Westland Milk Products
Hokitika · New Zealand

ANNUAL REPORT

2015

A Ground Breaking Year

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A ground breaking year

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GROUND
BREAKING

The 2014-15 season has been one of ground breaking achievement for Westland Milk Products. This icon, used throughout the report, highlights the key successes and ground breaking achievements that have occurred during the past 12 months.

Ground breaking highlights

GROUND BREAKING

First offshore business entity established - Westland Milk Products (Shanghai) Limited

GROUND BREAKING

Began construction on UHT facility at Rolleston

Metric tonnes of products manufactured

123,084

Blocks of Westgold butter packed

11.5 million

Value added products contribution to payout

19.6 cents

GROUND BREAKING

Single day collection milestone

4,000,000 litres

Supplying farms

430

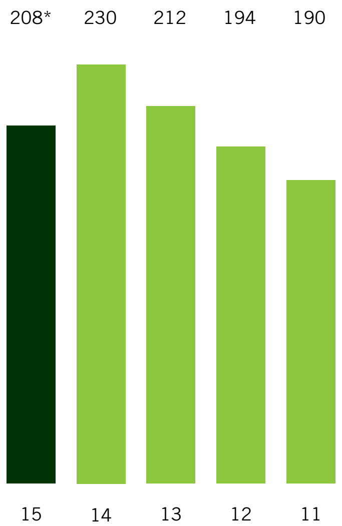
Cows milked

188,060

Launched redesigned EasiYo maker and new Mini yogurt maker

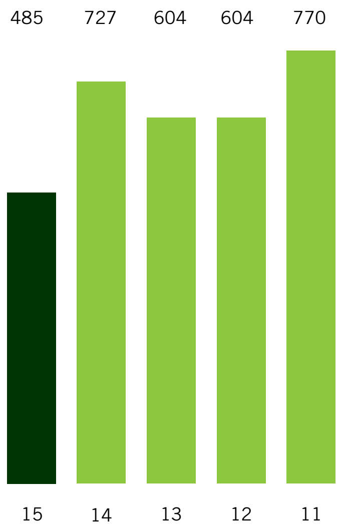
Five year trends

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



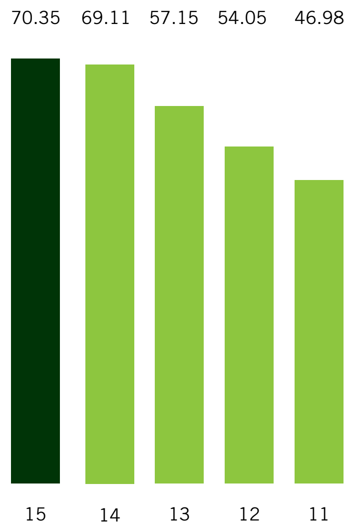
Financial Year

PAYOUT TO SHAREHOLDERS
(Cents/kgms)



Financial Year

MILK SOLIDS
(Million kilograms)



Financial Year

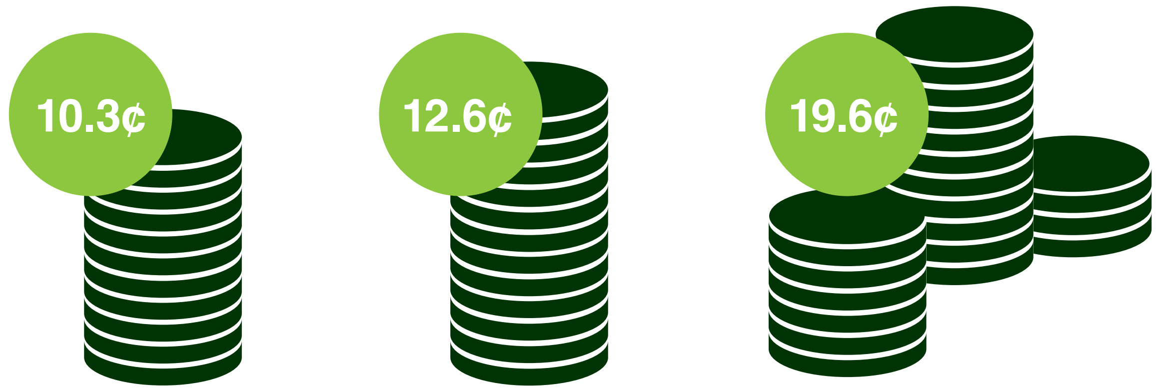
*For further information on Total Equity changes refer Statement of Changes in Members Fund.

	2015	2014	2013	2012	2011
Milk received from Shareholder supply [M litres]	765	753	621	587	515
Milk Fat received from Shareholder supply [M kgs]	40.286	39.574	32.785	31.086	27.049
Protein received from Shareholder supply [M kgs]	30.065	29.531	24.363	22.962	19.930
Milk Solids received from Shareholder supply [M kgs]	70.351	69.105	57.148	54.048	46.979
Average Milk Solids per Farm [kgs]	163,607	161,085	139,726	136,141	121,080
Average Milk Fat %	5.27	5.26	5.28	5.30	5.26
Average Protein %	3.93	3.92	3.92	3.91	3.87
Protein : Fat Ratio %	74.63	74.62	74.31	73.87	73.68
Finest Milk %	98.70	98.80	98.80	98.60	98.66
Production [Metric tonne] - Powder	69,997	74,020	65,426	57,777	51,920
Production [Metric tonne] - Butter	34,394	33,696	30,700	32,123	25,529
Production [Metric tonne] - Protein	7,062	6,465	5,169	5,008	4,380
Production [Metric tonne] - AMF	11,631	10,506	7,003	5,089	5,720
Turnover [$million]	639	830	566	534	525
Total Assets [$million]	538	478	430	379	351
Total Equity [$million] (excl. Shares classified as liabilities)	208	230	212	194	190
Payout to Shareholders					
- Fat [cents/kgms]	413	603	508	462	511
- Protein [cents/kgms]	688	1,004	846	771	1,112
- Operating Surplus [cents/kgms]	495	757	634	614	780
- Retentions [cents/kgms]*	(10)	(30)	(30)	(10)	(10)
- Net Average Payout [cents/kgms]	485	727	604	604	770
Equity : Assets Ratio [%]	39	48	49	51	54
Tangible Net Worth [%]**	48	46	48	49	51
Current Ratio [%]	182	196	125	110	130
Working Capital to Total Assets Ratio [%]	18	24	10	4	10

* 2014 included a 30 cent/kg milk accrual that the Board has determined 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: Assets Ratio. The tangible net worth forms part of the Group banking covenants.

Contribution to payout of value added products*



2012-13 season **2013-14 season** **2014-15 season**

* Value added products: Westpro Nutrition™ Infant Nutrition Ingredients, EasiYo™

Chairman's Report Matt O'Regan

We must continue to support each other. This is one of the primary benefits of being part of a co-operative – there is a shared sense of ownership and of being part of a 'family'.

The past season has been a demanding one for the New Zealand dairy industry and Westland Milk Products has been no exception.

Due largely, to international dairy market circumstances in Europe, the USA, Russia and China, which dictate global dairy outcomes, our final operating surplus for the 2014–15 season was $4.95 per kilogram of milk solids. Your Board recognise this is below the break-even point for many farmers and retentions were limited to 10 cents.

Challenges are not new to our industry; shareholders have weathered these downward cycles before and will do so again. It is during these difficult times however, that we are increasingly able to rely on our strategy of adding value to milk and reducing our reliance on commodity ingredients, which is now showing evidence of paying off.

The 2015–16 season is shaping up to be a difficult one with continuation of the global oversupply of milk. We expect to see dairy prices lift during this season, and with tight ecomomic conditions, we must continue to support each other. This is one of the primary benefits of being part of a co-operative – there is a shared sense of ownership and of being part of a 'family' that strengthens our ability to endure the tough times and thrive in the good times.

The theme for this Annual Report is 'breaking new ground', which sums up the strategic journey Westland has progressed during the past few years. This has involved our move into high-value nutritional and branded consumer products, and the associated capital investment required. We have also applied a systematic approach to reviewing the structure of the company at both governance and corporate levels. This work is all focused on one thing – to ensure Westland is set up for a sustainable, profitable future that maximises returns for our shareholders.

Matt O'Regan
Chairman

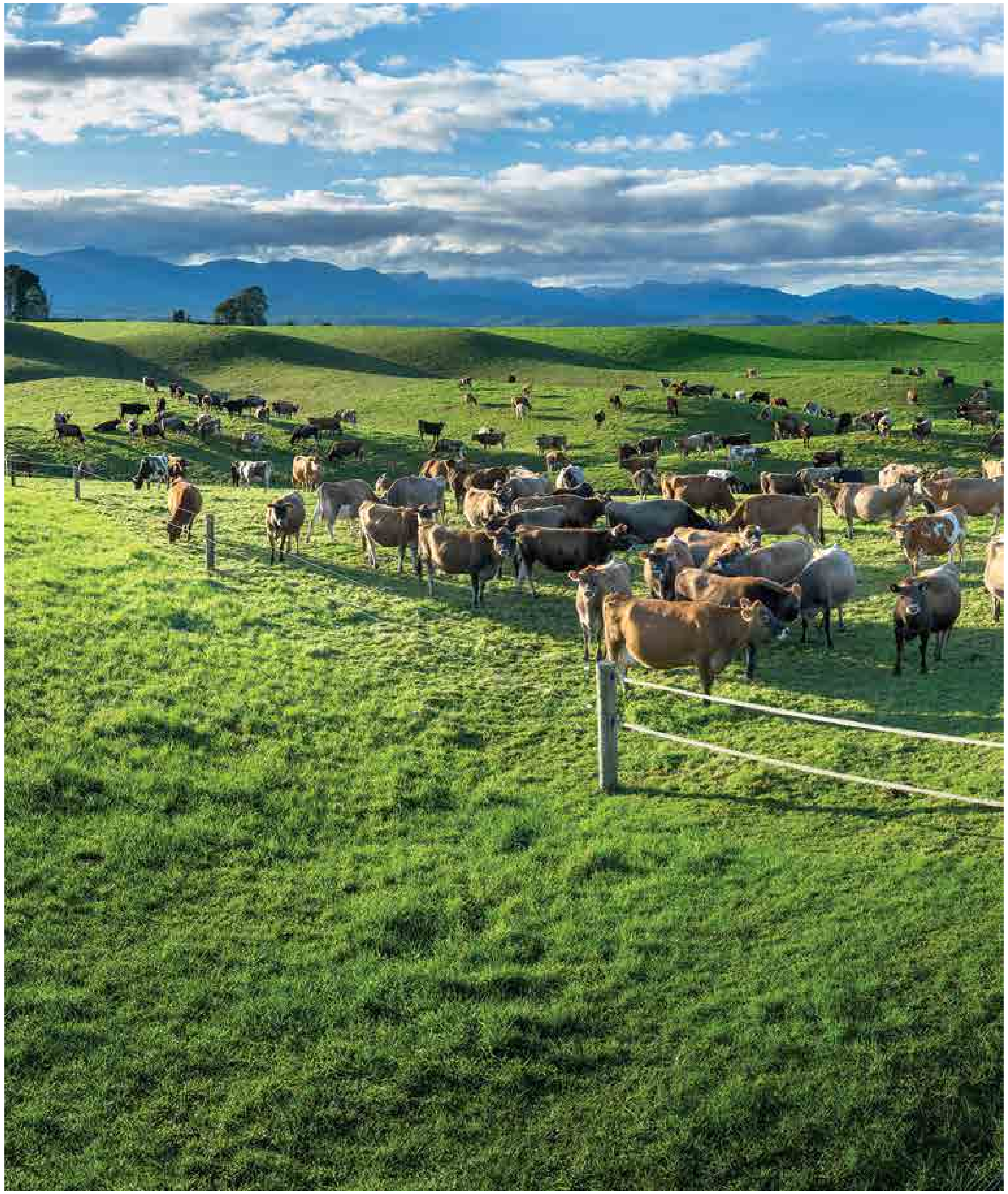
We are proud that Westland is one of New Zealand's Top 50 companies, and our co-operative structure presents a tremendous opportunity. Any of our shareholders can stand for a position on the Board and play a vital role in the governance of their own company. An independent review of our governance structure highlighted that the expertise developing within the Company is at a very high level. The Board is always looking to improve its decision-making processes and communications with shareholders. The governance presentation held in June 2015, changing from 'wards' to 'general representation', and an increase in appointed directors from two to three, have been designed to improve shareholder participation while also creating the opportunity to introduce specialist expertise.

Alongside the governance changes, we are also reviewing our capital structure to ensure that it is set up for the future, and has the flexibility required to maximise market opportunities. This will be discussed with shareholders when the Board has completed the necessary due diligence. We have also chosen to include the Tangible Net Worth calculation in this season's Five Year Trends. This ratio differs from the equity ratio as it excludes the impact of intangibles and foreign currency hedging. This is significant for your Board as they focus on it as the key bank covenant.

I would like to acknowledge the work of Westland's Directors and thank them for both their support of me and their support and dedication to the Company. In November 2015, Kirsty Robertson and Hugh Little will retire from the Board. On behalf of Westland's shareholders, I thank them for their contribution and dedication to Westland. In November 2014, we welcomed Brent Taylor to the Board as our third appointed Director. Brent's commitment and willingness to spend time on Company matters, combined with his lifetime of dairy industry knowledge and experience, has added strength to the governance of Westland.

I would also like to thank our staff for their dedication and loyalty to Westland. The pace of change continues to accelerate. A major strength of the Company is the knowledge and commitment of our Senior Management Team (SMT), led by Chief Executive Rod Quin; their experience and understanding of the business is invaluable in these tough times.

The collective knowledge of the Board and SMT has never been stronger or of more value to the company. Their unified approach is a real asset as we manage our way through the current global dairy downturn. We remain focused on enacting the strategies noted above, and taking every opportunity to maximise returns to shareholders.



Chairman's Report Matt O'Regan

Our strategic journey into a value added future is key to taking major steps to reduce our dependence on commodity ingredients.

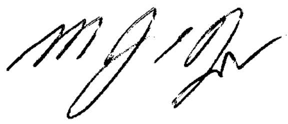
Our farms have seen the successful roll-out of the customer-focused Farm Excellence programme (FarmEx). FarmEx has squarely put Westland ahead of the industry, reflecting customer expectations rather than regulatory pressures. Importantly, the new programme provides for a level of farmer/shareholder input that, realistically, would not be achieved if the regulatory context was externally driven. FarmEx has the benefit of working across the whole farm business, rather than just focusing on pasture nutrient run-off and protecting waterways. Complementing our capital investment in our capacity to produce value added products, FarmEx is among our most important initiatives for ensuring the long term future of our industry.

While it has been a demanding year for shareholders, the Company and the industry generally, Westland has continued to support its community. We take pride in being a responsible and caring business citizen. The activities and projects that we sponsor are an investment in our own future and the communities that support us. Sponsorship in the past year included schools on the West Coast, junior sports in the Westland, Buller and Grey districts, the Canterbury West Coast Air Rescue Trust, Ronald McDonald House South Island, and a wide selection of small grants to community activities and industry initiatives.

Farming is a cyclical industry, and this has been very evident in the past few seasons. Our strategic journey into a value added future is key to taking major steps to reduce our dependence on commodity ingredients. We have our own challenges and a world of opportunity in front of us. A culture of change will become the new normal for a co-operative company to survive in the 21st century. What will set us apart is our ability to make decisions and execute our plans to continue the journey and be the preferred processor of our suppliers' milk.

I thank our shareholders for their continued support of their Co-operative. As we enter a period that looks to be the toughest in thirty years on-farm, I have every confidence that the pioneering attitude and dogged resilience that has built our farms and Company to the point they are at today, will see us through to more profitable times.

Matt O'Regan
Chairman



CEO's Report
Rod Quin

The season was particularly notable for ground breaking activities as the Company continued to make considerable progress in its strategy to invest in capacity and capability.

The 2014–15 season was a blunt reminder that dairy commodity cycles are becoming shorter, with even more extreme price volatility. The global effects felt by the removal of milk production quotas throughout the EU, ongoing milk growth in the USA, continued sanctions against Russia, and softer demand from China, have been major factors defining the season. These factors resulted in significant declines in dairy commodity prices, and reinforced the need for Westland Milk Products to continue its strategy to deliver higher returns through a focus on growing nutritional products, foodservice and retail brands.

With revenue of NZ$639 million and volume of 123,084 tonnes (MT), Westland continues to be a major regional economic success, delivering an industry-competitive payout of $4.95 per kilogram of milk solids (kgMS) before retentions.

The season was particularly notable for ground breaking activities as the Company continued to make considerable progress in its strategy to invest in capacity and capability to produce value added products.

This strategy has built on the strong historical platforms of quality commodity production with increased value added capacity, culminating this year in the construction of the new infant nutrition plant (Dryer 7) in Hokitika, and the UHT facility under construction in Rolleston. The Company's capital investment has been complemented with continued investment in its skills base to ensure it has capable and well-trained staff to deliver these new products and the highest value for shareholders.

Westland's mission remains the same – to be the preferred supplier to its customers in a highly competitive market to maximise returns for shareholders. In a year of global dairy surplus and challenging market forces, the Company has been able to deliver competitive returns by focusing on its strong customer relationships and its ability to manufacture a higher returning product mix enhanced by increased nutritional sales. These sales options, combined with size and flexibility, allow Westland to adapt quickly in a rapidly evolving environment.

Rod Quin
CEO

Significant progress was made in strategic projects, with Dryer 7 (under a revised budget of NZ$114 million) now close to completion, and the UHT plant underway with a budget of NZ$40 million. D7 has the potential capacity for additional nutritional products of 23,000MT per year, and the UHT plant, when full, will have the capacity to process 50 million litres of milk and cream annually. Scheduled to commission early in the new season on whole milk powder, D7 will then switch to infant nutrition production. The UHT project has progressed well from breaking the ground in early February 2015, with the product launch scheduled for the second half of the 2015–16 season. Both of these projects are set to deliver crucial competitive future payouts to shareholders in the coming years.

There is increasing global pressure for food producers to be ahead of international competitors and market regulators with regard to food quality and safety. Westland and the New Zealand dairy processing industry have the advantage of a strong collaborative relationship with the Ministry for Primary Industries. This was highlighted with the dairy industry working very closely during the 2014–15 season to keep markets open in spite of challenges and external activist threats.

Internally, 2014–15 saw Westland strengthen its commitment to health and safety, working to ensure it met its pledge of 'everyone home safe every day'. While the Company has some way to go, the increased investment has paid dividends in terms of reduced staff accidents and injuries, fewer lost work hours and increased production time. Health and safety also flows through to Westland's appeal as an employer. A visible and successful health and safety culture is part of being a responsible employer. Further, customers who observe Westland's comprehensive health and safety culture are assured that this will flow through to the quality and safety of all products.

Complementing Westland's operational projects, a revision of the Company's branded business has been undertaken, with the redevelopment of Westgold. Retail and foodservice branding allows Westland to progress its value added strategy through its sales and marketing programmes, further enhancing the returns from current product options.

CEO's Report
Rod Quin

Westland's shift to value added products contributed sustainably to the 2014–15 season's payout.

Westland also saw double digit growth in EasiYo, with sales of NZ$53 million. This is a true example of adding value, with a great product and strong branding contributing to growing returns. This year EasiYo delivered 4.4 cents to payout and the immediate outlook is positive. The newly designed red maker and the new green Mini-maker were launched earlier this year and have delivered a significant uplift in sales, with consumers drawn to the fresh new look and added convenience of the 500g option. The EasiYo brand is growing, especially in Australia, Europe and China. EasiYo was awarded the Design and Innovation prize by mia.com in China, one of the market's leading online destinations for mothers.

The season was also ground breaking in China, with the official establishment of Westland Milk Products (Shanghai) Ltd. Based in the Changning district of Shanghai, the office comprises a small, combined Westland and EasiYo team, all but one of whom are Chinese. This is in line with our philosophy of building a local team for local customers.

As our Chairman notes, Westland's shift to value added products contributed sustainably to the 2014–15 season's payout, with a contribution of 19.6 cents per kgMS. Westland expects to see this proportion of shareholders' return increase, which is good news as these markets are growing and are more profitable than commodity ingredients.

The 2015–16 season will be challenging as the Company starts the season with global over-supply and weak prices already weighing on the early season forecasts. Management will stay focused to achieve the completion of the key projects that will increase Westland's capacity and flexibility to produce more of its most profitable products. I believe that this is the right track for Westland's future. It is already delivering measurable benefits, and I expect the loyalty and commitment of shareholders will be well rewarded.

My thanks to the Chairman, Directors and my colleagues for their continued constructive leadership and support of Westland's strategy in 2014–15. In the coming year, we will continue our efforts to deliver quality products to our customers, realising projects, managing costs, and driving up value to shareholders.

Rod Quin
Chief Executive Officer

Breaking ground with the Afflecks

GROUND
BREAKING

For all of their time together, Ikamatua dairy farmers David and Anna Affleck have been breaking new ground – literally and metaphorically.

Young, enthusiastic, and focused on turning challenges into opportunities, the Afflecks have a can-do attitude that has seen them progress from sharemilkers to farm owners in only six years. As David puts it, "We like picking through the too-hard basket to find a decent challenge."

Take their Ikamatua farm in the West Coast's Grey Valley, for example. The property neighboured 40 hectares of bush that had been on the market for some time, but David and Anna saw it as a golden opportunity. Once developed, it could lift the production potential of their farm significantly and give them more options for on-farm grazing and crop production. It took eight months of persevering through the resource consent process, but they stuck with it and that land is now being cleared and 'humped and hollowed' to turn it into productive pasture.

It is not surprising that the Afflecks should bring such a dynamic approach to their farm business. Both David and Anna come from strong farming backgrounds and their experience extends beyond the boundaries of their respective home paddocks to include a variety of national roles in the agricultural sectors of New Zealand and Australia. As a couple, they started to sharemilk in 2006 in North Otago, later moving to South Canterbury, building their herd as they went from farm to farm.

"There's nothing," says Anna, "that grows into money faster than young stock. Only in dairying can you go from sharemilking to owning your own multimillion-dollar property in six years."

David says the availability of good dairy land, at a very reasonable price, had them considering the West Coast. He and Anna were also encouraged with the prospect of becoming shareholders of Westland Milk Products because they believed they and the Co-operative had shared values.

"Westland's stated values include respect, dedication and loyalty. That fits right in with the way we like to work."

When we were working on other people's farms, those were the values we applied; we looked after those properties as if they were our own. Now, on our own farm, they are values that underpin our drive to succeed and, at the same time, do well by our animals."

"We also like to challenge the norm," Anna added, "we think outside the box and push the boundaries. David is the practical hands-on mechanical guy while I do business and planning, and it marries very well. He comes up with the hare-brained schemes and, between us, we have the skills to make it happen."

David and Anna are not stopping with the breaking in of their 40ha bush block. Already, they are well on their way to achieving bigger ambitions with substantial pasture upgrades on their property.

They also plan to buy or lease additional land to supplement their dairy platform and, eventually, want to own two or three dairy farms, all on the West Coast, such is their faith in the future of the dairy industry and Westland Milk Products.

"Sure, money is tight right now, but we can't change the payout; it will be what it will be. This is a long-term business and when the cycle swings up again we want to make sure our farm is in the best position to take advantage of that."

Location: Ikamatua in the Grey Valley.

Area: 175ha (120ha effective) with 40ha of former bush soon to be added to the dairy platform.

Stock: 320 cows, plus their own bulls and young stock coming through.

Terrain: Easy terraced country.

Part of the 40Ha of development underway on the Affleck's farm

David and Anna Affleck

SHAREHOLDER CASE STUDY

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.

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.

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.

Kirsty Robertson - Director

Kirsty is an active member of the West Coast dairying community and a dairy farmer herself. She was elected to the Board in 2012.

Hugh Little - Director

Hugh rejoined Westland in 2014 having retired in 2009, from a career in dairy that spanned 47 years, which included time in various senior management and executive roles, including General Manager Operations and Deputy CEO.

Bede O'Connor - Director

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

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.

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.

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.

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.

Michael Teen - General Manager Innovation

Michael has held various roles within Westland and was appointed to this position in 2012, supporting the delivery of our innovation strategy to increase value and returns.

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.

On the ground leadership

Corporate Governance

Westland Co-operative Dairy Company Limited, the Board, each director and each shareholder have the rights, powers, duties and obligations set out in the Companies Act 1993 and the Co-operative Companies Act 1996, except as these are negated or modified in accordance with these acts by the constitution. The constitution is registered and available on the Companies Office website or on request from the Company Secretary.

Board
Westland's constitution provides for the Board to comprise of eight directors, nominated and elected by the supplying shareholders (general directors), three directors appointed by the Board and a managing director (if one is appointed).

All directors retire from office at the annual meeting in the fourth year after their last election/appointment.

Each year the Board undertakes an evaluation of the performance of each director which may extend to identifying individual training and development plans where appropriate.

All new directors are inducted and receive the opportunity to undergo training, and along with other directors, undertake annual familiarisation tours of Westland's different divisions across both the Hokitika and Rolleston locations.

The Board Charter details Westland's good governance practices and the respective roles Board and management.

Board Committees

The Board has two 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 and the internal controls instituted by Westland; and supervising special investigations when requested by the Board. The Audit Committee has also taken on the functions of the Securities Advertisements Committee.

The members of this committee, as at 31 July 2015, are Appointed Director Keith Smith (Chairman), Matt O'Regan, Raelyn Lourie, Noel Robb, Barry Paterson and Frank Dooley.

Remuneration Committee
The Remuneration Committee reviews the remuneration of the Senior Management Team.

The members of this committee, as at 31 July 2015, are Bob Major (Chairman), Matt O'Regan, Barry Paterson, Raelyn Lourie, Kirsty Robertson and Brent Taylor.

Hokitika Holiday Park
In April 2014, Westland acquired Hokitika Holiday Park Limited, as a wholly owned subsidiary of Westland Milk Products Investments Limited. The Board of Hokitika Holiday Park Limited comprises Westland's Chief Executive Officer and Chief Financial Officer.

EasiYo Products
Westland's Deputy Chair, Raelyn Lourie; Noel Robb; The Chief Executive Officer and the head of International Nutrition, Michael Teen, sit on the Board of the wholly owned subsidiary, EasiYo Products Limited, along with one appointed director, Maurice Eng.

Board Meetings
The directors receive comprehensive information and reports on Westland's operations before each meeting, including reporting on the activities of the EasiYo and The Hokitika Holiday Park.

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
The constitution provides that the Board may determine and authorise payment of remuneration, or the provision of other benefits by Westland, to a director for services as a director, or in any other capacity if the Board is satisfied that to do so is fair to Westland, provided that the shareholders by ordinary resolution authorise such remuneration or other benefits. Generally the Board reviews Shareholder Director remuneration annually.

Appointed Directors
The constitution provides that the Board may determine and authorise payment of remuneration, or the provision of other benefits by Westland to an appointed director for services as a director, or in any other capacity if the Board is satisfied that to do so is fair to Westland. Generally, the Board reviews Appointed Director remuneration annually.

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 22 to 51, which comprise the consolidated and separate balance sheets as at 31 July 2015, 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 members, 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, International Financial Reporting Standards and generally accepted accounting practice in New Zealand 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, the provision of taxation compliance and advisory 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 22 to 51 :

- comply with New Zealand Equivalents to International Financial Reporting Standards and generally accepted accounting practice in New Zealand;
- 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 2015, 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 2015:

- 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

Chartered Accountants
Date: 29 September 2015
Christchurch, New Zealand

This audit report relates to the consolidated and separate financial statements of Westland Co-operative Dairy Company Limited and its subsidiaries for the year ended 31 July 2015 included on Westland Co-operative Dairy Company Limited's website. The Board of Directors are responsible for the maintenance and integrity of Westland Co-operative Dairy Company Limited's website. We have not been engaged to report on the integrity of the Westland Co-operative Dairy Company Limited's website. We accept no responsibility for any changes that may have occurred to the consolidated and separate financial statements since they were initially presented on the website. The audit report refers only to the consolidated and separate financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated and separate financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated and separate financial statements and related audit report dated 29 September 2015 to confirm the information included in the audited consolidated and separate financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the opinion of the directors of Westland Co-operative Dairy Company Limited ("the Company"), the financial statements and notes, on pages 22 to 51:

- 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 2015 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 2015.

The financial statements were approved by the Board of Directors on the 29 September 2015.

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 2015

	Note	Group As at 31 July 2015 $000's	Group As at 31 July 2014 $000's	Company As at 31 July 2015 $000's	Company As at 31 July 2014 $000's
Assets					
Cash and cash equivalents	15	**16,583**	13,608	**11,493**	9,468
Trade and other receivables	14	**85,607**	102,902	**95,356**	117,673
Current tax assets		**501**	4,608	**586**	4,661
Derivatives		**539**	14,638	**89**	13,873
Inventories	13	**107,379**	103,537	**98,063**	93,959
Total current assets		**210,609**	239,293	**205,587**	239,634
Property, plant and equipment	10	**305,766**	223,631	**298,731**	217,263
Intangibles	11	**13,711**	15,152	**1,897**	3,365
Deferred tax assets	12	**8,057**	0	**9,153**	0
Investments		**3**	4	**831**	832
Derivatives		**19**	270	**7**	0
Total non-current assets		**327,566**	239,057	**310,619**	221,460
Total assets		**538,165**	478,350	**516,206**	461,094
Liabilities					
Loans and borrowings	18	**36,500**	40,000	**36,500**	40,000
Trade payables for product		**20,677**	15,055	**15,681**	11,701
Other trade payables		**3,450**	2,451	**5,571**	4,691
Derivatives		**42,477**	1,330	**40,754**	1,283
Employee benefit liabilities		**3,507**	3,146	**3,145**	2,916
Accrual for end of season milk payment		**8,896**	60,338	**8,896**	60,338
Total current liabilities excluding co-operative shares classified as a liability		**115,507**	122,320	**110,547**	120,929
Loans and borrowings	18	**191,100**	108,870	**191,100**	108,870
Derivatives		**23,770**	78	**23,547**	70
Deferred tax liabilities	12	**0**	17,089	**0**	15,347
Total non-current liabilities excluding co-operative shares classified as a liability		**214,870**	126,037	**214,647**	124,287
Total liabilities excluding co-operative shares classified as a liability		**330,377**	248,357	**325,194**	245,216
Net assets excluding shares classified as a liability		**207,788**	229,993	**191,012**	215,878
Co-operative shares classified as a liability	17	**(108,457)**	(104,735)	**(108,457)**	(104,735)
Net assets after co-operative shares classified as a liability		**99,331**	125,258	**82,555**	111,143
Memorandum account:					
Members' funds					
Co-operative shares classified as a liability	17	**108,457**	104,735	**108,457**	104,735
Reserves	16	**(26,961)**	18,352	**(27,477)**	17,861
Retained earnings	16	**126,292**	106,906	**110,032**	93,282
Total members' funds before co-operative shares classified as a liability		**207,788**	229,993	**191,012**	215,878
Less co-operative shares classified as a liability	17	**(108,457)**	(104,735)	**(108,457)**	(104,735)
Total members' funds excluding co-operative shares classified as a liability	16	**99,331**	125,258	**82,555**	111,143

INCOME STATEMENT
for the year ended 31 July 2015

	Note	Group 12 mths to 31 July 2015 $000's	Group 12 mths to 31 July 2014 $000's	Company 12 mths to 31 July 2015 $000's	Company 12 mths to 31 July 2014 $000's
Revenue	5	**639,363**	830,170	**587,221**	793,327
Amounts paid to Westland suppliers for milk		**319,409**	522,022	**319,409**	522,022
Other costs of sale		**112,391**	145,628	**86,799**	127,773
Depreciation expense	10	**23,728**	22,414	**22,704**	21,513
Wages and salaries	7	**49,690**	43,600	**42,197**	37,268
Distribution expenses		**24,077**	21,382	**19,636**	17,652
Administrative expenses	7	**79,414**	68,968	**68,187**	62,066
		30,654	6,156	**28,289**	5,033
Other income	6	**4,688**	1,825	**4,096**	1,737
Finance expenses	8	**7,954**	7,981	**7,945**	7,921
Profit (loss) before income tax		**27,338**	0	**24,440**	(1,151)
Income tax expense (credit)	9	**8,002**	(503)	**7,690**	(712)
Profit (loss) after income tax		**19,386**	503	**16,750**	(439)
Profit (loss) for the year attributable to members		**19,386**	503	**16,750**	(439)

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2015

	Note	Group 12 mths to 31 July 2015 $000's	Group 12 mths to 31 July 2014 $000's	Company 12 mths to 31 July 2015 $000's	Company 12 mths to 31 July 2014 $000's
Profit (loss) for the year		**19,386**	503	**16,750**	(439)
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Movement in cash flow hedges		**(69,963)**	11,616	**(68,298)**	11,860
Income tax relating to components of other comprehensive income	12	**23,650**	(3,397)	**22,960**	(3,412)
Total other comprehensive income (loss) net of tax		**(45,313)**	8,219	**(45,338)**	8,448
Total comprehensive income (loss) for the year net of tax		**(25,927)**	8,722	**(28,588)**	8,009

STATEMENT OF CHANGES IN MEMBERS' FUNDS
for the year ended 31 July 2015

	Cash flow hedge 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
Group						
Balance at 1 August 2013	**133**	**10,000**	**106,403**	**116,536**	**95,307**	**211,843**
Total comprehensive income for the year	8,219	0	503	**8,722**	0	**8,722**
Share issues	0	0	0	**0**	10,107	**10,107**
Share redemptions	0	0	0	**0**	(679)	**(679)**
Balance at 31 July 2014	**8,352**	**10,000**	**106,906**	**125,258**	**104,735**	**229,993**
Total comprehensive income for the year	(45,313)	0	19,386	**(25,927)**	0	**(25,927)**
Share issues	0	0	0	**0**	4,280	**4,280**
Share redemptions	0	0	0	**0**	(558)	**(558)**
Balance at 31 July 2015	**(36,961)**	**10,000**	**126,292**	**99,331**	**108,457**	**207,788**

	Cash flow hedge 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
Company						
Balance at 1 August 2013	**(587)**	**10,000**	**93,721**	**103,134**	**95,307**	**198,441**
Total comprehensive income for the year	8,448	0	(439)	**8,009**	0	**8,009**
Share issues	0	0	0	**0**	10,107	**10,107**
Share redemptions	0	0	0	**0**	(679)	**(679)**
Balance at 31 July 2014	**7,861**	**10,000**	**93,282**	**111,143**	**104,735**	**215,878**
Total comprehensive income for the year	(45,338)	0	16,750	**(28,588)**	0	**(28,588)**
Share issues	0	0	0	**0**	4,280	**4,280**
Share redemptions	0	0	0	**0**	(558)	**(558)**
Balance at 31 July 2015	**(37,477)**	**10,000**	**110,032**	**82,555**	**108,457**	**191,012**

STATEMENT OF CASH FLOWS
for the year ended 31 July 2015

	Note	Group 12 mths to 31 July 2015	Group 12 mths to 31 July 2014	Company 12 mths to 31 July 2015	Company 12 mths to 31 July 2014
		$000's	$000's	$000's	$000's
Cash flows from operating activities					
Cash receipts from customers		**655,221**	824,442	**607,604**	788,387
Interest received		**478**	589	**383**	501
Dividends received		**7**	7	**7**	7
Cash paid to suppliers and employees		**(622,540)**	(771,469)	**(577,702)**	(736,872)
Taxation paid		**(3,902)**	(8,434)	**(3,622)**	(6,602)
Interest paid		**(7,954)**	(6,811)	**(7,945)**	(6,751)
Net cash from/(used in) operating activities	23	**21,310**	38,324	**18,725**	38,670
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**258**	47	**216**	47
Intercompany loans		**0**	0	**0**	(4,220)
Acquisition of intangibles		**(657)**	(1,063)	**(597)**	(1,063)
Acquisition of property, plant and equipment		**(106,028)**	(41,221)	**(104,411)**	(38,493)
Net cash from/(used in) investing activities		**(106,427)**	(42,237)	**(104,792)**	(43,729)
Cash flows from financing activities					
Proceeds from issue of share capital (net)		**9,362**	233	**9,362**	233
Proceeds from borrowings		**180,230**	299,012	**180,230**	299,012
Repayment of borrowings		**(101,500)**	(274,386)	**(101,500)**	(274,386)
Net cash from/(used in) financing activities		**88,092**	24,859	**88,092**	24,859
Net increase/(decrease) in cash and cash equivalents		**2,975**	20,946	**2,025**	19,800
Cash and cash equivalents brought forward		**13,608**	(7,338)	**9,468**	(10,332)
Cash and cash equivalents at 31 July	15	**16,583**	13,608	**11,493**	9,468

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 2015 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.

2 Basis of preparation

(a) Statement of compliance

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

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements were approved by the Board of Directors on the 29 September 2015.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value. The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

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.

(d) 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.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 11 (Intangibles) and note 13 (Inventories).

3 Significant accounting policies

(a) 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

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

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.

Foreign currency differences arising on retranslation are recognised in profit or loss.

3 Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to New Zealand dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the dates of the transactions.

(c) Financial instruments

(i) Non-derivative financial instruments

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 profit or loss, 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.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expense is discussed in note 3(l).

Subsequent to initial recognition, other non-derivative financial instruments are measured using the methods described below. Investments in equity securities of subsidiaries, associates and joint ventures are measured at cost in the separate financial statements of the Company.

Trade and other receivables

Trade and other receivables are stated at their amortised cost using the effective interest method, less impairment losses.

Interest-bearing borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Trade and other payables

Trade and other payables are stated at amortised cost using the effective interest rate method, with interest expense recognised on an effective interest basis.

Ordinary shares

The Company's share capital is accounted for as a liability because under the Co-operative Companies Act 1996, under certain conditions specified in the Act, shareholders have the right to surrender shares in the Company and receive payment.

(ii) Derivative financial instruments

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 profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Cash flow hedges

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 profit or loss.

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 profit or loss in the same period that the hedged item affects profit or loss (note 5).

(d) Property, plant and equipment

(i) 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.

3 Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) 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 profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss 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.

(iv) 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.

(e) Intangibles

(i) Computer 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.

(ii) Expenditure on research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss 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 profit or loss when incurred. Development expenditure is amortised over a useful economic life of between 3 and 5 years on a straight line basis.

(f) Leased assets

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

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2015

3 Significant accounting policies (continued)

(h) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

(i) Impairment of debt instruments and receivables

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.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument-by-instrument basis. All individual instruments that are considered significant are subject to this approach and are subsequently assessed for impairment on a collective basis.

(ii) Non-financial assets

The carrying amounts of the Group or Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date. Goodwill and indefinite life intangible assets are tested for impairment annually and whenever there is an indication that the asset may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Impairment of goodwill is not reversed.

(i) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss 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) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) 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.

(j) Provisions

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.

(k) 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.

3 Significant accounting policies (continued)

(l) Finance income and expenses

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, bonus issues of share capital, and losses on hedging instruments that are recognised in profit or loss.

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 profit or loss using the effective interest method.

(m) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss 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.

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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future and where the Company controls the reversal. 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.

(n) Statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents include bank balances, call deposits and bank overdrafts. The following terms are used in the statement of cash flows:

- Operating activities: are the principal revenue producing activities of the Group and other activities that are not investing or financing activities.
- Investing activities: are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.
- Financing activities: are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

(o) Goods and services tax

Revenue, expenses, liabilities and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

(p) 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.

(q) Brands 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.

(r) Other Income

Dividend income is recognised on the date that the Group's right to receive payment is established.

3 Significant accounting policies (continued)

(s) 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 which is effective for the financial year ending 31 July 2019 and, NZ IFRS 15: Revenue from Contracts with Customers which is effective for the financial year ending 31 July 2019, 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 and NZ IFRS 15 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.

4 Determination of fair values

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.

(a) Derivatives

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 19).

(b) Carrying amounts

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.

(c) Financial instruments

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 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.

5 Revenue

	Group		Company	
	12 mths to 31 July 2015	12 mths to 31 July 2014	12 mths to 31 July 2015	12 mths to 31 July 2014
	$000's	$000's	$000's	$000's
Total revenue from sale of goods	645,713	781,463	595,450	745,408
Freight and distribution recoveries	16,409	17,911	16,369	17,863
Net foreign exchange hedging gain / (loss)	(22,759)	30,796	(24,598)	30,056
	639,363	830,170	587,221	793,327

6 Other Income

	Group		Company	
	12 mths to 31 July 2015	12 mths to 31 July 2014	12 mths to 31 July 2015	12 mths to 31 July 2014
	$000's	$000's	$000's	$000's
Interest received	418	588	383	501
Dividends	7	7	7	7
Other income	4,263	1,230	3,706	1,229
	4,688	1,825	4,096	1,737

7 Administrative expenses

The following items of expenditure are included in administrative expenses:

	Note	Group 12 mths to 31 July 2015	Group 12 mths to 31 July 2014	Company 12 mths to 31 July 2015	Company 12 mths to 31 July 2014
		$000's	$000's	$000's	$000's
Donations		123	187	122	187
Auditor's remuneration to Deloitte comprises:					
- audit of financial statements		93	90	93	90
- taxation compliance services		169	153	152	136
- taxation advisory services	(a)	270	80	248	80
- IT project peer-review services		0	72	0	72
- other services	(b)	38	70	38	70
Total auditor's remuneration		570	465	531	448
Operating lease payments		1,212	2,009	428	1,238
Vehicle costs		11,978	12,596	11,739	12,368
Maintenance and utilities		22,871	20,424	22,517	20,186
Cleaning and outside contracts		5,932	5,167	5,796	5,096
Insurance and rates		6,333	5,874	6,180	5,774
Amortisation	11	2,098	1,836	2,065	1,805
Employee related expenses		4,873	3,692	4,615	3,591
Lab and security expenses		1,694	1,420	1,673	1,415
Compliance costs		1,513	1,031	1,512	1,026
Advertising, communication, IT and travel expenses		10,371	8,281	3,817	4,117
Administration expenses		9,136	5,251	6,482	4,080
Paid on behalf of suppliers		710	735	710	735
		79,414	68,968	68,187	62,066

(a) Taxation advisory services relate to work performed in relation to the establishment of China operations including employment and transfer pricing considerations.
(b) Other services included assistance with non-financial treasury review and external network testing.

Personnel expenses recognised in the income statement are noted in the table below:

	Group 12 mths to 31 July 2015	Group 12 mths to 31 July 2014	Company 12 mths to 31 July 2015	Company 12 mths to 31 July 2014
	$000's	$000's	$000's	$000's
Wages and salaries	49,690	43,600	42,197	37,268
Contributions to defined contribution plans	1,952	1,700	1,758	1,566
Increase in liability for long-service leave and retirement gratuities	3	7	3	7
	51,645	45,307	43,958	38,841

Personnel expenses for the Group include certain expenses recognised within cost of sales.

8 Finance income and expense

	Group 12 mths to 31 July 2015	Group 12 mths to 31 July 2014	Company 12 mths to 31 July 2015	Company 12 mths to 31 July 2014
	$000's	$000's	$000's	$000's
Interest expense	7,954	7,981	7,945	7,921
Finance expense	7,954	7,981	7,945	7,921

9 Income tax expense in the income statement

	Note	Group 12 mths to 31 July 2015	Group 12 mths to 31 July 2014	Company 12 mths to 31 July 2015	Company 12 mths to 31 July 2014
		$000's	$000's	$000's	$000's
Current tax expense					
Current year		9,498	(161)	9,230	(279)
Deferred tax expense					
Origination and reversal of temporary differences	12	(1,496)	(342)	(1,540)	(433)
Income tax charge/(credit)		8,002	(503)	7,690	(712)

Reconciliation of effective tax rate:	Group 12 mths to 31 July 2015	Group 12 mths to 31 July 2014	Company 12 mths to 31 July 2015	Company 12 mths to 31 July 2014
	$000's	$000's	$000's	$000's
Profit before income tax	27,388	0	24,440	(1,151)
Income tax using the Company's domestic tax rate 28% (2014: 28%)	7,669	0	6,843	(322)
Non-deductible expenses	38	60	37	59
Prior period adjustment	295	(563)	810	(449)
Income tax charge/(credit)	8,002	(503)	7,690	(712)
The taxation charge/(credit) is represented by:				
Current tax	9,498	(161)	9,230	(279)
Deferred tax from temporary differences	(1,496)	(342)	(1,540)	(433)
	8,002	(503)	7,690	(712)

The tax rates used is the corporate tax rate of 28% (2014: 28%) payable by New Zealand corporate entities on taxable profits under tax law.

Imputation credits	Group As at 31 July 2015	Group As at 31 July 2014	Company As at 31 July 2015	Company As at 31 July 2014
	$000's	$000's	$000's	$000's
Imputation credits at 31 July	9,388	3,718	8,586	1,894

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

10 Property, plant and equipment

	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 2013	89,021	248,287	9,177	10,048	**356,533**
Additions	1,763	953	0	39,556	**42,272**
Transfers in	3,546	7,082	(1,591)	0	**9,037**
Transfers to fixed assets	0	0	0	(9,037)	**(9,037)**
Transfers to intangible assets (additions per note 11)	0	0	0	(1,063)	**(1,063)**
Disposals	0	(160)	0	0	**(160)**
Balance at 31 July 2014	94,330	256,162	7,586	39,504	**397,582**
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 11)	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**
Accumulated depreciation:					
Balance at 1 August 2013	22,826	124,259	4,572	0	**151,657**
Depreciation for the year	3,228	17,936	1,250	0	**22,414**
Disposals	0	(120)	0	0	**(120)**
Balance at 31 July 2014	26,054	142,075	5,822	0	**173,951**
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**
Carrying amounts					
At 31 July 2014	68,276	114,087	1,764	39,504	**223,631**
At 31 July 2015	65,663	127,276	3,513	109,314	**305,766**

10 Property, plant and equipment (continued)

	Land and buildings	Plant and equipment	Motor vehicles	Capital work in progress	Total
	$000's	$000's	$000's	$000's	$000's
Company					
Cost					
Balance at 1 August 2013	86,104	243,056	9,145	10,048	**348,353**
Additions	0	0	0	39,556	**39,556**
Transfers in	3,546	7,082	(1,591)	0	**9,037**
Transfers to fixed assets	0	0	0	(9,037)	**(9,037)**
Transfers to intangible assets (additions per note 11)	0	0	0	(1,063)	**(1,063)**
Disposals	0	0	0	0	**0**
Balance at 31 July 2014	89,650	250,138	7,554	39,504	**386,846**
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 11)	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**
Accumulated depreciation					
Balance at 1 August 2013	21,850	121,671	4,549	0	**148,070**
Depreciation for the year	2,975	17,290	1,248	0	**21,513**
Disposals	0	0	0	0	**0**
Balance at 31 July 2014	24,825	138,961	5,797	0	**169,583**
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**
Carrying amounts					
At 31 July 2014	64,825	111,177	1,757	39,504	**217,263**
At 31 July 2015	62,043	123,887	3,487	109,314	**298,731**

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 $2,495,000 have been capitalised at an average rate of 4.45% (2014: $576,000 at 4.15%)

11 Intangibles

	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 2013	5,793	5,815	623	6,086	**18,317**
Additions	1,063	0	0	0	**1,063**
Disposals	0	0	0	(83)	**(83)**
Balance at 31 July 2014	6,856	5,815	623	6,003	**19,297**
Balance at 1 August 2014	6,856	5,815	623	6,003	**19,297**
Additions	597	0	0	60	**657**
Disposals	0	0	0	0	**0**
Balance at 31 July 2015	7,453	5,815	623	6,063	**19,954**
Accumulated amortisation and impairment losses					
Balance at 1 August 2013	1,747	0	562	0	**2,309**
Amortisation for the year	1,804	0	1	31	**1,836**
Disposals	0	0	0	0	**0**
Balance at 31 July 2014	3,551	0	563	31	**4,145**
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**
Carrying amounts					
At 31 July 2014	3,305	5,815	60	5,972	**15,152**
At 31 July 2015	1,837	5,815	60	5,999	**13,711**

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

	Goodwill		Brand and Patents with indefinite useful life	
	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014
	$000's	$000's	$000's	$000's
EasiYo business unit	5,815	5,815	5,999	5,972

During the year ending 31 July 2015, 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% (2014: 9.3%). 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2015

11 Intangibles (continued)

	Software	Product development costs	Total
	$000's	$000's	$000's
Company			
Cost			
Balance at 1 August 2013	5,761	622	6,383
Additions	1,063	0	1,063
Disposals	0	0	0
Balance at 31 July 2014	6,824	622	7,446
Balance at 1 August 2014	6,824	622	7,446
Additions	597	0	597
Disposals	0	0	0
Balance at 31 July 2015	7,421	622	8,043
Accumulated amortisation and impairment losses			
Balance at 1 August 2013	1,715	561	2,276
Amortisation for the year	1,804	1	1,805
Disposals	0	0	0
Balance at 31 July 2014	3,519	562	4,081
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
Carrying amounts			
At 31 July 2014	3,305	60	3,365
At 31 July 2015	1,837	60	1,897

12 Deferred tax assets and liabilities

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

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014
	$000's	$000's	$000's	$000's	$000's	$000's
Group						
Intangible assets	0	0	(1,636)	(1,302)	(1,636)	(1,302)
Property, plant and equipment	0	0	(11,896)	(13,391)	(11,896)	(13,391)
Derivatives	20,306	0	0	(3,344)	20,306	(3,344)
Provisions	1,283	948	0	0	1,283	948
Net tax assets/(liabilities)	21,589	948	(13,532)	(18,037)	8,057	(17,089)

12 Deferred tax assets and liabilities (continued)

	Assets		Liabilities		Net	
	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014
	$000's	$000's	$000's	$000's	$000's	$000's
Company						
Intangible assets	0	261	(73)	0	(73)	261
Property, plant and equipment	0	0	(11,896)	(13,392)	(11,896)	(13,392)
Derivatives	19,893	0	0	(3,067)	19,893	(3,067)
Provisions	1,229	851	0	0	1,229	851
Net tax assets/(liabilities)	21,122	1,112	(11,969)	(16,459)	9,153	(15,347)

	Balance 31 July 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 July 2014
	$000's	$000's	$000's	$000's
Group				
Intangible assets	(1,805)	503	0	(1,302)
Property, plant and equipment	(13,539)	148	0	(13,391)
Derivatives	53	0	(3,397)	(3,344)
Provisions	1,257	(309)	0	948
	(14,034)	342	(3,397)	(17,089)

	Balance 31 July 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 July 2015
	$000's	$000's	$000's	$000's
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 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 July 2014
	$000's	$000's	$000's	$000's
Company				
Intangible assets	(195)	456	0	261
Property, plant and equipment	(13,539)	147	0	(13,392)
Derivatives	345	0	(3,412)	(3,067)
Provisions	1,021	(170)	0	851
	(12,368)	433	(3,412)	(15,347)

	Balance 31 July 2014	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 July 2015
	$000's	$000's	$000's	$000's
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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2015

13 Inventories

	Group		Company	
	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014
	$000's	$000's	$000's	$000's
Dairy Products	81,857	69,326	81,857	69,326
Materials	18,603	27,608	16,206	24,633
Retail	6,919	6,603	0	0
Total Inventories	107,379	103,537	98,063	93,959
Gross amount of dairy products stated at net realisable value	82,205	69,764	82,205	69,764

In 2015, raw materials, consumables and changes in finished goods and work in process recognised as cost of sales amounted to $414,682,000 for the Group and $389,124,000 for the Company (2014: $657,048,000 for the Group and $639,193,000 for the Company).

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.

14 Trade and other receivables

	Group		Company	
	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014
	$000's	$000's	$000's	$000's
Gross trade receivables	74,962	83,799	64,795	79,875
Provisions for doubtful debt	(98)	(49)	0	0
Loans to subsidiaries	0	0	20,749	20,156
Supplier shares	4,114	10,086	4,114	10,086
GST	5,935	7,266	5,169	6,697
Prepayments and other receivables	694	1,800	529	859
	85,607	102,902	95,356	117,673

See note 19 with respect to impairment of trade receivables.

Group receivables denominated in currencies other than the functional currency comprise: USD 39,204,311 of trade receivables denominated in US dollars (2014: USD 57,048,752), AUD 1,795,344 of trade receivables denominated in Australian dollars (2014: AUD 3,128,313), GBP 1,649,905 receivables denominated in Pounds Sterling (2014: GBP 1,156,255), EUR 2,303,423 denominated in Euro (2014: EUR 948,991) and CNY 1,748,646 denominated in Chinese Yuan (2014: CNY Nil). Loans to subsidiaries are repayable on demand and incur no interest.

Doubtful debts for the Group and Parent were $98,000 and $Nil respectively (2014: $49,000 for the Group and $Nil for the Parent).

15 Cash and cash equivalents

	Group		Company	
	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014
	$000's	$000's	$000's	$000's
Bank balances	16,583	13,608	11,493	9,468
Cash and cash equivalents in the statement of cash flows	16,583	13,608	11,493	9,468

The effective interest rate on call deposits in 2015 was 2.60% (2014: 3.20%). The deposits had an average maturity of 30 days (2014: 30 days).

16 Capital and reserves

Reconciliation of movement in capital and reserves:

Group
Attributable to equity holders of the Company

	Hedging reserve	Contingency reserve	Retained earnings	Total
	$000's	$000's	$000's	$000's
Balance at 1 August 2013	133	10,000	106,403	116,536
Total comprehensive income	8,219	0	503	8,722
Transfer to contingency reserve	0	0	0	0
Balance at 31 July 2014	8,352	10,000	106,906	125,258
Balance at 1 August 2014	8,352	10,000	106,906	125,258
Total comprehensive income	(45,313)	0	19,386	(25,927)
Transfer to contingency reserve	0	0	0	0
Balance at 31 July 2015	(36,961)	10,000	126,292	99,331

Company
Attributable to equity holders of the Company

	Hedging reserve	Contingency reserve	Retained earnings	Total
	$000's	$000's	$000's	$000's
Balance at 1 August 2013	(587)	10,000	93,721	103,134
Total comprehensive income	8,448	0	(439)	8,009
Transfer to contingency reserve	0	0	0	0
Balance at 31 July 2014	7,861	10,000	93,282	111,143
Balance at 1 August 2014	7,861	10,000	93,282	111,143
Total comprehensive income	(45,338)	0	16,750	(28,588)
Transfer to contingency reserve	0	0	0	0
Balance at 31 July 2015	(37,477)	10,000	110,032	82,555

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.

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.

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for the year ended 31 July 2015

17 Co-operative shares classified as a liability

As noted in the accounting policies, 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 movement in shares for the Company and Group is as follows:

	31 July 2015	31 July 2014
	$000's	$000's
Share capital		
On issue at 1 August	104,735	95,307
Net Issues	3,722	9,428
On issue at 31 July	108,457	104,735

All issued shares are fully paid.

Each supplier holds one share per kilogram of milk solids supplied to the Company. The Company has six classes of ordinary shares with the same rights attached to all.

At year end, the Company was obligated to acquire $ Nil of shares (2014: $114,034) from shareholders under the Company's constitution and the Co-operative Companies Act 1996.

The number of shares by class is as follows:

	Value per share	31 July 2015 $000's	31 July 2015 No.	31 July 2014 $000's	31 July 2014 No.
"B" class shares	$1.50	26,346	17,563,994	26,382	17,587,719
"C" class shares	$0.70	947	1,353,349	991	1,415,006
"D" class shares	$0.90	663	737,100	686	762,339
"E" class shares	$1.10	358	325,120	374	340,336
"F" class shares	$1.30	1,734	1,333,569	1,785	1,373,012
"G" class shares	$1.50	78,409	52,272,964	74,517	49,678,300
		108,457	73,586,096	104,735	71,156,712

The co-operative shares are repayable under certain conditions, and will mature when shares are redeemed by the shareholder. Co-operative shares may be repaid when the shareholder has ceased trading as a shareholder. Shares may also be repaid if there has been a five year time lapse since the last transaction. Shares carry a right to dividends and a pro rata share of net assets on a wind-up.

18 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate and foreign currency risk, see note 19.

	Group		Company	
Secured bank loans	31 July 2015	31 July 2014	31 July 2015	31 July 2014
	$000's	$000's	$000's	$000's
Non-current liabilities	191,100	108,870	191,100	108,870
Current liabilities	36,500	40,000	36,500	40,000

The Group facilities include:

- A secured overdraft facility of $15,000,000 that is repayable on demand;
- A secured seasonal working capital facilities that varies throughout the period is repayable within 12 months (but expected to be extended annually);
- A secured term loan facility of $100,000,000 that matures on 13 March 2017;
- A secured term facility of $100,000,000 that matures on 17 April 2019 to fund the construction of Dryer 7;
- A secured term facility of $40,050,000 that matures on 06 March 2020 to fund the construction of the UHT plant.

18 Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Period of maturity	Carrying amount 31 July 2015	Carrying amount 31 July 2014
				$000's	$000's
Group					
Secured bank loans	NZD	4.02%	< 12 mths	36,500	40,000
	NZD	4.14%	>2 years	191,100	108,870
Company					
Secured bank loans	NZD	4.02%	< 12 mths	36,500	40,000
	NZD	4.14%	>2 years	191,100	108,870

Interest was charged on the secured bank loans throughout the year at an interest rate between 3.97% and 4.82% (2014: between 3.55% and 4.58%)

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.

19 Financial instruments

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

The Group and Company manage commodity price risks through negotiated supply contracts and forward physical contracts. However, these contracts are for the purpose of the receipt in accordance with the Group and Company's expected usage requirements only and are not accounted for as financial instruments.

Credit risk

In the normal course of business, the Group and Company are subject to credit risk from trade debtors and transactions with financial institutions.

The Group and Company have a credit policy which has been issued to manage this exposure to credit risk. As part of this policy, limits on exposures with counter parties have been set and approved by the Board of Directors and are monitored on a regular basis.

The Group and Company do not have any significant concentrations of credit risk. They do not require any collateral or security to support financial instruments as they only deposit with, or loan to, banks and other financial institutions with high credit ratings. Trade debtors are monitored closely for compliance with terms of trade. The Group and Company do not expect the non-performance of any obligations at balance date. The maximum credit risk is the carrying values of accounts receivables, bank accounts, short term deposits and derivative assets.

Liquidity risk

Liquidity risk represents the Group and Company's ability to meet their contractual obligations. The Group and Company evaluate their liquidity requirements on an on-going basis. In general, the Group and Company generate sufficient cash flows from their operating activities to meet the obligations arising from their financial liabilities and have credit lines in place to cover potential shortfalls. It is the Group and Company's policy to provide credit and liquidity enhancement only to wholly owned subsidiaries. To manage funding risk, the Group and Company's policy is to have no more than $100,000,000 of core debt due to mature over the next 12 months (on a rolling basis) or any rolling 12 month period thereafter.

Foreign currency risk

The Group and Company are exposed to foreign currency risk on forecast sales and trade receivables and borrowings that are denominated in a currency other than the Group and Company's functional currency, New Zealand dollars. The currencies in which transactions are primarily denominated are US dollars and Australian dollars. The Group and Company's treasury policy states that, between 70% and 100% of committed sales, should be covered by derivatives. The proportion of forecast sales that can be covered can range from 0% to 100% depending on the period in which the sales are expected to arise and the level of delegated authority received. The Group and Company use forward exchange contracts and options to hedge their foreign currency risk. Most of the forward exchange contracts have maturities of less than one year at the balance sheet date.

Market risk

The Group and Company enter into derivative arrangements in the ordinary course of business to manage foreign currency and interest rate risks. A financial risk management committee, composed of senior management, provides oversight for risk management and derivative activities. This committee determines the Group and Company's financial risk policies and objectives, and provides guidelines for derivative instrument utilisation. This committee also establishes procedures for control and valuation, risk analysis, counterparty credit approval, and on-going monitoring and reporting.

Interest rate risk

Where core debt exceeds $100,000,000, the Group and Company have a policy of ensuring that their exposure to changes in interest rates on borrowings is fixed 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 $86,500,000 as at 31 July 2015 (2014: $90,000,000).

19 Financial instruments (continued)

Credit risk

The carrying amount of financial assets represents the Group or Company's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or to avoid a possible past due status.

The Group or Company's maximum exposure to credit risk for trade and other receivables at balance date by geographic regions is as follows:

	Group 31 July 2015	31 July 2014	Company 31 July 2015	31 July 2014
	$000's	$000's	$000's	$000's
Carrying amount				
New Zealand and Australia	32,467	34,193	50,853	52,922
Asia	29,303	44,115	28,783	43,991
Middle East and Africa	2,764	4,494	2,764	4,480
Americas	8,384	9,774	8,313	9,746
Europe, Russia and CIS	12,689	10,326	4,643	6,534
	85,607	102,902	95,356	117,673

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

	Gross receivable 31 July 2015	Impairment 31 July 2015	Gross receivable 31 July 2014	Impairment 31 July 2014
	$000's	$000's	$000's	$000's
Trade receivables				
Past due 30 days	15,388	98	8,207	0
	15,388	98	8,207	0

Liquidity risk

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 2015							
Secured bank loans	227,600	249,376	40,707	3,955	106,440	98,274	0
Co-operative shares	108,457	108,457	108,457	0	0	0	0
Trade payables	29,573	29,573	29,573	0	0	0	0
Derivatives	66,247	66,247	21,044	21,433	14,807	8,963	0
Employee benefit liabilities	3,507	3,507	3,507	0	0	0	0
Other payables	3,450	3,450	3,450	0	0	0	0
Total financial liabilities	438,834	460,610	206,738	25,388	121,247	107,237	0
Group as at 31 July 2014							
Secured bank loans	148,870	162,969	42,741	2,444	4,889	112,895	0
Co-operative shares	104,735	104,735	104,735	0	0	0	0
Trade payables	75,393	75,393	75,393	0	0	0	0
Derivatives	1,408	1,408	1,045	285	78	0	0
Employee benefit liabilities	3,146	3,146	3,146	0	0	0	0
Other payables	2,451	2,451	2,451	0	0	0	0
Total financial liabilities	336,003	350,102	229,511	2,729	4,967	112,895	0

19 Financial instruments (continued)

Liquidity risk (continued)

	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 2015							
Secured bank loans	227,600	249,376	40,707	3,955	106,440	98,274	0
Co-operative shares	108,457	108,457	108,457	0	0	0	0
Trade payables	24,577	24,577	24,577	0	0	0	0
Derivatives	64,301	64,301	19,975	20,780	14,584	8,962	0
Employee benefit liabilities	3,145	3,145	3,145	0	0	0	0
Other payables	5,571	5,571	5,571	0	0	0	0
Total financial liabilities	433,651	455,427	202,432	24,735	121,024	107,236	0
Company as at 31 July 2014							
Secured bank loans	148,870	162,969	42,741	2,444	4,889	112,895	0
Co-operative shares	104,735	104,735	104,735	0	0	0	0
Trade payables	72,039	72,039	72,039	0	0	0	0
Derivatives	1,353	1,353	1,022	261	70	0	0
Employee benefit liabilities	2,916	2,916	2,916	0	0	0	0
Other payables	4,691	4,691	4,691	0	0	0	0
Total financial liabilities	334,604	348,703	228,144	2,705	4,959	112,895	0

Co-operative shares have been included as being repayable within six months. This is the shortest timeframe that the liability may be settled. Cash flows from settlement of this liability are expected to occur significantly further into the future than the shortest timeframe of the contractual cash flows.

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

Foreign currency exchange risk
The Group's exposure to foreign currency risk can be summarised as follows:

	Group	Company
	$000's	$000's
As at 31 July 2015		
Trade receivables	69,571	60,153
Forward exchange contracts and options	69,571	60,153
Net unhedged exposure	0	0

	Group	Company
	$000's	$000's
As at 31 July 2014		
Trade receivables	74,481	69,905
Forward exchange contracts and options	74,481	69,905
Net unhedged exposure	0	0

The Company's exposure to foreign currency risk is limited to its trade receivable and forecast sales which are denominated in United States dollars, Australian dollars, Euros, Pounds Sterling and Chinese Yuan.

19 Financial instruments (continued)

Interest rate risk – re-pricing analysis
The Company and the Group are exposed to interest rate risk on borrowings (note 18) and call deposits (note 15).

The interest receivable on call deposits is fixed, but is re-priced within a period not exceeding 6 months.

The interest repayable on borrowings is variable based on the LIBOR rates.

Capital management
The Group's capital includes share capital, including co-operative shares classified as liabilities, reserves and retained earnings.

The Group's policy is to maintain 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 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 Group is not subject to any other externally imposed capital requirements.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

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

Sensitivity analysis
In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 July 2015, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $2,181,000 (2014: $1,489,000). 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.

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 by approximately $6,724,000 for the period ended 31 July 2015 (2014: $8,271,000). 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.

Hedging
Forecast transactions
The Group classifies its forward exchange contracts and options hedging forecast transactions as cash flow hedges.

The net fair value of the Group's forward exchange contracts and options used as hedges of forecast transactions at 31 July 2015 was $48,920,000 liability (2014: $9,587,000 asset), comprising assets of $556,000 (2014: $10,372,000) and liabilities of $49,476,000 (2014: $785,000).

The cash flows from the hedged transactions are expected to occur within 24 months of balance date.

Recognised assets and liabilities
The fair value of forward exchange contracts and options used as economic hedges of monetary assets and liabilities in foreign currencies at 31 July 2015 was $2,000 asset and $16,771,000 liability, (2014: $4,536,000 asset and $623,000 liability) recognised in fair value derivatives.

19 Financial instruments (continued)

Classification and fair values

	Note	Derivatives instruments in designated hedge accounting relationship	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	15	0	16,583	0	16,583	16,583
Trade and other receivables	14	0	84,913	0	84,913	84,913
Derivatives		539	0	0	539	539
Total current financial assets		539	101,496	0	102,035	102,035
Total financial assets		558	101,496	0	102,054	102,054
Liabilities						
Loans and borrowings	18	0	0	191,100	191,100	191,100
Derivatives		23,770	0	0	23,770	23,770
Total non-current financial liabilities		23,770	0	191,100	214,870	214,870
Loans and borrowings	18	0	0	36,500	36,500	36,500
Trade payables		0	0	29,573	29,573	29,573
Other payables		0	0	3,450	3,450	3,450
Derivatives		42,477	0	0	42,477	42,477
Employee benefit liabilities		0	0	3,507	3,507	3,507
Co-operative share capital	17	0	0	108,457	108,457	108,457
Total current financial liabilities		42,477	0	181,487	223,964	223,964
Total financial liabilities		66,247	0	372,587	438,834	438,834

	Note	Derivatives instruments in designated hedge accounting relationship	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	15	0	11,493	0	11,493	11,493
Trade and other receivables	14	0	94,827	0	94,827	94,827
Derivatives		89	0	0	89	89
Total current financial assets		89	106,320	0	106,409	106,409
Total financial assets		96	106,320	0	106,416	106,416
Liabilities						
Loans and borrowings	18	0	0	191,100	191,100	191,100
Derivatives		23,547	0	0	23,547	23,547
Total non-current financial liabilities		23,547	0	191,100	214,647	214,647
Loans and borrowings	18	0	0	36,500	36,500	36,500
Trade payables		0	0	24,577	24,577	24,577
Other payables		0	0	5,571	5,571	5,571
Derivatives		40,754	0	0	40,754	40,754
Employee benefit liabilities		0	0	3,145	3,145	3,145
Co-operative share capital	17	0	0	108,457	108,457	108,457
Total current financial liabilities		40,754	0	178,250	219,004	219,004
Total financial liabilities		64,301	0	369,350	433,651	433,651

19 Financial instruments (continued)

Classification and fair values (continued)

	Note	Derivatives instruments in designated hedge accounting relationship	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 2014						
Assets						
Derivatives		270	0	0	270	270
Total non-current financial assets		270	0	0	270	270
Cash and cash equivalents	15	0	13,608	0	13,608	13,608
Trade and other receivables	14	0	101,102	0	101,102	101,102
Derivatives		14,638	0	0	14,638	14,638
Total current financial assets		14,638	114,710	0	129,348	129,348
Total financial assets		14,908	114,710	0	129,618	129,618
Liabilities						
Loans and borrowings	18	0	0	108,870	108,870	108,870
Derivatives		78	0	0	78	78
Total non-current financial liabilities		78	0	108,870	108,948	108,948
Loans and borrowings	18	0	0	40,000	40,000	40,000
Trade payables		0	0	75,393	75,393	75,393
Other trade payables		0	0	2,451	2,451	2,451
Derivatives		1,330	0	0	1,330	1,330
Employee benefit liabilities		0	0	3,146	3,146	3,146
Co-operative share capital	17	0	0	104,735	104,735	104,735
Total current financial liabilities		1,330	0	225,725	227,055	227,055
Total financial liabilities		1,408	0	334,595	336,003	336,003

	Note	Derivatives instruments in designated hedge accounting relationship	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 2014						
Assets						
Derivatives		0	0	0	0	0
Total non-current financial assets		0	0	0	0	0
Cash and cash equivalents	15	0	9,468	0	9,468	9,468
Trade and other receivables	14	0	116,814	0	116,814	116,814
Derivatives		13,873	0	0	13,873	13,873
Total current financial assets		13,873	126,282	0	140,155	140,155
Total financial assets		13,873	126,282	0	140,155	140,155
Liabilities						
Loans and borrowings	18	0	0	108,870	108,870	108,870
Derivatives		70	0	0	70	70
Total non-current financial liabilities		70	0	108,870	108,940	108,940
Loans and borrowings	18	0	0	40,000	40,000	40,000
Trade payables		0	0	72,039	72,039	72,039
Other trade payables		0	0	4,691	4,691	4,691
Derivatives		1,283	0	0	1,283	1,283
Employee benefit liabilities		0	0	2,916	2,916	2,916
Co-operative share capital	17	0	0	104,735	104,735	104,735
Total current financial liabilities		1,283	0	224,381	225,664	225,664
Total financial liabilities		1,353	0	333,251	334,604	334,604

19 Financial instruments (continued)

Fair value estimation

The fair value of financial instruments traded in active markets is based on the quoted market prices at the balance date. A market is regarded as active if quoted prices 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.

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 the 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

	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 Financial instruments (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 2014				
Assets				
Foreign exchange contracts	0	14,864	0	14,864
Options - foreign exchange	0	44	0	44
Total assets	0	14,908	0	14,908
Liabilities				
Foreign exchange contracts	0	(1,388)	0	(1,388)
Options - foreign exchange	0	(20)	0	(20)
Total liabilities	0	(1,408)	0	(1,408)
Company as at 31 July 2014				
Assets				
Foreign exchange contracts	0	13,829	0	13,829
Options - foreign exchange	0	44	0	44
Total assets	0	13,873	0	13,873
Liabilities				
Foreign exchange contracts	0	(1,333)	0	(1,333)
Options - foreign exchange	0	(20)	0	(20)
Total liabilities	0	(1,353)	0	(1,353)

20 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	As at 31 July 2015	As at 31 July 2014	As at 31 July 2015	As at 31 July 2014
	$000's	$000's	$000's	$000's
Less than one year	1,739	1,562	940	758
Between one and five years	3,432	3,335	1,394	930
More than five years	0	1,089	0	0
	5,171	5,986	2,334	1,688

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

21 Capital commitments

During the year ended 31 July 2015 the Group entered into contracts to purchase property, plant and equipment. Capital commitments under these contracts as at 31 July 2015 totalled $41,397,000 (2014: $90,440,000).

22 Contingencies

There are no significant contingent assets or liabilities at 31 July 2015 or 31 July 2014.

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

		Group		Company	
		12 mths to 31 July 2015	12 mths to 31 July 2014	12 mths to 31 July 2015	12 mths to 31 July 2014
	Note	$000's	$000's	$000's	$000's
Profit (loss) for the period		19,386	503	16,750	(439)
Non-cash items in operating profits					
Depreciation	10	23,728	22,414	22,704	21,513
Amortisation	11	2,098	1,836	2,065	1,805
Loss / (gain) on sale of assets		(92)	(29)	24	0
Unrealised foreign exchange losses / (gains)		10,226	(2,797)	8,427	(2,779)
Movement in deferred tax		(1,496)	(342)	(1,540)	(433)
		53,850	21,585	48,430	19,667
Movements in other working capital items					
Accounts payable		6,982	(261)	5,089	(3,259)
Payments to milk suppliers		(51,442)	23,617	(51,442)	23,617
Taxation		4,107	(8,419)	4,075	(6,839)
Accounts receivable		17,295	(18,224)	22,317	(18,719)
Inventory		(3,842)	9,452	(4,104)	9,409
		(26,900)	6,165	(24,065)	4,209
Less items classified as investing and financing activities					
Issue of shares		(5,640)	10,018	(5,640)	10,018
Purchase of fixed assets		0	556	0	556
Loans with subsidiaries		0	0	0	4,220
Cash flow from operations		21,310	38,324	18,725	38,670

24 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 $340,141,000 (2014: $522,022,000) for the Group and the Company. The prior year included a $20,732,000 milk accrual that the Board has subsequently taken as a retention in 2015.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 July 2015

24 Related parties (continued)

	31 July 2015	31 July 2014
	$000's	$000's
Key management personnel compensation comprised:		
Short term employee benefits	5,480	3,904
Directors remuneration	769	676

Other related party transactions

	Transaction value		Balance outstanding	
	31 July 2015	31 July 2014	31 July 2015	31 July 2014
	$000's	$000's	$000's	$000's
Purchase of goods and services – subsidiaries	0	0	0	0
Sale of goods and services - subsidiaries	5,529	8,688	493	1,053

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 (2014: $2,606,500) included in other trade payables.

The Company has made loans (in lieu of share capital) to Westland Milk Products Investments Limited and Hokitika Holiday Park Limited of $19,100,000 (2014: $18,507,000) and $1,649,000 (2014: $1,639,000) respectively.

25 Group entities

Significant subsidiaries

	Principal activity	Country of Ownership Incorporation	Interest (%) 31 July 2015	31 July 2014	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	Tourism	NZ	100%	100%	31 July
Westland Milk Products (Shanghai) Company Limited	FMCG Distribution	CH	100%	0%	31 July

On 12 November 2014, Westland Milk Products (Shanghai) Company Limited was created as a wholly foreign-owned subsidiary of Westland Milk Products Investments Limited.

26 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
MT Havill (Retired Nov 14)	20,000
HR Little (Elected Nov 14)	40,000
RM Major	60,000
BM O'Connor	60,000
BJ Paterson	60,000
NJ Robb	60,000
KM Robertson	60,000
KR Smith	64,000
BPD Taylor (Appointed Nov 14)	40,000
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 2015.

Easiyo Products (Australia) Limited: RJ Quin, KL Wallace

Easiyo Products Limited: MG Eng, RK Lourie, N Robb, RJ Quin, MT Teen

Easiyo Limited [USA]: RJ Quin, KL Wallace

Easiyo Products (UK) Limited: RJ Quin, KL Wallace

Hokitika Holiday Park Limited: RJ Quin, KL Wallace

Westland Milk Products Investments Limited: MJ O'Regan, RJ Quin, KL Wallace

Westland Milk Products (Shanghai) Company Ltd [PRC]: MJ O'Regan, RJ Quin, 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 2014 to 31 July 2015:

FT Dooley	Director of Cranley Farms Limited
KR Smith	Chairman of H J Asmuss & Co Limited
HR Little	Director of Westpower Limited and associated and subsidiary companies, Director of Electronet Limited and associated and subsidiary companies, Director of Amethyst Hydro Limited, Director of Mitton Electronet Limited, Director of Electronet Transmission Limited and associated and subsidiary companies, Director and shareholder of Lilyvale Farms Limited, Director and shareholder of Stations 2004 Limited, Director and shareholder of Eastgate 2004 Limited, Shareholder of Westland Co-operative Dairy Company Limited, Director of West Coast Development Holdings Limited, Director of Bold Head Farm Limited, Shareholder of Rydan Farms 2005 Limited, Trustee of Development West Coast
BPD Taylor	Investor in Challenge Fund, Director, founder and consultant of Brent Taylor and Associates Limited, Director of MHW Group Limited, Director of New Zealand Wineries Limited, Director of NZW Holding Company Limited.

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

LOANS TO DIRECTORS
A loan was made to Mike Havill and associated persons on 1 September 2014 by way of financial assistance, as generally available to shareholders for the acquisition of shares in September 2014, relating to 2014-15 season growth shares. The total amount of the loan was $32,407 and the loan was repaid, together with interest calculated on a daily basis and charged at the interest rate of 6.05 % p.a., by the due date of 20 February 2015.

The Board approved such loans to Directors at their meeting on 29 July 2014.

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 2015:

Remuneration Range	Number of employees
$760,000-770,000	1
$450,000-460,000	2
$390,000-400,000	1
$360,000-370,000	1
$280,000-290,000	1
$270,000-280,000	1
$250,000-260,000	1
$230,000-240,000	2
$220,000-230,000	1
$190,000-200,000	1
$180,000-190,000	2
$170,000-180,000	2
$160,000-170,000	3
$150,000-160,000	4
$140,000-150,000	8
$130,000-140,000	3
$120,000-130,000	13
$110,000-120,000	15
$100,000-110,000	23
	85

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 24th August 2015 that the Company has, throughout the accounting period to 31 July 2015, 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
Hugh Little Dip Dairy Technology
Bob Major MSc
Bede O'Connor BCom
Barry Paterson BCM, Pg Dip Marketing
Noel Robb BCM
Keith Smith BCom, FCA
Kirsty Robertson MA
Brent Taylor BBS

Chief Executive Officer
Rod Quin B.Tech(Hons), Dip Business (Operations)

Chief Financial Officer
Kim Wallace BBS – Accountancy

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

General Manager China & Marketing
Gregg Wafelbakker B.Tech

General Manager Ingredients Sales
Rick Walker LLB

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

General Manager Shareholder Services
Tony Wright BAg Com

General Manager Innovation
Michael Teen BSc Hons (1st Class), Dip IS&T Innovation

Company Secretary
Mark Lockington NZCE, BCM, CA

Chief Executive Officer EasiYo
Brian Dewar BAgSc(Hons)

Bankers
HSBC, ASB, Westpac

Auditors
Deloitte

Insurance Brokers
Willis NZ


Paul and Alan Berry

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GROUND
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