TATUA

The Tatua Co-operative Dairy Company Limited

2015

ANNUAL REPORT

CONTENTS

TATUA **TAONGA**

These three taonga (treasures) were unveiled on 22 June 2015 by the Reverend Jack Wirihana from Ngāti Hauā and Mrs Pier Pilkington from Tatua, in conjunction with the blessing ceremony for the Company's new specialised powders dryer.

KETE (BASKET)

A kete is a basket, often woven with New Zealand native harakeke (flax). To Māori the kete represents knowledge and development.

This kete, woven by Candice Wheki from Ngāti Hauā, was presented at Tatua's centennial gala dinner on 8 November 2014 in the presence of 700 invited guests, shareholders and staff.

This kete represents the three baskets that carry the knowledge explained in the Maori legend of Tāwhaki's journey. Similar to Tatua's history, the trials Tāwhaki faced on his journey, forced him to use his determination, strength and perseverance to achieve success.

According to Tainui tradition (Waikato tribe), Tāwhaki, who was one of the supernatural inhabitants of Hawaiki, went in search of the three baskets containing;

- Knowledge of those things good for man,
- Karakia (prayer), and
- Knowledge of those things not good for man.

These baskets were located in the heavens, so he ascended using the stairway to heaven (poutama) - the stepped pattern seen in the kete. He faced many trials on his journey, but through his determination, strength and perseverance, he was successful in returning to earth with the baskets.

TATUA (BELT)

A tatua is a belt woven from harakeke (flax). It is worn by a Māori chief or warrior to carry their most prized and special tools. It sits across the abdomen, and as such, symbolises the protection and enrichment of future generations.

The tatua is woven, strong, durable, and can be passed from generation to generation. It holds close the knowledge gathered in the kete, particularly as it relates to people and the environment.

This tatua, designed and created by Wini Wilson from Ngāti Hauā, was presented at the Company's centennial gala dinner on 8 November 2014, along with the kete.

Below is a full explanation of the design:

- The single line joining the three poutama (diamond shapes) together shows Tatua's independence.
- The two levels between each poutama symbolise the fluctuations in the company's fortunes, and their placement between each poutama, signifies that these fluctuations have been overcome.
- The Niho taniwha (saw edged pattern - prominent to Waikato) represents the region. The red at the base is a representation of the sweat and blood that it takes to toil the land, while the black above represents the elements that are needed for production. The interchange of colours symbolise that what is taken from the taiao (environment) and the people, is given back to the taiao and the people.
- At each end of the tatua is a half poutama, when joined, they become a completed poutama yet to be filled, signifying the future of Tatua.

The name Tatua has great meaning for our company.

At Tatua we bring people and knowledge together. In essence, the name Tatua defines who we are and what we do.

Our purpose is in our name.

TOKI (ADZE)

A toki is an adze, traditionally made from stone and used as a tool.

The tatua carries the toki. The toki had much meaning to Māori. It was an essential tool for the survival of day-to-day life of a Māori tribe. It was a carving tool to which Māori attribute the spiritual meaning of strength, power, and triumph over adversity.

This toki was found on the SB & BL Allen family farm, originally known as Annandale (Tatua Supply No. 1). It probably dates from the early period of settlement by Māori in New Zealand. The toki was blessed in the autumn of 2015 by the Reverend Jack Wirihana, an elder from Ngāti Hauā, in the presence of Stephen Allen – Tatua Chairman. It was gifted to Tatua by the Allen family, and was unveiled with the tatua and the kete.

The toki is a special tool that symbolises the hard work and industry required to produce food, and the connection between people working the land and the people at the factory processing the milk. There is mutual interdependence between Tatua and its farmers.

NGĀTI HAUĀ

Ngāti Hauā is the iwi whose ancestral lands span a significant area of the Eastern Waikato.

Tatua, and its shareholder farms are situated at the northern end of the Ngāti Hauā tribal region.

2015

The Year in Review

REPORT FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

TATUA HAS GREAT MEANING FOR US

The 2014/15 financial year was Tatua's 101st year of operation. Tatua could best be described as "101 years young". The centenary celebrations of 2014 were a unique opportunity to better understand and celebrate our past. Of equal importance however, was to take the opportunity that the centenary year presented to strengthen and develop the engagement of our people. We believe people at Tatua really make the difference. When we refer to people we specifically mean our shareholders, our staff, our customers, and our community.

After such a wonderful centenary year we wanted to capture the momentum and excitement that had been generated to forge into our 101st year. We wanted to make the first year of our new centenary one that was full of energy and purpose. For Tatua, the concept of continually evolving our business to meet new challenges and capture new opportunities is fundamental.

Our vision "building the future of specialised dairy" and our six values, or behaviours, are the foundation which supports us as one team and gives our work meaning and direction.

There is a story behind the name Tatua which we have been very fortunate to further develop and explore during the year. In 2014 we were presented with two treasures from our local iwi, Ngāti Hauā. These taonga included our own tatua and a kete, which along with a toki, were unveiled by the Reverend Jack Wirihana of Ngāti Hauā in the winter of 2015. The full story and the meaning behind these treasures is outlined on pages 2-3 in this report. This Triune was developed collaboratively between Ngāti Hauā and Tatua. In essence, Tatua's purpose is in our name.

FINANCIAL SUMMARY

Tatua generated Group revenue of NZ$286 million for the 12 month period to 31 July 2015. Earnings before payout, taxation and retention were $121.1 million, which equated to $7.73 per kilogram of qualifying milksolids.

The Board decided on a final cash payout of $7.10 per kilogram of milksolids. A pre-tax retention of 63 cents per kilogram of milksolids was made from earnings. This will ensure we continue to have the financial strength necessary to invest in new plant, equipment and infrastructure to support our strategy of growing our Specialised Added Value business and making our business more sustainable.

Cash flow was strong throughout 2014/15, and pleasingly, the Company incurred no doubtful or bad debts during the year.

Our average foreign exchange conversion rate in NZD/USD terms was 0.7570.

INTERNATIONAL DAIRY MARKET OVERVIEW

2014/15 was a remarkable year in the global market.

Following the 2013/14 year where dairy markets were strong, 2014/15 was the complete reverse with demand falling (especially in the two biggest dairy import markets of China and Russia).

On the supply side, the world was awash with milk as producers everywhere responded to the earlier high prices. Climatic conditions for dairy production were favourable in most countries, feed costs were low, and European milk quotas were removed for the first time in 30 years. Too much milk met too little demand and global prices tumbled.

Benchmark whole milk powder (WMP) on the Global Dairy Trade Auction dropped from USD3,250 per metric tonne to USD1,850 per metric tonne - a reduction of 43% over the year.

Stephen Allen
CHAIRMAN

Paul McGilvary
CHIEF EXECUTIVE OFFICER

Despite the weak market, Tatua enjoyed a product mix advantage versus milkpowder for the whole year and the falling milk price increased the margins on our Specialised Added Value products more than we had anticipated. This gave us a real earnings advantage versus commodity milkpowder companies.

Tatua own-supply milk reached 15.66 million kilograms of milksolids, a new record for the Company.

STRATEGIC PROGRESS

Despite declining market conditions, we continued to implement our 2013-18 strategic plan at pace.

The plan includes four strategic themes:

1. Grow Tatua's earnings premium over the New Zealand milk price.
2. Make our business more sustainable.
3. "One Team" through a common purpose, vision and values.
4. Attract, develop and retain great people.

The key initiatives during the year, to grow our earnings premium, included the completion and commissioning of our new specialised powders dryer. This new dryer will enable Tatua to expand both the range and quantity of specialised powders including flavours, bionutrients, and hydrolysates.

The dryer was completed on time at a cost of $64.5 million, $1 million less than budget. We expect the new dryer will allow Tatua to become one of the leading producers of specialised powders in the world in years to come.

The second major initiative to improve our earnings premium was the establishment of new subsidiary sales and marketing companies in China and the United States. Tatua Shanghai and Tatua USA will allow us to provide; better technical support to our customers, better control the supply chain for our products, and greater market intelligence. Both companies were fully resourced during the year and both have now commenced business operations.

Along with Tatua Japan, we now have the platform to provide even greater customer service in our key markets.

In terms of sustainability, we maintained a very strong balance sheet throughout the year, ending with a gearing ratio of 36.6%. This was well below the 47% ratio predicted in the business case for our new dryer. A strong balance sheet is essential for Tatua to invest in new business opportunities and time our sales programme to meet the market.

Other key sustainability initiatives in 2014/15 included:

1. Substantial progress on our new Enterprise Resource Planning system. The inception phase of this new computer system is complete and we expect implementation to begin in 2016.
2. Renewal and expansion of our critical water take and storm water discharge consents.
3. Development and implementation of our health and safety framework. At the end of the year we were granted the highest Accident Compensation Corporation accreditation for our health and safety system.
4. We issued an additional 800,000 Milk Solids Supply Entitlements to our shareholders and we made a "one for one" bonus issue of shares to return some of our earlier retentions to shareholders. Growth options for our suppliers' businesses are crucial to Tatua's sustainability.

Tatuanui School children assist Director David Muggeridge with the riparian planting.

5. We participated fully in a number of key industry initiatives, such as, containment of the threat to contaminate New Zealand infant formula with 1080 poison and a review of the state of competition in the New Zealand dairy industry. Tatua took a leading position on both of these matters and received much commendation for this.
6. In 2014/15 we completed our two yearly staff culture survey with 81% of staff responding. A 76% result for staff engagement was a welcome endorsement of the many people initiatives we have undertaken over the last few years. This was perhaps the most important result of all in 2014/15.
7. Finally, we recruited new staff and completed development activities for many of our people. At Tatua we recognise people are absolutely our most precious resource and we focused hard on continuing to recruit, retain, and develop them during the year.

DIRECTORS

Messrs Stephen Allen and David Muggeridge retired by rotation during the year. Both offered themselves for re-election and were both re-elected for further three year terms.

OUTLOOK 2015/16

In announcing a strong result for 2014/15, we are mindful that the 2015/16 year will be more challenging. Demand remains fragile, climatic conditions are uncertain and we anticipate continuing volatility in prices and exchange rates. Despite this, we expect our focus on Specialised Added Value products to continue to hold us in good stead.

Our expected earnings for 2015/16 is $6.00 per kilogram of milksolids and our opening advance milk price is $4.20 per kilogram of milksolids. These will both be reviewed when we undertake our first reforecast for the year in November 2015.

Tatua continues to focus on all aspects of sustainability; environmental, financial and social. Our Company is made up of 87 farming families and 330 employees and their respective families. Long-term confidence and stability for our stakeholders is paramount, to allow Tatua to continue its strategy of adding value to our shareholders milk.

COMMUNITY INITIATIVES

As part of our centennial year, Tatua received contributions from three of our key partners, BNZ, Port of Tauranga, and Willis (NZ) Ltd. In collaboration with these three friends, we established a fund to support our four local schools.

During the year we provided funds to support the following initiatives:

Tatuanui School

Gazebo for sun protection on sports days.

Springdale School

Technology and microscopes to support its science programme.

Morrinsville Intermediate

Contribution towards a new astro turf sports area.

Morrinsville College

Contribution towards the new agri-hub centre.

Our children are our future and we believe it is important to inspire and support them from their earliest days.

In addition to financial support, we hosted many students at Tatua during the year. These visits include a presentation about the Company, introduction to staff from different areas of the business, product tasting, and a site tour. Our intention is to provide the students with an insight into the

career opportunities that exist in a business such as Tatua. As a multi-dimensional food and nutritionals company, the students get a sense of the opportunities that exist in science, technology, commerce, international trade, and environmental sustainability. We also talk about our vision and values and the importance of leadership and developing people.

During the year we hosted visits from:

Ngāti Hauā

Waikato University

Lincoln University

St Peter's School

Springdale School

We also provided scholarships for high performing undergraduate students to undertake post graduate studies, including practical work at Tatua. In 2014/15 our scholarship student was Joshua Juwono from The University of Waikato. Joshua, while at Tatua, focused on the enhancement of flavours through enzymatic release of glutamate.

ACKNOWLEDGEMENTS

People are fundamental to Tatua. Other assets can be replicated but people are the unique differentiator for our company.

We wish to acknowledge all those people who contribute so much to the performance of Tatua.

Firstly, our customers. No customers, no business, it's that simple. We sincerely thank you for trusting us with your critical supplies, and we assure you of our deep commitment to meeting your requirements on a long term basis.

The suppliers of goods and services. Our quality depends on your quality. The support you give us is fantastic.

Our shareholders. Your loyalty and commitment to Tatua is unquestioned. Once again you have supplied milk of the highest quality, but more than that, you have willingly committed resources to allow us to continue to build Tatua into an iconic New Zealand company. A co-operative is only as strong as its members and you demonstrate every day the strength which allows Tatua to flourish.

Finally, the staff. You are the people who day in and day out add value to our farmers' milk. Our staff survey tells us you are a highly motivated capable team. We are proud of you and feel privileged to work with you.

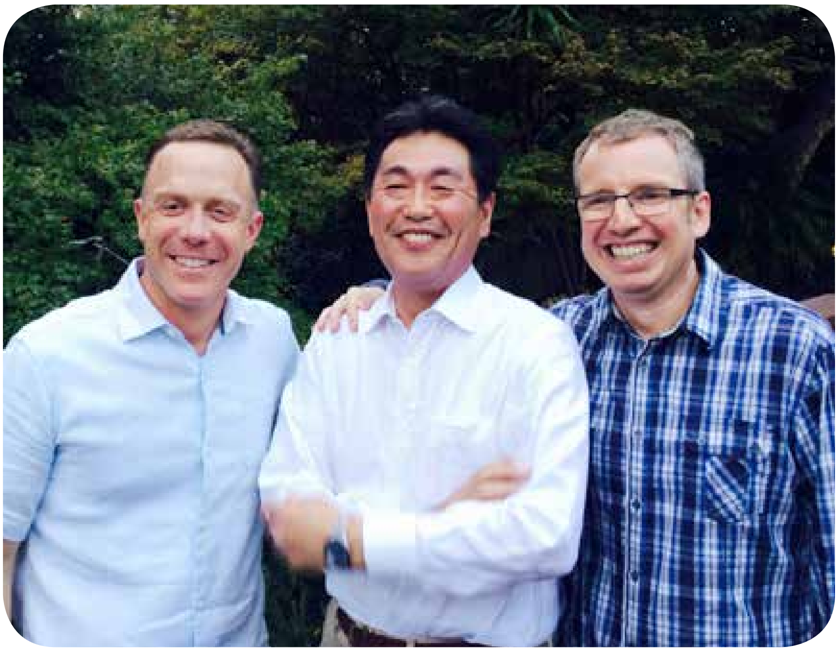
Our thanks to you all... without you Tatua would not exist.

S. B. Allen

Stephen Allen CHAIRMAN

Paul McGilvary CHIEF EXECUTIVE OFFICER

TATUA USA TATUA japan TATUA shanghai



Presidents of Tatua subsidiaries, from left: Peter Cheplick - Tatua USA, Shin Mitarai - Tatua Japan, and James Gordon - Tatua Shanghai.

WE'VE ESTABLISHED TWO NEW **OFFSHORE SUBSIDIARY COMPANIES**

As part of our strategy this year, Tatua set up two new offshore subsidiary offices in China and the USA.

Along with Tatua Japan we now have sales offices in our key markets. Tatua Shanghai has three staff based in Xintiandi, Shanghai led by President James Gordon.

Tatua USA, based in Center Valley, Pennsylvania has two staff, led by President Peter Cheplick.

These new sales and marketing offices mean we can provide better technical support to our customers, better control the supply chain for our products, and obtain better market intelligence.

3RD DRYER UNDERPINS OUR **SPECIALTY PRODUCTS DEVELOPMENT**

Tatua's 3rd dryer was completed on time and under budget this year.

As the largest single investment in Tatua's history, this specialty products dryer (Dryer 3) has increased our capacity to make specialised powders by 6,000 metric tonnes per year.

It will enable Tatua to take a leading position in the world for specialised powders, with increased capacity and compliance. It has also allowed Tatua to reach much higher regulatory and customer standards.

TATUA PROVIDES SUPPORT TO **COMMUNITY & SCHOOLS**

Our children are our future and we believe it is important to inspire and support them from their earliest days. This year Tatua provided funds to local schools, including Tatuanui School, Springdale School, Morrinsville Intermediate and Morrinsville College for various educational and sporting requirements.

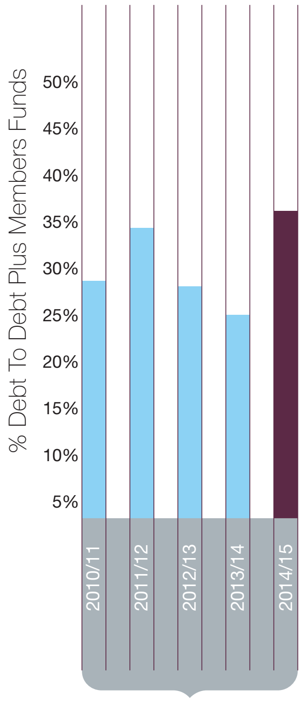
In addition to sponsorship, Tatua has hosted some of these students and others at our Tatua site, introducing them to staff from different areas of the business.

This support shows our local children career opportunities available at Tatua and an awareness of the qualifications and skills necessary to work in different parts of their community.

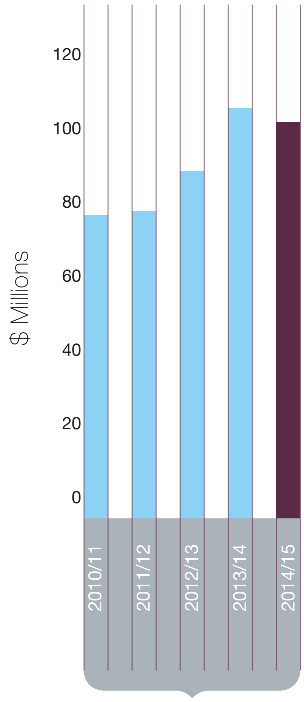
2014/2015

KEY FINANCIAL PERFORMANCE **SUMMARY**

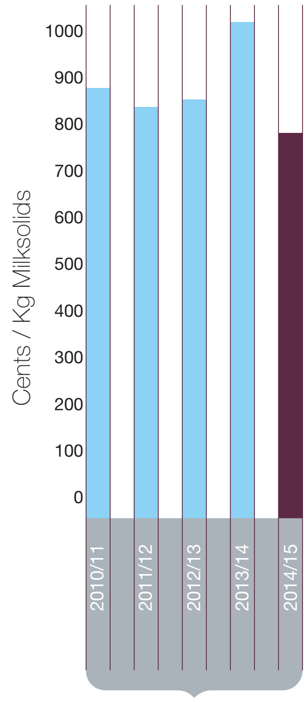
		2014/15	2013/14
Milk Received from Suppliers	litres	173,353,171	147,647,758
Milksolids Received from Suppliers	kg m'solids	15,663,949	13,223,427
Group Revenue	$	$285,767,169	$266,489,220
Group Surplus Before Payout & Tax	cts/kg m'solids	773.2	1,031.6
Group Depreciation	cts/kg m'solids	50.0	52.3
Cash Payout to Suppliers	cts/kg m'solids	710.0	900.0
Capital Expenditure	$	$58,824,623	$15,838,550
Group Assets	$	$241,418,570	$179,953,234
Gearing: Debt to Debt + Equity	%	36.6%	25.2%



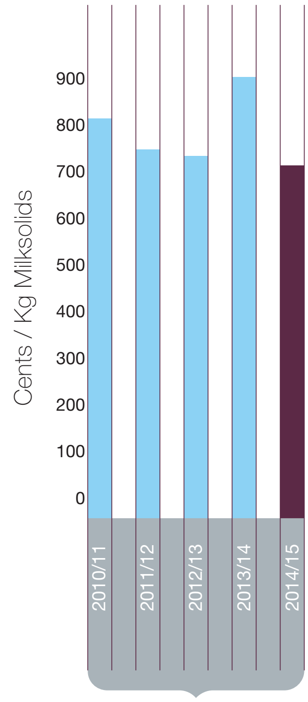
Gearing



Members Funds



Group Surplus before Payout, Tax & Retention



Payout – Income Equivalent

STATUTORY INFORMATION

PRINCIPAL ACTIVITIES

The principal activity of the Group is the collection of milk from Shareholders and processing this milk into a diverse range of products which are sold in domestic and international markets.

CO-OPERATIVE COMPANY

The Board of Directors resolved on the 24th July 2015 that, in the opinion of the Board, the Company has been a co-operative company during the year ended 31st July 2015 because its principal activity has been processing and marketing products derived from milk supplied by its shareholders and because 100% of the voting rights in the Company are held by those Shareholders.

ROLE OF THE BOARD

Tatua's Board of Directors is committed to managing the Group in an ethical and professional manner, and in the best interests of the Company and its Shareholders.

Key responsibilities of the Board include:

- Setting the strategic direction for Tatua and establishing policies to support the effective management of the company;
- Appointing and reviewing the performance of the CEO;
- Setting the terms of CEO and executive management employment;
- Monitoring the financial performance of the Company, and Tatua's risk management;
- Ensuring that Tatua has robust corporate governance practices;
- Ensuring Tatua's regulatory and legislative compliance; and
- Ensuring Tatua has a robust health and safety process which protects all people associated with the Company.

The Board and Management are committed to continuous improvement and achieving governance practices which meet best practice.

FRAMEWORK

The Board delegates the day-to-day operations of the Company to the CEO through a framework of formal delegations.

The Company's corporate governance framework includes the Company's Constitution, Charter, Terms of Reference for the Board's Committees and a range of policies including Ethics, Risk Management, Environment, Health & Safety, and policies and procedures for employees.

BOARD COMPOSITION

The Board can have up to seven elected directors from Shareholders, and up to three appointed directors. Pursuant to the Constitution of the Company, one third of elected directors retire by rotation each year. Stephen Allen and David Muggeridge retired by rotation during the year and were re-elected.

BOARD MEETINGS HELD DURING THE YEAR

	Meetings Attended
Stephen Allen (Chairman)	10
Kevin Old	10
Mark Dewdney	8
John Luxton	10
David Muggeridge	10
Peter Schuyt	9
Ross Townshend	10
Bruce Wilton	10
Board Meetings Held	**10**

BOARD COMMITTEES

People and Remuneration Committee:

Membership comprises Kevin Old (Chairman), Stephen Allen, Ross Townshend, Bruce Wilton and Mark Dewdney. The function of the committee is to assist the Board in ensuring the organisation fulfils its remuneration, performance management and organisational development needs. It also assists with senior management appointments.

Finance, Audit and Risk Committee:

Membership comprises Peter Schuyt (Chairman), John Luxton, David Muggeridge, Kevin Old and Mark Dewdney. The function of the committee is to assist the Board in ensuring the organisation fulfils its audit, legal, financial and risk management obligations and responsibilities. Approval of the annual accounts is undertaken by the full Board.

Farm Advisory Committee:

Membership comprises David Muggeridge (Chairman), Stephen Allen and Bruce Wilton. The function of the committee is to assist the Board in ensuring the Company fulfils its governance and related responsibilities in regard to company owned land used for dairy farming purposes.

AD HOC COMMITTEES

Dryer 3 Project Governance Group:

Membership comprises Ross Townshend (Chairman), Stephen Allen, Kevin Old and Peter Schuyt. The function of the committee is to oversee the Dryer 3 project.

DIRECTORS' REMUNERATION

Directors' remuneration is approved by shareholder resolution at the Annual General Meeting based upon a recommendation from the Directors' Remuneration Committee, which is comprised of non-Director shareholders. The following persons held office as Director during the year and received the following remuneration:

Stephen Allen	$105,000
Mark Dewdney	$41,500
John Luxton	$41,500
David Muggeridge	$54,700
Kevin Old	$61,100
Peter Schuyt	$56,500
Ross Townshend	$65,900
Bruce Wilton	$41,500
	$467,700

DIRECTORS' SHAREHOLDINGS

At 31 July 2015 Directors held the following shares in the Company:

	Beneficially Held	Non-Beneficially Held	Held By Associated Persons
Stephen Allen	1,742,450	-	933,150
John Luxton	5,140,410	-	2,739,550
David Muggeridge	1,138,240	-	-
Kevin Old	1,304,490	-	2,751,660
Mark Dewdney	1,442,750	-	-
Bruce Wilton	1,415,310	-	-

DIRECTORS' INSURANCE

The Company paid insurance premiums during the year for Directors and Officers Liability Insurance as permitted by the Constitution and the Companies Act 1993. This insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or related body corporate) incurred in their capacity as Director or executive employee unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

DISCLOSURE OF INTERESTS

Directors have declared that they are to be regarded as having an interest in any contract that may be made with entities below by virtue of their directorship or membership of those entities.

All elected Directors, in their capacity as Supplying Shareholders, conduct business with the Company. Directors who hold shares in the Company do so on the basis that they are Supplying Shareholders.

Stephen Allen

Director	Claybrook Farms Ltd
Director	Claybrook No 7 Ltd
Director	Claybrook South Ltd
Director	RDGP Ltd
Director	RDL Dairies Ltd
Director	Mowata GP Ltd
Director	Philip Yates Securities Ltd
Director	Cheadle Farms Ltd
Director	Bendigo Terrace Farming Ltd
Director	Allen Children Ltd
Trustee	Sarah Ethne Allen Trust
Trustee	SB & BL Allen Family Trust
Trustee	Cheadle Trust
Trustee	David Johnstone Charitable Trust
Trustee	JES Allen Estate

David Muggeridge

Director	Muggeridge Farms Ltd

Kevin Old

Director	Kold Holdings Ltd
Director	VGO Ltd
Trustee	VGO Trust
Trustee/Beneficiary	CR & AL Old Trust

Ross Townshend

Chairman	Robert Monk Transport Ltd
Director	Ranworth Farm Ltd
Director	Townshend Aviation Ltd – *Creditor, services provided; March and April 2013*
Executive Chairman	RML Engineering Ltd (and subsidiaries)
Chairman	BAR Automation Ltd (India)
Director	Townshend Holdings (2015) Ltd
Director	Townshend Developments Ltd
Appointed Director	Veterinary Enterprises Group

John Luxton

Chairman	Dairy NZ Ltd
Chairman	Pouarua FLP
Chairman	Asia NZ Foundation
Co-Chairman	Waikato River Authority
Director	Wallace Corporation Ltd
Director	JD & RD Wallace Ltd
Director	Luxton & Co Ltd
Director	Marire Holdings Ltd
Director	JoRoBros Ltd
Director	Luxlink Farms Ltd
Director	Brojo Farms Ltd
Director	Mangatea Ltd
Director	Pukekara Ltd
Director	Alsmere Ltd
Director	Nakuru Ltd
Director	Wicklow Ltd
Director	Templeview North Ltd
Director	Dairy Insight (PGGR Consortium Ltd)
Director	Level 8 Ltd
Director	Dexcel Holdings Ltd
Director	Pouarua Farm Limited Partnership
Trustee	Luxton Family Trust

Trustee	RJ Douglas Trust
Member	Ahuwhenua Trust Management Group

Peter Schuyt

Director	TSB Bank Ltd
Director	Dairy Investments Fund Ltd
Director	Pumpkin Patch Ltd
Director	Tax Management NZ Ltd
Director	Foodstuffs North Island Ltd
Director	Dairy NZ Ltd

Mark Dewdney

Director/Shareholder	Civram Ltd
Director	Yanakie Farm Management Pty Ltd
Director	PGG Wrightson Limited Group subsidiaries
Director	Northern Districts Cricket Association
Trustee/Beneficiary	Dewdney Family Trust
Trustee	Marvic Family Trust
Trustee	Mark Dewdney Family Trust
Trustee	Namaste Farming Pty Ltd
Trustee	Namaste Land Pty Ltd

Bruce Wilton

Director	Brandmar Ltd
Director	Fernwater Investments 2013 Ltd

EMPLOYEES' REMUNERATION

During the year to 31 July 2015 the following number of employees of the Group received total remuneration of at least $100,000. Total remuneration includes salary and other benefits received in the capacity as an employee, e.g. company vehicles, insurance and superannuation.

	Number of Employees	
	Group	Parent
$100,000 - $109,999	33	33
$110,000 - $119,999	25	25
$120,000 - $129,999	17	16
$130,000 - $139,999	7	7
$140,000 - $149,999	4	2
$150,000 - $159,999	4	4
$160,000 - $169,999	3	3
$170,000 - $179,999	4	3
$180,000 - $189,999	3	3
$190,000 - $199,999	4	4
$200,000 - $209,999	2	2
$210,000 - $219,999	1	-
$220,000 - $229,999	1	1
$230,000 - $239,999	1	1
$240,000 - $249,999	1	1
$300,000 - $309,999	2	1
$320,000 - $329,999	1	1
$430,000 - $439,999	1	1
$450,000 - $459,999	1	1
$860,000 - $869,999	1	1
	116	110

DONATIONS & GRANTS

Donations and grants for the year ended 31 July 2015 were $25,202 (2014: less than $1,000).

BALANCE SHEET

As at 31 July 2015

		GROUP		PARENT	
	Note	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Current Assets					
Cash & Cash Equivalents	17	15,626,366	422,155	14,372,916	325,211
Derivatives	21	798,562	9,435,921	798,562	9,435,921
Receivables & Prepayments	16	35,657,535	32,514,900	22,674,381	22,522,672
Owing by Subsidiaries	25	-	-	7,319,316	8,475,169
Tax Receivable		-	-	-	-
Inventories	15	50,781,085	57,443,094	44,515,916	45,851,956
Biological Assets	12	890,835	1,209,011	890,835	1,209,011
Total Current Assets		**103,754,383**	**101,025,081**	**90,571,926**	**87,819,940**
Non Current Assets					
Property, Plant & Equipment	10	127,027,137	76,235,230	126,943,031	76,178,417
Investment Property	13	1,175,000	1,175,000	1,175,000	1,175,000
Intangible Assets	11	484,622	473,850	484,622	473,850
Deferred Tax Asset	14	8,132,969	-	7,067,443	-
Investments		844,459	1,044,073	2,804,410	1,720,114
Total Non Current Assets		**137,664,187**	**78,928,153**	**138,474,506**	**79,547,381**
Total Assets		**241,418,570**	**179,953,234**	**229,046,432**	**167,367,321**
Current Liabilities					
Loans & Borrowings	19	61,537,900	10,395,135	53,000,000	9,250,000
Derivatives	21	22,300,986	2,608,930	22,300,986	2,608,930
Accounts Payable & Accruals	20	24,921,198	14,698,062	21,773,956	11,198,121
Tax Payable		2,991,853	2,468,248	2,653,580	2,372,290
Owing to Suppliers		17,295,441	17,704,583	17,295,441	17,704,583
Owing to Subsidiaries	25	-	-	13,376	29,283
Total Current Liabilities		**129,047,378**	**47,874,958**	**117,037,339**	**43,163,207**
Non Current Liabilities					
Loans & Borrowings	19	12,000,000	25,726,065	12,000,000	20,000,000
Deferred Tax Liability	14	-	184,267	-	342,070
Total Non Current Liabilities		**12,000,000**	**25,910,332**	**12,000,000**	**20,342,070**
TOTAL Liabilities Excluding Co-operative Shares Classified as a Liability		**141,047,378**	**73,785,290**	**129,037,339**	**63,505,277**
PLUS Co-operative Shares		76,164,948	34,444,688	76,164,948	34,444,688
Total Liabilities		217,212,326	108,229,978	205,202,287	97,949,965
Net Assets		**24,206,244**	**71,723,256**	**23,844,145**	**69,417,356**
Retained Earnings		25,861,769	56,798,569	25,532,453	54,185,001
Reserves		(1,655,525)	14,924,687	(1,688,308)	15,232,355
Equity		**24,206,244**	**71,723,256**	**23,844,145**	**69,417,356**
Members Funds Memorandum Account:					
Co-operative Shares Classified as a Liability	18	76,164,948	34,444,688	76,164,948	34,444,688
Retained Earnings		25,861,769	56,798,569	25,532,453	54,185,001
Reserves		(1,655,525)	14,924,687	(1,688,308)	15,232,355
Total Members Funds		**100,371,192**	**106,167,944**	**100,009,093**	**103,862,044**

FOR AND ON BEHALF OF THE BOARD

SB Allen Chairman of Directors
20th November 2015

P Schuyt Director
20th November 2015

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

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 July 2015

	Note	GROUP Year Ended 31 July 2015 ($)	GROUP Year Ended 31 July 2014 ($)	PARENT Year Ended 31 July 2015 ($)	PARENT Year Ended 31 July 2014 ($)
Profit or Loss Items					
Total Operating Revenue		285,767,169	266,489,220	278,531,169	266,383,231
less Payments for Milk Supplied		(110,603,176)	(119,010,841)	(110,603,176)	(119,010,841)
less Other Cost of Sales		(136,867,018)	(118,452,844)	(128,804,048)	(121,107,393)
Gross Profit		**38,296,975**	**29,025,535**	**39,123,945**	**26,264,997**
plus Other Income	5	2,952,801	1,261,432	2,429,712	1,150,712
less Sales & Marketing Expenses		(16,840,063)	(17,364,162)	(14,491,670)	(15,321,479)
less Administration Expenses	6	(11,427,835)	(9,399,952)	(11,427,835)	(9,399,952)
Surplus from Operating Activities		**12,981,878**	**3,522,853**	**15,634,152**	**2,694,278**
Finance Income	8	5,032,446	16,428,793	5,042,341	16,428,648
less Finance Expenses	8	(7,497,821)	(2,545,895)	(7,327,768)	(2,374,580)
Net Finance Income		**(2,465,375)**	**13,882,898**	**(2,285,427)**	**14,054,068**
Surplus before Income Tax		**10,516,503**	**17,405,751**	**13,348,725**	**16,748,346**
less Income Tax (Expense)	9	(3,496,083)	(4,927,905)	(4,044,053)	(4,687,444)
Tax Paid Surplus		**7,020,420**	**12,477,846**	**9,304,672**	**12,060,902**
Other Comprehensive Income					
Movement in Land Revaluation Reserve		90,471	1,783,000	90,471	1,783,000
Change in Fair Value of Cash Flow Hedges Transferred to Income Statement		(18,923,731)	2,468,113	(18,923,731)	2,468,113
Effective Portion of Changes in the Fair Value of Cashflow Hedges		(4,702,843)	(80,695)	(4,702,843)	(80,695)
Movement in Foreign Exchange Reserve		340,451	(394,295)	-	-
Income Tax on Other Comprehensive Income		6,615,440	(668,477)	6,615,440	(668,477)
Other Comprehensive Income for the Year		**(16,580,212)**	**3,107,646**	**(16,920,663)**	**3,501,941**
Total Comprehensive Income		**(9,559,792)**	**15,585,492**	**(7,615,991)**	**15,562,843**

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 July 2015

GROUP	Note	Translation Reserve ($)	Hedging Reserve ($)	Revaluation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at 1 August 2013		**86,627**	**2,918,547**	**8,811,867**	**44,320,723**	**56,137,764**
Other Comprehensive Income						
Movement in Foreign Exchange Reserve		(394,295)	-	-	-	(394,295)
Movement in Land Revaluation Reserve		-	-	1,783,000	-	1,783,000
Movement in Hedging Reserve, Net of Tax		-	1,718,941	-	-	1,718,941
Total Other Comprehensive Income		**(394,295)**	**1,718,941**	**1,783,000**	**-**	**3,107,646**
Tax Paid Surplus/(Deficit)		-	-	-	12,477,846	12,477,846
Total Comprehensive Income		**(394,295)**	**1,718,941**	**1,783,000**	**12,477,846**	**15,585,492**
Balance at 31 July 2014		**(307,668)**	**4,637,488**	**10,594,867**	**56,798,569**	**71,723,256**
Balance at 1 August 2014		(307,668)	4,637,488	10,594,867	56,798,569	71,723,256
Other Comprehensive Income						
Movement in Foreign Exchange Reserve		340,451	-	-	-	340,451
Movement in Land Revaluation Reserve		-	-	90,471	-	90,471
Movement in Hedging Reserve, Net of Tax		-	(17,011,134)	-	-	(17,011,134)
Total Other Comprehensive Income		**340,451**	**(17,011,134)**	**90,471**	**-**	**(16,580,212)**
Tax Paid Surplus/(Deficit)		-	-	-	7,020,420	7,020,420
Total Comprehensive Income		**340,451**	**(17,011,134)**	**90,471**	**7,020,420**	**(9,559,792)**
Transactions with owners of Company						
Issue of ordinary shares under bonus share issue	18				(37,957,220)	(37,957,220)
Balance at 31 July 2015		**32,783**	**(12,373,646)**	**10,685,338**	**25,861,769**	**24,206,244**

PARENT	Note	Translation Reserve ($)	Hedging Reserve ($)	Revaluation Reserve ($)	Retained Earnings ($)	Total Equity ($)
Balance at 1 August 2013		**-**	**2,918,547**	**8,811,867**	**42,124,099**	**53,854,513**
Other Comprehensive Income						
Movement in Land Revaluation Reserve		-	-	1,783,000	-	1,783,000
Movement in Hedging Reserve, Net of Tax		-	1,718,941	-	-	1,718,941
Total Other Comprehensive Income		-	1,718,941	1,783,000	-	3,501,941
Tax Paid Surplus/(Deficit)		-	-	-	12,060,902	12,060,902
Total Comprehensive Income		-	1,718,941	1,783,000	12,060,902	15,562,843
Balance at 31 July 2014		-	4,637,488	10,594,867	54,185,001	69,417,356
Balance at 1 August 2014		**-**	**4,637,488**	**10,594,867**	**54,185,001**	**69,417,356**
Other Comprehensive Income						
Movement in Land Revaluation Reserve		-	-	90,471	-	90,471
Movement in Hedging Reserve, Net of Tax		-	(17,011,134)	-	-	(17,011,134)
Total Other Comprehensive Income		**-**	**(17,011,134)**	**90,471**	**-**	**(16,920,663)**
Tax Paid Surplus/(Deficit)		-	-	-	9,304,672	9,304,672
Total Comprehensive Income		**-**	**(17,011,134)**	**90,471**	**9,304,672**	**(7,615,991)**
Transactions with owners of Company						
Issue of ordinary shares under bonus share issue	18				(37,957,220)	(37,957,220)
Balance at 31 July 2015		-	(12,373,646)	10,685,338	25,532,453	23,844,145

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

CASH FLOW STATEMENT

For the Year Ended 31 July 2015

	Note	GROUP Year Ended 31 July 2015	GROUP Year Ended 31 July 2014	PARENT Year Ended 31 July 2015	PARENT Year Ended 31 July 2014
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from Customers		290,141,762	289,648,281	286,289,256	285,537,486
Dividends Received		1,687	2,389	1,687	2,389
Interest Received		172,248	57,824	172,094	57,679
		290,315,697	289,708,494	286,463,037	285,597,554
Cash was applied to:					
Payments for Milk		(111,012,318)	(116,222,931)	(111,012,318)	(116,222,931)
Payments to Creditors & Employees		(146,794,200)	(155,912,600)	(141,506,625)	(154,459,159)
Interest Paid		(2,747,623)	(2,419,221)	(2,577,570)	(2,247,906)
Taxation Paid		(4,674,274)	(4,410,319)	(4,556,836)	(4,409,938)
		(265,228,415)	(278,965,071)	(259,653,349)	(277,339,934)
Net Cash Flows From/(Applied To) Operating Activities	24	**25,087,282**	**10,743,423**	**26,809,688**	**8,257,620**
Cash Flows From Investing Activities					
Cash was provided from:					
Proceeds From Sale of Property, Plant & Equip.		21,863	214,148	21,863	214,148
Proceeds From Investments		918,000	-	918,000	-
		939,863	214,148	939,863	214,148
Cash was applied to:					
Acquisition of Property, Plant & Equipment		(51,668,387)	(15,561,841)	(51,596,689)	(15,679,298)
Acquisition of Intangible Assets		(334,287)	(160,117)	(334,287)	(160,117)
Purchase of Share Investments		-	(972,326)	(1,283,910)	(972,326)
		(52,002,674)	(16,694,284)	(53,214,886)	(16,811,741)
Net Cash Flows From / (Applied To) Investing Activities		**(51,062,811)**	**(16,480,136)**	**(52,275,023)**	**(16,597,593)**
Cash Flows From Financing Activities					
Cash was provided from:					
Increase in Co-operative Shares	18	4,052,675	4,451,557	4,052,675	4,451,557
Proceeds from Borrowings		37,416,700	-	35,750,000	-
		41,469,375	4,451,557	39,802,675	4,451,557
Cash was applied to:					
Decrease in Co-operative Shares		(289,635)	(913,755)	(289,635)	(913,755)
Repayment of Borrowings			(3,470,819)	-	(750,000)
		(289,635)	(4,384,574)	(289,635)	(1,663,755)
Net Cash Flows From / (Applied To) Financing Activities		**41,179,740**	**66,983**	**39,513,040**	**2,787,802**
Net Increase / (Decrease) in Cash & Cash Equivalents		15,204,211	(5,669,730)	14,047,705	(5,552,171)
Add: Opening Cash & Cash Equivalents Balance		422,155	6,091,885	325,211	5,877,382
Closing Cash & Cash Equivalents Balance	17	**15,626,366**	**422,155**	**14,372,916**	**325,211**

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

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

The Tatua Co-operative Dairy Company Limited (the parent company) is a co-operative company domiciled and incorporated in New Zealand, and registered under the Co-operative Companies Act 1996 and the Companies Act 1993. At 31 July 2015 the Group consists of The Tatua Co-operative Dairy Company Ltd and its subsidiaries Tatua Japan Co. Ltd, Tatua Dairy Products (Shanghai) Co., Ltd and Tatua USA Ltd.

The Group is a producer and marketer of dairy products with sales to both domestic and export markets.

These financial statements are for the year ended 31 July 2015.

2. BASIS OF PREPARATION

(a) Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (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. These financial statements also comply with International Financial Reporting Standards (IFRS).

These accounting policies have been applied consistently to all periods presented in these financial statements.

These financial statements were approved by the Board of Directors on 20 November 2015, and have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.

(b) Basis of Measurement

The financial statements are prepared on the historical cost basis except for the following:

- Biological assets are measured at fair value less point-of-sale costs
- Investment property is measured at fair value
- Derivative financial instruments are measured at fair value
- Land and improvements are valued at fair value

The methods used to measure fair values are discussed further in Note 4.

The financial statements have been prepared on a going concern basis.

(c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (NZD), which is the Company's functional currency, and rounded to the nearest dollar.

(d) Use of Estimates and Judgement

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 ongoing 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 amount recognised in the financial statements are described in the following notes:

Note 4. Determination Of Fair Values - (C) Investment Property & (D) Derivatives
Note 10. Property, Plant & Equipment - Revaluation of Land & Improvements
Note 14. Deferred Tax Assets And Liabilities - Recognition of Deferred Tax Asset
Note 21. Financial Instruments - Valuation of Derivative Financial Instruments

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power over the entity, exposure or rights to variable returns from its involvement with the entity, and the ability to use its power over the entity to affect the amount of the entity's return. In assessing control, potential voting rights are only considered if the rights are substantive. 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) Equity Accounted Investees (Joint Ventures)

Joint ventures are those arrangements in which the Group has contractually agreed to share control and where the Group has rights to the net assets rather than rights to the assets and obligations for the liabilities. Joint ventures are initially recognised at cost (including any goodwill identified on acquisition). Subsequent to initial recognition they are accounted for using the equity method in the consolidated financial statements.
The consolidated financial statements include the Group's share of the profit or loss after tax of joint ventures after adjustments to align the accounting policies 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.

(b) Foreign Currency

(i) Foreign Currency Transactions

Transactions in foreign currencies are translated to NZD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign Operations

The assets and liabilities of foreign operations, including goodwill and 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.

Foreign currency differences are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss as part of the gain or loss on disposal.

(c) Financial Instruments

(i) Non-derivative Financial Instruments

Non-derivative financial instruments comprise receivables, cash and cash equivalents, owing by subsidiaries, loans and borrowings, owing to suppliers, owing to subsidiaries and accounts payable & accruals. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables
Receivables are stated at their cost less impairment losses and are classified as loans and receivables.

Cash and Cash Equivalents
Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Accounting for finance income and expense is discussed in note 3(p).

Cash and cash equivalents are classified as loans and receivables or other non-derivative financial liabilities.

Loans and Borrowings
Interest-bearing borrowings are classified as other non-derivative financial liabilities and are measured at amortised cost using the effective interest rate.

Accounts Payable & Accruals
Trade and other payables are stated at cost and are classified as other non-derivative financial liabilities.

(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. 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 instrument designated as a cash flow hedge are recognised in other comprehensive income and held in equity 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 as part of finance expense/income.

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 equity 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 profit or loss in the same period that the hedged item affects profit or loss.

Economic Hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses and separately disclosed.

(d) Property, Plant and Equipment

(i) *Recognition and Measurement*

Items of property, plant and equipment (except land and improvements) are measured at cost less accumulated depreciation and impairment losses. Land is stated at fair value. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Any gain on remeasurement is recognised in other comprehensive income and held in equity, any loss is recognised in profit and loss, unless there is a credit balance existing in the revaluation surplus.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(ii) Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

(iii) 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 carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit and loss on a straight line basis over the estimated useful lives of the items of plant, property and equipment. Land is not depreciated.

The Group has established the following useful lives:

- Land improvements - 20 years
- Buildings - 5 to 40 years
- Plant and equipment - 3 to 20 years
- Vehicles - 5 years

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

(e) Intangible Assets

(i) Recognition and Measurement

Intangible assets that are acquired by the Group which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Software - 3 years
- Resource Consent - 15 years

(f) Biological Assets

Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. An independent valuation is used to obtain the fair value of these assets.

(g) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss. Fair value is determined in accordance with the policy in Note 4(c).

(h) Leased Assets

Leases that 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, except for investment property, the leased assets are not recognised on the Group's balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is based on weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Shareholder supplied milk included within inventories is valued at the price determined under the Dairy Industry Restucturing Act 2001 (DIRA).

(j) 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 profit or loss.

(i) Impairment of Receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows. Since all of the receivables are current they are not discounted.

(ii) Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories, biological assets, investment property and deferred tax 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.

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 and loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount (other than goodwill). An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) 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) 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.

(iii) Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) Revenue

(i) Goods Sold

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, 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.

(n) Other Income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(o) Lease Payments

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.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(p) Finance Income and Expenses

Finance income comprises interest income on funds invested, changes in fair value of financial assets at fair value through profit or loss and foreign currency gains 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, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables) and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method, except for those that are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

(q) Income Tax Expense

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 directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of 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: 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 to the extent that they probably will not reverse in the foreseeable future. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Goods and Services Tax

The financial statements have been prepared on a GST exclusive basis, except for Accounts Receivable and Accounts Payable which are stated inclusive of GST.

(s) Co-operative Shares

Shares in the co-operative are held in proportion to the current or expected milk supply. Shares are issued or redeemed annually to ensure compliance with the share standard. Due to their redemption nature, shares are classified as a liability in the balance sheet. The Company made a “1 for 1” bonus issue on 30 July 2015 to enable shareholders to meet the requirements of the new share standard (of ten 50 cent shares per kilogram of milksolids) for the 2015/16 season (was five 50 cent shares in 2014/15). Retained earnings was decreased to match the increase in co-operative shares.

(t) New Standards and Interpretations

(i) New and amended standards adopted by the Group

No new or amended standards were adopted that had material impact on the Groups financial statements.

(ii) New and amended standards issued but not yet effective

– NZ IFRS 9 - Financial Instruments; Classification and Measurement; Effective for periods - beginning 1 January 2018.

This standard simplifies how an entity should classify and measure financial assets.

– NZ IFRS 15 - Revenue from Contracts with Customers; Effective for periods beginning 1 January 2018.

This standard contains a single model that applies to contracts with customers and two approaches to recognise revenue: at a point in time or over time.

The impact of these amendments on the Group’s financial statements has not yet been fully determined, although Management believe there will not be a material impact arising from these standards.

There are a number of other standards and interpretations which are not yet effective and management consider they will have no impact on the Group.

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) Property Plant and Equipment

The fair value of land within property, plant and equipment is based on market values determined by an independent valuer. The market value of land is the estimated amount for which land could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(b) Biological Assets

The fair value of livestock is based on the market price of livestock of similar age, breed and genetic make-up, and is determined by Allied Farmers Ltd.

4. DETERMINATION OF FAIR VALUES (CONTINUED)

(c) Investment Property

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

(d) Derivatives

The fair value of forward exchange contracts and options is based on their listed market price, if available. If a listed 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 of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on independent valuations provided by the bank. The valuation is tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(e) Non Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. OTHER INCOME

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Sundry Asset Sales/Gain on Disposal of Property, Plant & Equipment	32,158	133,134	32,158	133,134
Rental Income from Investment Property	108,000	108,000	108,000	108,000
Rental Income from Farm Houses	43,095	43,702	43,095	43,702
Insurance Claim Proceeds	20,309	-	20,309	-
Milktest NZ Ltd Income	722,369	186,154	722,369	186,154
Sundry Income	2,026,870	790,442	1,503,781	679,772
	2,952,801	**1,261,432**	**2,429,712**	**1,150,712**

6. ADMINISTRATION EXPENSES

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
The following items are included in administration expenses:				
Auditors Remuneration (KPMG)				
Audit of Financial Statements	124,000	124,000	108,000	108,000
Tax Services	27,000	80,000	27,000	80,000
Other Services	-	13,000	-	13,000
Directors' Fees	467,700	463,000	467,700	463,000
Directors' Expenses	45,322	144,024	45,322	144,024

Tax services are in relation to advice on operational tax matters, such as transfer pricing and distribution advice. Other services in 2014 were in relation to a procurement process review.

7. PERSONNEL EXPENSES

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Wages and Salaries	31,154,333	27,683,026	29,875,914	26,500,584
Superannuation Contributions and Other Employee Related Expenses	2,002,279	2,560,000	1,744,212	2,375,673
Increase in Liability for Short-term Employee Benefits (Annual Leave and Days in Lieu)	888,321	339,897	888,321	339,897
	34,044,933	**30,582,923**	**32,508,447**	**29,216,154**

8. FINANCE INCOME AND EXPENSE

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Recognised in Profit or Loss				
Interest Income	172,248	57,824	172,094	57,679
Net Foreign Exchange Gain	4,860,198	16,370,969	4,870,247	16,370,969
Total Finance Income	5,032,446	16,428,793	5,042,341	16,428,648
Financial Overheads	(47,355)	(45,979)	(47,355)	(45,979)
Net Change in Fair Value of Derivatives	(4,702,843)	(80,695)	(4,702,843)	(80,695)
Interest Expense on External Borrowings	(2,747,623)	(2,419,221)	(2,577,570)	(2,247,906)
Total Finance Expenses	(7,497,821)	(2,545,895)	(7,327,768)	(2,374,580)
Net Finance Income/(Expenses)	**(2,465,375)**	**13,882,898**	**(2,285,427)**	**14,054,068**

9. INCOME TAX EXPENSE

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Income Tax Recognised in Profit or Loss				
Current Tax Expense				
Current Period	5,147,766	4,875,301	4,788,013	4,774,121
Adjustment for Prior Periods	50,032	21,440	50,115	21,440
	5,197,798	4,896,741	4,838,128	4,795,561
Deferred Tax Expense				
Origination and Reversal of Temporary Differences	(1,652,092)	56,903	(744,452)	(82,381)
Adjustment for Prior Periods	(49,623)	(25,739)	(49,623)	(25,736)
	(1,701,715)	31,164	(794,075)	(108,117)
Total Income Tax Expense	**3,496,083**	**4,927,905**	**4,044,053**	**4,687,444**

	GROUP		GROUP	
Reconciliation of Effective Tax Rate	2015 (%)	2015 ($)	2014 (%)	2014 ($)
Profit for the Period		7,020,420		12,477,846
Total Income Tax Expense		3,496,083		4,927,905
Profit Excluding Income Tax		10,516,503		17,405,751
Income Tax Using the Group's Domestic Tax Rate	28.0%	2,944,620	28.0%	4,873,610
Impact of Tax Rate in Foreign Countries	1.5%	162,583	0.1%	18,394
Tax Exempt Income	0.2%	16,800	0.0%	
Non-deductible Expenses	3.5%	372,060	0.2%	40,867
Tax Credits Converted to Losses	(0.0%)	(472)	(0.0%)	(669)
Under/(Over) Provided in Prior Periods	0.0%	492	(0.0%)	(4,297)
	33.2%	**3,496,083**	**28.3%**	**4,927,905**

9. INCOME TAX EXPENSE (CONTINUED)

	PARENT		PARENT	
Reconciliation of Effective Tax Rate	2015 (%)	2015 ($)	2014 (%)	2014 ($)
Profit/(Loss) for the Period		9,304,672		12,060,902
Total Income Tax Expense		4,044,053		4,687,444
Profit/(Loss) Excluding Income Tax		13,348,725		16,748,346
Income Tax Using the Group's Domestic Tax Rate	28.0%	3,737,642	28.0%	4,689,537
Non-deductible Expenses	2.2%	289,591	0.0%	2,873
Tax Exempt Income	0.1%	16,800	0.0%	
Tax Credits Converted to Losses	(0.0%)	(472)	(0.0%)	(669)
Under/(Over) Provided in Prior Periods	0.0%	492	(0.0%)	(4,297)
	30.3%	**4,044,053**	**28.0%**	**4,687,444**

	GROUP		PARENT	
Income Tax Recognised Directly in Other Comprehensive Income	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Derivatives	6,615,441	(668,477)	6,615,441	(668,477)
Total Income Tax Recognised Directly in Other Comprehensive Income	6,615,441	(668,477)	6,615,441	(668,477)

	GROUP		PARENT	
Imputation Credits	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Imputation Credits Available for use in Subsequent Reporting Periods	19,689,974	15,132,483	19,551,373	14,993,882

10. PROPERTY, PLANT & EQUIPMENT

GROUP	Land & Improvements ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work In Progress ($)	Total ($)
Cost or Deemed Cost						
Balance at 1 August 2013	14,098,533	28,916,259	116,532,526	3,484,194	1,414,647	164,446,159
Additions	26,961	318,931	4,288,073	475,186	10,729,399	15,838,550
Revaluation of Land & Improvements to Fair Value	1,813,000	-	-	-		1,813,000
Disposals	-	(745,007)	(2,169,671)	(478,085)		(3,392,763)
Effect of Movement in Exchange Rates	-	-	-	-		-
Balance at 31 July 2014	15,938,494	28,490,183	118,650,928	3,481,295	12,144,046	178,704,946
Balance at 1 August 2014	15,938,494	28,490,183	118,650,928	3,481,295	12,144,046	178,704,946
Additions	25,854	135,799	3,392,581	298,285	54,972,104	58,824,623
Revaluation of Land & Improvements to Fair Value	-	-	-	-		-
Disposals	-	-	-	(338,226)		(338,226)
Effect of Movement in Exchange Rates	-	-	6,435	-		6,435
Balance at 31 July 2015	15,964,348	28,625,982	122,049,944	3,441,354	67,116,150	237,197,778
Depreciation and Impairment Losses						
Balance at 1 August 2013	856,212	11,244,662	83,662,712	2,825,254	-	98,588,840
Depreciation	83,485	663,165	5,947,158	222,309	-	6,916,117
Disposals	-	(715,665)	(2,095,716)	(223,860)	-	(3,035,241)
Effect of Movement in Exchange Rates	-	-	-	-	-	-
Balance at 31 July 2014	939,697	11,192,162	87,514,154	2,823,703	-	102,469,716
Balance at 1 August 2014	939,697	11,192,162	87,514,154	2,823,703	-	102,469,716
Depreciation	85,847	847,515	6,739,608	155,127	-	7,828,097
Disposals	-	-	-	(127,172)	-	(127,172)
Effect of Movement in Exchange Rates	-	-	-	-	-	-
Balance at 31 July 2015	1,025,544	12,039,677	94,253,762	2,851,658	-	110,170,641
Carrying Amounts						
At 1 August 2013	13,242,321	17,671,597	32,869,814	658,940	1,414,647	65,857,319
At 31 July 2014	**14,998,797**	**17,298,021**	**31,136,774**	**657,592**	**12,144,046**	**76,235,230**
At 1 August 2014	14,998,797	17,298,021	31,136,774	657,592	12,144,046	76,235,230
At 31 July 2015	**14,938,804**	**16,586,305**	**27,796,182**	**589,696**	**67,116,150**	**127,027,137**

10. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

PARENT	Land & Improvements ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work In Progress ($)	Total ($)
Cost or Deemed Cost						
Balance at 1 August 2013	14,098,533	28,916,259	116,011,947	3,484,194	1,414,647	163,925,580
Additions	26,961	318,931	4,233,582	475,186	10,729,399	15,784,059
Revaluation of Land & Improvements to Fair Value	1,813,000	-	-	-	-	1,813,000
Disposals	-	(745,007)	(2,169,671)	(478,085)	-	(3,392,763)
Balance at 31 July 2014	15,938,494	28,490,183	118,075,858	3,481,295	12,144,046	178,129,876
Balance at 1 August 2014	15,938,494	28,490,183	118,075,858	3,481,295	12,144,046	178,129,876
Additions	25,854	135,799	3,338,090	298,285	54,972,104	58,770,132
Revaluation of Land & Improvements to Fair Value		-	-	-	-	-
Disposals	-			(338,226)	-	(338,226)
Balance at 31 July 2015	15,964,348	28,625,982	121,413,948	3,441,354	67,116,150	236,561,782
Depreciation and Impairment Losses						
Balance at 1 August 2013	856,212	11,244,662	83,187,311	2,825,254	-	98,113,439
Depreciation	83,485	663,165	5,904,302	222,309	-	6,873,261
Disposals	-	(715,665)	(2,095,716)	(223,860)	-	(3,035,241)
Balance at 31 July 2014	939,697	11,192,162	86,995,897	2,823,703	-	101,951,459
Balance at 1 August 2014	939,697	11,192,162	86,995,897	2,823,703	-	101,951,459
Depreciation	85,847	847,515	6,705,975	155,127	-	7,794,464
Disposals	-			(127,172)	-	(127,172)
Balance at 31 July 2015	1,025,544	12,039,677	93,701,872	2,851,658	-	109,618,751
Carrying Amounts						
At 1 August 2013	13,242,321	17,671,597	32,824,636	658,940	1,414,647	65,812,141
At 31 July 2014	**14,998,797**	**17,298,021**	**31,079,961**	**657,592**	**12,144,046**	**76,178,417**
At 1 August 2014	14,998,797	17,298,021	31,079,961	657,592	12,144,046	76,178,417
At 31 July 2015	**14,938,804**	**16,586,305**	**27,712,076**	**589,696**	**67,116,150**	**126,943,031**

Revaluation of Land & Improvements

Land and improvements are stated at their fair value. A revaluation was last undertaken as at 31 July 2014 by Fergusson Lockwood and Associates Ltd, independent registered valuers (2014: upward $1,813,000). There was no material change in fair value in 2015. The valuation established a market value and was undertaken in accordance with the Property Institute of New Zealand (PINZ) International Valuation Standards. Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction.

The value of the land and improvements at cost is $5,282,686 (2014: $5,282,686).

Depreciation

Depreciation is recognised as part of other cost of sales in the Profit or Loss.

Capital Work in Progress

During the year ending 31 July 2015, the Group undertook numerous capital projects to maintain and improve the Groups infrastructure. The cost incurred of all capital works in progress up to the reporting date totalled $67,116,150 (2014: $12,144,046).

During the year ending 31 July 2015, $12,144,046 (2014: $1,414,647) of the previous year's capital work in progress was reclassified to various fixed asset categories.

Borrowing costs of $1,007,885 were capitalised during the year (2014:$82,626).

11. INTANGIBLE ASSETS

		GROUP/PARENT	
Cost		Software ($)	Total ($)
Balance at 1 August 2013		2,030,324	2,030,324
Additions		160,117	160,117
Disposals		-	-
Balance at 31 July 2014		2,190,441	2,190,441
Balance at 1 August 2014		2,190,441	2,190,441
Additions		334,287	334,287
Disposals		-	-
Balance at 31 July 2015		2,524,728	2,524,728
Amortisation and Impairment Losses			
Balance at 1 August 2013		1,384,526	1,384,526
Amortisation for the Year		332,065	332,065
Disposals		-	-
Balance at 31 July 2014		1,716,591	1,716,591
Balance at 1 August 2014		1,716,591	1,716,591
Amortisation for the Year		323,515	323,515
Disposals		-	-
Balance at 31 July 2015		2,040,106	2,040,106
Carrying Amounts	At 1 August 2013	645,798	645,798
	At 31 July 2014	**473,850**	**473,850**
	At 1 August 2014	473,850	473,850
	At 31 July 2015	**484,622**	**484,622**

Amortisation

The amortisation is recognised as part of administration expenses in the Profit or Loss.

12. BIOLOGICAL ASSETS

As at 31 July 2015, livestock held compromised 831 cows, heifers and calves (2014: 724). This livestock is farmed on Tatua's dairy farm. Milk production from this farm was 192,179 kilograms milksolids (2014: 153,383).

The Group is exposed to a number of risks related to its livestock:

The Group's livestock and related milk production is exposed to the risk of damage from climatic changes, diseases and other natural forces. The Group has standard animal husbandry processes in place aimed at monitoring and mitigating those risks.

Livestock is categorised within level 2 of the fair value hierarchy.

	GROUP/PARENT ($)
Balance at 1 August 2013	1,166,294
Increase due to Acquisitions	20,850
Decrease due to Sales	(66,428)
Net Increase due to Births/(Deaths)	55,815
Change in Fair Value due to Class Movements	115,581
Change in Fair Value less Estimated Point-of-sale Costs	(83,101)
Balance at 31 July 2014	1,209,011
Non-current	-
Current	1,209,011
	1,209,011
Balance at 1 Aug 2014	1,209,011
Increase due to Acquisitions	270,790
Decrease due to Sales	(110,679)
Net Increase due to Births/(Deaths)	(6,326)
Change in Fair Value due to Class Movements	146,865
Change in Fair Value less Estimated Point-of-sale Costs	(618,826)
Balance at 31 July 2015	**890,835**
Non-current	-
Current	890,835
	890,835

13. INVESTMENT PROPERTY

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Balance at 1 August	1,175,000	1,145,658	1,175,000	1,145,658
Change in Fair Value	-	29,342	-	29,342
Balance at 31 July	**1,175,000**	**1,175,000**	**1,175,000**	**1,175,000**

Investment property comprises the AgCentral land and buildings that are leased to PGG Wrightsons Ltd. The lease contains an initial non-cancellable period of 10 years. Subsequent renewals are negotiated with the leasee.

The Investment Property was valued on 31 July 2015 by management. The basis of the valuation was market value, based on the property's highest and best use.
Investment property is categorised within level 2 of the fair value hierarchy.

14. DEFERRED TAX ASSETS AND LIABILITIES

Recognised Deferred Tax Assets and Liabilities – GROUP

	Assets		Liabilities		Net	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	822,951	580,671	-	-	822,951	580,671
Investment Property	-	-	(81,014)	(81,014)	(81,014)	(81,014)
Derivatives	4,811,973	-	-	(1,803,468)	4,811,973	(1,803,468)
Biological Assets	-	-	-	-	-	-
Inventory	1,065,526	157,886	-	-	1,065,526	157,886
Provisions & Accruals	1,516,010	961,658	-	-	1,516,010	961,658
Tax Loss Carry-forwards	-	-	(2,477)	-	(2,477)	-
Tax Assets /(Liabilities)	**8,216,460**	**1,700,215**	**(83,491)**	**(1,884,482)**	**8,132,969**	**(184,267)**

Movement in Temporary Differences During The Year

	Balance 1 August 2013	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance 31 July 2014	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Balance 31 July 2015
Deferred tax assets and liabilities are attributable to the following:	($)	($)	($)	($)	($)	($)	($)
Property, Plant and Equipment	560,608	20,063	-	580,671	242,280	-	822,951
Investment Property	(81,014)	-	-	(81,014)	-	-	(81,014)
Derivatives	(1,134,991)	-	(668,477)	(1,803,468)	-	6,615,441	4,811,973
Biological Assets	-	-	-	-	-	-	-
Inventory	297,170	(139,284)	-	157,886	907,640	-	1,065,526
Provisions & Accruals	873,603	88,055	-	961,658	554,352	-	1,516,010
Other Items	-	-	-	-	(2,477)	-	(2,477)
Tax Loss Carry-forwards	-	-	-	-	-	-	-
Tax Assets /(Liabilities)	**515,376**	**(31,166)**	**(668,477)**	**(184,267)**	**1,701,795**	**6,615,441**	**8,132,969**

14. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Recognised Deferred Tax Assets and Liabilities – PARENT

	Assets		Liabilities		Net	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	822,950	580,670	-	-	822,950	580,670
Investment Property	-	-	(81,014)	(81,014)	(81,014)	(81,014)
Derivatives	4,811,974	-	-	(1,803,467)	4,811,974	(1,803,467)
Provisions & Accruals	1,516,010	961,741	-	-	1,516,010	961,741
Tax Loss Carry-forwards	-	-	(2,477)	-	(2,477)	-
Tax Assets /(Liabilities)	7,150,934	1,542,411	(83,491)	(1,884,481)	7,067,443	(342,070)

Movement in Temporary Differences During the Year

Deferred tax assets and liabilities are attributable to the following:	Balance 1 August 2013 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2014 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2015 ($)
Property, Plant and Equipment	560,608	20,062	-	580,670	242,280	-	822,950
Investment Property	(81,014)	-	-	(81,014)	(1)	-	(81,014)
Derivatives	(1,134,990)	-	(668,477)	(1,803,467)	-	6,615,441	4,811,974
Biological Assets	-	-	-	-	-	-	-
Provisions & Accruals	873,685	88,056	-	961,741	554,269	-	1,516,010
Other Items	-	-	-	-	(2,477)	-	(2,477)
Tax Assets /(Liabilities)	218,290	108,118	(668,477)	(342,070)	794,072	6,615,441	7,067,443

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. Recognition of the deferred tax asset is based on the ability of the company to record taxable profits through retentions or through the reclassification of payout.

15. INVENTORIES

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Finished Goods	39,191,277	45,197,120	32,926,108	33,605,982
Raw Materials	11,589,808	12,245,974	11,589,808	12,245,974
	50,781,085	**57,443,094**	**44,515,916**	**45,851,956**
Inventory valued at net realisable value included in finished goods above:	**-**	**11,068,000**	**-**	**11,068,000**

16. RECEIVABLES & PREPAYMENTS

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Trade Receivables	32,606,128	29,770,842	19,698,237	19,881,399
Prepayments and Sundries	3,051,407	2,744,058	2,976,144	2,641,273
	35,657,535	**32,514,900**	**22,674,381**	**22,522,672**

GROUP
Trade Receivables Denominated in Foreign Currencies

	USD ($)	AUD ($)	JPY (¥)	EUR ($)
2015	11,517,969	1,881,186	972,342,618	56,500
2014	12,685,290	1,953,740	866,112,990	25,850

PARENT
Trade Receivables Denominated in Foreign Currencies

	USD ($)	AUD ($)	JPY (¥)	EUR ($)
2015	11,517,969	1,881,186	-	56,500
2014	12,685,290	1,953,740	-	25,850

17. CASH & CASH EQUIVALENTS

	GROUP		PARENT	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Bank Deposits	15,626,366	422,155	14,372,916	325,211
Cash and Cash Equivalents in the Statement of Cash Flows	**15,626,366**	**422,155**	**14,372,916**	**325,211**

18. MEMBERS FUNDS

As at 31 July 2015 152,329,896 (2014: 68,889,375) fully paid shares were on issue to shareholders.

Voting Rights - Under the Company Constitution, voting may take place by show of hands, voice or poll. On a poll, one vote may be cast for every whole 1,000kg of qualifying milksolids held. No shareholder shall cast votes exceeding 5% of the total votes which could be cast if all shareholders were present and voting.

Redemption Features - Shares are redeemed at nominal value of 50 cents, or paid up value if lower.

Treasury Stock - As at 31 July 2015 Nil shares were held as treasury stock. (2014: Nil)

Movements in the Company's Issued Shares were as follows:

	2015		2014	
	Shares	($)	Shares	($)
Shares at the beginning of the year	68,889,375	34,444,688	61,813,770	30,906,885
Bonus Share Issue	75,894,440	37,957,220	-	-
Shares Issued	8,105,350	4,052,675	8,903,114	4,451,557
Shares Repurchased	(579,270)	(289,635)	(1,827,509)	(913,754)
Shares at the end of the year	**152,309,895**	**76,164,948**	**68,889,375**	**34,444,688**

Reserves

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

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 hedged transactions that have not yet occurred.

Revaluation Reserve

The revaluation reserve relates to the revaluation of land and improvements.

Retained Earnings

All retained earnings are attributable to equity holders of the Company.

19. LOANS & BORROWINGS

	GROUP		PARENT	
	2015	2014	2015	2014
Current	($)	($)	($)	($)
JPY Bank Loans	8,537,900	1,145,135	-	-
NZD Bank Loans	53,000,000	9,250,000	53,000,000	9,250,000
	61,537,900	**10,395,135**	**53,000,000**	**9,250,000**
Non Current				
JPY Bank Loans	-	5,726,065	-	-
NZD Bank Loans	12,000,000	20,000,000	12,000,000	20,000,000
	12,000,000	**25,726,065**	**12,000,000**	**20,000,000**
Total	**73,537,900**	**36,121,200**	**65,000,000**	**29,250,000**

2015	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current Bank Loans	JPY	1.05%	2016	¥700,000,000	$8,537,900
	NZD	4.29%	2016	$53,000,000	$53,000,000
Non Current Bank Loans	NZD	4.33%	2017	$12,000,000	$12,000,000

2014	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current Bank Loans	JPY	1.37%	2014	¥100,000,000	$1,145,135
	NZD	5.20%	2014	$9,250,000	$9,250,000
Non Current Bank Loans	JPY	1.37%	2016	¥500,000,000	5,726,065
	NZD	4.24%	2016	$20,000,000	$20,000,000

The Group's bank loans are secured by registered first mortgages, preferred security interest in all present and after acquired property, and an interlocking guarantee from companies within the Group. The Group's borrowings are subject to various covenants such as minimum equity, interest cover ratio and gearing ratio and the Group was in compliance with the various covenants.

The Group has committed (but undrawn) facilities with expiry dates through to 2018 of $20,000,000. The Groups funding facility agreement is currently being renegotiated and is expected to be extended.

20. ACCOUNTS PAYABLE & ACCRUALS

	GROUP		PARENT	
	2015	2014	2015	2014
	($)	($)	($)	($)
Trade Payables	5,527,503	5,504,219	4,986,785	5,376,523
Employee Entitlements	5,331,595	4,443,274	5,331,595	4,443,274
Income In Advance	895,892	1,934,541	-	-
Accruals	13,166,208	2,816,028	11,455,576	1,378,324
	24,921,198	**14,698,062**	**21,773,956**	**11,198,121**

21. FINANCIAL INSTRUMENTS

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

Credit Risk

The Group's exposure to credit risk is mainly influenced by its customer base. There is no risk concentration either geographically or by sector.

Tatua has a credit policy under which each customer is assessed for credit worthiness and assigned a credit limit. Where available the Group reviews external credit reports for both country and customer risk. Credit limits are reviewed on a regular basis. The Group's credit policy requires certain risk mitigations such as insurance, letters of credit or prepayment depending on the country and/or customer.

The Group does not require collateral for trade and other receivables. However, where practicable, purchase money security interests over New Zealand-based customers are registered on the Personal Property and Securities Register.

Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from financial liabilities and has credit lines in place to cover any timing differences.

Foreign Currency Risk

The Group is exposed to foreign currency risk predominantly on sales that are denominated in a currency other than the Group's functional currency. The New Zealand dollar ($) is the presentation currency of the Group. The currencies in which transactions are primarily denominated are United States dollars, Japanese Yen and Australian dollars.

The Group has a policy of maintaining a level of foreign currency hedging that allows for a degree of certainty in its future cash flows and to help protect it against sudden increases in the value of the New Zealand dollar against the United States dollar, Japanese yen and Australian dollar.

The Group uses forward exchange contracts and currency options to hedge its foreign currency exposure. All of the forward exchange contracts and options have maturities of less than two years at balance date.

Forecast Transactions

The Group classifies its forward exchange and option contracts, which are hedging forecast transactions, as cash flow hedges.

Interest Rate Risk

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its cash balances and advances, bank overdraft and borrowings. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

Other Market Price Risk

The entity is not exposed to substantial other market price risk arising from financial instruments.

Capital Management

The Group's members funds includes co-operative shares, reserves and retained earnings. The Group's policy is to maintain a strong members funds base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business.

The Group's objective is to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The Group distributes its surplus by way of payout. However, in order to retain or modify the capital structure, the Group may decide to retain profits within the business.

The Board primarily monitors capital on the basis of the gearing ratio. For the period ending 31 July 2015 the gearing ratio was 36.6% (2014: 25.2%). This ratio is calculated as net interest bearing debt divided by total capital. Net interest bearing debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as members funds plus net interest bearing debt. Tatua is a co-operative company, and as such, members funds change in proportion to milk supplied. Refer to Note 18. The Group is required to meet certain ratios under its bank covenants, which have been met, including a requirement that Group members funds be not less than $60,000,000NZD (2014:$60,000,000), but otherwise the Group is not subject to any externally imposed capital requirements.

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

21. FINANCIAL INSTRUMENTS (CONTINUED)

Quantitative Disclosures

a. Credit Risk

The carrying amount of financial assets represents the Group'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 avoid a possible past due status. The Group's maximum exposure to credit risk for trade and other receivables, by geographic region, is as follows:

	GROUP Carrying Amount		PARENT Carrying Amount	
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Asia/ Pacific	21,781,002	22,485,146	9,138,483	12,595,703
Americas/Europe	10,575,217	6,800,270	10,309,845	6,800,270
Other	249,909	485,426	249,909	485,426
	32,606,128	**29,770,842**	**19,698,237**	**19,881,399**

The status of Group trade receivables at the reporting date is as follows:

	Gross Receivable	Impairment	Gross Receivable	Impairment
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Not Past Due	30,265,459	-	25,196,070	-
Past Due 0-30 days	2,122,614	-	3,911,740	-
Past Due 31-120 days	218,055	-	663,032	-
	32,606,128	**-**	**29,770,842**	**-**

The status of Parent trade receivables at the reporting date is as follows:

	Gross Receivable	Impairment	Gross Receivable	Impairment
	2015 ($)	2014 ($)	2015 ($)	2014 ($)
Not Past Due	17,357,568	-	15,306,627	-
Past Due 0-30 days	2,122,614	-	3,911,740	-
Past Due 31-120 days	218,055	-	663,032	-
	19,698,237	**-**	**19,881,399**	**-**

21. FINANCIAL INSTRUMENTS (CONTINUED)

b. Liquidity Risk

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

GROUP	Note	2015 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans & Borrowings	19	73,537,900	73,537,900	2,439,595	59,098,305	12,000,000	-
Accounts Payable & Accruals	20	24,921,198	24,921,198	24,921,198	-	-	-
Owing to Suppliers		17,295,441	17,295,441	17,295,441	-	-	-
Co-operative Shares		76,164,948	76,164,948	-	76,164,948	-	-
Total Non-derivative Liabilities		**191,919,487**	**191,919,487**	**44,656,234**	**135,263,253**	**12,000,000**	**-**

		2014 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans & Borrowings	19	36,121,200	36,121,200	1,145,200	9,250,000	25,726,000	-
Accounts Payable & Accruals	20	14,698,062	14,698,062	14,698,062	-	-	-
Owing to Suppliers		17,704,583	17,704,583	17,704,583	-	-	-
Co-operative Shares		34,444,688	34,444,688	-	34,444,688	-	-
Total Non-derivative Liabilities		**102,968,533**	**102,968,533**	**33,547,845**	**43,694,688**	**25,726,000**	**-**

PARENT		2015 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans & Borrowings	19	65,000,000	65,000,000	-	53,000,000	12,000,000	-
Accounts Payable & Accruals	20	21,773,956	21,773,956	21,773,956	-	-	-
Owing to Suppliers		17,295,441	17,295,441	17,295,441	-	-	-
Owing to Subsidiaries		13,376	13,376	13,376	-	-	-
Co-operative Shares		76,164,948	76,164,948	-	76,164,948	-	-
Total Non-derivative Liabilities		**180,247,721**	**180,247,721**	**39,082,773**	**129,164,948**	**12,000,000**	**-**

		2014 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans & Borrowings	19	29,250,000	29,250,000	-	9,250,000	20,000,000	-
Accounts Payable & Accruals	20	11,198,121	11,198,121	11,198,121	-	-	-
Owing to Suppliers		17,704,583	17,704,583	17,704,583	-	-	-
Owing to Subsidiaries		29,283	29,283	29,283	-	-	-
Co-operative Shares		34,444,688	34,444,688	-	34,444,688	-	-
Total Non-derivative Liabilities		**92,626,675**	**92,626,675**	**28,931,987**	**43,694,688**	**20,000,000**	**-**

21. FINANCIAL INSTRUMENTS (CONTINUED)

c. Foreign Currency Exchange Risk

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

2015	USD ($)	AUD ($)	JPY (¥)
Net Cash Flow Exposure Before Hedging less Foreign Exchange Contracts and Options (next 12 months)	90,224,035	18,664,984	4,559,732,280
	(80,550,000)	(8,000,000)	(3,850,000,000)
Net Unhedged Exposure	9,674,035	10,664,984	709,732,280

2014	USD ($)	AUD ($)	JPY (¥)
Net Cash Flow Exposure Before Hedging less Foreign Exchange Contracts and Options (next 12 months)	126,809,793	14,228,679	3,899,303,178
	(89,000,000)	(3,000,000)	(2,950,000,000)
Net Unhedged Exposure	37,809,793	11,228,679	949,303,178

d. Interest Rate Risk - Repricing Analysis

Variable Rate Instruments (also refer to note 19)

Group 2015	Total ($)	6 Months or Less ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Cash and Cash Equivalents	15,626,366	15,626,366	-	-	-
NZD Bank Loans	(65,000,000)	-	(53,000,000)	(12,000,000)	-
JPY Bank Loans	(8,537,900)	-	(2,439,595)	(6,098,305)	-
Total	**(57,911,534)**	**15,626,366**	**(55,439,595)**	**(18,098,305)**	**-**

2014	Total ($)	6 Months or Less ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Cash and Cash Equivalents	422,155	422,155	-	-	-
NZD Bank Loans	(29,250,000)	-	(9,250,000)	(20,000,000)	-
JPY Bank Loans	(6,871,200)	(1,145,200)	-	(5,726,000)	-
Total	**(35,699,045)**	**(723,045)**	**(9,250,000)**	**(25,726,000)**	**-**

Parent 2015	Total ($)	6 Months or Less ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Cash and Cash Equivalents	14,372,916	14,372,916	-	-	-
NZD Bank Loans	(65,000,000)	-	(53,000,000)	(12,000,000)	-
Total	**(50,627,084)**	**14,372,916**	**(53,000,000)**	**(12,000,000)**	**-**

2014	Total ($)	6 Months or Less ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Cash and Cash Equivalents	325,211	325,211	-	-	-
NZD Bank Loans	(29,250,000)	-	(9,250,000)	(20,000,000)	-
Total	**(28,924,789)**	**325,211**	**(9,250,000)**	**(20,000,000)**	**-**

e. 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.

Interest Rates:

At 31 July it is estimated that a general increase of one percentage point in NZ interest rates would decrease the Parent's profit before income tax by approximately $324,579 (2014: $147,298). Interest rate swaps have been included in this calculation.

21. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign Exchange Rates:

The Group has a foreign exchange policy to mitigate the risk associated with the fluctuations in the value of the New Zealand Dollar. At 31 July it is estimated that a general increase of one cent in the NZD/USD exchange rate would decrease the Group's profit by $640,854 (2014: $739,603). Foreign exchange hedging has been included in this calculation.

f. Hedging

Interest Rate Hedges

The Group has a policy of monitoring interest rate movements and where appropriate taking out interest rate cover. The Group currently has a number of interest rate swaps in place.

	GROUP/PARENT	
Interest Rate Swaps	2015 ($)	2014 ($)
Notional Contract Amount	57,000,000	47,000,000
Fair Value		
Assets	-	-
Liabilities	(1,631,876)	(535,328)
Net Fair Value	**(1,631,876)**	**(535,328)**

2015	Less than 12 Months	More than 12 Months	Total
Interest Rate Hedges	8,000,000	49,000,000	57,000,000

2014	Less than 12 Months	More than 12 Months	Total
Interest Rate Hedges	-	47,000,000	47,000,000

Foreign Currency Hedges

The Group and Parent's foreign exchange rate contracts and options notional amounts and fair values are presented below.

2015		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts:				
	Buy	110,529,575	47,031,423	157,560,998
	Sell	-	-	-
Option Contracts:				
	Call	50,435,261	17,641,732	68,076,993
	Put	(55,092,950)	(18,657,641)	(73,750,591)

2014		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts:				
	Buy	77,053,276	21,501,894	98,555,170
	Sell	-	-	-
Option Contracts:				
	Call	72,075,502	29,550,811	101,626,313
	Put	(77,309,795)	(32,060,474)	(109,370,269)

Fair Value:	2015 ($)	2014 ($)
Assets	798,562	9,435,921
Liabilities	(20,669,110)	(2,073,602)
Net Fair Value	(19,870,548)	7,362,319

21. FINANCIAL INSTRUMENTS (CONTINUED)

Estimation of Fair Values

The methods used in determining the fair values of financial instruments are discussed in note 4. The fair values of financial assets and financial liabilities approximates or equals their carrying values.

Interest Rates Used for Determining Fair Value

The Group uses the government yield curve as of 31 July 2015 plus an appropriate credit spread to discount financial instruments. The interest rates for determining fair values are as described in note 19.

g. Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: 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)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

GROUP/PARENT

		Level 1	Level 2	Level 3		Total
2015						
Derivative Financial Assets		-	798,562	-		798,562
Derivative Financial Liabilities		-	(22,300,986)	-		(22,300,986)
	TOTAL	**-**	**(21,502,424)**	**-**	**-**	**(21,502,424)**
2014						
		Level 1	Level 2	Level 3		Total
Derivative Financial Assets		-	9,435,921	-		9,435,921
Derivative Financial Liabilities			(2,608,930)			(2,608,930)
	TOTAL	**-**	**6,826,991**	**-**	**-**	**6,826,991**

h. Offsetting of Financial Assets and Liabilities

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In certain circumstances - e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on bank loans or other credit events. The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

GROUP/PARENT

	Financial Assets / (Liabilities) Presented	Amounts Not Offset	Net
2015			
Derivative Financial Assets	798,562	(798,562)	-
Derivative Financial Liabilities	(22,300,986)	798,562	(21,502,424)
	(21,502,424)	**-**	**(21,502,424)**
2014			
Derivative Financial Assets	9,435,921	(2,608,930)	6,826,991
Derivative Financial Liabilities	(2,608,930)	2,608,930	-
	6,826,991	**-**	**6,826,991**

22. LEASES

Operating Leases

Leases As Lessor

The Group leases out its investment property held under an operating lease. The future minimum lease payments under non-cancellable leases are as follows:

	GROUP/PARENT	
	2015 ($)	2014 ($)
Less Than 1 Year	-	108,000
1 - 5 Years	(108,000)	-
More Than 5 Years	-	-
	(108,000)	**108,000**

During the year ended 31 July 2015, $151,095 was recognised as rental income in the income statement (2014: $151,702). Repairs and maintenance expenses, recognised in the cost of sales, was as follows:

	GROUP		PARENT	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
Income Generating Property	26,172	43,843	26,172	43,843

23. CAPITAL COMMITMENTS

During the period ended 31 July 2015, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is $2,044,533 (2014: $43,077,994). These commitments are expected to be settled in the following financial year.

24. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		PARENT	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
Profit / (Loss) For The Year	7,020,420	12,477,846	9,304,672	12,060,902
Adjustments For Non Cash Items:				
Depreciation	7,828,097	6,916,117	7,794,464	6,873,261
Amortisation of Intangible Assets	323,515	332,065	323,515	332,065
Movement in Deferred Tax	(8,317,236)	699,643	(7,409,513)	560,360
Movement in Investment Property	-	(29,342)	-	(29,342)
Movement in Livestock Valuation	318,176	(42,717)	318,176	(42,717)
	7,172,972	20,353,612	10,331,314	19,754,529
Movements in Working Capital:				
Trade and Other Receivables	(3,142,635)	6,107,163	1,004,144	1,770,622
Derivatives - Assets	8,637,359	1,061,133	8,637,359	1,061,133
Derivatives - Liabilities	19,692,056	(3,367,855)	19,692,056	(3,367,855)
Inventories	6,662,009	(19,530,614)	1,336,040	(15,321,013)
Owing to Suppliers	(409,142)	2,787,910	(409,142)	2,787,910
Trade and Other Payables	10,746,741	2,170,763	10,841,218	(155,260)
	42,186,388	(10,771,500)	41,101,675	(13,224,463)
Items Classified as Investing / Financing Activities	(24,272,078)	1,161,311	(24,623,301)	1,727,554
Net Cash Flows From/(Applied to) Operating Activities	**25,087,282**	**10,743,423**	**26,809,688**	**8,257,620**

Items classified as Investing/Financing Activities relate to movements in the hedging reserve and translation reserve (Group only).

25. RELATED PARTY TRANSACTIONS

Directors and Shareholders

Directors and Shareholders may conduct business with the Group in the normal course of their business.

Key Management Personnel Compensation

	GROUP		PARENT	
	Year Ended 31 July 2015	Year Ended 31 July 2014	Year Ended 31 July 2015	Year Ended 31 July 2014
Short Term Employee Benefits	1,502,925	1,089,208	843,187	785,707
Long Term Employee Benefits	150,000	150,000	150,000	150,000

Transactions and Balances with Key Management Personnel

Key management personnel may conduct business with the Group.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows: Nil (2014: Nil).

Transactions and Balances with Other Related Parties

Elected directors conduct business with the Group in the normal course of their business activities.

The Group has paid directors fees of $468,000 (2014: $463,000), which is separately disclosed within the directors report.

The Group has not used the services of any other related parties (2014:$Nil).

Directors Farm Supply (included in Owing to Suppliers)

	Value of Transactions 14/15	Balance Outstanding 31 July 2015	Value of Transactions 13/14	Balance Outstanding 31 July 2014
Directors' Farm Supply (including Owing to Suppliers)	7,972,553	1,157,927	8,715,464	1,210,357

Transactions and Balances with Subsidiaries

Tatua and its subsidiaries, Tatua Japan, Tatua USA and Tatua Shanghai, conduct business with the Group in the normal course of their business activities. All of these transactions are conducted on normal commercial terms and conditions.

PARENT	Value of Transactions 14/15	Balance Outstanding 31 July 2015	Value of Transactions 13/14	Balance Outstanding 31 July 2014
Sales by Tatua to Tatua Japan	55,351,366	-	46,580,411	-
Sales by Tatua to Tatua USA	2,000,821		-	
Sales by Tatua to Tatua Dairy Products (Shanghai)	-		-	
Sales by Tatua Japan to Tatua	361,824		742,574	
Money Owing by Tatua Japan to Tatua	-	5,529,061	-	8,475,169
Money Owing by Tatua USA to Tatua	-	1,790,255	-	-
Money Owing by Tatua Dairy Products (Shanghai) to Tatua	-	-	-	-
Money Owing by Tatua to Tatua Japan	-	(13,376)	-	(29,283)
Money Owing by Tatua to Tatua Insurance	-	-	-	-
	57,714,011	7,305,940	47,322,985	8,445,886

26. GROUP ENTITIES

Subsidiaries	Country Of Incorporation	Ownership Interest 2015	2014
Tatua Japan Limited	Japan	100%	100%
Tatua USA Limited	USA	100%	0%
Tatua Dairy Products (Shanghai) Co., Ltd	China	100%	0%
Equity Accounted Investee			
Milktest New Zealand Ltd	N.Z.	10%	10%

27. SUBSEQUENT EVENTS

There were no material events subsequent to 31 July 2015 that would impact these financial statements.

AUDITORS REPORT

TO THE SHAREHOLDERS OF THE TATUA CO-OPERATIVE DAIRY COMPANY LIMITED

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of The Tatua Co-Operative Dairy Company Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 16 to 45. The financial statements comprise the statements of financial position as at 31 July 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in the 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, this report or any of the opinions we have formed.

Directors' responsibility for the company and group financial statements

The directors are responsible on behalf of the company for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with 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 company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the 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 company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Our firm has also provided other services to the company and group in relation to taxation services. Subject to certain restrictions, partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 16 to 45:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 July 2015 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

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

KPMG

20 November 2015
Hamilton

STATISTICS

Milk Received from Suppliers		2014/15	2013/14	2012/13	2011/12	2010/11
	Litres	173,353,171	147,647,758	140,723,652	147,155,635	136,455,945
	Milksolids	15,663,949	13,223,427	12,523,609	13,186,565	12,041,622
Income Equivalent Payout (cents/kg ms)						
	Made up of:					
	Cash Payout	710.0	900.0	740.0	750.0	810.0
	Imputation Credits	-	-	-	-	-
	Total Income Equivalent Payout	**710.0**	**900.0**	**740.0**	**750.0**	**810.0**

Summary of Milk Payment Rates		2014/15 Cents / kg Fat	2014/15 Cents / kg Protein	2013/14 Cents / kg Fat	2013/14 Cents / kg Protein
Advance Rate	20 July	261.0	705.0	257.0	780.0
Retrospective Increase	20 December	-	-	35.0	105.0
Retrospective Increase	20 February	-	-	8.0	25.0
Retrospective Increase	20 March	26.0	69.0	22.0	67.0
Retrospective Increase	20 April	-	-	23.0	68.0
Retrospective Increase	20 May	-	-	22.0	66.0
Retrospective Increase	20 June	24.0	67.0	21.0	65.0
Retrospective Increase	20 July	38.0	103.0	27.0	81.0
Retrospective Increase	20 August	21.0	56.0	21.0	65.0
Retrospective Increase	20 September	20.0	55.0	22.0	66.0
Final Payment	20 October	18.935	50.230	24.122	72.975
Total Payout Averaged Over All Grades		**408.935**	**1,105.230**	**482.122**	**1,460.975**

PROGRESS

Year	No. of suppliers	Milksolids from own supply (kg)	Payout cents/kg MS (income equiv.)	Total shareholders funds ($)	Commodity products (tonnes) Proteins	Powders	Cheese	AMF
2014/15	118	15,663,949	710.0	100,371,192	9,654			9,791
2013/14	109	13,223,427	900.0	106,167,944	7,408			9,535
2012/13	108	12,523,609	740.0	87,044,650	7,168			8,069
2011/12	109	13,186,565	750.0	76,825,363	8,037			9,469
2010/11	111	12,041,622	810.0	75,438,331	6,715			7,288
2005/06	121	12,237,952	459.1	50,988,615	6,718			8,364
2000/01	136	8,908,866	552.3	25,376,429	8,000			
1995/96	146	7,989,118	418.7	15,082,806	7,863			
1990/91	130	6,382,505	261.7	11,604,650	2,705			
1985/86	104	5,013,554	241.4	5,611,760	1,753			
1980/81	87	3,618,763	155.2	1,738,208	971	761		
1975/76	74	2,938,277	81.3	752,270	1,144	1,275		
1970/71	70	2,182,343	48.9	275,015	1,005	609		
1965/66	70	1,926,323	47.0	232,534	926			
1960/61	62	1,314,518	40.6	157,920	474			
1955/56	56	1,038,843	42.5	111,051	347			
1950/51	49	916,178	36.1	84,624	318			
1945/46	43	613,418	24.2	40,832			885	
1940/41	45	752,929	19.4	37,342			1,112	
1935/36	46	763,155	14.3	32,113			1,110	
1930/31	49	697,178	12.4	29,788			1,024	
1925/26	51	324,125	20.3	23,213			846	

Note: For the seasons to 1985/86 milkfat has been converted to "milksolids" using a factor of 1 kg milkfat = 1.74 kg milksolids

DIRECTORY

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Directors	KM Old, B.M.S., M.B.A., Ph.D (Waikato) MJF Luxton, Q.S.O., B.Agr.Sc., M.Man. DP Muggeridge P Schuyt, B.Com., C.F.Inst.D. M Dewdney, B.M.S. RE Townshend, B.Tech (Massey), AMP (Harvard) BR Wilton, B.Agr.Sc.
Chief Executive Officer	P D McGilvary, BCA(Hons)
General Manager – Marketing & Sales	JT Powell, B.Sc., Dip. Dairy Sci. & Tech.
General Manager – Operations	BA Greaney, B.M.S.
General Manager – Finance & Corporate Administration	CJ Foster, B.M.S., C.A., Grad.Dip. Treas. & Fin. Mgmt.
Company Secretary	JI Houghting
Auditors	KPMG (Hamilton)
Solicitors	Harkness Henry & Co
Bankers	Bank of New Zealand Ltd
Insurance Brokers	Willis New Zealand Ltd

TATUA

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