodity producer to a high value dairy product processor and marketer.

Kim Wallace - Chief Financial Officer

Kim brought 17 years of dairy industry experience to Westland when she joined in 2010, and oversees the finance, audit, tax, treasury, supply chain and information services teams.

Simon Bastion - General Manager Operations

Simon was appointed to this position in December 2014, following almost two years as Manufacturing Manager. Simon has over 23 years' experience in the dairy and beverage industry in New Zealand and offshore.

Gregg Wafelbakker - General Manager China & Marketing

Gregg has spent the majority of his career in international markets, providing commercial solutions for customers. With 20 years' dairy experience, he joined Westland in 2009.

Mark Lockington - Company Secretary

Mark joined Westland in 2002 and became Company Secretary in 2008. As a Chartered Accountant and Engineer, he brings considerable management and community trust experience to the role.

Andrew Simson - General Manager Quality

Andrew joined Westland in March 2015, following more than 20 years in a range of quality and safety roles in the Agrifood industry.

Rick Walker - General Manager Ingredients Sales

Rick was appointed to this role in September 2014, following almost 20 years' sales, trade policy and account management experience in the New Zealand and international dairy markets.

Tony Wright - General Manager Shareholder Services

Tony was appointed to this role in March 2015, bringing considerable experience gained in the Agri-banking sector. He is responsible for managing the transport and supplier services teams.

Brian Dewar - Chief Executive Officer EasiYo

Joining EasiYo as CEO in 2013, Brian brings a wealth of experience from the branded dairy and food industries, both in New Zealand and off shore.

With an eye for the future

Corporate Governance

Westland Co-operative Dairy Company Limited is a co-operative company. New Zealand company and co-operative company laws and the company's constitution which is publicly available at www.business.govt.nz., give the Board, its directors and shareholders certain rights and obligations.

Board
Westland has a Board of eight directors elected by the supplying shareholders (general directors) and three directors appointed by the Board.

Each Directorship is for four years and there is no limit to the number of terms a Director may sit on the Board.

Directors' performance is regularly evaluated. The company offers Directors individual training and development plans where appropriate. Regular familiarisation tours of the Company's different divisions across the Hokitika and Rolleston sites are undertaken and on occasion Directors have the opportunity to visit subsidiary businesses or customer visits in market.

The Board has adopted a Charter which clearly describes Westland's good governance practices.

Board Committees

The Board has three formally constituted committees:

Audit Committee
The Audit Committee is responsible for assisting the Board in discharging its responsibilities relative to financial reporting and regulatory conformance. In addition, the Audit Committee is responsible for ensuring the recommendations of the external auditors are actioned by management; monitoring corporate risk assessment and the internal controls instituted by Westland; and supervising special investigations when requested by the Board.

The members of this committee, as at 31 July 2016, are Appointed Director Keith Smith (Chairman), Frank Dooley, Raelyn Lourie, Pete Morrison, Bede O'Connor, Matt O'Regan, Noel Robb.

Remuneration Committee
The Remuneration Committee reviews the salaries of Westland's senior managers.

The members of this committee, as at 31 July 2016, are Bob Major (Chairman), Frank Dooley, Rebecca Keoghan, Raelyn Lourie, Matt O'Regan, Barry Paterson and Brent Taylor.

Milk Management Committee
The Milk Management Committee has been established to develop a new policy on milk supply by shareholders to the Co-operative. The Committee commenced shareholder consultation in July 2016.

This committee has four Director members: Raelyn Lourie (Chairman), Matt O'Regan, Noel Robb, Brent Taylor; and three Shareholder members: Neville Monk, Renee Rooney and Dale Straight.

Hokitika Holiday Park
In November 2015 Hokitika Holiday Park ceased trading and consent was obtained to re-develop part of the site to meet parking needs of Westland's manufacturing site. As this entity is no longer transacting business it has been wound up (effective 31 July 2016) and amalgamated with Westland Milk Products Investments Limited.

EasiYo Products
The Board of EasiYo Products is chaired by Raelyn Lourie (Westland Deputy Chair) and together with her the board comprises, Noel Robb (Westland Director), Mike Teen (Westland Head of International Nutrition), and Maurice Eng (Independent Director).

Westland Milk Products (Shanghai) Company Limited
The board of Westland Milk Products (Shanghai) is chaired by Kim Wallace (CFO) and together with her the board comprises of Matt O'Regan and Bob Major.

Board Meetings
The directors receive management reports on Westland's operations before each meeting, including reporting on the activities of the EasiYo group and Westland Milk Products (Shanghai) Company Ltd.

The Board and its committees also meet from time to time in confidential sessions without senior management present. These sessions deal with management performance and remunerations issues and include discussions with external auditors to promote a robust and independent audit process.

Remuneration

Shareholder Directors
Generally the Board reviews Shareholder Director remuneration annually and Shareholder approval of any changes to this is obtained at the Annual General Meeting.

Appointed Directors
The Board reviews and sets Appointed Director remuneration from time to time.

The Robb Family (L+R)
Pippa, Ollie, Noel, Karen, Ian

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF WESTLAND CO-OPERATIVE DAIRY COMPANY LIMITED

Report on the Consolidated and Separate Financial Statements
We have audited the accompanying consolidated and separate financial statements of Westland Co-operative Dairy Company Limited and its subsidiaries ('the Group') on pages 18 to 49, which comprise the consolidated and separate balance sheets as at 31 July 2016, and the consolidated and separate income statements, statements of comprehensive income, statements of changes in members' funds and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. Our audit has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibility for the Consolidated and Separate Financial Statements
The Board of Directors are responsible for the preparation of consolidated and separate financial statements, in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and that give a true and fair view of the matters to which they relate, and for such internal control as the Board of Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities
Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and separate financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor and the provision of taxation services, and other assurance services, we have no relationship with or interests in Westland Co-operative Dairy Company Limited or any of its subsidiaries. These services have not impaired our independence as auditor of the Company and Group.

Opinion
In our opinion, the consolidated and separate financial statements on pages 18 to 49:
- comply with New Zealand Equivalents to International Financial Reporting Standards;
- comply with International Financial Reporting Standards; and
- give a true and fair view of the financial position of Westland Co-operative Dairy Company Limited and its subsidiaries as at 31 July 2016, and their financial performance and their cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements
We also report in accordance with section 16 of the Financial Reporting Act 1993. In relation to our audit of the consolidated and separate financial statements for the year ended 31 July 2016:

- we have obtained all the information and explanations we have required; and
- in our opinion proper accounting records have been kept by Westland Co-operative Dairy Company Limited as far as appears from our examination of those records.

Deloitte Limited

Chartered Accountants
27 September 2016
Christchurch, New Zealand

In the opinion of the directors of Westland Co-operative Dairy Company Limited ("the Company"), the financial statements and notes, on pages 18 to 49:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and the Group as at 31 July 2016 and the results of their operations and cash flows for the year ended on that date; and
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Westland Co-operative Dairy Company Limited for the year ended 31 July 2016.

The financial statements were approved by the Board of Directors on the 27 September 2016.

For and on behalf of the Board of Directors:

M J O'Regan	**R K Lourie**
Chairman	Deputy Chair

BALANCE SHEET
as at 31 July 2016

	Note	Group As at 31 July 2016 $000's	Group As at 31 July 2015 $000's	Company As at 31 July 2016 $000's	Company As at 31 July 2015 $000's
Assets					
Cash and cash equivalents	7	**13,059**	16,583	**7,347**	11,493
Trade and other receivables	8	**88,489**	85,607	**106,338**	95,356
Current tax assets		**2,520**	501	**1,856**	586
Derivatives		**9,868**	539	**9,071**	89
Inventories	9	**106,763**	107,379	**79,403**	98,063
Total current assets		**220,699**	210,609	**204,015**	205,587
Property, plant and equipment	12	**337,840**	305,766	**332,621**	298,731
Intangibles	13	**12,556**	13,711	**679**	1,897
Deferred tax assets	14	**0**	8,057	**0**	9,153
Investments		**0**	3	**828**	831
Non current receivables		**289**	0	**0**	0
Derivatives		**98**	19	**98**	7
Total non-current assets		**350,783**	327,556	**334,226**	310,619
Total assets		**571,482**	538,165	**538,241**	516,206
Liabilities					
Loans and borrowings	17	**20,000**	36,500	**20,000**	36,500
Trade and other payables	10	**57,135**	27,634	**42,782**	24,397
Derivatives		**1,400**	42,477	**1,221**	40,754
Owing to suppliers	11	**330**	8,896	**330**	8,896
Total current liabilities excluding co-operative shares classified as a liability		**78,865**	115,507	**64,333**	110,547
Loans and borrowings	17	**230,490**	191,100	**230,490**	191,100
Share resumption liability	16	**4,387**	0	**4,387**	0
Derivatives		**0**	23,770	**0**	23,547
Deferred tax liabilities	14	**15,721**	0	**14,926**	0
Total non-current liabilities excluding co-operative shares classified as a liability		**250,598**	214,870	**249,803**	214,647
Total liabilities excluding co-operative shares classified as a liability		**329,463**	330,377	**314,136**	325,194
Net assets excluding shares classified as a liability		**242,019**	207,788	**224,105**	191,012
Co-operative shares classified as a liability	16	**(106,016)**	(108,457)	**(106,016)**	(108,457)
Net assets after co-operative shares classified as a liability		**136,003**	99,331	**118,089**	82,555
Memorandum account:					
Members' funds					
Co-operative shares classified as a liability	16	**106,016**	108,457	**106,016**	108,457
Reserves	15	**24,221**	(26,961)	**23,316**	(27,477)
Retained earnings	15	**111,782**	126,292	**94,773**	110,032
Total members' funds before co-operative shares classified as a liability		**242,019**	207,788	**224,105**	191,012
Less co-operative shares classified as a liability	16	**(106,016)**	(108,457)	**(106,016)**	(108,457)
Total members' funds excluding co-operative shares classified as a liability	15	**136,003**	99,331	**118,089**	82,555

INCOME STATEMENT
for the year ended 31 July 2016

	Note	Group 12 mths to 31 July 2016 $000's	Group 12 mths to 31 July 2015 $000's	Company 12 mths to 31 July 2016 $000's	Company 12 mths to 31 July 2015 $000's
Revenue	3	**588,114**	639,363	**541,112**	587,221
Amount paid to Westland suppliers for milk		**(264,183)**	(319,409)	**(264,183)**	(319,409)
Other cost of sales	4	**(187,687)**	(154,260)	**(177,527)**	(128,798)
Gross margin		**136,244**	165,694	**99,402**	139,014
Selling and distribution expenses		**(33,606)**	(30,007)	**(17,446)**	(19,743)
Administration and other expenses	4	**(85,566)**	(79,180)	**(67,993)**	(66,219)
Depreciation & amortisation	12 & 13	**(30,175)**	(25,826)	**(28,923)**	(24,769)
Other income		**4,439**	4,274	**5,031**	3,713
Earnings / (loss) before net finance costs and income tax		**(8,664)**	34,955	**(9,929)**	31,996
Finance income	5	**384**	418	**387**	383
Finance expense	5	**(9,326)**	(7,985)	**(8,601)**	(7,939)
Net finance income / (expenses)		**(8,942)**	(7,567)	**(8,214)**	(7,556)
Profit / (loss) before income tax		**(17,606)**	27,388	**(18,143)**	24,440
Income tax credit / (expense)	6	**3,096**	(8,002)	**2,884**	(7,690)
Profit / (loss) after income tax		**(14,510)**	19,386	**(15,259)**	16,750
Profit / (loss) for the year attributable to members		**(14,510)**	19,386	**(15,259)**	16,750

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2016

	Note	Group 12 mths to 31 July 2016 $000's	Group 12 mths to 31 July 2015 $000's	Company 12 mths to 31 July 2016 $000's	Company 12 mths to 31 July 2015 $000's
Profit / (loss) for the year		**(14,510)**	19,386	**(15,259)**	16,750
Other comprehensive income					
Items that may be reclassified subsequently to the income statement:					
Movement in cash flow hedges		**76,316**	(68,963)	**75,862**	(68,298)
Income tax relating to components of other comprehensive income	14	**(25,503)**	23,650	**(25,069)**	22,960
Movements in foreign currency translation reserve		**369**	0	**0**	0
Total other comprehensive income / (loss) net of tax		**51,182**	(45,313)	**50,793**	(45,338)
Total comprehensive income / (loss) for the year net of tax		**36,672**	(25,927)	**35,534**	(28,588)

STATEMENT OF CHANGES IN MEMBERS' FUNDS
for the year ended 31 July 2016

	Cash flow hedge reserve	Foreign currency translation reserve	Contingency reserve	Retained earnings	Attributable to shareholders of the parent company	Co-operative shares classified as a liability	Total including shares
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Group							
Balance at 1 August 2014	8,352	0	10,000	106,906	125,258	104,735	229,993
Profit / (loss) for the year	0	0	0	19,386	**19,386**	0	**19,386**
Other comprehensive income / (loss) for the year	(45,313)	0	0	0	**(45,313)**	0	**(45,313)**
Total comprehensive income / (loss)	(45,313)	0	0	19,386	**(25,927)**	0	**(25,927)**
Share issues	0	0	0	0	**0**	4,280	**4,280**
Share redemptions	0	0	0	0	**0**	(558)	**(558)**
Balance at 31 July 2015	(36,961)	0	10,000	126,292	99,331	108,457	207,788
Profit / (loss) for the year	0	0	0	(14,510)	**(14,510)**	0	**(14,510)**
Other comprehensive income / (loss) for the year	50,813	369	0	0	**51,182**	0	**51,182**
Total comprehensive income / (loss)	50,813	369	0	(14,510)	**36,672**	0	**36,672**
Share issues	0	0	0	0	**0**	2,033	**2,033**
Share redemptions	0	0	0	0	**0**	(4,474)	**(4,474)**
Balance at 31 July 2016	13,852	369	10,000	111,782	136,003	106,016	242,019

	Cash flow hedge reserve	Foreign currency translation reserve	Contingency reserve	Retained earnings	Attributable to shareholders of the parent company	Co-operative shares classified as a liability	Total including shares
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Company							
Balance at 1 August 2014	7,861	0	10,000	93,282	111,143	104,735	215,878
Profit / (loss) for the year	0	0	0	16,750	**16,750**	0	**16,750**
Other comprehensive income / (loss) for the year	(45,338)	0	0	0	**(45,338)**	0	**(45,338)**
Total comprehensive income / (loss)	(45,338)	0	0	16,750	**(28,588)**	0	**(28,588)**
Share issues	0	0	0	0	**0**	4,280	**4,280**
Share redemptions	0	0	0	0	**0**	(558)	**(558)**
Balance at 31 July 2015	(37,477)	0	10,000	110,032	82,555	108,457	191,012
Profit / (loss) for the year	0	0	0	(15,259)	**(15,259)**	0	**(15,259)**
Other comprehensive income / (loss) for the year	50,793	0	0	0	**50,793**	0	**50,793**
Total comprehensive income / (loss)	50,793	0	0	(15,259)	**35,534**	0	**35,534**
Share issues	0	0	0	0	**0**	2,033	**2,033**
Share redemptions	0	0	0	0	**0**	(4,474)	**(4,474)**
Balance at 31 July 2016	13,316	0	10,000	94,773	118,089	106,016	224,105

STATEMENT OF CASH FLOWS
for the year ended 31 July 2016

	Note	Group 12 mths to 31 July 2016	Group 12 mths to 31 July 2015	Company 12 mths to 31 July 2016	Company 12 mths to 31 July 2015
		$000's	$000's	$000's	$000's
Cash flows from operating activities					
Cash receipts from customers		**589,867**	655,221	**539,293**	607,604
Interest received		**384**	478	**387**	383
Dividends received		**0**	7	**0**	7
Cash paid to suppliers and employees		**(560,645)**	(622,540)	**(509,835)**	(577,702)
Taxation received / (paid)		**(418)**	(3,902)	**1,083**	(3,622)
Interest paid		**(9,326)**	(7,954)	**(8,601)**	(7,945)
Net cash from / (used in) operating activities	20	**19,862**	21,310	**22,327**	18,725
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**186**	258	**181**	216
Intercompany loans		**0**	0	**(3,000)**	0
Advances to third parties		**(399)**	0	**0**	0
Acquisition of intangibles		**(446)**	(657)	**(358)**	(597)
Acquisition of property, plant and equipment		**(49,599)**	(106,028)	**(50,168)**	(104,411)
Net cash from / (used in) investing activities		**(50,258)**	(106,427)	**(53,345)**	(104,792)
Cash flows from financing activities					
Proceeds from issue of share capital (net)		**3,982**	9,362	**3,982**	9,362
Proceeds from borrowings		**91,290**	180,230	**91,290**	180,230
Repayment of borrowings		**(68,400)**	(101,500)	**(68,400)**	(101,500)
Net cash from / (used in) financing activities		**26,872**	88,092	**26,872**	88,092
Net increase / (decrease) in cash and cash equivalents		**(3,524)**	2,975	**(4,146)**	2,025
Cash and cash equivalents brought forward		**16,583**	13,608	**11,493**	9,468
Cash and cash equivalents at 31 July	7	**13,059**	16,583	**7,347**	11,493

1 Reporting entity

Westland Co-operative Dairy Company Limited (the "Company") is a profit-oriented company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and the Co-operative Companies Act 1996. The Company is an issuer in terms of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The consolidated financial statements of Westland Co-operative Dairy Company Limited as at and for the year ended 31 July 2016 comprise the Company and its subsidiaries and the Group's interest in associates and jointly controlled entities (together referred to as the "Group").

Westland Co-operative Dairy Company Limited is primarily involved in the supply of dairy and nutritional products.

The financial statements were approved by the Board of Directors on the 27 September 2016.

2 Basis of preparation

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

The NZ IFRS financial statements are prepared on the basis of historical cost, with the exception of certain financial instruments measured at fair value. The Group financial statements have been prepared consistently to all periods and all components are stated exclusive of GST, with the exception of receivables and payables that include GST invoiced.

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand dollars.

(a) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas of significant estimates and judgements are as follows:

- Intangibles (Note 13)
- Inventories (Note 9)

(b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve, and reclassified to the income statement on disposal of the foreign operation.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power over the investee, exposure, or rights, to variable returns from its involvement in the investee, and the ability to use its power over the investee to affect the amount of the investors returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates and joint ventures (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

(iii) Transactions eliminated on consolidation

In preparing the consolidated financial statements, all inter-company balances, income and expense transactions, and profit and losses resulting from intra-Group activities, have been eliminated.

(d) Segment reporting

The Group operates in one industry, being the manufacture and sale of dairy products. The Board makes resource allocation decisions based on expected cash flows and results for the Group's operations as a whole and the Group therefore has one segment. Although the Group sells to many different countries, the Group operates in one principal geographical area being New Zealand.

(e) New accounting standards

The Group has not adopted any new IFRS's during the period that would have a material impact on these financial statements.

The Group has reviewed all Standards and Interpretations in issue not yet adopted and, with the exception of NZ IFRS 9: Financial Instruments, NZ IFRS 15: Revenue from Contracts with Customers which is effective for the financial year ending 31 July 2019 and, NZ IFRS 16: Leases which is effective for the financial year ending 31 July 2020, does not expect these standards to have any material impact on the financial statements of the Company and Group. It is likely that the changes arising from NZ IFRS 9, NZ IFRS 15 and NZ IFRS 16 will affect the recognition and measurement, and classification of amounts recognised in the Group and Company financial statements, however it is not practical to provide a realistic estimate of that effect until a detailed review has been completed.

(f) Reclassification of items presented in the income statement

In the current year certain classifications within the income statement have been changed from those presented in the prior year financial statements. This reclassification has been made to report items more closely aligned to their "functional" basis. This change has not resulted in any change to the reported profit (loss) before income tax and items have been presented comparably for the 2016 and 2015 financial reporting periods.

3 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, the amount of revenue can be measured reliably and there is no continuing management involvement with the goods.

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

Net foreign exchange hedging gains and losses mainly arise from the dairy revenue foreign exchange exposures and are recognised in the income statement.

	Group		Company	
	12 mths to 31 July 2016	12 mths to 31 July 2015	12 mths to 31 July 2016	12 mths to 31 July 2015
	$000's	$000's	$000's	$000's
Dairy revenue	598,588	645,713	549,792	595,450
Freight and distribution recoveries	12,262	16,409	12,212	16,369
Net foreign exchange hedging gain / (loss)	(22,736)	(22,759)	(20,892)	(24,598)
Total revenue	588,114	639,363	541,112	587,221

4 Expenses

The following items have been included in earnings / (loss) before net finance costs and income tax:

		Group		Company	
	Note	12 mths to 31 July 2016	12 mths to 31 July 2015	12 mths to 31 July 2016	12 mths to 31 July 2015
		$000's	$000's	$000's	$000's
The following items of expenditure are included in cost of sales					
Operating lease	19	1,549	348	1,537	348
Other cost of sales		186,138	153,912	175,990	128,450
Total cost of sales		187,687	154,260	177,527	128,798
The following items of expenditure are included in administrative and other expenses					
Donations		26	123	26	122
Paid on behalf of suppliers		619	710	619	710
Operating lease	19	1,199	872	67	80
Employer kiwisaver & superannuation contributions		2,857	1,901	2,447	1,758
Administration expenses		8,222	8,322	5,130	6,131
Communications		499	471	365	359
Compliance costs		2,095	1,339	2,095	1,339
Security		423	266	410	245
IT systems		1,750	2,204	1,411	1,905
Travel and accommodation		2,270	2,183	1,728	1,779
Insurance and rates		5,934	6,359	5,671	6,206
Employee related expenses		3,566	3,255	2,436	2,857
Wages and salaries		55,352	50,605	44,988	42,197
Total administration expenses		84,812	78,610	67,393	65,688
Deloitte services included in administrative and operating expenses:					
- audit of financial statements	(a)	149	93	108	93
- taxation compliance services		184	169	129	152
- taxation advisory services	(b)	187	270	137	248
- other services	(c)	234	38	226	38
Total Deloitte services		754	570	600	531
Total administration and other expenses		85,566	79,180	67,993	66,219

4 Expenses (continued)

(a) Audit of financial statements includes the statutory audit of Westland Milk Products (Shanghai) Company Limited.
(b Taxation advisory services relate to work performed in relation to the establishment of China operations including employment and transfer pricing considerations.
(c) Other services include assistance with treasury review, external network testing, product traceability, contract management and supply chain sales ordering.

Employee benefits
(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Other long-term employee benefits
Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

(iii) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5 Finance income and expenses

Finance income comprises interest income on funds invested that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings that are recognised in the income statement.

Borrowing costs that relate to qualifying assets are capitalised into property, plant and equipment as required by NZ IAS 23: Borrowing Costs. All other borrowing costs are recognised in the income statement using the effective interest method.

	Group		Company	
	12 mths to 31 July 2016	12 mths to 31 July 2015	12 mths to 31 July 2016	12 mths to 31 July 2015
	$000's	$000's	$000's	$000's
Interest income on bank deposits	384	418	387	383
Total finance income	384	418	387	383
Interest expense	(11,762)	(10,480)	(11,037)	(10,434)
Less capitalised borrowing costs	2,436	2,495	2,436	2,495
Total finance expenses	(9,326)	(7,985)	(8,601)	(7,939)
Net finance income / (expenses)	(8,942)	(7,567)	(8,214)	(7,556)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2016

6 Income tax expense in the income statement

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

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

The tax rate used is the corporate tax rate of 28% (2015: 28%) payable by New Zealand corporate entities on taxable profits under tax law.

		Group		Company	
		12 mths to 31 July 2016	12 mths to 31 July 2015	12 mths to 31 July 2016	12 mths to 31 July 2015
	Note	$000's	$000's	$000's	$000's
Current tax expense / (benefit)					
Current year		(3,280)	9,152	(3,434)	8,252
Prior period adjustments to current tax		1,909	346	1,540	978
Deferred tax expense					
- Current tax		(1,609)	(1,445)	(996)	(1,372)
- Prior year adjustments to deferred tax		(116)	(51)	6	(168)
Income tax charge / (credit)		(3,096)	8,002	(2,884)	7,690

Reconciliation of effective tax rate:		Group		Company	
		12 mths to 31 July 2016	12 mths to 31 July 2015	12 mths to 31 July 2016	12 mths to 31 July 2015
		$000's	$000's	$000's	$000's
Profit / (loss) before income tax		(17,606)	27,388	(18,143)	24,440
Income tax using the Company's domestic tax rate 28% (2015: 28%)		(4,930)	7,669	(5,080)	6,843
Add / (deduct) tax effect of:					
- Non-deductible expenses		29	38	21	37
- Prior year over / (under) provision		1,794	295	1,546	810
- Effect of tax rates in foreign jurisdictions		11	0	0	0
- Loss offset		0	0	629	0
Income tax charge / (credit)		(3,096)	8,002	(2,884)	7,690
The taxation charge / (credit) is represented by:					
Current tax		(1,371)	9,498	(1,894)	9,230
Deferred tax from temporary differences	14	(1,725)	(1,496)	(990)	(1,540)
		(3,096)	8,002	(2,884)	7,690

Imputation credits

Westland Co-operative Dairy Company Limited Group forms an imputation credit group for taxation purposes which allows imputation credits to be utilised as if they are a single entity.

	Group		Company	
	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015
	$000's	$000's	$000's	$000's
Imputation credits at 31 July	15,582	9,388	15,379	8,586

7 Cash and cash equivalents

Cash and cash equivalents are amounts held with financial institutions at balance date:

	Group		Company	
	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015
	$000's	$000's	$000's	$000's
Bank balances	13,059	16,583	7,347	11,493
Cash and cash equivalents in the statement of cash flows	13,059	16,583	7,347	11,493

The effective interest rate on call deposits in 2016 was 1.50% (2015: 2.60%). The deposits had an average maturity of 30 days (2015: 30 days).

8 Trade and other receivables

Trade receivables are amounts due from customers for goods and services sold. Trade receivables are recognised initially at their fair value, which is represented by their face value, and subsequently measured at amortised cost.

Estimates are used in determining the level of receivables that may not, in the opinion of management, be collected. A provision for impairment is established when there is sufficient evidence that the Group will not be able to collect all amounts due.

	Group		Company	
	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015
	$000's	$000's	$000's	$000's
Gross trade receivables	72,035	74,962	70,016	64,795
Provisions for doubtful debt	(92)	(98)	0	0
Loans to subsidiaries	0	0	22,140	20,749
Supplier shares	2,078	4,114	2,078	4,114
Other receivables	10,187	0	9,654	0
Total trade and other receivables excluding prepayments & GST	84,208	78,978	103,888	89,658
GST	3,810	5,935	2,188	5,169
Prepayments and other receivables	471	694	262	529
Total trade and other receivables	88,489	85,607	106,338	95,356

Loans to subsidiaries are repayable on demand and incur no interest.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2016

8 Trade and other receivables (continued)

Customer credit risk

Customer credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations.

The Group operates a policy of only entering into contracts for sale with customers whose credit limits are in accordance with the Group's delegated authorities approved by the Board. For export customers located outside of New Zealand, credit risk mitigation tools such as letters of credit and credit insurance are utilised in conjunction with credit limits.

The recoverable amount of the Group or Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The trade debtors that are past due and not impaired are shown as follows:

	Group		Group	
	Gross receivable	Impairment	Gross receivable	Impairment
	31 July 2016	31 July 2016	31 July 2015	31 July 2015
	$000's	$000's	$000's	$000's
Trade receivables				
Past due 30 days	6,811	(92)	15,388	(98)
	6,811	(92)	15,388	(98)

Doubtful debts for the Group and Parent were $92,000 and $Nil respectively (2015: $98,000 for the Group and $Nil for the Parent).

The carrying value of trade receivables and other receivables at balance date can be summarised by geographical region as follows:

	Group		Company	
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
	$000's	$000's	$000's	$000's
New Zealand and Australia	13,941	25,838	42,551	45,155
Asia	37,484	29,303	34,525	28,783
Middle East and Africa	7,887	2,764	7,887	2,764
Americas	7,309	8,384	7,303	8,313
Europe, Russia and CIS	17,587	12,689	11,622	4,643
	84,208	78,978	103,888	89,658

9 Inventories

Inventories are measured at the lower of cost and net realisable value, determined on the first-in first-out basis, after due allowance for damaged and obsolete stock. The net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Freight and documentation costs are excluded. The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of dairy products manufactured from milk suppliers is determined by including the payment to milk producers. The payment to milk suppliers is estimated based on the estimated returns that the products are expected to generate. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

The determination of the cost of inventory is a significant area of estimation. The key areas of estimation are:

- Determination of the cost of milk product by estimation of the final milk payout;
- Determination of the net realisable value of stock;
- Determination of the allocation of overheads to units of production.

	Group		Company	
	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015
	$000's	$000's	$000's	$000's
Dairy products	64,936	81,857	54,801	81,857
Materials	30,400	18,603	24,602	16,206
Retail	11,427	6,919	0	0
Total inventories	106,763	107,379	79,403	98,063
Gross amount of dairy products stated at net realisable value	65,533	82,205	55,398	82,205

In 2016, raw materials, consumables and changes in finished goods and work in process recognised as cost of sales amounted to $451,870,000 for the Group and $441,710,000 for the Company (2015: $473,669,000 for the Group and $448,207,000 for the Company).

10 Trade and other payables

Trade and other payables, excluding amounts owing to farmer shareholders, are initially recognised at the amount invoiced by the supplier. They are subsequently measured at amortised cost using the effective interest method. Due to their short term nature, trade and other payables are not discounted.

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

	Group		Company	
	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015
	$000's	$000's	$000's	$000's
Trade payables	31,341	20,677	25,424	15,681
Other payables	21,993	3,450	14,031	5,571
Total trade and other payables (excluding employee entitlements)	53,334	24,127	39,455	21,252
Employee entitlements	3,801	3,507	3,327	3,145
Total trade and other payables	57,135	27,634	42,782	24,397

11 Owing to suppliers

Amounts owing to suppliers are amounts Westland owes to farmer shareholders for the collection of milk, which includes any end of season adjustments, offset by the amounts owing from farmer shareholders for services provided to them by Westland.

These amounts are initially recognised at fair value, being the amount due to the supplier for the milk provided. They are subsequently measured at amortised cost using the effective interest method.

The Board uses its discretion in establishing the rate at which Westland will pay suppliers for the milk supplied over the season. This is referred to as the advance rate.

The total amount owing to supplies at 31 July 2016 is $330,000 (2015: $8,896,000).

12 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset and include capitalised borrowing costs where appropriate. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

- buildings 15-25 years
- plant and equipment 3-15 years
- motor vehicles 5-10 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Capital work in progress

Amounts expended on capital work in progress are capitalised until such time as the asset is placed in service and then is transferred to property, plant and equipment or intangibles and is depreciated or amortised from that date.

	Land and buildings	Plant and equipment	Motor vehicles	Capital work in progress	Total
	$000's	$000's	$000's	$000's	$000's
Group					
Cost					
Balance at 1 August 2014	94,330	256,162	7,586	39,504	**397,582**
Additions	499	1,097	21	105,007	**106,624**
Transfers in	226	31,427	2,947	0	**34,600**
Transfers to fixed assets	0	0	0	(34,600)	**(34,600)**
Transfers to intangible assets (additions per note 13)	0	0	0	(597)	**(597)**
Disposals	(85)	145	(1,238)	0	**(1,178)**
Balance at 31 July 2015	94,970	288,831	9,316	109,314	**502,431**
Balance at 1 August 2015	94,970	288,831	9,316	109,314	**502,431**
Additions	(1,111)	1,408	20	61,713	**62,030**
Transfers in	46,705	106,111	1,776	0	**154,592**
Transfers to fixed assets	0	0	0	(154,592)	**(154,592)**
Transfers to intangible assets (additions per note 13)	0	0	0	(474)	**(474)**
Disposals	(100)	(531)	(780)	0	**(1,411)**
Balance at 31 July 2016	140,464	395,819	10,332	15,961	**562,576**
Accumulated depreciation					
Balance at 1 August 2014	26,054	142,075	5,822	0	**173,951**
Depreciation for the year	3,251	19,258	1,219	0	**23,728**
Disposals	2	222	(1,238)	0	**(1,014)**
Balance at 31 July 2015	29,307	161,555	5,803	0	**196,665**
Balance at 1 August 2015	29,307	161,555	5,803	0	**196,665**
Depreciation for the year	4,174	23,042	1,242	0	**28,458**
Disposals	2	391	(780)	0	**(387)**
Balance at 31 July 2016	33,483	184,988	6,265	0	**224,736**
Carrying amounts					
At 31 July 2015	65,663	127,276	3,513	109,314	**305,766**
At 31 July 2016	106,981	210,831	4,067	15,961	**337,840**

12 Property, plant and equipment (continued)

	Land and buildings	Plant and equipment	Motor vehicles	Capital work in progress	Total
Company	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Cost					
Balance at 1 August 2014	89,650	250,138	7,554	39,504	**386,846**
Additions	0	0	0	105,007	**105,007**
Transfers in	226	31,427	2,947	0	**34,600**
Transfers to fixed assets	0	0	0	(34,600)	**(34,600)**
Transfers to intangible assets (additions per note 13)	0	0	0	(597)	**(597)**
Disposals	0	(600)	(1,238)	0	**(1,838)**
Balance at 31 July 2015	89,876	280,965	9,263	109,314	**489,418**
Balance at 1 August 2015	89,876	280,965	9,263	109,314	**489,418**
Additions	0	0	0	61,713	**61,713**
Transfers in	46,705	106,111	1,776	0	**154,592**
Transfers to fixed assets	0	0	0	(154,592)	**(154,592)**
Transfers to intangible assets (additions per note 13)	0	0	0	(474)	**(474)**
Disposals	0	(231)	(770)	0	**(1,001)**
Balance at 31 July 2016	136,581	386,845	10,269	15,961	**549,656**
Accumulated depreciation					
Balance at 1 August 2014	24,825	138,961	5,797	0	**169,583**
Depreciation for the year	3,008	18,479	1,217	0	**22,704**
Disposals	0	(362)	(1,238)	0	**(1,600)**
Balance at 31 July 2015	27,833	157,078	5,776	0	**190,687**
Balance at 1 August 2015	27,833	157,078	5,776	0	**190,687**
Depreciation for the year	3,888	22,103	1,240	0	**27,231**
Disposals	0	(113)	(770)	0	**(883)**
Balance at 31 July 2016	31,721	179,068	6,246	0	**217,035**
Carrying amounts					
At 31 July 2015	62,043	123,887	3,487	109,314	**298,731**
At 31 July 2016	104,860	207,777	4,023	15,961	**332,621**

Security
The bank facilities are secured by a first charge over the Company's net assets and mortgage securities over its land and buildings.

Borrowing costs capitalised
During the period borrowing costs of $2,436,000 have been capitalised at an average rate of 3.67% (2015: $2,495,000 at 4.45%).

13 Intangibles

Software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, being 3 to 10 years, on a straight line basis.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group or Company, and that will generate probable economic benefits exceeding the costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding 3 to 10 years.

Goodwill
Goodwill arising on the acquisition of a subsidiary or associate represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Product development costs
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditure is recognised in the income statement when incurred. Development expenditure is amortised over a useful economic life of between 3 and 5 years on a straight line basis.

Brand and patents
Brand and patents acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Brands and patents are considered to have indefinite useful lives due to the registered trademark protection and the continual investment in maintaining the brand and are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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13 Intangibles (continued)

	Software	Goodwill	Product development costs	Brand and patents	Total
	$000's	$000's	$000's	$000's	$000's
Group					
Cost					
Balance at 1 August 2014	6,856	5,815	623	6,003	**19,297**
Additions	0	0	0	60	**60**
Transfers from fixed assets (per note 12)	597	0	0	0	**597**
Disposals	0	0	0	0	**0**
Balance at 31 July 2015	7,453	5,815	623	6,063	**19,954**
Balance at 1 August 2015	7,453	5,815	623	6,063	**19,954**
Additions	97	0	0	0	**97**
Transfers from fixed assets (per note 12)	424	0	50	0	**474**
Disposals	0	0	0	0	**0**
Balance at 31 July 2016	7,974	5,815	673	6,063	**20,525**
Accumulated amortisation and impairment losses					
Balance at 1 August 2014	3,551	0	563	31	**4,145**
Amortisation for the year	2,065	0	0	33	**2,098**
Disposals	0	0	0	0	**0**
Balance at 31 July 2015	5,616	0	563	64	**6,243**
Balance at 1 August 2015	5,616	0	563	64	**6,243**
Amortisation for the year	1,653	0	64	0	**1,717**
Disposals	9	0	0	0	**9**
Balance at 31 July 2016	7,278	0	627	64	**7,969**
Carrying amounts					
At 31 July 2015	1,837	5,815	60	5,999	**13,711**
At 31 July 2016	696	5,815	46	5,999	**12,556**

13 Intangibles (continued)

The carrying amounts of goodwill and intangible assets with indefinite useful lives allocated to the EasiYo business unit are as follows:

	Goodwill As at 31 July 2016	As at 31 July 2015	Brand and patents with indefinite useful life As at 31 July 2016	As at 31 July 2015
	$000's	$000's	$000's	$000's
EasiYo business unit	5,815	5,815	5,999	5,999

During the year ending 31 July 2016, the Group determined that there is no impairment of cash generating units containing goodwill or intangible assets with indefinite useful lives. The recoverable amount of the EasiYo business unit has been determined on the basis of value in use calculations.

The calculation uses cashflow projections based on forecasts adopted by management. The forecast covers a 10 year period for the EasiYo business unit which is considered appropriate due to the long term nature of the investment. The discount rate applied in calculations was 8.8% (2015: 8.8%). Cash flows beyond the forecast period have been extrapolated using a long term average growth rate of 2% based on management expectations and past experience.

The Group has determined that the recoverable amount calculations are most sensitive to changes in raw materials prices, changes in the cost of capital and revenue growth assumptions beyond the forecast period. Management believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the business unit's carrying amount to exceed its recoverable amount.

	Software	Product development costs	Total
	$000's	$000's	$000's
Company			
Cost			
Balance at 1 August 2014	6,824	622	7,446
Transfers from fixed assets (per note 12)	597	0	597
Disposals	0	0	0
Balance at 31 July 2015	7,421	622	8,043
Balance at 1 August 2015	7,421	622	8,043
Transfers from fixed assets (per note 12)	424	50	474
Disposals	0	0	0
Balance at 31 July 2016	7,845	672	8,517
Accumulated amortisation and impairment losses			
Balance at 1 August 2014	3,519	562	4,081
Amortisation for the year	2,065	0	2,065
Disposals	0	0	0
Balance at 31 July 2015	5,584	562	6,146
Balance at 1 August 2015	5,584	562	6,146
Amortisation for the year	1,628	64	1,692
Disposals	0	0	0
Balance at 31 July 2016	7,212	626	7,838
Carrying amounts			
At 31 July 2015	1,837	60	1,897
At 31 July 2016	633	46	679

14 Deferred tax assets and liabilities

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available, against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and Group do not have any unrecognised deferred taxation assets.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015
	$000's	$000's	$000's	$000's	$000's	$000's
Group						
Intangible assets	0	0	(1,457)	(1,636)	(1,457)	(1,636)
Property, plant and equipment	0	0	(14,353)	(11,896)	(14,353)	(11,896)
Derivatives	0	20,306	(2,726)	0	(2,726)	20,306
Provisions	911	1,283	0	0	911	1,283
Tax losses	1,904	0	0	0	1,904	0
Net tax assets / (liabilities)	2,815	21,589	(18,536)	(13,532)	(15,721)	8,057

	Assets		Liabilities		Net	
	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015	As at 31 July 2016	As at 31 July 2015
	$000's	$000's	$000's	$000's	$000's	$000's
Company						
Intangible assets	106	0	0	(73)	106	(73)
Property, plant and equipment	0	0	(14,353)	(11,896)	(14,353)	(11,896)
Derivatives	0	19,893	(2,705)	0	(2,705)	19,893
Provisions	833	1,229	0	0	833	1,229
Tax losses	1,193	0	0	0	1,193	0
Net tax assets / (liabilities)	2,132	21,122	(17,058)	(11,969)	(14,926)	9,153

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2016

14 Deferred tax assets and liabilities (continued)

	Balance 31 July 2014	Recognised in the income statement	Recognised in other comprehensive income	Balance 31 July 2015
	$000's	$000's	$000's	$000's
Group				
Intangible assets	(1,302)	(334)	0	(1,636)
Property, plant and equipment	(13,391)	1,495	0	(11,896)
Derivatives	(3,344)	0	23,650	20,306
Provisions	948	335	0	1,283
	(17,089)	1,496	23,650	8,057

	Balance 31 July 2015	Recognised in the income statement	Recognised in other comprehensive income	Balance 31 July 2016
	$000's	$000's	$000's	$000's
Intangible assets	(1,636)	179	0	(1,457)
Property, plant and equipment	(11,896)	(2,457)	0	(14,353)
Derivatives	20,306	0	(23,032)	(2,726)
Provisions	1,283	(372)	0	911
Tax losses	0	4,375	(2,471)	1,904
	8,057	1,725	(25,503)	(15,721)

	Balance 31 July 2014	Recognised in the income statement	Recognised in other comprehensive income	Balance 31 July 2015
	$000's	$000's	$000's	$000's
Company				
Intangible assets	261	(334)	0	(73)
Property, plant and equipment	(13,392)	1,496	0	(11,896)
Derivatives	(3,067)	0	22,960	19,893
Provisions	851	378	0	1,229
	(15,347)	1,540	22,960	9,153

	Balance 31 July 2015	Recognised in the income statement	Recognised in other comprehensive income	Balance 31 July 2016
	$000's	$000's	$000's	$000's
Intangible assets	(73)	179	0	106
Property, plant and equipment	(11,896)	(2,457)	0	(14,353)
Derivatives	19,893	0	(22,598)	(2,705)
Provisions	1,229	(396)	0	833
Tax losses	0	3,664	(2,471)	1,193
	9,153	990	(25,069)	(14,926)

15 Capital and reserves

Capital management and structure

The Board's objective is to maximise shareholder returns over time by maintaining a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group provides returns to shareholders through the milk price.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. Other than Group banking covenants, the Group is not subject to any other externally imposed capital requirements.

The Group's capital includes share capital, including co-operative shares classified as liabilities, reserves and retained earnings. There have been no material changes in the Group's management of capital during the period.

Reconciliation of movement in capital and reserves:

Attributable to equity holders of the Group

	Hedging reserve	Foreign currency translation reserve	Contingency reserve	Retained earnings	Total
	$000's	$000's	$000's	$000's	$000's
Balance at 1 August 2014	8,352	0	10,000	106,906	125,258
Total comprehensive income	(45,313)	0	0	19,386	(25,927)
Transfer to contingency reserve	0	0	0	0	0
Balance at 31 July 2015	(36,961)	0	10,000	126,292	99,331
Balance at 1 August 2015	(36,961)	0	10,000	126,292	99,331
Total comprehensive income	50,813	369	0	(14,510)	36,672
Transfer to contingency reserve	0	0	0	0	0
Balance at 31 July 2016	13,852	369	10,000	111,782	136,003

Attributable to equity holders of the Company

	Hedging reserve	Foreign currency translation reserve	Contingency reserve	Retained earnings	Total
	$000's	$000's	$000's	$000's	$000's
Balance at 1 August 2014	7,861	0	10,000	93,282	111,143
Total comprehensive income	(45,338)	0	0	16,750	(28,588)
Transfer to contingency reserve	0	0	0	0	0
Balance at 31 July 2015	(37,477)	0	10,000	110,032	82,555
Balance at 1 August 2015	(37,477)	0	10,000	110,032	82,555
Total comprehensive income	50,793	0	0	(15,259)	35,534
Transfer to contingency reserve	0	0	0	0	0
Balance at 31 July 2016	13,316	0	10,000	94,773	118,089

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to highly probable forecast transactions.

Foreign currency translation reserve

The foreign currency translation reserve comprises the effect arising on consolidation, where assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average rates for the period. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in the income statement on disposal of the foreign operation.

Contingency reserve

The contingency reserve was ratified by the Board of Directors in March 2003 to set aside funds for uninsurable risks. In 2014, the Board agreed that no further increase to the contingency reserve was required.

16 Co-operative shares classified as a liability

Co-operative shares may only be held by a shareholder supplying milk to the Company. The constitution of the Company requires a shareholder to hold a number of shares fixed by reference to the quantity of milksolids the shareholder supplies or is estimated to supply to the Company in each financial year ("the share standard"). At the conclusion of each season the Company will calculate the quantity of milksolids each shareholder has supplied for the season and, if the shareholder holds fewer shares than you are required to under the share standard, the shareholder is required to purchase additional shares to comply with the share standard.

Sale or transfer of the shares is subject to the restrictions in the constitution of the Company on transfers of shares. Those restrictions include the right for the Board to refuse to register a transfer:

- where the Board resolves that it is not likely that the transferee will become a supplying shareholder of the Company;
- where the transferee would hold shares exceeding the number of shares to be required under the share standard in the constitution;
- where the Board resolves that is not in the best interests of the Company to register the transfer.

By agreement with the Company, shareholders that cease to supply the Company may request to surrender their shares. The Company is required to accept the surrender of shares where:

- the shareholder has not been a supplying shareholder during the immediately preceding five years; or
- the shareholder has disposed of, or changed the use of, their property and other assets with the result that they do not have the capacity to continue to be a supplying shareholder.

The Board may defer payment for the surrender of the shares for up to five years after the surrender is accepted or deemed to take effect.

The Company has six classes of ordinary shares with the same rights attached to all. Shares carry a right to dividend and a pro-rata share of net assets on wind-up.

The rights attached to the Co-operative shares are set out in Westland's constitution.

The Company's share capital is classified as a liability on the basis that under certain conditions specified in the Co-operative Companies Act 1996 shareholders have the right to surrender shares to the Company, and certain share classes have differing paid in amounts.

The number of shares by class is as follows:

	Value per share	31 July 2016 $000's	31 July 2016 No.	31 July 2015 $000's	31 July 2015 No.
"B" class shares	$1.50	26,297	17,531,387	26,346	17,563,994
"C" class shares	$0.70	943	1,347,183	947	1,353,349
"D" class shares	$0.90	652	724,380	663	737,100
"E" class shares	$1.10	358	325,120	358	325,120
"F" class shares	$1.30	1,721	1,323,926	1,734	1,333,569
"G" class shares	$1.50	76,045	50,696,876	78,409	52,272,964
		106,016	71,948,872	108,457	73,586,096

The movement in shares for the Company and Group is as follows:

	31 July 2016	31 July 2015
	$000's	$000's
Share capital		
On issue at 1 August	108,457	104,735
Share issues	2,033	4,280
Share resumptions	(4,474)	(558)
On issue at 31 July	106,016	108,457

At balance date, under the Company's constitution and the Co-operative Companies Act 1996, the Company was obligated to:

- Issue $2,078,000 of shares (2015: $4,114,000);
- Acquire $4,387,000 of shares (2015: Nil);

17 Loans and borrowings

The Group borrows in the form of bank facilities. Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method.

The Board closely monitors the Group's leverage ratios, which includes the equity ratio and tangible net worth ratio. The equity ratio is calculated as the total liabilities divided by the total equity (including shareholder funds) as presented in the statement of financial position. The tangible net worth ratio is calculated as the total tangible assets divided by the total equity (including shareholder funds) as presented in the statement of financial position. The tangible net worth ratio as at 31 July 2016 was 40 per cent (2015: 48 per cent).

The Group banking arrangements require the Group to comply with certain balance sheet and working capital covenants. The Group had no breaches of its bank covenants during the period.

The bank borrowing facilities are secured by a Composite General Security Agreement and Guarantee between the parties. This includes mortgage securities over its land and buildings.

The contractual terms of the Group's interest-bearing loans and borrowings are as follows:

	Group		Company	
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
Secured bank loans	$000's	$000's	$000's	$000's
Non-current liabilities	230,490	191,100	230,490	191,100
Current liabilities	20,000	36,500	20,000	36,500

The Group facilities include:

- Secured overdraft facility of $15,000,000 that is repayable on demand;
- Secured seasonal working capital facilities that varies throughout the period is repayable within 12 months (but expected to be extended annually);
- Secured term facilities of $100,000,000 that matures on 17 April 2019 to fund the construction of Dryer 7;
- Secured term facilities of $40,050,000 that matures on 06 March 2020 to fund the construction of the UHT plant;
- Secured term loan facilities of $50,000,000 that matures on 30 June 2020;
- Secured term loan facilities of $50,000,000 that matures on 30 June 2021

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damages to Group's reputation.

The Group has a policy in place to ensure that it has sufficient cash or facilities on demand to meet expected operational expenses for a period of at least 60 days, including servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot be reasonably be predicted, such as natural disasters.
The Group manages its liquidity by retaining cash and through the availability of funding from an adequate amount of committed credit facilities. The Group's funding facilities are reviewed at least annually, which is one of the key financial risk management activities undertaken to ensure an appropriate availability of liquidity. Liquidity and refinancing risks are also managed by ensuring Westland can maintain access to multiple credit facility providers.

The table below summarises the Group's undrawn lines of credit at balance date:

		31 July 2016			31 July 2015	
	Facility Limit Available	Facility Utilised	Facility Available	Facility Limit Available	Facility Utilised	Facility Available
Group & Parent	$000's	$000's	$000's	$000's	$000's	$000's
Non-current liabilities	240,050	230,490	9,560	240,050	191,100	48,950
Current liabilities	62,000	20,000	42,000	55,500	36,500	19,000

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17 Loans and borrowings (continued)

Liquidity risk (continued)

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

	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5+ years
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Group as at 31 July 2016							
Secured bank loans	250,490	276,752	23,705	3,603	7,206	242,238	0
Co-operative share capital classified as a liability	106,016	106,016	0	0	0	106,016	0
Share resumption liability	4,387	4,387	0	0	0	4,387	0
Trade and other payables	57,465	57,465	57,465	0	0	0	0
Derivatives	1,400	1,400	1,400	0	0	0	0
Total financial liabilities	419,758	446,020	82,570	3,603	7,206	352,641	0
Group as at 31 July 2015							
Secured bank loans	227,600	249,376	40,707	3,955	106,440	98,274	0
Co-operative share capital classified as a liability	108,457	108,457	0	0	0	108,457	0
Trade and other payables	36,530	36,530	36,530	0	0	0	0
Derivatives	66,247	66,247	21,044	21,433	14,807	8,963	0
Total financial liabilities	438,834	460,610	98,281	25,388	121,247	215,694	0

	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	5+ years
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Company as at 31 July 2016							
Secured bank loans	250,490	276,752	23,705	3,603	7,206	242,238	0
Co-operative share capital classified as a liability	106,016	106,016	0	0	0	106,016	0
Share resumption liability	4,387	4,387	0	0	0	4,387	0
Trade and other payables	43,112	43,112	43,112	0	0	0	0
Derivatives	1,221	1,221	1,221	0	0	0	0
Total financial liabilities	405,226	431,488	68,038	3,603	7,206	352,641	0
Company as at 31 July 2015							
Secured bank loans	227,600	249,376	40,707	3,955	106,440	98,274	0
Co-operative share capital classified as a liability	108,457	108,457	0	0	0	108,457	0
Trade and other payables	33,293	33,293	33,293	0	0	0	0
Derivatives	64,301	64,301	19,975	20,780	14,584	8,962	0
Total financial liabilities	433,651	455,427	93,975	24,735	121,024	215,693	0

Co-operative shares have been included as being repayable within 2-5 years as the Board may defer payment for the surrender of the shares for up to five years after the surrender is accepted or deemed to take effect.

Cash flow relating to variable interest rates has been determined using approximate interest rates at the balance date.

17 Loans and borrowings (continued)

Interest Rate Risk

The Group's interest rate risk arises from its borrowing and funds on deposit. Borrowings issued and funds on deposit held at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group and Company Treasury Policy requires interest rate hedging where core debt exceeds $100,000,000 as follows:

- Less than 1 year 30% to 80%,
- 1 to 3 years 20% to 50%,
- 3 to 5 years 0% to 40%,
- 5 to 10 years 0% to 20%.

Included in borrowings at year end is seasonal funding, which is not considered core debt and which amounts to $20,000,000 as at 31 July 2016 (2015: $36,500,000).

Interest was charged on the secured bank loans throughout the year at an interest rate between 2.90% and 4.27% (2015: between 3.97% and 4.82%). The interest expense incurred on the Groups' borrowings is shown in Note 5.

At 31 July 2016, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax and equity by approximately $2,583,000 (2015: $2,181,000). Interest rates swaps have been included in this calculation. This is before any assessment as to how the movement in interest rates would impact on the final supplier payout.

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Period of maturity	Carrying amount 31 July 2016	Carrying amount 31 July 2015
Group				$000's	$000's
Secured bank loans	NZD	3.02%	< 12 mths	20,000	36,500
	NZD	3.13%	>2 years	230,490	191,100
Company					
Secured bank loans	NZD	3.02%	< 12 mths	20,000	36,500
	NZD	3.13%	>2 years	230,490	191,100

18 Financial risk management

Overview

Global financial and commodity markets remain volatile. The nature of Westland's business is such that managing risks in the foreign exchange, interest rate, commodity, credit and liquidity markets is critical to minimising the volatility in returns to shareholders.

The Board has the overall responsibility for the establishment and oversight of the Group's financial risk management. The Board:

- has established financial risk management processes and procedures to identify, analyse and, where appropriate, manage the financial risk faced by the Group;
- has approved Treasury Policy that covers appropriate financial risk limits and controls (including, but not limited to, delegated authority levels and authorised use of various instruments); and
- monitors financial risks and adherence to approved limits.

The Group's overall financial risk management focuses primarily on maintaining a prudent financial risk profile that provides the flexibility to implement the Group's strategies, while optimisation of the return on assets.

18 Financial risk management (continued)

Overview (continued)

Westland manages financial risk, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The table below shows where information on how each of these risks is managed and can be found:

Item	Disclosure
Foreign exchange risk	See section (a) below
Interest rate risk	Interest rate risk principally arises from the Group's borrowings and funds on deposit. Interest rate risk is addressed in Note 17 Loans and Borrowings section.
Credit risk	Credit risk principally arises from the Group's receivables from customers and derivative financial instruments. Credit risk on receivables is discussed in Note 8 Trade and Other Receivables section. Credit risk on financial derivative instruments is addressed below in section b) below.
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is addressed in Note 17 Loans and Borrowings section.
Capital management and structure	The Board's objective is to maximise shareholder returns over time by maintaining a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. Capital Management is addressed in Note 15 Capital and Reserves section.
Dairy commodity price risk	See section (c) below
Fair values and classifications	See section (d) below

(a) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk on sales, purchases and investments, that are denominated in foreign currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The main impacts of foreign exchange movements on the Group arise from:

- Transaction risk variations in the New Zealand dollar value of the Group's sales receipts and other cashflows; and
- Translation risk of the value of the Group's investment in foreign operations.

Foreign currency transactions are translated using the exchange rate at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation using the exchange rates at balance date, of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

The Groups' objective is to ensure foreign exchange exposure is managed in a prudent manner in order to reduce volatility on the return to shareholders.

In respect of transaction hedging, the Group's policy is to hedge between 70 and 100 per cent of the net recognised foreign currency trade receivables and foreign currency trade payables, and can range from 0 to 100 per cent of forecast cash receipts from sales for the period of up to 24 months. The level of hedging undertaken is influenced by current exchange rates and the time until the expected cash flows occur, within the limits approved by the Treasury Policy and Board. The Group seeks to designate items in a hedge relationship where it is practical to do so.

The Group uses forward exchange contracts and currency options to hedge foreign exchange exposures arising from sales receipts and other cashflows. Approximately 73 per cent (2015: 65 per cent) of the Group's net transaction foreign exchange exposure, before taking into consideration hedge activity, is against the United States dollar.

The exposure to foreign currency risk in New Zealand dollars can be summarised as follows:

	Group		Company	
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
	$000's	$000's	$000's	$000's
United States dollar	53,065	59,444	52,999	59,285
Australian dollar	5,103	1,983	3,198	868
Pounds sterling	3,875	3,811	0	0
Euros	1,900	3,900	0	0
Chinese Yuan	4,916	433	7,994	0
Other currencies	2,045	0	2,045	0
Foreign currency trade receivables	70,904	69,571	66,236	60,153
Forward exchange contracts and options	70,904	69,571	66,236	60,153
Net unhedged exposure	0	0	0	0

18 Financial risk management (continued)

(a) Foreign exchange risk (continued)

(i) Hedging

The net fair value of the Group's forward exchange contracts and options used as hedges of forecast transactions at balance date:

	Group		Company	
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
	$000's	$000's	$000's	$000's
Fair value of the Group's forward exchange contracts and options				
Asset fair value of foreign exchange contracts	9,332	556	8,535	94
Liability fair value of foreign exchange contracts	(350)	(49,476)	(170)	(47,530)
Net fair value of foreign exchange contracts	8,982	(48,920)	8,365	(47,436)

In respect of translation hedging, as the Group's foreign currency investments represent 6 per cent (2015: 4 per cent) of the Group's total assets, these exposures are not hedged.

(ii) Foreign exchange sensitivity

Management consider that the only material currency exposure is that of US dollars. It is estimated that a general increase of one cent in the value of the New Zealand dollar against the US dollar would have decreased the Group's profit before income tax and equity by approximately $6,397,000 for the period ended 31 July 2016 (2015: $6,724,000). The forward exchange contracts have been included in this calculation. This is before any assessment as to how the movement in exchange rate would impact on the final supplier payment.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. In relation to derivative financial instruments, the Group has a policy to limit its exposure to credit risk by entering into transactions only with financial counterparties that have a credit rating of at least 'A-' from Standards and Poor's or equivalent. Given this high credit rating threshold, management does not expect these counterparties to fail to meet their obligations. Exceptions to this policy, require Board approval.

The maximum credit risk on cash and cash equivalents, trade and other receivables, derivative financial instruments and other investments is best represented by their carrying values. The Group has no undue concentrations of credit risk.

(c) Dairy Commodity Price Risk

Dairy commodity price risk is the risk of volatility in profit and loss from the movement in dairy commodity prices to which the Group may be exposed. Volatility in global dairy commodity prices can have an adverse impact on Westland's earnings and milk price by eroding selling prices and increasing input costs.

The Group primarily manages its dairy commodity price risk by:

- Determining the most appropriate mix of products to manufacture based on the milk supply curve and global demand for dairy products;
- Governing the length and terms of sales contracts so that sales revenue is reflective of current market prices and is, where appropriate, linked to Global Dairy Trade (GDT) prices.

The table below summarises the impact on dairy commodity prices on the Group and Company's equity and profit after tax. The analysis is based on the assumption that dairy commodity prices had changed by 10% with all other variables held constant:

	Group		Company	
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
	$000's	$000's	$000's	$000's
Impact of 10% increase in quoted dairy commodity prices	44,086	45,190	44,086	45,190
Impact of 10% decrease in quoted dairy commodity prices	(44,086)	(45,190)	(44,086)	(45,190)

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18 Financial risk management (continued)

(d) Fair values and classifications

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Changes in the fair value of the derivative hedging instruments designated as a cash flow hedge are recognised in other comprehensive income and accumulated as a separate component of equity in the hedging reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the forecast transaction occurs.

When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to finance gain or loss in the income statement in the same period that the hedged item affects the income statement.

Non-derivative financial instruments comprise investments, trade and other receivables, cash and cash equivalents, loans and borrowings including ordinary shares, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for financial assets not at fair value through the income statement, any directly attributable transaction costs. For financial liabilities not recognised at fair value through profit and loss the liabilities are initially recognised inclusive of directly attributable transaction costs. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument.

Classification and fair values

	Note	Derivatives instruments in designated hedge accounting relationships	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$000's	$000's	$000's	$000's	$000's
Group as at 31 July 2016						
Assets						
Derivatives		98	0	0	98	98
Total non-current financial assets		98	0	0	98	98
Cash and cash equivalents	7	0	13,059	0	13,059	13,059
Trade and other receivables	8	0	84,208	0	84,208	84,208
Derivatives		9,868	0	0	9,868	9,868
Total current financial assets		9,868	97,267	0	107,135	107,135
Total financial assets		9,966	97,267	0	107,233	107,233
Liabilities						
Loans and borrowings	17	0	0	230,490	230,490	230,490
Share resumption liability	16	0	0	4,387	4,387	4,387
Derivatives		0	0	0	0	0
Co-operative share capital classified as a liability	16	0	0	106,016	106,016	106,016
Total non-current financial liabilities		0	0	340,893	340,893	340,893
Loans and borrowings	17	0	0	20,000	20,000	20,000
Trade and other payables	10 & 11	0	0	57,465	57,465	57,465
Derivatives		1,400	0	0	1,400	1,400
Total current financial liabilities		1,400	0	77,465	78,865	78,865
Total financial liabilities		1,400	0	418,358	419,758	419,758

18 Financial risk management (continued)

(d) Fair values and classification (continued)

	Note	Derivatives instruments in designated hedge accounting relationships	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$000's	$000's	$000's	$000's	$000's
Company as at 31 July 2016						
Assets						
Derivatives		98	0	0	98	98
Total non-current financial assets		98	0	0	98	98
Cash and cash equivalents	7	0	7,347	0	7,347	7,347
Trade and other receivables	8	0	103,888	0	103,888	103,888
Derivatives		9,071	0	0	9,071	9,071
Total current financial assets		9,071	111,235	0	120,306	120,306
Total financial assets		9,169	111,235	0	120,404	120,404
Liabilities						
Loans and borrowings	17	0	0	230,490	230,490	230,490
Share resumption liability	16	0	0	4,387	4,387	4,387
Derivatives		0	0	0	0	0
Co-operative share capital classified as a liability	16	0	0	106,016	106,016	106,016
Total non-current financial liabilities		0	0	340,893	340,893	340,893
Loans and borrowings	17	0	0	20,000	20,000	20,000
Trade and other payables	10 & 11	0	0	43,112	43,112	43,112
Derivatives		1,221	0	0	1,221	1,221
Total current financial liabilities		1,221	0	63,112	64,333	64,333
Total financial liabilities		1,221	0	404,005	405,226	405,226

	Note	Derivatives instruments in designated hedge accounting relationships	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$000's	$000's	$000's	$000's	$000's
Group as at 31 July 2015						
Assets						
Derivatives		19	0	0	19	19
Total non-current financial assets		19	0	0	19	19
Cash and cash equivalents	7	0	16,583	0	16,583	16,583
Trade and other receivables	8	0	78,978	0	78,978	78,978
Derivatives		539	0	0	539	539
Total current financial assets		539	95,561	0	96,100	96,100
Total financial assets		558	95,561	0	96,119	96,119
Liabilities						
Loans and borrowings	17	0	0	191,100	191,100	191,100
Derivatives		23,770	0	0	23,770	23,770
Co-operative share capital classified as a liability	16	0	0	108,457	108,457	108,457
Total non-current financial liabilities		23,770	0	299,557	323,327	323,327
Loans and borrowings	17	0	0	36,500	36,500	36,500
Trade and other payables	10 & 11	0	0	36,530	36,530	36,530
Derivatives		42,477	0	0	42,477	42,477
Total current financial liabilities		42,477	0	73,030	115,507	115,507
Total financial liabilities		66,247	0	372,587	438,834	438,834

18 Financial risk management (continued)

(d) Fair values and classifications (continued)

	Note	Derivatives instruments in designated hedge accounting relationships	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		$000's	$000's	$000's	$000's	$000's
Company as at 31 July 2015						
Assets						
Derivatives		7	0	0	7	7
Total non-current financial assets		7	0	0	7	7
Cash and cash equivalents	7	0	11,493	0	11,493	11,493
Trade and other receivables	8	0	89,658	0	89,658	89,658
Derivatives		89	0	0	89	89
Total current financial assets		89	101,151	0	101,240	101,240
Total financial assets		96	101,151	0	101,247	101,247
Liabilities						
Loans and borrowings	17	0	0	191,100	191,100	191,100
Derivatives		23,547	0	0	23,547	23,547
Co-operative share capital classified as a liability	16	0	0	108,457	108,457	108,457
Total non-current financial liabilities		23,547	0	299,557	323,104	323,104
Loans and borrowings	17	0	0	36,500	36,500	36,500
Trade and other payables	10 & 11	0	0	33,293	33,293	33,293
Derivatives		40,754	0	0	40,754	40,754
Total current financial liabilities		40,754	0	69,793	110,547	110,547
Total financial liabilities		64,301	0	369,350	433,651	433,651

18 Financial risk management (continued)

Fair value estimation

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity and options of the contract using a market rate of interest (Note 17).

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

An analysis of financial instruments that are measured subsequent to initial recognition at fair value has been performed with all financial instruments grouped into Levels 1 to 3 based on the degree to which inputs to valuation techniques used to measure the fair value are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of financial instruments traded in active markets is based on the quoted market prices at balance date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market prices used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is include in Level 3.

The fair value of forward exchange contracts and options are derived using inputs supplied by third parties that are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices). Therefore the Group has categorised these assets and liabilities as Level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on the observable yield curve;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at balance date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no transfers between levels during the period.

The fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Loans and borrowings

18 Financial risk management (continued)

Fair value estimation (continued)

	Level 1	Level 2	Level 3	Total fair value
	$000's	$000's	$000's	$000's
Group as at 31 July 2016				
Assets				
Foreign exchange contracts	0	9,966	0	9,966
Options - foreign exchange	0	0	0	0
Total assets	0	9,966	0	9,966
Liabilities				
Foreign exchange contracts	0	(1,400)	0	(1,400)
Options - foreign exchange	0	0	0	0
Total liabilities	0	(1,400)	0	(1,400)
Company as at 31 July 2016				
Assets				
Foreign exchange contracts	0	9,169	0	9,169
Options - foreign exchange	0	0	0	0
Total assets	0	9,169	0	9,169
Liabilities				
Foreign exchange contracts	0	(1,221)	0	(1,221)
Options - foreign exchange	0	0	0	0
Total liabilities	0	(1,221)	0	(1,221)

	Level 1	Level 2	Level 3	Total fair value
	$000's	$000's	$000's	$000's
Group as at 31 July 2015				
Assets				
Foreign exchange contracts	0	558	0	558
Options - foreign exchange	0	0	0	0
Total assets	0	558	0	558
Liabilities				
Foreign exchange contracts	0	(66,247)	0	(66,247)
Options - foreign exchange	0	0	0	0
Total liabilities	0	(66,247)	0	(66,247)
Company as at 31 July 2015				
Assets				
Foreign exchange contracts	0	96	0	96
Options - foreign exchange	0	0	0	0
Total assets	0	96	0	96
Liabilities				
Foreign exchange contracts	0	(64,301)	0	(64,301)
Options - foreign exchange	0	0	0	0
Total liabilities	0	(64,301)	0	(64,301)

19 Operating leases

Leases, in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and the leased assets are not recognised on the Group or Company's balance sheet.

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

The Group's only significant lease contracts relate to the lease of storage and manufacturing facilities.

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
	$000's	$000's	$000's	$000's
Less than one year	2,023	1,739	729	940
Between one and five years	3,880	3,432	1,530	1,394
More than five years	1,147	0	0	0
	7,050	5,171	2,259	2,334

20 Reconciliation of the profit for the period with the net cash from operating activities

		Group		Company	
		12 mths to 31 July 2016	12 mths to 31 July 2015	12 mths to 31 July 2016	12 mths to 31 July 2015
	Note	$000's	$000's	$000's	$000's
Profit / (loss) for the period		(14,510)	19,386	(15,259)	16,750
Non-cash items in operating profits					
Depreciation	12	28,458	23,728	27,231	22,704
Amortisation	13	1,717	2,098	1,692	2,065
Loss / (gain) on sale of assets		(119)	(92)	(129)	24
Unrealised foreign exchange losses / (gains)		2,431	10,226	3,709	8,427
Movement in deferred tax		(1,725)	(1,496)	(990)	(1,540)
		16,252	53,850	16,254	48,430
Movements in other working capital items					
Payables and other payables		29,500	6,982	18,385	5,089
Owing to suppliers		(8,565)	(51,442)	(8,566)	(51,442)
Current tax assets and liabilities		(2,019)	4,107	(1,270)	4,075
Receivables and other receivables		(2,882)	17,295	(10,982)	22,317
Inventories		616	(3,842)	18,660	(4,104)
		16,650	(26,900)	16,227	(24,065)
Less items classified as investing and financing activities					
Issue of shares		(2,036)	(5,640)	(2,036)	(5,640)
Purchase of fixed assets		(11,117)	0	(11,118)	0
Loans with subsidiaries		0	0	3,000	0
Advances to third parties		113	0	0	0
Cash flow from operations		19,862	21,310	22,327	18,725

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21 Related parties

Parent and ultimate controlling party

The parent of the Group is Westland Co-operative Dairy Company Limited.

Suppliers' milk

As a co-operative dairy company, the dairy farmers who supply the Company with milk, its main raw material, own all the shares in the Company. Those directors that are shareholders also supply milk to the Company on normal terms. The total payment made for milk during the year amounted to $264,183,000 (2015: $340,141,000) for the Group and the Company.

	Transaction value		Balance outstanding	
	31 July 2016	31 July 2015	31 July 2016	31 July 2015
	$000's	$000's	$000's	$000's
Key management personnel compensation comprised:				
Short term employee benefits	5,108	5,480	0	0
Directors remuneration	779	769	0	0
Other related party transactions:				
Purchase of goods and services – subsidiaries	1,575	0	547	0
Sale of goods and services – subsidiaries	35,732	5,529	8,668	493

In addition to the transactions above, the Company has made and received short term advances to and from its subsidiaries, payable on demand. The Company has an advance from Westland Milk Products Investments Limited of $2,606,500 (2015: $2,606,500) included in other trade payables. The Company has made an advance to Easiyo Products Limited of $3,000,000 (2015: Nil) included in trade and other receivables.

The Company has made loans (in lieu of share capital) to Westland Milk Products Investments Limited and Hokitika Holiday Park Limited of $19,140,000 (2015: $19,100,000) and $nil (2015: $1,649,000) respectively.

22 Group entities

Significant subsidiaries

	Principal activity	Country of Ownership Incorporation	Interest (%) 31 July 2016	Interest (%) 31 July 2015	Reporting Dates
Westland Milk Products Investments Limited	Investment Holding Company	NZ	100%	100%	31 July
Easiyo Products Limited	FMCG Manufacturer	NZ	100%	100%	31 July
Easiyo Products (UK) Limited	FMCG Distribution	UK	100%	100%	31 July
Easiyo Products (Australia) Limited	FMCG Distribution	NZ	100%	100%	31 July
Easiyo Limited	FMCG Distribution	US	100%	100%	31 July
Hokitika Holiday Park Limited	Property Investment	NZ	Amalgamated	100%	31 July
Westland Milk Products (Shanghai) Company Limited	FMCG Distribution	CH	100%	100%	31 July

On 31 July 2016 Westland Milk Products Investments Limited and Hokitika Holiday Park Limited amalgamated to become Westland Milk Products Investments Limited.

23 Capital commitments

During the year ended 31 July 2016 the Group entered into contracts to purchase property, plant and equipment. The Group had no capital commitments under these contracts as at 31 July 2016 (2015: $41,397,000).

24 Contingencies

There are no significant contingent liabilities at 31 July 2016 or 31 July 2015.

Contingent asset

Prior to 31 July 2016 Westland initiated claim proceedings against a supplier in respect of performance obligations in a construction contract. The directors believe the claim has strong legal standing pursuant to the terms and conditions of the construction contract with the supplier. The directors believe there is a high likelihood of reaching settlement in favour of Westland. However, given the current stage of the claim proceedings it is not possible to quantify any potential settlement. There were no significant contingent assets at 31 July 2015.

25 Subsequent events

The Directors are not aware of any matters or circumstances since the end of the financial year not otherwise dealt with in these financial statements, that has or may significantly affect the operations of the Westland Co-operative Dairy Company Limited Parent or Group operations.

DIRECTORS' REMUNERATION

The total remuneration paid to Directors of the Company and its Subsidiary Companies during the year was as follows:

Company Directors	Remuneration $
MJ O'Regan (Chairman)	125,000
RK Lourie (Deputy Chair)	70,000
FT Dooley	60,000
RL Keoghan (Elected Nov 15)	40,000
HR Little (Retired Nov 15)	20,000
RM Major	60,000
PH Morrison (Elected Nov 15)	40,000
BM O'Connor	60,000
BJ Paterson	60,000
NJ Robb	60,000
KM Robertson (Retired Nov 15)	20,000
KR Smith	64,000
BPD Taylor	60,000
Subsidiary Directors	
MG Eng	40,000

SUBSIDIARY COMPANY DIRECTORS

The following companies were subsidiaries of Westland Co-operative Dairy Company Limited as at 31 July 2016:

Easiyo Products (Aust) Limited: RJ Quin (ceased 31 July 2016), BD Dewar (appointed 31 July 2016), KL Wallace

Easiyo Products Limited: MG Eng, RK Lourie, N Robb, RJ Quin (ceased 31 July 2016), MT Teen

Easiyo Products Limited [USA]: RJ Quin (ceased 31 July 2016), BD Dewar (appointed 31 July 2016), KL Wallace

Easiyo Products (UK) Limited: RJ Quin (ceased 31 July 2016), BD Dewar (appointed 31 July 2016), KL Wallace

Hokitika Holiday Park Limited (amalgamated with Westland Milk Products Investments Limited on 31 July 2016): RJ Quin, KL Wallace

Westland Milk Products Investments Limited: MJ O'Regan, RJ Quin (ceased 31 July 2016), KL Wallace

Westland Milk Products (Shanghai) Company Ltd [PRC]: MJ O'Regan, RJ Quin (ceased 31 July 2016), RM Major (appointed 31 July 2016), KL Wallace

ENTRIES IN THE INTERESTS REGISTER

General disclosures of interest

The following general disclosures of interest were made by Directors of the Company and its Subsidiary Companies during the accounting period from 1 August 2015 to 31 July 2016:

FT Dooley	Chairman of Pulse Energy New Zealand Limited
RL Keoghan	Director and past Shareholder of Keoghan Farm Limited, Director and Shareholder of SNK Westland Limited, Director of Buller Holdings Limited, Director of Buller Recreation Limited, Director of Westreef Services Limited, Director of Westport Harbour Limited.
R Lourie	Director of Tai Poutini Polytechnic
RM Major	Director of First Light Trading Limited (China) (ceased April 2016), Director of Sealord Group Limited (ceased 1 March 2016), Director of Barkers Fruit Processors Limited (ceased 2 September 2015), Director of Viovittoria Investments Limited, Chairman of Gibb Holdings (Nelson) Limited and subsidiaries, Chairman of High Value Nutrition National Science Challenge, Chairman of Go Global Avocado Primary Growth Partnership, Member of Oriens Capital Investment Committee, Member of International Development and Advisory Selection Panel (MFAT International Development Group)
PH Morrison	Director and Shareholder of Budge's Hill Holdings Limited, Director of Darfield Service Station Limited, Director of Pauri Bank Farm Holdings Limited, Director of Morwood, Director of North End Lake Alexandrina Hut Holders Limited, Director of Hidden Valley Timber Limited, Director of Humphrey's Mining Limited, Director of P&E Limited, Shareholder of Estaroline Limited and Advisory Board Member of Craigmore Sustainable Farming Limited

No transactions have been entered into with the Company or its Subsidiaries by any Directors other than on normal terms and conditions.

EMPLOYEE REMUNERATION

Remuneration and other benefits of $100,000 per annum or more received by employees in their capacity as employees during the accounting period to 31 July 2016:

Remuneration Range	Number of employees
$1,050,000-1,060,000	1
$530,000-540,000	1
$510,000-520,000	1
$390,000-400,000	1
$330,000-340,000	1
$310,000-320,000	1
$290,000-300,000	1
$280,000-290,000	1
$270,000-280,000	1
$250,000-260,000	1
$240,000-250,000	1
$230,000-240,000	2
$210,000-220,000	1
$200,000-210,000	1
$190,000-200,000	5
$180,000-190,000	2
$170,000-180,000	1
$160,000-170,000	2
$150,000-160,000	11
$140,000-150,000	5
$130,000-140,000	8
$120,000-130,000	11
$110,000-120,000	24
$100,000-110,000	24
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ANNUAL RESOLUTION BY DIRECTORS

Pursuant to section 10 of the Co-operative Companies Act 1996 (the "Act"), the Directors of the Company unanimously resolved on 30th August 2016 that the Company has, throughout the accounting period to 31 July 2016, been a co-operative dairy company.

The grounds for the Board's opinion are that throughout this period:

(a) The principal activities of the Company are, and are stated in the Company's constitution, as being all or any of the following: the manufacture of butter, cheese, dried milk or casein or any other product derived from milk or milk solids supplied to the Company by its shareholders; and the sale to any person of the milk or milk solids so supplied; and the collection, treatment and distribution for human consumption of milk or cream so supplied; which are co-operative activities as defined by section 3 of the Act and are principal activities required by section 35 of the Act for registration as a co-operative dairy company under Part III of the Act; and

(b) Not less than 60 percent of the voting rights are held by transacting shareholders of the Company.

Directory

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Chairman
Matt O'Regan

Deputy Chairman
Raelyn Lourie

Directors
Frank Dooley BCom, CA
Bob Major MSc
Pete Morrison
Bede O'Connor BCom
Barry Paterson BCM, Pg Dip Marketing
Noel Robb BCM
Keith Smith BCom, FCA
Rebecca Keoghan BMLSc
Brent Taylor BBS

Chief Executive Officer
Toni Brendish

General Manager Operations
Simon Bastion Dip DairyTech, Dip Manufacturing Mgt, Postgrad Cert. Management Studies

Chief Financial Officer
Kim Wallace BBS – Accountancy

General Manager China
Gregg Wafelbakker B.Tech

General Manager Quality
Andrew Simson BSc, Grad Cert App Sc, MM

General Manager Ingredients Sales
Rick Walker, LLB

General Manager Shareholder Services
Tony Wright BAg Com

Company Secretary
Mark Lockington NZCE, BCM, CA

Chief Executive Officer EasiYo
Brian Dewar BAgSc(Hons)

Bankers
HSBC, ASB, Westpac

Auditors
Deloitte

Insurance Brokers
Willis Towers Watson.

The Lemon Family (L+R)
Richard, Will, Toby, James, Keri

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