TATUA

ANNUAL REPORT 2016

WELCOME TO TATUA

FINANCIAL STATEMENTS

Stephen Allen
Chairman

Paul McGilvary
Chief Executive Officer

2016 The Year in Review

REPORT FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER

The 2015/16 year was challenging, with global milk supply rising ahead of demand. Despite this, Tatua's caseinate, whey protein concentrate and anhydrous milk fat remained the preferred product mix. Our specialised added-value business continued to grow, which also helped underpin our competitive financial result.

FINANCIAL SUMMARY

Tatua generated Group revenue of NZ$289.3 million for the 2015/16 financial year. Earnings before payout, taxation and retentions was $99.8 million, which equated to $6.41 per kilogram of milksolids.

The Board decided on a final cash payout of $6.30 per kilogram of milksolids. A pre-tax retention of 11 cents per kilogram of milksolids was made from earnings. Tatua enjoyed strong cash flows throughout 2015/16 and incurred no doubtful or bad debts during the year.

Our average New Zealand dollar foreign exchange conversion rate was 0.7135 to the USD.

Our gearing ratio, or debt divided by debt plus equity, was 35.7% at year end.

INTERNATIONAL DAIRY MARKET OVERVIEW

The 2015/16 year started well enough. August and September saw market prices stage a short rally which buoyed hopes of a sustained recovery. However, this was not to be; with dairy product pricing trending lower for the remaining ten months of the year. The fall was not as sharp as that which occurred in 2014, but this was the third year in a row of softer dairy prices.

The softer dairy pricing was driven mainly by oversupply of milk from the northern hemisphere. For many years European milk quotas had constrained milk growth, so, when they were removed in early 2015, the opportunity for expansion of milk supply was seized upon by European Union farmers. This was especially true for farmers in more export-focused dairying nations like Ireland, the Netherlands and Denmark.

Total European Union milk production grew by more than 2% in 2015 and this growth continued for most of 2016. With dairy production in Europe over eight times that of New Zealand, the growth meant that there was a large volume of extra product on the international market. Even with global prices declining, many European farmers resolutely increased their milk production. This growth was supported by strong domestic dairy prices, especially for milkfat - with skim milk powder and protein surpluses being exported into the international market.

More positively, global dairy demand across the year was steady; with dairy commodity import statistics for many markets regaining a more positive tone. China's dairy imports have been weak in recent years, which has disrupted the market, but now we are seeing import volumes increase. This is in spite of growth in Chinese domestic milk production.

Demand for dairy has been somewhat subdued in oil producing nations, due to low oil prices. But, for the most part, global consumption has been stronger, based on recognition by consumers of dairy's nutritional advantages.

STRATEGIC PROGRESS

2015/16 could best be described as a year of building the base for the next stage of growth.

In 2015/16 we did much to make our business more sustainable. Our first project was to design and build a new Enterprise Resource Planning (ERP) system for the business. Strong progress was made on this, and at year end we had completed the detailed design phase and had started on building the system. The "go-live" date for this new system is set for 31 March 2017.

It is essential that Tatua has modern information technology systems, which connects our business end-to-end to deliver superior customer service and maximise operating efficiency into the future.

Secondly, we developed and had approved a proposal to further improve the quality of the water flowing from the plant. Construction has started on a Dissolved Air Flotation (DAF) plant to remove residual milksolids from our waste-water and allow a much cleaner stream of water to be irrigated on surrounding farms. The DAF plant is scheduled to be operational for the start of the 2017/18 milk season. Associated with this project was renewal of all local authority consents to discharge water for another 15 years.

Thirdly, we fully resourced and bedded down the operations of our two new offshore subsidiaries, Tatua Dairy Products (Shanghai) Co., Ltd and Tatua USA Ltd. These two companies, along with Tatua Japan Co Ltd, represent our physical presence in our most important markets. These companies and their 17 staff enable us to provide technical support for our products on the ground in market, better control our supply chain all the way to the final customer, and gain better market intelligence. This structure provides us with a stronger business platform for future growth.

Other key projects to improve Tatua's future sustainability included:

1) Expansion of our milk reception capacity to improve milk handling at the peak of the season;
2) Investment in a new site security system to ensure our supply chain and production processes are secure from outside interference;
3) Upgrading of our lactoferrin plant to meet higher customer requirements;
4) Review of our systems for managing milk supply growth; No changes were made, but our knowledge base has been extended for the future;
5) Submissions to the Ministry for Primary Industries on the shape of the regulations supporting competition within the New Zealand dairy industry; and
6) Strengthened governance structures for both Health and Safety, and Food Safety.

The other key focus in 2015/16 was people. At Tatua we believe in the power of people. We have a strategic theme to recruit, retain and develop great people.

Several key appointments were made during the year, including a new advisor for the Tatua Shanghai board, and a new manager of product development. In addition, the company maintained a very high level of investment in both vocational training and the development of key leadership talent.

We believe the quality of our people is a key differentiator for Tatua.

DIRECTORS

Mark Dewdney and Bruce Wilton retired by rotation during the year. Both offered themselves for re-election and were both re-elected for a further three year term. Appointed directors Peter Schuyt and Ross Townshend reached the end of their three year term and were also reappointed.

OUTLOOK 2016/17

In announcing a strong result for 2015/16, we are mindful that the 2016/17 year will remain challenging. Global demand is stronger, but the strength of demand is mixed across markets.

Prices for milkpowder are responding positively to lower New Zealand milk production, but there is some doubt that these can be sustained. The high global stocks of animal feed at historically low prices means milk supply can respond quickly to any lift in prices.

The European Union (EU) has just announced another extensive range of support measures under the title "500m Euro Solidarity Package for Farmers". This includes extensions to Skim Milk Powder intervention and private storage aid beyond 30 September 2016. These extensions, plus the requirement for the EU to start releasing older stocks to the market soon, does not bode well for further milkpowder or caseinate price recovery in the short term.

With the investment we have made in our offshore subsidiaries we are now better placed to continue selling, especially specialised added value products, into our key markets.

Our expected earnings for 2016/17 is $5.50 - $6.00 per kilogram of milksolids and our opening advance milk price is $4.00 per kilogram of milksolids. These will both be reviewed when we undertake our first reforecast for the year in November 2016.

Tatua continues to focus on all aspects of sustainability; environmental, financial and social. Our Company is made up of 113 supplying farms, comprising 86 farming families and 370 employees and their respective families. Long-term confidence and stability for our farming families, staff and customers is paramount to allow Tatua to continue its strategy of adding value to our Shareholders milk.

COMMUNITY INITIATIVES

We hosted many students at Tatua during the year. These visits comprise a presentation of the Company, introduction to staff from different areas in the business, a product tasting, and a site tour. Our intention is to provide students with an insight into the career opportunities which 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:

- St Peter's School
- Lincoln University
- Springdale School
- Rabobank Agri Development – The University of Waikato
- Ngāti Hauā Students
- Agri Business students from The University of Waikato
- Morrinsville Intermediate School
- Morrinsville College Science Academy Mentor Students
- Morrinsville College
- St Peter's Economics Group

This is a strong signal regarding Tatua's growing engagement with the wider community.

Katrina Chun, the first recipient of the Tatua Graduate Scholarship, received her Masters Degree in Engineering from The University of Auckland in May 2016 and is now working with Tatua's Commercial and Technology Manager, Tim Winter, as a Technology Analyst.

FAREWELLS

Two key people have advised their intention to leave the company this year. Hon. John Luxton (Director) and Mr Paul McGilvary, our current Chief Executive Officer.

Both John and Paul feature in the next section of the Annual Report.

ACKNOWLEDGEMENTS

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

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

Firstly, to 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 that we have a deep commitment to meet your requirements on a long term basis.

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

To our shareholders. Your loyalty and commitment to Tatua is unquestioned. Once again you have supplied milk to us of the highest quality, but more than that, you have willingly committed resources to allow us to continue to build Tatua as 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, to our staff. Day in and day out you add value to our farmers' milk. Our staff survey tells us you are a highly motivated and capable team. We are proud of you and feel privileged to work with you.

Our thanks to you all, without you Tatua would not be the iconic company that it is.

S.B. Allen

Stephen Allen Chairman

Paul McGilvary Chief Executive Officer

Farewell

Hon JOHN LUXTON QSO

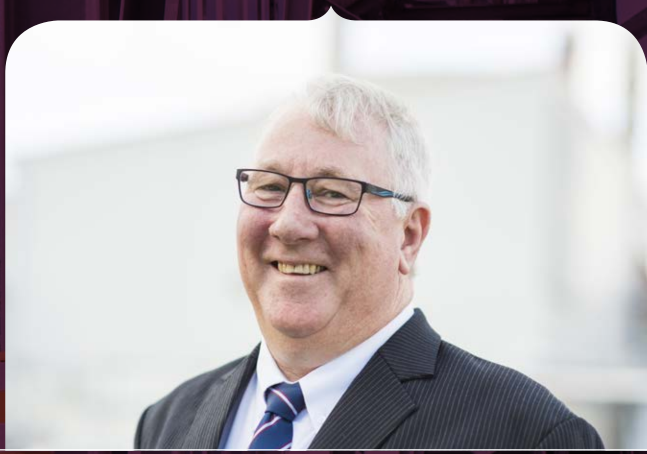
John Luxton first became a member of the board in 1978 and served until 1980. He then re-joined the board in 1983, and became the Chairman in 1985. In 1987 John was elected to parliament as MP for Matamata and retired as Tatua Chairman in 1990. During his period at parliament, John served in various ministerial roles including Minister of Agriculture. He retired from parliament in 2002.

He again became a Tatua Director in 2001 until his forthcoming retirement. Tatua has therefore been very fortunate to have had John contribute over three tenures.

Like many other board members, John has strong family links with Tatua and his relevant industry experience has included a number of international agriculture consultancies.

He has recently received a 2016 Lincoln University Honorary Degree of Doctor of Science. He is: Chairman of the Asia New Zealand Foundation, Co-Chair of the Waikato River Authority, and was until very recently, Chairman of DairyNZ. He also holds a number of directorships in the New Zealand agribusiness sector.

Thank you John, we find it hard to express in words our true appreciation for your contribution to Tatua over many years. Your wisdom, calm demeanour, sense of humour and friendship will be greatly missed. Fortunately you remain with us as a shareholder amongst the Tatua family.



Farewell

Mr PAUL McGILVARY

Paul McGilvary began as Chief Executive Officer at Tatua on 1 June 2008.

During Paul's time at Tatua we have seen the company grow in terms of staff numbers, physical assets and returns to shareholders.

Paul's emphasis on people has created a culture where people are highly engaged at Tatua.

For the past eight and a half years Paul has led Tatua into a leading position in the New Zealand dairy industry with record payout differentials.

Under Paul's leadership, production facilities have been brought up to a world class standard and our industry relationships have been greatly strengthened. In addition, our three offshore subsidiaries are in place in our key markets to further drive growth and de-risk our supply chain.

Paul leaves Tatua with all the infrastructure and systems in place for the company to undertake another major growth step.

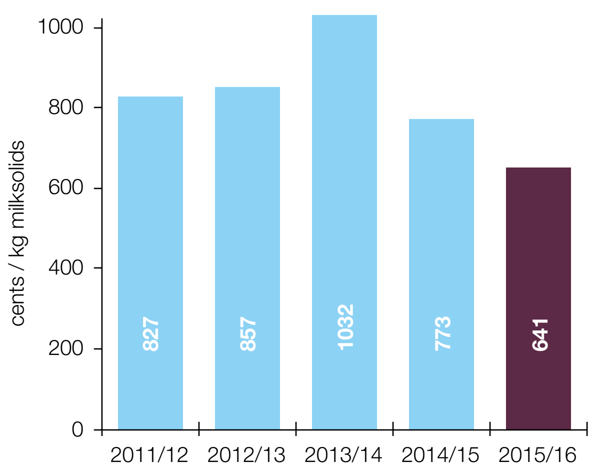
The relationship between the Chief Executive Officer and the Board, particularly the Chairman, is unique and special. The nature of the relationship can be best described as friendly, but above all professional. It is our most important relationship.

Thank you so much Paul, you have been fantastic for Tatua. We are sure that you will continue to make a significant contribution to New Zealand, through a range of non-executive roles. You will always be a part of the Tatua family. Go well Paul!

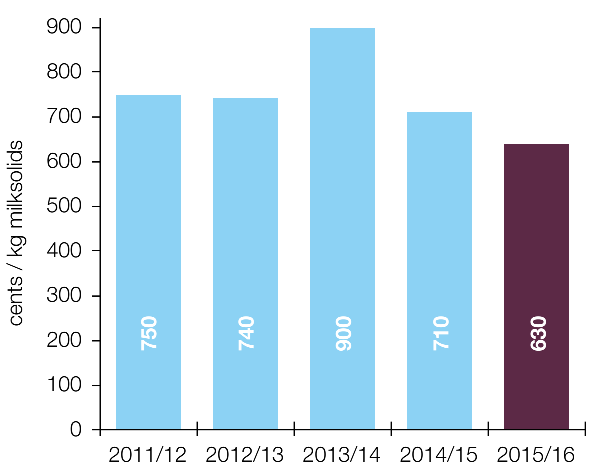
KEY FINANCIAL PERFORMANCE SUMMARY

Summary		2015/16	2014/15
Milk Received from Suppliers	litres	173,184,398	173,353,171
Milksolids Received from Suppliers	kgs	15,568,586	15,663,949
Group Revenue	$	$289,337,045	$285,767,169
Group Surplus Before Payout & Tax	cts/kg m'solids	640.7	773.2
Group Depreciation	cts/kg m'solids	70.6	50.0
Cash Payout to Suppliers	cts/kg m'solids	630.0	710.0
Capital Expenditure	$	$8,163,723	$58,824,623
Group Assets	$	$238,810,564	$241,418,570
Gearing: Debt to Debt + Equity	%	35.7%	36.6%

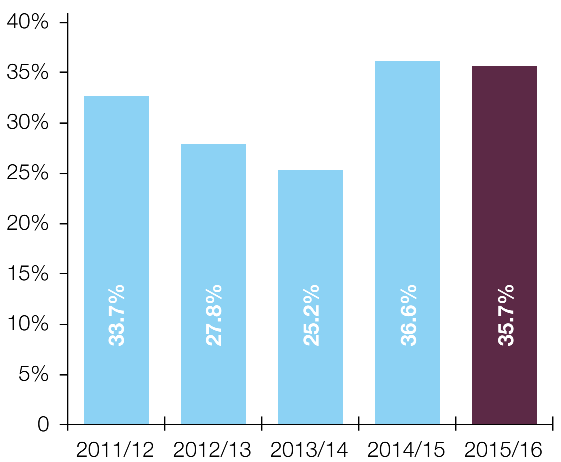
Group Surplus Before Payout And Tax



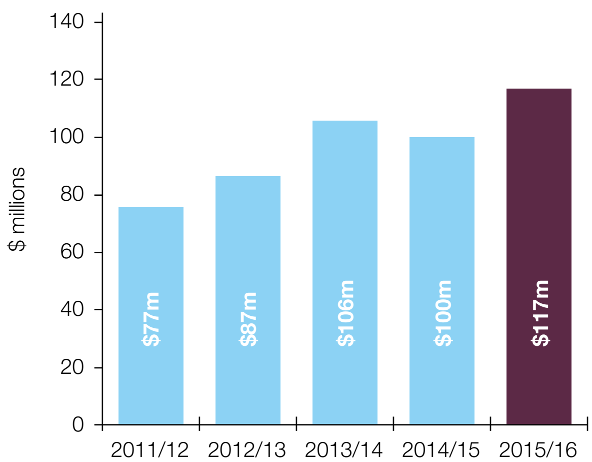
Payout – Income Equivalent



Gearing (%Debt To Debt Plus Members Funds)



Members Funds



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 27th July 2016 that, in the opinion of the Board, the Company has been a co-operative company during the year ended 31st July 2016 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 robust health and safety processes which protect 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, while appointed directors are appointed for a term not longer than three years, after which they are eligible for re-appointment for a further three year term. Elected directors, Mark Dewdney and Bruce Wilton retired by rotation during the year and were re-elected, and appointed directors, Peter Schuyt and Ross Townshend were re-appointed to the Board.

BOARD MEETINGS HELD DURING THE YEAR

	Meetings Attended
Stephen Allen (Chairman)	7
Kevin Old	7
Mark Dewdney	7
John Luxton	5
David Muggeridge	7
Peter Schuyt	7
Ross Townshend	7
Bruce Wilton	7
Board Meetings Held	**7**

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), Mark Dewdney, John Luxton, David Muggeridge and Kevin Old. 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.

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	$110,000
Mark Dewdney	$44,000
John Luxton	$44,000
David Muggeridge	$59,000
Kevin Old	$59,000
Peter Schuyt	$59,000
Ross Townshend	$44,000
Bruce Wilton	$44,000
	$463,000

DIRECTORS' SHAREHOLDINGS

At 31 July 2016 Directors held the following shares in the Company:

	Beneficially Held	Non-Beneficially Held	Held By Associated Persons
Stephen Allen	2,252,110	–	854,960
John Luxton	4,759,410	–	2,743,970
David Muggeridge	1,036,500	–	–
Kevin Old	1,252,380	–	2,703,410
Mark Dewdney	1,368,040	–	–
Bruce Wilton	1,299,010	–	–

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.

Director	Position	Company
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	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
	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	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	Level 8 Ltd
	Trustee	Luxton Family Trust
	Trustee	RJ Douglas Trust
Peter Schuyt	Director	TSB Bank Ltd
	Director	Dairy Investments Fund Ltd
	Director	Pumpkin Patch Ltd (In Receivership)
	Director	Tax Management NZ Ltd
	Director	Foodstuffs North Island Ltd
	Director	DairyNZ 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 2016 the following number of employees of the Group received total remuneration of at least $100,000: Total remuneration includes salaries, bonus payments, and other benefits received in the capacity as an employee during the year, e.g. company vehicles, insurance and superannuation. Bonus payments may relate to multiple years, but paid in one lump sum.

	Number of Employees	
	Group	Parent
$100,000 – $109,999	33	32
$110,000 – $119,999	33	33
$120,000 – $129,999	16	15
$130,000 – $139,999	12	12
$140,000 – $149,999	7	7
$150,000 – $159,999	8	7
$160,000 – $169,999	3	2
$170,000 – $179,999	3	3
$180,000 – $189,000	5	4
$190,000 – $199,999	2	2
$200,000 – $209,999	2	2
$210,000 – $219,999	3	3
$220,000 – $229,999	-	-
$230,000 – $239,999	-	-
$240,000 – $249,999	1	1
$250,000 – $259,999	1	1
$280,000 – $289,999	1	-
$290,000 – $299,999	1	1
$300,000 – $309,999	1	-
$340,000 – $349,999	2	1
$440,000 – $449,999	1	1
$470,000 – $479,999	1	1
$1,230,000 – $1,239,999	1	1
	137	**129**

DONATIONS & GRANTS

Donations and grants for the year ended 31 July 2016 were $44,836 (2015: $25,202).

BALANCE SHEET

As at 31 July 2016

	Note	GROUP 2016 ($)	GROUP 2015 ($)	PARENT 2016 ($)	PARENT 2015 ($)
Current Assets					
Cash & Cash Equivalents	17	10,726,520	15,626,366	685,211	14,372,916
Derivatives	21	9,276,409	798,562	9,276,409	798,562
Receivables & Prepayments	16	37,124,340	35,657,535	16,718,367	22,674,381
Owing by Subsidiaries	25	-	-	25,951,781	7,319,316
Tax Receivable		132,453	-	-	-
Inventories	15	49,800,947	50,781,085	40,020,217	44,515,916
Biological Assets	12	898,497	890,835	898,497	890,835
Total Current Assets		**107,959,166**	**103,754,383**	**93,550,482**	**90,571,926**
Non Current Assets					
Property, Plant & Equipment	10	125,295,213	127,027,137	125,233,321	126,943,031
Investment Property	13	1,175,000	1,175,000	1,175,000	1,175,000
Intangible Assets	11	614,677	484,622	614,677	484,622
Deferred Tax Asset	14	3,076,409	8,132,969	1,833,250	7,067,443
Investments		690,099	844,459	3,850,050	2,804,410
Total Non Current Assets		**130,851,398**	**137,664,187**	**132,706,298**	**138,474,506**
Total Assets		**238,810,564**	**241,418,570**	**226,256,780**	**229,046,432**
Current Liabilities					
Loans & Borrowings	19	44,510,870	61,537,900	35,000,000	53,000,000
Derivatives	21	7,510,536	22,300,986	7,510,536	22,300,986
Accounts Payable & Accruals	20	20,491,974	24,921,198	17,182,520	21,773,956
Tax Payable		254,998	2,991,853	712,833	2,653,580
Owing to Suppliers		18,172,672	17,295,441	18,172,672	17,295,441
Owing to Subsidiaries	25	-	-	16,257	13,376
Total Current Liabilities		**90,941,050**	**129,047,378**	**78,594,818**	**117,037,339**
Non Current Liabilities					
Loans & Borrowings	19	31,000,000	12,000,000	31,000,000	12,000,000
Total Non Current Liabilities		**31,000,000**	**12,000,000**	**31,000,000**	**12,000,000**
TOTAL Liabilities Excluding Co-operative Shares Classified as a Liability		**121,941,050**	**141,047,378**	**109,594,818**	**129,037,339**
PLUS Co-operative Shares		75,928,670	76,164,948	75,928,670	76,164,948
Total Liabilities		197,869,720	217,212,326	185,523,488	205,202,287
Net Assets		**40,940,844**	**24,206,244**	**40,733,292**	**23,844,145**
Retained Earnings		27,463,442	25,861,769	27,492,670	25,532,453
Reserves		13,477,402	(1,655,525)	13,240,622	(1,688,308)
Equity		**40,940,844**	**24,206,244**	**40,733,292**	**23,844,145**
Members Funds Memorandum Account:					
Co-operative Shares Classified as a Liability	18	75,928,670	76,164,948	75,928,670	76,164,948
Retained Earnings		27,463,442	25,861,769	27,492,670	25,532,453
Reserves		13,477,402	(1,655,525)	13,240,622	(1,688,308)
Total Members Funds		**116,869,514**	**100,371,192**	**116,661,962**	**100,009,093**

For and on behalf of the Board:

S.B. Allen

SB Allen
Chairman of Directors
16 November 2016

P.M. Schuyt

PM Schuyt
Chairman, Finance, Audit & Risk Committee
16 November 2016

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 2016

		GROUP		PARENT	
	Note	Year Ended 31 July 2016 ($)	Year Ended 31 July 2015 ($)	Year Ended 31 July 2016 ($)	Year Ended 31 July 2015 ($)
Profit or Loss Items					
Total Operating Revenue		289,337,045	285,767,169	277,187,504	278,531,169
less Payments for Milk Supplied		(97,679,820)	(110,603,176)	(97,679,820)	(110,603,176)
less Other Cost of Sales		(147,482,221)	(136,867,018)	(140,394,926)	(128,804,048)
Gross Profit		**44,175,004**	**38,296,975**	**39,112,758**	**39,123,945**
plus Other Income	5	1,984,558	2,952,801	1,952,483	2,429,712
less Sales & Marketing Expenses		(20,010,048)	(16,840,063)	(14,774,320)	(14,491,670)
less Administration Expenses	6	(10,273,228)	(11,427,835)	(10,273,228)	(11,427,835)
Surplus from Operating Activities		**15,876,286**	**12,981,878**	**16,017,693**	**15,634,152**
Finance Income	8	4,383,272	5,032,446	4,374,985	5,042,341
less Finance Expenses	8	(18,188,583)	(7,497,821)	(17,989,520)	(7,327,768)
Net Finance Income		**(13,805,311)**	**(2,465,375)**	**(13,614,535)**	**(2,285,427)**
Surplus before Income Tax		**2,070,975**	**10,516,503**	**2,403,158**	**13,348,725**
less Income Tax (Expense)	9	(469,302)	(3,496,083)	(442,941)	(4,044,053)
Net Surplus		**1,601,673**	**7,020,420**	**1,960,217**	**9,304,672**
Other Comprehensive Income					
Movement in Land Revaluation Reserve		1,292,500	90,471	1,292,500	90,471
Change in Fair Value of Cash Flow Hedges Transferred to Income Statement		23,268,298	(18,923,731)	23,268,298	(18,923,731)
Effective Portion of Changes in the Fair Value of Cashflow Hedges		(4,328,812)	(4,702,843)	(4,328,812)	(4,702,843)
Movement in Foreign Exchange Reserve		203,997	340,451	-	-
Income Tax on Other Comprehensive Income		(5,303,056)	6,615,440	(5,303,056)	6,615,440
Other Comprehensive Income for the Year		**15,132,927**	**(16,580,212)**	**14,928,930**	**(16,920,663)**
Total Comprehensive Income		**16,734,600**	**(9,559,792)**	**16,889,147**	**(7,615,991)**

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 2016

GROUP	Translation Reserve ($)	Hedging Reserve ($)	Revaluation Reserve ($)	Retained Earnings ($)	Total Equity ($)
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	-	-	-	(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**
Balance at 1 August 2015	32,783	(12,373,646)	10,685,338	25,861,769	24,206,244
Other Comprehensive Income					
Movement in Foreign Exchange Reserve	203,997	-	-	-	203,997
Movement in Land Revaluation Reserve	-	-	1,292,500	-	1,292,500
Movement in Hedging Reserve, Net of Tax	-	13,636,430	-	-	13,636,430
Total Other Comprehensive Income	**203,997**	**13,636,430**	**1,292,500**	**-**	**15,132,927**
Tax Paid Surplus/(Deficit)	-	-	-	1,601,673	1,601,673
Total Comprehensive Income	**203,997**	**13,636,430**	**1,292,500**	**1,601,673**	**16,734,600**
Balance at 31 July 2016	**236,780**	**1,262,784**	**11,977,838**	**27,463,442**	**40,940,844**

PARENT	Translation Reserve ($)	Hedging Reserve ($)	Revaluation Reserve ($)	Retained Earnings ($)	Total Equity ($)
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	-	-	-	(37,957,220)	(37,957,220)
Balance at 31 July 2015	**-**	**(12,373,646)**	**10,685,338**	**25,532,453**	**23,844,145**
Balance at 1 August 2015	**-**	**(12,373,646)**	**10,685,338**	**25,532,453**	**23,844,145**
Other Comprehensive Income					
Movement in Land Revaluation Reserve	-	-	1,292,500	-	1,292,500
Movement in Hedging Reserve, Net of Tax	-	13,636,430	-	-	13,636,430
Total Other Comprehensive Income	**-**	**13,636,430**	**1,292,500**	**-**	**14,928,930**
Tax Paid Surplus/(Deficit)	-	-	-	1,960,217	1,960,217
Total Comprehensive Income	**-**	**13,636,430**	**1,292,500**	**1,960,217**	**16,889,147**
Balance at 31 July 2016	**-**	**1,262,784**	**11,977,838**	**27,492,670**	**40,733,292**

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

STATEMENT OF CASH FLOWS

For the Year Ended 31 July 2016

	Note	GROUP Year Ended 31 July 2016 ($)	GROUP Year Ended 31 July 2015 ($)	PARENT Year Ended 31 July 2016 ($)	PARENT Year Ended 31 July 2015 ($)
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from Customers		275,770,663	290,141,762	252,184,582	286,289,256
Dividends Received		912	1,687	912	1,687
Interest Received		54,460	172,248	46,173	172,094
		275,826,035	290,315,697	252,231,667	286,463,037
Cash was applied to:					
Payments for Milk		(96,802,589)	(111,012,318)	(96,802,589)	(111,012,318)
Payments to Creditors & Employees		(170,074,190)	(146,794,200)	(154,452,972)	(141,506,625)
Interest Paid		(3,986,554)	(2,747,623)	(3,791,990)	(2,577,570)
Taxation Paid		(3,585,106)	(4,674,274)	(2,452,551)	(4,556,836)
		(274,448,439)	**(265,228,415)**	**(257,500,102)**	**(259,653,349)**
Net Cash Flows From / (Applied To) Operating Activities	24	**1,377,596**	**25,087,282**	**(5,268,435)**	**26,809,688**
Cash Flows From Investing Activities					
Cash was provided from:					
Proceeds From Sale of Property, Plant & Equipment		207,788	21,863	207,788	21,863
Proceeds From Investments		277,914	918,000	277,914	918,000
		485,702	939,863	485,702	939,863
Cash was applied to:					
Acquisition of Property, Plant & Equipment		(8,164,108)	(51,668,387)	(8,010,382)	(51,596,689)
Acquisition of Intangible Assets		(334,758)	(334,287)	(334,758)	(334,287)
Purchase of Share Investments		-	-	(1,323,554)	(1,283,910)
		(8,498,866)	(52,002,674)	(9,668,694)	(53,214,886)
Net Cash Flows From / (Applied To) Investing Activities		**(8,013,164)**	**(51,062,811)**	**(9,182,992)**	**(52,275,023)**
Cash Flows From Financing Activities					
Cash was provided from:					
Increase in Co-operative Shares	18	2,290,797	4,052,675	2,290,797	4,052,675
Proceeds from Borrowings		22,972,000	37,416,700	22,000,000	35,750,000
		25,262,797	41,469,375	24,290,797	39,802,675
Cash was applied to:					
Decrease in Co-operative Shares		(2,527,075)	(289,635)	(2,527,075)	(289,635)
Repayment of Borrowings		(21,000,000)	-	(21,000,000)	-
		(23,527,075)	(289,635)	(23,527,075)	(289,635)
Net Cash Flows From / (Applied To) Financing Activities		**1,735,722**	**41,179,740**	**763,722**	**39,513,040**
Net Increase / (Decrease) in Cash & Cash Equivalents		(4,899,846)	15,204,211	(13,687,705)	14,047,705
Add: Opening Cash & Cash Equivalents Balance		15,626,366	422,155	14,372,916	325,211
Closing Cash & Cash Equivalents Balance	17	**10,726,520**	**15,626,366**	**685,211**	**14,372,916**

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 2016 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 2016.

These financial statements were approved by the Board of Directors on 16 November 2016 and have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.

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.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 Restructuring Act 2001 (DIRA) .

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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. The share standard is ten 50 cent shares for every kilogram of milksolids. 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. When the group performs a bonus share issue, with new shares issued at the same rate as existing shares, retained earnings is decreased to match the increase in co-operative shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) New Standards and Interpretations

(i) New and amended standards adopted by the Group

No new or amended standards were adopted that had a material impact on the Group's financial statements.

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

– Disclosure initiative (amendments to NZ IAS 1). Effective for periods beginning 1 January 2016. The amendments do not require any significant change to current practice, but should facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies.

– NZ IFRS 9 – Financial Instruments: Classification and Measurement. Effective for periods beginning from 1 January 2018. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published.

– NZ IFRS 15 – Revenue from Contracts with Customers. Effective for periods beginning from 1 January 2018. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

– NZ IFRS 16 – Leases. Effective for periods beginning from 1 January 2019. NZ IFRS 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

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.

From 1 April 2014, the new Financial Reporting Act 2013 ("FRA 2013") has come into force replacing the Financial Reporting Act 1993. The FRA 2013 is effective for companies with financial periods beginning on or after 1 April 2014 unless they meet the definition of a FMC reporting entity under the Financial Markets Conduct Act ("FMC Act") and meet the transitional provision requirements of the FMC Act that require them to apply the Financial Reporting Act 1993. As the Group meets the requirements of an entity operating under the transitional provisions of the FMC Act, the Group will be required to report under the FRA 2013 at the earlier of making an issue of securities under the FMC Act, opting into the FMC Act, becoming a recipient of funds from a conduit issuer, or at the Group's next balance date after 1 December 2016 (i.e. 31 July 2017).

The change in legislation has no material impact on the entity's obligation to prepare general-purpose financial statements. Neither the FRA 2013 nor the FMC Act require the preparation of parent financial statements where group financial statements are prepared. Accordingly on adoption of the FMC Act and the FRA 2013 the Group will no longer be required to prepare separate financial statements for the Company.

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	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Sundry Asset Sales/Gain on Disposal of Property, Plant & Equipment	31,649	32,158	31,649	32,158
Rental Income from Investment Property	108,000	108,000	108,000	108,000
Rental Income from Farm Houses	38,148	43,095	38,148	43,095
Insurance Claim Proceeds	84,769	20,309	84,769	20,309
MilkTest NZ Ltd Income	280,491	722,369	280,491	722,369
Sundry Income	1,441,501	2,026,870	1,409,426	1,503,781
	1,984,558	**2,952,801**	**1,952,483**	**2,429,712**

6. ADMINISTRATION EXPENSES

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
The following items are included in administration expenses:				
Auditors Remuneration (KPMG)				
Audit of Financial Statements	127,022	124,000	108,000	108,000
Other Services	-	27,000	-	27,000
Directors' Fees	463,000	467,700	463,000	467,700
Directors' Expenses	5,441	45,322	5,441	45,322

Other services are in relation to advice on operational tax matters, such as transfer pricing and distribution advice.

7. PERSONNEL EXPENSES

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Wages and Salaries	34,661,261	31,154,333	32,637,932	29,875,914
Superannuation Contributions and Other Employee Related Expenses	3,331,299	2,002,279	3,024,032	1,744,212
Increase in Liability for Short-term Employee Benefits (Annual Leave and Days in Lieu)	581,851	888,321	581,851	888,321
	38,574,411	**34,044,933**	**36,243,815**	**32,508,447**

8. FINANCE AND INCOME EXPENSE

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Recognised in Profit or Loss				
Interest Income	54,460	172,248	46,173	172,094
Net Foreign Exchange Gain	-	4,860,198	-	4,870,247
Net Change in Fair Value of Derivatives	4,328,812	-	4,328,812	-
Total Finance Income	**4,383,272**	**5,032,446**	**4,374,985**	**5,042,341**
Net Foreign Exchange Loss	(14,165,286)	-	(14,160,787)	-
Financial Overheads	(36,743)	(47,355)	(36,743)	(47,355)
Net Change in Fair Value of Derivatives	-	(4,702,843)	-	(4,702,843)
Interest Expense on External Borrowings	(3,986,554)	(2,747,623)	(3,791,990)	(2,577,570)
Total Finance Expenses	**(18,188,583)**	**(7,497,821)**	**(17,989,520)**	**(7,327,768)**
Net Finance Income/(Expenses)	**(13,805,311)**	**(2,465,375)**	**(13,614,535)**	**(2,285,427)**

9. INCOME TAX EXPENSE

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Income Tax Recognised in Profit or Loss				
Current Tax Expense				
Current Period	918,841	5,147,766	714,847	4,788,013
Adjustment for Prior Periods	(203,043)	50,032	(203,042)	50,115
	715,798	**5,197,798**	**511,805**	**4,838,128**
Deferred Tax Expense				
Origination and Reversal of Temporary Differences	(287,845)	(1,652,092)	(110,212)	(744,452)
Adjustment for Prior Periods	41,349	(49,623)	41,348	(49,623)
	(246,496)	**(1,701,715)**	**(68,864)**	**(794,075)**
Total Income Tax Expense	**469,302**	**3,496,083**	**442,941**	**4,044,053**

	GROUP		GROUP	
	2016 (%)	2016 ($)	2015 (%)	2015 ($)
Reconciliation of Effective Tax Rate				
Profit for the Period		1,601,673		7,020,420
Total Income Tax Expense		469,302		3,496,083
Profit Excluding Income Tax		**2,070,975**		**10,516,503**
Income Tax Using the Group's Domestic Tax Rate	28.0%	579,874	28.0%	2,944,620
Impact of Tax Rate in Foreign Countries	2.8%	57,123	1.5%	162,583
Tax Exempt Income	0.0%	-	0.2%	16,800
Non-deductible Expenses	(0.3%)	(5,745)	3.5%	372,060
Tax Credits Converted to Losses	(0.0%)	(255)	(0.0%)	(472)
Under/(Over) Provided in Prior Periods	(7.8%)	(161,695)	0.0%	492
	22.7%	**469,302**	**33.2%**	**3,496,083**

	PARENT		PARENT	
	2016 (%)	2016 ($)	2015 (%)	2015 ($)
Reconciliation of Effective Tax Rate				
Profit/(Loss) for the Period		1,960,217		9,304,672
Total Income Tax Expense		442,941		4,044,053
Profit/(Loss) Excluding Income Tax		**2,403,158**		**13,348,725**
Income Tax Using the Group's Domestic Tax Rate	28.0%	672,884	28.0%	3,737,642
Non-deductible Expenses	(2.8%)	(67,993)	2.2%	289,591
Tax Exempt Income	0.0%	-	0.1%	16,800
Tax Credits Converted to Losses	(0.0%)	(255)	(0.0%)	(472)
Under/(Over) Provided in Prior Periods	(6.7%)	(161,695)	0.0%	492
	18.4%	**442,941**	**30.3%**	**4,044,053**

9. INCOME TAX EXPENSE (CONTINUED)

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Income Tax Recognised Directly in Other Comprehensive Income				
Derivatives	(5,303,056)	6,615,441	(5,303,056)	6,615,441
Total Income Tax Recognised Directly in Other Comprehensive Income				
	(5,303,056)	**6,615,441**	**(5,303,056)**	**6,615,441**

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Imputation Credits				
Imputation Credits Available for use in Subsequent Reporting Periods	**22,003,716**	**19,689,974**	**22,003,716**	**19,551,373**

10. PROPERTY, PLANT & EQUIPMENT

GROUP	Land & Improvements ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work In Progress ($)	Total ($)
Cost or Deemed Cost						
Balance at 1 August 2014	15,938,494	28,490,183	118,332,124	3,481,295	12,144,046	178,386,142
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	121,731,140	3,441,354	67,116,150	236,878,974
Balance at 1 August 2015	15,964,348	28,625,982	121,731,140	3,441,354	67,116,150	236,878,974
Additions	1,851,378	21,058,912	44,816,323	594,183	(60,157,073)	8,163,723
Revaluation of Land & Improvements to Fair Value	1,292,500	-	-	-	-	1,292,500
Disposals	-	-	(13,774)	(365,281)	-	(379,055)
Effect of Movement in Exchange Rates	-	-		-	-	-
Balance at 31 July 2016	**19,108,226**	**49,684,894**	**166,533,689**	**3,670,256**	**6,959,077**	**245,956,142**

10. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Depreciation and Impairment Losses	Land & Improvements ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work In Progress ($)	Total ($)
Balance at 1 August 2014	939,697	11,192,162	87,195,350	2,823,703	-	102,150,912
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	93,934,958	2,851,658	-	109,851,837
Balance at 1 August 2015	1,025,544	12,039,677	93,934,958	2,851,658	-	109,851,837
Depreciation	205,542	1,316,042	9,268,924	200,440	-	10,990,948
Disposals	-	-	(803)	(181,053)	-	(181,856)
Effect of Movement in Exchange Rates	-	-	-	-	-	-
Balance at 31 July 2016	**1,231,086**	**13,355,719**	**103,203,079**	**2,871,045**	**-**	**120,660,929**
Carrying Amounts						
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**
At 1 August 2015	14,938,804	16,586,305	27,796,182	589,696	67,116,150	127,027,137
At 31 July 2016	**17,877,140**	**36,329,175**	**63,330,610**	**799,211**	**6,959,077**	**125,295,213**

PARENT	Land & Improvements ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work In Progress ($)	Total ($)
Cost or Deemed Cost						
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
Balance at 1 August 2015	15,964,348	28,625,982	121,413,948	3,441,354	67,116,150	236,561,782
Additions	1,851,378	21,058,912	44,792,652	594,183	(60,157,073)	8,140,052
Revaluation of Land & Improvements to Fair Value	1,292,500	-	-	-	-	1,292,500
Disposals	-		(13,774)	(365,281)	-	(379,055)
Balance at 31 July 2016	**19,108,226**	**49,684,894**	**166,192,826**	**3,670,256**	**6,959,077**	**245,615,279**

10. PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Depreciation and Impairment Losses	Land & Improvements ($)	Buildings ($)	Plant & Equipment ($)	Vehicles ($)	Capital Work In Progress ($)	Total ($)
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
Balance at 1 August 2015	1,025,544	12,039,677	93,701,872	2,851,658	-	109,618,751
Depreciation	205,542	1,316,042	9,223,039	200,440	-	10,945,063
Disposals	-		(803)	(181,053)	-	(181,856)
Balance at 31 July 2016	**1,231,086**	**13,355,719**	**102,924,108**	**2,871,045**	**-**	**120,381,958**
Carrying Amounts						
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**
At 1 August 2015	14,938,804	16,586,305	27,712,076	589,696	67,116,150	126,943,031
At 31 July 2016	**17,877,140**	**36,329,175**	**63,268,718**	**799,211**	**6,959,077**	**125,233,321**

Revaluation of Land & Improvements

Land and improvements are stated at their fair value. The revaluation was undertaken as at 31 July 2016 by Fergusson Lockwood and Associates Ltd, independent registered valuers. The land and improvements were valued at $15.374m, an increase of $1.292m from the previous year. 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 (2015: $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 2016, 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 $6,959,077 (2015: $67,116,150).

During the year ending 31 July 2016, $67,116,150 (2015: $12,144,046) of the previous year's capital work in progress was reclassified to various fixed asset categories.

Borrowing costs capitalised during the year were nil (2015:$1,007,885).

11. INTANGIBLE ASSETS

	GROUP/PARENT	
	Software ($)	Total ($)
Cost		
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
Balance at 1 August 2015	2,524,728	2,524,728
Additions	334,758	334,758
Disposals	-	-
Balance at 31 July 2016	**2,859,486**	**2,859,486**
Amortisation and Impairment Losses		
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
Balance at 1 August 2015	2,040,106	2,040,106
Amortisation for the Year	204,703	204,703
Disposals	-	-
Balance at 31 July 2016	**2,244,809**	**2,244,809**
Carrying Amounts		
At 1 August 2014	473,850	473,850
At 31 July 2015	**484,622**	**484,622**
At 1 August 2015	484,622	484,622
At 31 July 2016	**614,677**	**614,677**

Amortisation

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

12. BIOLOGICAL ASSETS

	GROUP/ PARENT ($)
Balance at 1 August 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
Balance at 1 August 2015	890,835
Increase due to Acquisitions	33,570
Decrease due to Sales	(205,190)
Net Increase due to Births/(Deaths)	(6,667)
Change in Fair Value due to Class Movements	156,813
Change in Fair Value less Estimated Point-of-sale Costs	29,136
Balance at 31 July 2016	**898,497**
Non-current	-
Current	898,497
	898,497

As at 31 July 2016, livestock held comprised 760 cows, heifers and calves (2015: 831). This livestock is farmed on Tatua's dairy farm. Milk production from this farm was 180,093 kilograms milksolids (2015: 192,179).

The Group is exposed to a number of risks related to it's 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.

13. INVESTMENT PROPERTY

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Balance at 1 August	1,175,000	1,175,000	1,175,000	1,175,000
Change in Fair Value	-	-	-	-
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 Wrightson 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 2016 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	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	885,688	822,951	-	-	885,688	822,951
Investment Property	-	-	(81,014)	(81,014)	(81,014)	(81,014)
Derivatives	-	4,811,973	(491,083)	-	(491,083)	4,811,973
Biological Assets	-	-	-	-	-	-
Inventory	1,243,159	1,065,526	-	-	1,243,159	1,065,526
Provisions & Accruals	1,514,925	1,516,010	-	-	1,514,925	1,516,010
Tax Loss Carry-forwards	4,734	-	-	(2,477)	4,734	(2,477)
Tax Assets /(Liabilities)	**3,648,506**	**8,216,460**	**(572,097)**	**(83,491)**	**3,076,409**	**8,132,969**

Movement in Temporary Differences During The Year

	Balance 1 August 2014 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2015 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2016 ($)
Deferred tax assets and liabilities are attributable to the following:							
Property, Plant and Equipment	580,671	242,280	-	822,951	62,737	-	885,688
Investment Property	(81,014)	-	-	(81,014)	-	-	(81,014)
Derivatives	(1,803,468)	-	6,615,441	4,811,973	-	(5,303,056)	(491,083)
Biological Assets	-	-	-	-	-	-	-
Inventory	157,886	907,640	-	1,065,526	177,633	-	1,243,159
Provisions & Accruals	961,658	554,352	-	1,516,010	(1,085)	-	1,514,925
Other Items	-	(2,477)	-	(2,477)	7,211	-	4,734
Tax Loss Carry-forwards	-	-	-	-	-	-	-
Tax Assets /(Liabilities)	**(184,267)**	**1,701,795**	**6,615,441**	**8,132,969**	**246,496**	**(5,303,056)**	**3,076,409**

Recognised Deferred Tax Assets and Liabilities – PARENT

	Assets		Liabilities		Net	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Deferred tax assets and liabilities are attributable to the following:						
Property, Plant and Equipment	885,688	822,950	-	-	885,688	822,950
Investment Property	-	-	(81,014)	(81,014)	(81,014)	(81,014)
Derivatives	-	4,811,974	(491,083)	-	(491,083)	4,811,974
Provisions & Accruals	1,514,925	1,516,010	-	-	1,514,925	1,516,010
Tax Loss Carry-forwards	4,734	-	-	(2,477)	4,734	(2,477)
Tax Assets /(Liabilities)	**2,405,347**	**7,150,934**	**(572,097)**	**(83,491)**	**1,833,250**	**7,067,443**

14. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Movement in Temporary Differences During The Year

	Balance 1 August 2014 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2015 ($)	Recognised in Profit or Loss ($)	Recognised in Other Comprehensive Income ($)	Balance 31 July 2016 ($)
Deferred tax assets and liabilities are attributable to the following:							
Property, Plant and Equipment	580,671	242,280	-	822,950	62,738	-	885,688
Investment Property	(81,014)	-	-	(81,014)	-	-	(81,014)
Derivatives	(1,803,467)	-	6,615,441	4,811,974	(1)	(5,303,056)	(491,083)
Biological Assets	-	-	-	-	-	-	-
Provisions & Accruals	961,741	554,269	-	1,516,010	(1,085)	-	1,514,925
Other Items	-	(2,477)	-	(2,477)	7,211	-	4,734
Tax Assets /(Liabilities)	**(342,070)**	**794,072**	**6,615,441**	**7,067,443**	**68,863**	**(5,303,056)**	**1,833,250**

The utilisation of the deferred tax asset is dependent on future taxable 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	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Finished Goods	38,190,705	39,191,277	28,409,975	32,926,108
Raw Materials	11,610,242	11,589,808	11,610,242	11,589,808
	49,800,947	**50,781,085**	**40,020,217**	**44,515,916**
Inventory valued at net realisable value included in finished goods above:	-	-	-	-

16. RECEIVABLES & PREPAYMENTS

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Trade Receivables	34,890,721	32,606,128	14,547,861	19,698,237
Prepayments and Sundries	2,233,619	3,051,407	2,170,506	2,976,144
	37,124,340	**35,657,535**	**16,718,367**	**22,674,381**

GROUP	USD ($)	AUD ($)	JPY ($)	EUR ($)	CNY ($)
Trade Receivables Denominated in Foreign Currencies					
2016	7,554,540	2,345,935	1,012,885,408	40,000	21,318,928
2015	11,517,969	1,881,186	972,342,618	56,500	-

PARENT	USD ($)	AUD ($)	JPY ($)	EUR ($)	CNY ($)
Trade Receivables Denominated in Foreign Currencies					
2016	6,021,879	2,345,935	-	40,000	-
2015	11,517,969	1,881,186	-	56,500	-

17. CASH & CASH EQUIVALENTS

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
JPY Bank Deposits	1,897,297	208,085	-	-
USD Bank Deposits	639,143	529,617	-	-
CNY Bank Deposits	7,504,869	515,748	-	-
NZD Bank Deposits	685,211	14,372,916	685,211	14,372,916
Bank Deposits	10,726,520	15,626,366	685,211	14,372,916
Cash & Cash Equivalents in the Statement of Cash Flows	**10,726,520**	**15,626,366**	**685,211**	**14,372,916**

18. MEMBERS FUNDS

As at 31 July 2016 151,837,340 (2015: 152,309,895) 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 2016 472,556 shares were held as treasury stock. (2015: Nil)

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

	2016		2015	
	Shares	($)	Shares	($)
Shares at the beginning of the Year	152,309,895	76,164,948	68,889,375	34,444,688
Bonus Share Issue	-	-	75,894,440	37,957,220
Shares Issued	4,581,594	2,290,797	8,105,350	4,052,675
Shares Repurchased	(5,054,150)	(2,527,075)	(579,270)	(289,635)
Shares at the end of the Year	**151,837,340**	**75,928,670**	**152,309,895**	**76,164,948**

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	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Current				
JPY Bank Loans	9,510,870	8,537,900	-	-
NZD Bank Loans	35,000,000	53,000,000	35,000,000	53,000,000
	44,510,870	**61,537,900**	**35,000,000**	**53,000,000**
Non Current				
NZD Bank Loans	31,000,000	12,000,000	31,000,000	12,000,000
	31,000,000	**12,000,000**	**31,000,000**	**12,000,000**
Total	**75,510,870**	**73,537,900**	**66,000,000**	**65,000,000**

2016	Currency	Nominal Interest Rate	Year of Maturity	Face Value	Carrying Amount (NZD)
Current Bank Loans	JPY	1.00%	2017	¥700,000,000	$9,510,870
	NZD	3.12%	2017	$35,000,000	$35,000,000
Non Current Bank Loans	NZD	4.33%	2019	$31,000,000	$31,000,000

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

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 2019 of $46.442m. The Group's funding facility is currently being renegotiated and is expected to be extended.

20. ACCOUNTS PAYABLE & ACCRUALS

	GROUP		PARENT	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Trade Payables	5,495,816	5,527,503	5,956,180	4,986,785
Employee Entitlements	5,913,446	5,331,595	5,913,446	5,331,595
Income in Advance	381,016	895,892	-	-
Accruals	8,701,696	13,166,208	5,312,894	11,455,576
	20,491,974	**24,921,198**	**17,182,520**	**21,773,956**

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 2016 the gearing ratio was 34.3% (2015: 36.6%). The 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 convenants, which have been met, including a requirement that Group members funds be not less than $70,000,000 (2015: $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		PARENT	
	Carrying Amount		Carrying Amount	
	2016 ($)	2015 ($)	2016 ($)	2015 ($)
Australasia (NZ and AUS)	7,190,275	6,687,298	7,190,275	6,687,298
Asia/ Pacific	21,144,827	15,093,704	2,927,710	2,451,185
Americas/Europe	6,011,619	10,575,217	3,885,876	10,309,845
Other	544,000	249,909	544,000	249,909
	34,890,721	**32,606,128**	**14,547,861**	**19,698,237**

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

	Gross Receivable	Impairment	Gross Receivable	Impairment
	2016 ($)	2016 ($)	2015 ($)	2015 ($)
Not Past Due	33,679,175	-	30,265,459	-
Past Due 0-30 days	1,092,800	-	2,122,614	-
Past Due 31-120 days	118,746	-	218,055	-
	34,890,721	**-**	**32,606,128**	**-**

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

	Gross Receivable	Impairment	Gross Receivable	Impairment
	2016 ($)	2016 ($)	2015 ($)	2015 ($)
Not Past Due	13,336,315	-	17,357,568	-
Past Due 0-30 days	1,092,800	-	2,122,614	-
Past Due 31-120 days	118,746	-	218,055	-
	14,547,861	**-**	**19,698,237**	**-**

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	2016 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans & Borrowings (note 19)	75,510,870	75,510,870	2,717,392	41,793,478	-	31,000,000
Accounts Payable & Accruals (note 20)	20,491,974	20,491,974	20,491,974	-	-	-
Owing to Suppliers	18,172,672	18,172,672	18,172,672	-	-	-
Co-operative Shares	75,928,670	75,928,670	-	75,928,670	-	-
Total Non-derivative Liabilities	**190,104,186**	**190,104,186**	**41,382,038**	**117,722,148**	**-**	**31,000,000**

	2015 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans & Borrowings (note 19)	73,537,900	73,537,900	2,439,595	59,098,305	12,000,000	-
Accounts Payable & Accruals (note 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**	**-**

21. FINANCIAL INSTRUMENTS (CONTINUED)

b. Liquidity Risk (Continued)

PARENT	2016 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans & Borrowings (note 19)	66,000,000	66,000,000	-	35,000,000	-	31,000,000
Accounts Payable & Accruals (note 20)	17,182,520	17,182,520	17,182,520	-	-	-
Owing to Suppliers	18,172,672	18,172,672	18,172,672	-	-	-
Owing to Subsidiaries	16,257	16,257	16,257	-	-	-
Co-operative Shares	75,928,670	75,928,670	-	75,928,670	-	-
Total Non-derivative Liabilities	**177,300,119**	**177,300,119**	**35,371,449**	**110,928,670**	**-**	**31,000,000**

	2015 Balance Sheet ($)	Contractual Cash Flows ($)	Less than 6 Months ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Loans & Borrowings (note 19)	65,000,000	65,000,000	-	53,000,000	12,000,000	-
Accounts Payable & Accruals (note 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**	**-**

c. Foreign Currency Exchange Risk

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

2016	USD ($)	AUD ($)	JPY (¥)
Net Cash Flow Exposure Before Hedging	106,500,000	20,600,000	3,612,000,000
less Foreign Exchange Contracts and Options (next 12 months)	(75,000,000)	(10,000,000)	(2,900,000,000)
Net Unhedged Exposure	31,500,000	10,600,000	712,000,000

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

21. FINANCIAL INSTRUMENTS (CONTINUED)

d. Interest Rate Risk – Repricing Analysis

Variable Rate Instruments (also refer to note 19)

GROUP	2016 Total ($)	6 Months or Less ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Cash and Cash Equivalents	10,726,520	10,726,520	-	-	-
NZD Bank Loans	(66,000,000)	-	(35,000,000)	-	(31,000,000)
JPY Bank Loans	(9,510,870)	(2,717,392)	(6,793,478)	-	-
Total	**(64,784,350)**	**8,009,128**	**(41,793,478)**	**-**	**(31,000,000)**

	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)**	**13,186,771**	**(59,098,305)**	**(12,000,000)**	**-**

PARENT	2016 Total ($)	6 Months or Less ($)	6-12 Months ($)	1-2 Years ($)	More Than 2 Years ($)
Cash and Cash Equivalents	685,211	685,211	-	-	-
NZD Bank Loans	(66,000,000)	-	(35,000,000)	-	(31,000,000)
Total	**(65,314,789)**	**685,211**	**(35,000,000)**	**-**	**(31,000,000)**

	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)**	**-**

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 $547,880 (2015: $324,579). Interest rate swaps have been included in this calculation.

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 $694,672 (2015: $640,854). Foreign exchange hedging has been included in this calculation.

21. FINANCIAL INSTRUMENTS (CONTINUED)

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 2016 ($)	GROUP/PARENT 2015 ($)
Interest Rate Swaps		
Notional Contract Amount	54,000,000	57,000,000
Fair Value		
Assets	-	-
Liabilities	(2,163,434)	(1,631,876)
Net Fair Value	(2,163,434)	(1,631,876)

2016	Less than 12 Months	More than 12 Months	Total
Interest Rate Hedges	12,000,000	42,000,000	54,000,000

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

Foreign Currency Hedges

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

2016		Less than 12 Months	More than 12 Months	Total
Foreign Exchange Contracts:				
	Buy	123,631,025	47,428,214	171,059,239
	Sell	-	-	-
Option Contracts:				
	Call	34,312,034	12,763,903	47,075,937
	Put	(36,896,519)	(13,853,081)	(50,749,600)

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)

Fair Value:	2016 ($)	2015 ($)
Assets	9,276,409	798,562
Liabilities	(5,347,102)	(20,669,110)
Net Fair Value	**3,929,307**	**(19,870,548)**

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 2016 plus an appropriate credit spread to discount financial instruments. The interest rates for determining fair values are as described in note 19.

21. FINANCIAL INSTRUMENTS (CONTINUED)

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

2016	Level 1	Level 2	Level 3	Total
Derivative Financial Assets	-	9,276,409	-	9,276,409
Derivative Financial Liabilities	-	(7,510,536)	-	(7,510,536)
Total	**-**	**1,765,873**	**-**	**1,765,873**

2015	Level 1	Level 2	Level 3	Total
Derivative Financial Assets	-	798,562	-	798,562
Derivative Financial Liabilities	-	(22,300,986)	-	(22,300,986)
Total	**-**	**(21,502,424)**	**-**	**(21,502,424)**

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
2016			
Derivative Financial Assets	9,276,409	(7,510,536)	1,765,873
Derivative Financial Liabilities	(7,510,536)	7,510,536	-
	1,765,873	**-**	**1,765,873**
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)**

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	
	2016 ($)	2015 ($)
Less Than 1 Year	-	-
1 – 5 Years	(108,000)	(108,000)
More Than 5 Years	-	-
	(108,000)	**(108,000)**

During the year ended 31 July 2016, $146,148 was recognised as rental income in the income statement (2015: $151,095). Repairs and maintenance expenses, recognised in the cost of sales, was as follows:

	GROUP		PARENT	
	Year Ended 31 July 2016	Year Ended 31 July 2015	Year Ended 31 July 2016	Year Ended 31 July 2015
Income Generating Property	14,404	26,172	14,404	26,172

23. CAPITAL COMMITMENTS

During the period ended 31 July 2016, the Group entered into contracts to purchase plant and equipment. The balance outstanding at balance date is $3,057,840 (2015: $2,044,533). 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 2016	Year Ended 31 July 2015	Year Ended 31 July 2016	Year Ended 31 July 2015
Profit / (Loss) For The Year	1,601,673	7,020,420	1,960,217	9,304,672
Adjustments for Non Cash Items:				
Depreciation	10,990,948	7,828,097	10,945,063	7,794,464
Amortisation of Intangible Assets	204,703	323,515	204,703	323,515
Movement in Deferred Tax	5,056,560	(8,317,236)	5,234,193	(7,409,513)
Movement in Investment Property	-	-	-	-
Movement in Livestock Valuation	(7,662)	318,176	(7,662)	318,176
	17,846,222	7,172,972	18,336,514	10,331,314
Movements in Working Capital:				
Trade and Other Receivables	(1,599,258)	(3,142,635)	(12,676,451)	1,004,144
Derivatives – Assets	(8,477,847)	8,637,359	(8,477,847)	8,637,359
Derivatives – Liabilities	(14,790,450)	19,692,056	(14,790,450)	19,692,056
Inventories	980,138	6,662,009	4,495,699	1,336,040
Owing to Suppliers	877,231	(409,142)	877,231	(409,142)
Trade and Other Payables	(7,166,079)	10,746,741	(6,529,302)	10,841,218
	(30,176,265)	42,186,388	(37,101,120)	41,101,675
Items Classified as Investing / Financing Activities	13,707,639	(24,272,078)	13,496,171	(24,623,301)
Net Cash Flows From/(Applied to) Operating Activities	**1,377,596**	**25,087,282**	**(5,268,435)**	**26,809,688**

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

Key management personnel compensation

	GROUP		PARENT	
	Year Ended 31 July 2016	Year Ended 31 July 2015	Year Ended 31 July 2016	Year Ended 31 July 2015
Short Term Employee Benefits	1,923,639	1,502,925	938,459	843,187
Long Term Employee Benefits	-	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 (2015: 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 director fees of $463,000 (2015: $468,000), which is separately disclosed within the directors report.

The Group has not used the services of any other related parties (2015:$Nil).

Directors Farm Supply (included in Owing to Suppliers)

	Value of Transactions 15/16	Balance Outstanding 31 July 2016	Value of Transactions 14/15	Balance Outstanding 31 July 2015
Directors' Farm Supply (including Owing to Suppliers)	6,911,808	1,205,667	7,972,553	1,157,927

Transactions and Balances with Subsidiaries

Tatua and it's 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 15/16	Balance Outstanding 31 July 2016	Value of Transactions 14/15	Balance Outstanding 31 July 2015
Sales by Tatua to Tatua Japan	54,606,207	-	55,351,366	-
Sales by Tatua to Tatua USA	20,349,729	-	2,000,821	-
Sales by Tatua to Tatua Dairy Products (Shanghai)	20,969,755	-	-	-
Sales by Tatua Japan to Tatua	776,516	-	361,824	-
Money Owing by Tatua Japan to Tatua	-	6,491,142	-	5,529,061
Money Owing by Tatua USA to Tatua	-	14,286,820	-	1,790,255
Money Owing by Tatua Dairy Products (Shanghai) to Tatua	-	5,173,819	-	-
Money Owing by Tatua to Tatua Japan	-	(16,257)	-	(13,376)
	96,702,207	25,935,524	57,714,011	7,305,940

26. GROUP ENTITIES

Subsidiaries	Country Of Incorporation	Ownership Interest 2016	Ownership Interest 2015
Tatua Japan Limited	Japan	100%	100%
Tatua USA Limited	USA	100%	100%
Tatua Dairy Products (Shanghai) Co., Ltd	China	100%	100%
Equity Accounted Investee			
Milktest New Zealand Limited	New Zealand	10%	10%

27. SUBSEQUENT EVENTS

There were no material events subsequent to 31 July 2016 that would impact these financial statements.

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 14 to 47. The financial statements comprise the statements of financial position as at 31 July 2016, 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.

Subject to certain restrictions, partners and employees of our firm may 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 14 to 47:

- 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 2016 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

16 November 2016
Hamilton

STATISTICS

	2015/16	2014/15	2013/14	2012/13	2011/12
Milk Received from Suppliers					
Litres	173,184,398	173,353,171	147,647,758	140,723,652	147,155,635
Milksolids	15,568,586	15,663,949	13,223,427	12,523,609	13,186,565
Income Equivalent Payout (cents/kg ms)					
Made up of:					
Cash Payout	630.0	710.0	900.0	740.0	750.0
Imputation Credits	-	-	-	-	-
Total Income Equivalent Payout	**630.0**	**710.0**	**900.0**	**740.0**	**750.0**

Summary of Milk Payment Rates			2015/16		2014/15
		Cents / kg Fat	Cents / kg Protein	Cents / kg Fat	Cents / kg Protein
Advance Rate	20 July	260.0	635.0	261.0	705.0
Retrospective Increase	20 March	9.0	22.0	26.0	69.0
Retrospective Increase	20 April	7.0	16.0	-	-
Retrospective Increase	20 May	6.0	16.0	-	-
Retrospective Increase	20 June	19.0	45.0	24.0	67.0
Retrospective Increase	20 July	19.0	45.0	38.0	103.0
Retrospective Increase	20 August	18.0	46.0	21.0	56.0
Retrospective Increase	20 September	19.0	45.0	20.0	55.0
Final Payment	20 October	30.5925	75.3475	18.9350	50.2298
Total Payout Averaged Over All Grades		**387.593**	**945.348**	**408.935**	**1,105.230**

PROGRESS

Year	No. of Suppliers	Milksolids From own Supply (Kg)	Payout Cents/kg ms (Income Equivalent)	Total Shareholders Funds $	Commodity Products (tonnes) Proteins	Powders	Cheese	AMF
2015/16	113	15,568,586	630.0	116,869,514	9,645			10,194
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 PM Schuyt, B.Com., C.F.Inst.D. MBN Dewdney, B.M.S. RE Townshend, B.Tech (Massey), AMP (Harvard) BR Wilton, B.Agr.Sc.
Chief Executive Officer	PD 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 Towers Watson Ltd

TATUA

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