21 May 2015

ASX Announcement

Release of Appendix 4E and Financial Report for the 9 Months Ended 31 March 2015

Attached for release to the market are Warrnambool Cheese and Butter Factory Company Holdings Limited (ASX:WCB) Appendix 4E and Financial Report for the 9 months ended 31 March 2015.

Yours faithfully,

Paul Moloney
Company Secretary

Warrnambool Cheese and Butter Factory Company Holdings Limited
9 Months Ended 31 March 2015

1. The reporting period is the 9 months ended 31 March 2015 with the previous corresponding 9 month period ended 31 March 2014.

2. Results for announcement to the market:

Appendix 4E Item No.	Particulars		9 months to March 2015 $000s	9 months to March 2014 $000s	Increase/ (Decrease)	% Change	Up/ Down
2.1	Revenue from Ordinary Activities	$'000	454,173	454,995	(822)	-0.2%	down
2.2	Profit/(Loss) from ordinary activities after Tax attributable to Members	$'000	34,305	15,136	19,169	126.6%	up
2.3	Net Profit/(Loss) attributable to Members	$'000	34,305	15,136	19,169	126.6%	up
2.4	Dividends/distributions Final dividend - 31 March 2015	Cents per security	-	-	0.00	0.0%	-
	Interim dividend - 31 December 2014	Cents per security	-	11.00	(11.00)	-100.0%	down
2.5	Record date						
2.6	Result explanation	The company has taken full advantage of its operational and product mix flexibility, the depreciating Australian dollar, the benefit of recent investments in strategic projects and the benefits from it business-wide continuous improvement program.					

3. Net tangible assets per security:

Appendix 4E Item No.	Particulars		9 months to March 2015	9 months to March 2014	Increase/ (Decrease)	% Change	Up/ Down
9	Net tangible assets	$ per security	3.86	3.16	0.70	22.2%	up

4. Changes in controlled entities:

There were no changes to controlled entities during the 9 months ended 31 March 2015.

5. Details of individual and total dividends or distributions and payments declared or paid during or subsequent to the 9 months ended 31 March 2015:

Appendix 4E Item No.	Particulars	Amount per security cents	Total Dividend $	Franked amount per security %	Foreign sourced dividend amount per security
7	31 December 2014 interim dividend	nil	$0	N/A	N/A
	31 March 2015 final dividend	nil	$0	N/A	N/A

6. Dividend reinvestment plans:

No final dividend was declared for FY2015 and the Board does not intend to declare any as the Directors have decided to retain cash for investment into the business for growth, investment and development.

7. Details of associates or Joint Ventures:

Appendix 4E Item No.	Associates or Joint Ventures	Holding %	Profit share %	Profit/(Loss) contribution 9 months to March 2015 ($'000)	Profit/(Loss) contribution 9 months to March 2014 ($'000)	Increase/ (Decrease)	% Change	Up/ Down
11	Great Ocean Ingredients Pty Ltd	50%	50%	6,310	3,292	3,018	91.7%	up
		The Great Ocean Ingredients Pty Ltd joint venture is producing product at capacity and within quality expectations. Earnings in 2015 were impacted by major plant operating efficiencies and a lower exchange rate.						
11	Warrnambool Cheese and Butter Japan Company Ltd.	49%	49%	1,270	462	808	174.9%	up
		Warrnambool Cheese and Butter Japan Company Ltd is benefiting from consistent demand and expansion of its customer and product base.						

8. Foreign Accounting Entities:

Not applicable.

9. Auditors review:

This report is based on accounts which have been reviewed by independent auditors, Coffey Hunt, refer to the attached Warrnambool Cheese and Butter Factory Company Holdings Limited 31 March 2015 report.

Financials and notes

This financial report covers the consolidated entity consisting of Warrnambool Cheese and Butter Factory Company Holdings Limited and its subsidiaries. The financial report is presented in Australian currency.

Warrnambool Cheese and Butter Factory Company Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Warrnambool Cheese and Butter Factory Company Holdings Limited
5331 Great Ocean Road
Allansford VIC 3277

A description of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 21 May 2015. The Company has the power to amend and reissue the financial report.

Consolidated Statement of Comprehensive Income

for the period ended 31 March 2015

	Notes	CONSOLIDATED **2015 9 mths $'000**	 2014 12 mths $'000
Revenue from continuing operations	2	**453,725**	608,543
Other income	3	**448**	452
Changes in inventories of finished goods and work in progress		**34,794**	4,987
Raw materials and consumables used		**(361,572)**	(465,279)
Depreciation and amortisation expense	4	**(10,013)**	(12,661)
Finance costs	4	**(1,551)**	(3,658)
Asset impairment		**(3,401)**	–
Distribution expense		**(16,171)**	(22,982)
Employee benefits expense		**(40,165)**	(50,090)
Other expenses		**(18,107)**	(24,755)
Corporate advisory expenses	4	**–**	(9,557)
Share of net profits/(losses) of joint ventures accounted for using the equity method	36	**7,580**	3,863
Profit/(Loss) before income tax (expense)/benefit		**45,567**	28,863
Income tax (expense)/benefit	5	**(11,262)**	(7,587)
Profit/(Loss) for the year		**34,305**	21,276
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges		**–**	2,760
Executive Performance Rights Plan valuation adjustment		**–**	(31)
Other comprehensive income for the year, net of income tax		**–**	2,729
Total comprehensive income for the year		**34,305**	24,005
Profit/(Loss) attributable to owners of Warrnambool Cheese and Butter Factory Company Holdings Limited		**34,305**	21,276
Total comprehensive income attributable to owners of Warrnambool Cheese and Butter Factory Company Holdings Limited		**34,305**	24,005
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company		**Cents**	Cents
Basic earnings per share	34	**61.2**	38.1
Diluted earnings per share	34	**61.2**	38.1

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

as at 31 March 2015

	Notes	CONSOLIDATED 31/03/15 9 mths $'000	30/06/14 12 mths $'000
CURRENT ASSETS			
Cash and cash equivalents	15	**9,125**	2,414
Trade and other receivables	6	**95,202**	96,308
Inventories	7	**110,585**	75,791
Total Current Assets		**214,912**	174,513
NON-CURRENT ASSETS			
Investments accounted for using the equity method	8	**33,452**	26,917
Other financial assets	9	**5**	5
Property, plant & equipment	10	**94,084**	95,438
Investment properties	11	**9,168**	10,533
Deferred tax assets	12	**4,409**	2,223
Intangible assets	13	**1,628**	1,628
Total Non-Current Assets		**142,746**	136,744
Total Assets		**357,658**	311,257
CURRENT LIABILITIES			
Trade and other payables	14	**70,707**	58,679
Borrowings	15	**53,038**	52,842
Current tax liabilities	16	**4,444**	4,193
Provisions	17	**7,839**	6,776
Total Current Liabilities		**136,028**	122,490
NON-CURRENT LIABILITIES			
Borrowings	18	**2,615**	3,935
Provisions	20	**730**	852
Total Non-Current Liabilities		**3,345**	4,787
Total Liabilities		**139,373**	127,277
Net Assets		**218,285**	183,980
EQUITY			
Contributed equity	21	**73,856**	73,856
Reserves	22	**12,236**	12,236
Retained profits	22	**132,193**	97,888
Total Equity		**218,285**	183,980

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the period ended 31 March 2015

		ATTRIBUTABLE TO OWNERS OF WARRNAMBOOL CHEESE AND BUTTER FACTORY COMPANY HOLDINGS LIMITED			
	Notes	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2014		**73,856**	**12,236**	**97,888**	**183,980**
Profit for the period		**–**	**–**	**34,305**	**34,305**
Balance at 31 March 2015		**73,856**	**12,236**	**132,193**	**218,285**
Balance at 1 July 2013		69,607	9,507	82,689	161,803
Profit for the year		–	–	21,276	21,276
Net cash flow hedges	22	–	2,760	–	2,760
Executive Performance Rights Plan valuation adjustment	22	–	(31)	–	(31)
Total comprehensive income for the year		–	2,729	21,276	24,005
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	21	4,249	–	–	4,249
Dividends provided for or paid	23	–	–	(6,077)	(6,077)
		4,249	–	(6,077)	(1,828)
Balance at 30 June 2014		73,856	12,236	97,888	183,980

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement

for the period ended 31 March 2015

	Notes	CONSOLIDATED **2015 9 mths $'000**	 2014 12 mths $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		**465,781**	636,872
Payments to suppliers and employees (inclusive of goods and services tax)		**(429,361)**	(578,132)
Dividends received		**160**	240
Interest received		**38**	91
Finance costs		**(1,551)**	(3,658)
Income tax paid		**(13,198)**	(9,120)
Net Cash Inflow (Outflow) from Operating Activities	31	**21,869**	46,293
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		**42**	392
Payments for land		**–**	(728)
Payments for property, plant & equipment		**(10,626)**	(22,636)
Net Cash Inflow (Outflow) from Investing Activities		**(10,584)**	(22,972)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**518**	12,896
Proceeds from issues of shares		**–**	3,045
Repayment of borrowings		**(24,999)**	(5,149)
Dividends paid by parent entity	23	**–**	(6,077)
Share issue transaction costs		**–**	(12)
Net Cash Inflow (Outflow) from Financing Activities		**(24,481)**	4,703
Net Increase (Decrease) in Cash, Cash Equivalents and Overdrafts		**(13,196)**	28,024
Cash, cash equivalents and overdrafts at the beginning of the financial year		**(24,836)**	(53,706)
Effects of exchange rate changes on cash, cash equivalents and overdrafts		**(3,450)**	846
Cash, cash equivalents and overdrafts at the end of the financial year	15	**(41,482)**	(24,836)

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated. The financial report of the consolidated entity consists of Warrnambool Cheese and Butter Factory Company Holdings Limited and its subsidiaries.

Warrnambool Cheese and Butter has changed it's financial year end close date to 31st March in line with it's parent entity Saputo Inc. As a result the current period is for nine months from 1st July 2014 to 31st March 2015.

Additional disclosure for the change are included in Note 38.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritive pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001.* Warrnambool Cheese and Butter Factory Company Holdings Limited is a publicly listed entity for the purposes of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of Warrnambool Cheese and Butter Factory Company Holdings Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(ii) Historical Cost Convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through comprehensive income, certain classes of property, plant and equipment and investment property.

(iii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires that management exercise judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are separately disclosed.

(b) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Warrnambool Cheese and Butter Factory Company Holdings Limited (parent entity) as at 31 March 2015 and the results of all subsidiaries for the nine month period then ended. Warrnambool Cheese and Butter Factory Company Holdings Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(y)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the group.

The subsidiaries of the group are; The Warrnambool Cheese and Butter Factory Company Limited, Australian Dairy Products Pty Ltd, Warrnambool Milk Products Pty Limited and Protein Technology Victoria Pty Ltd.

(ii) Joint Venture Entities

The interest in a joint venture is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of profits or losses of the joint venture is recognised in the statement of comprehensive income. The joint venture investment is recognised in non-current assets (note 8) and the share of movements in reserves in the balance sheet. Details relating to joint ventures are set out in note 36.

Profits or losses on establishing the joint venture and transactions with the joint venture are eliminated to the extent of the group's ownership interest until such time as they are realised by the joint venture on consumption or sale, unless they relate to an unrealised loss that provides evidence of impairment of an asset transferred.

(c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board and Executive management.

(d) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income, based on the current income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting or taxable comprehensive income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of distributions from controlled entities and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Warrnambool Cheese and Butter Factory Company Holdings Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(f) Trade Receivables

Trade receivables are recognised at fair value less provision for impairment. Domestic trade receivables and other receivables are generally due for settlement within 30 days and export trade receivables within 60 days. They are presented as current assets unless collection is not due for more than 12 months after the reporting date.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established where there is historical or objective evidence and where sufficient doubt as to collection exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

It is the groups normal practice to recognise the impairment loss in the statement of comprehensive income in other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to other income in the statement of comprehensive income.

(g) Foreign Currency Translation – Transactions and Balances

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable in foreign currencies are translated into Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the comprehensive income for the year.

(h) Inventories

Store and garage trading inventories have been valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock on a latest purchase price or first-in first-out basis. Cost includes direct costs only.

Butter, cream, cheese, whey protein concentrate, packaged milk, specialty cheese, lactoferrin and milk powder inventories are measured at the lower of cost and net realisable value. Any loss on valuing inventory at net realisable value is brought to account in determining the comprehensive income for the year. The cost of butter, cream, cheese, whey protein concentrate, packaged milk, specialty cheese, lactoferrin and milk powder includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion less the estimated costs necessary to complete the sale.

(i) Impairment of Assets

Goodwill and intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(j) Property, Plant and Equipment

Property, plant and equipment is initially recognised at cost, where cost includes purchase price, delivery and handling, site preparation, professional fees, installation and assembly, commissioning costs, employee benefits costs directly attributable to the construction or purchase and borrowing costs associated with qualifying assets.

Subsequent to initial recognition property, plant and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on a straight line method to allocate their cost or revalued amounts over their estimated useful lives, as follows:

Class of Fixed Asset	Depreciation Rate
Buildings	3–7%
Plant and equipment	5–10%
Motor vehicles	10–20%
Computer equipment	33%

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

An assets carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than the estimated recoverable amount (note 1(i)).

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is the group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(k) Non-Current Assets Held For Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying value and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value, less costs to sell, of an asset, but not in excess of any impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets (including those as part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest or other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group held for sale are presented separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(l) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases (note 27).

(m) Investments and Other Financial Assets

Classification

The group classifies its investments in the following categories: financial assets at fair value through comprehensive income, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial Assets at Fair Value Through Comprehensive Income

Financial assets at fair value through comprehensive income are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 6) in the balance sheet.

(iii) Held to Maturity Investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturity that management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(iv) Available for Sale Financial Assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and Derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through comprehensive income are expensed in comprehensive income.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through comprehensive income' category are included in the statement of comprehensive income in the period in which they arise.

Impairment

The group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

(n) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised, but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 32).

(ii) Recognised Internally Developed Intangibles

Expenditure on the development of recognised intangibles (excluding goodwill) for internal use is capitalised as an intangible asset. Internally developed intangibles with a finite useful life are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of internally developed intangibles over their estimated useful life.

(o) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(p) Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they 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.

(r) Derivatives and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements in the hedging reserve in shareholders' equity are shown in note 22.

(i) Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in comprehensive income within other income or other expense.

Amounts accumulated in equity are reclassified to comprehensive income in the periods when the hedged item affects comprehensive income. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to comprehensive income.

(iii) Derivatives That Do Not Qualify for Hedge Accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the comprehensive income within other income or other expense.

(s) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid.

The group recognises revenue when the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of Finished Goods
Revenue for commodity products and for retail trade products is recognised at the time of dispatch or when the products are held in storage for future delivery at the request of the customer.

(ii) Other
A sale is recorded when goods have been dispatched or at the point of sale to a customer and the associated risks have passed to the carrier or customer.

(t) Employee Benefits

(i) Short Term Obligations
Liabilities for wages and salaries, annual leave, and rostered days off are recognised in other creditors and are measured as the amount expected to be paid when the liabilities are settled. Liabilities for vested sick leave, payable on termination, are recognised in the provision for employee benefits at the amounts expected to be paid when the liabilities are settled.

Annual leave and vested sick leave amounts are all recorded as current liabilities, even though it is not expected all amounts will be paid within 12 months, as the employee has a legal entitlement to these amounts and could at their discretion utilise that entitlement. In determining amounts recognised as liabilities the group gives consideration to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments greater than 12 months are discounted using market yields on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Long Term Employee Benefit Obligations
A liability for long service leave to which employees are legally entitled at the reporting date is recognised in the provision for employee benefits in accordance with (i) above. The liability for long service leave expected for which the employee is yet to be legally entitled and therefore settled in more than 12 months from reporting date is recognised in the non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus Plans
The group recognises a liability and an expense for bonuses where there is a contractual obligation or where there is past practice that has created a constructive obligation.

(iv) Retirement Benefit Obligations
Contributions to the defined contribution section are recognised as an expense as they become payable.

The defined benefit section is based on a lump sum retirement benefit limit at age 65. This fund is managed by the way of an actuarial review and amounts are expensed as recommended by the actuary.

(u) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Provisions

Provisions are recognised where a present obligation exists and the entity has no realistic alternative but to make a future sacrifice of economic benefits to settle the obligation.

(w) Earnings Per Share

(i) Basic Earnings Per Share
Basic earnings per share is determined by dividing net profit after tax attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in determining basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Investment Property

Investment properties are held for long-term rental yields, or capital appreciation, or both and is not occupied by the group. Investment property is carried at fair value, representing open-market value determined annually by an independent valuer who holds a recognised and relevant professional qualification.

Changes to fair value are recorded in the comprehensive income as part of other income.

(y) Business Combinations

The acquisition method of accounting is used to account for all business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange. Acquisition related costs not directly attributable to the acquisition are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill (refer note 1(n)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in comprehensive income as a bargain purchase.

Where the settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to their present value as at the date of exchange. The discount rate used is the group's weighted average cost of capital.

Contingent consideration is classified as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in comprehensive income.

(z) Government Grants

Grants from the Government are recognised at their fair value where there is reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to capital are accounted for by deducting the grant in arriving at the carrying amount of the asset.

(aa) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ab) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(ac) Rounding of Amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(ad) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 March 2015 reporting periods.

(i) AASB 9 Financial Instruments (effective on or after 1 January 2018)

(ii) AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments) (effective on or after 1 January 2015).

(iii) IFRS 15 Revenue from Contracts with Customers (effective on or after 1 January 2017).

(ae) Parent Entity Financial Information

The financial information for the parent entity, Warrnambool Cheese and Butter Factory Company Holdings Limited, disclosed in note 37 has been prepared on the same basis as the consolidated financial statements.

Notes to the Financial Statements

31 March 2015

	CONSOLIDATED	
	2015 9 mths $'000	2014 12 mths $'000
Note 2. Revenue		
Sales Revenue		
Sale of goods	**428,079**	595,995
Sale of services	**10,627**	13,692
	438,706	609,687
Other Revenue		
Rent	**637**	861
Interest	**38**	91
Dividends	**160**	240
Net foreign exchange gains/(losses)	**13,987**	(2,349)
Other	**197**	13
	15,019	(1,144)
Revenue from continuing operations	**453,725**	608,543

Note 3. Other Income

Net gain/(loss) on disposal of property, plant and equipment	**27**	210
Fair value gains on investment properties	**85**	–
Government grants (a)	**336**	242
	448	452

(a) Government grants

Grants for the Indigenous Employment Program (IEP) $4,000 ($2014: $0) and the energy grants credits scheme of $332,139 (2014: $242,000) were recognised as 'other income' by the Group during the financial year. There are no unfulfilled conditions or other contingencies attached to these grants. The Group did not benefit from any other forms of government assistance.

Note 4. Expenses

Profit/(loss) before income tax includes the following specific expenses:

Depreciation		
Buildings	**815**	975
Plant & equipment	**9,198**	11,686
Total depreciation	**10,013**	12,661
Finance Costs		
Interest and finance charges paid/payable	**1,551**	3,658
Write down of inventories to net realisable value	**2,972**	1,164
Impairment losses – trade receivables	**219**	340
Research and development	**1,769**	3,000
Employee benefits provided for	**3,520**	4,888
Corporate advisory expenses (a)	**–**	9,557

(a) Corporate advisory expenses

Corporate advisory expenses relate to external legal and financial advice received in 2014 for takeover defence. These expenses have been recognised in 'corporate advisory expenses' in the statement of comprehensive income.

Note 5. Income Tax

	CONSOLIDATED	
	2015 9 mths $'000	2014 12 mths $'000
(a) Income tax expense		
Current tax	**13,580**	11,956
Deferred tax	**(2,330)**	(4,351)
Under (over) provided in prior years	**12**	(18)
Aggregate income tax expense/(benefit)	**11,262**	7,587
Deferred income tax (benefit) expense included in income tax expense/(benefit) comprises:		
Decrease (increase) in deferred tax assets (note 12)	**(2,679)**	(4,701)
(Decrease) increase in deferred tax liabilities (note 19)	**349**	350
	(2,330)	(4,351)
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit/(loss) from operations before income tax expense/(benefit)	**45,567**	28,863
Income tax calculated @ 30% (2014 – 30%)	**13,670**	8,659
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Depreciation and amortisation	**51**	69
Entertainment	**19**	40
Executive Performance Rights Plan	**–**	365
Research and development	**(177)**	(300)
Sundry items	**(39)**	(69)
Share of net profits/(losses) of joint ventures	**(2,274)**	(1,159)
	11,250	7,605
Under (over) provision in prior years	**12**	(18)
Income tax expense/(benefit)	**11,262**	7,587
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – (debited) credited directly to equity (notes 12 and 19)	**(144)**	(1,336)
	(144)	(1,336)

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 6. Current Assets – Trade and Other Receivables

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Trade receivables	**83,375**	85,229
Provision for impairment of receivables (a)	**(459)**	(538)
	82,916	84,691
Other receivables (c)	**11,010**	9,747
Prepayments	**1,276**	1,870
	95,202	96,308

(a) Impaired trade receivables

As at 31 March 2015 current trade receivables of the Group with a nominal value of $459,000 (2014: $538,000) were impaired. The amount of the provision was $459,000 (2014: $538,000). The individually impaired receivables mainly relate to businesses that are in unexpectedly difficult economic situations. It was assessed that a portion of the receivable is expected to be recovered.

The ageing of these receivables is as follows:

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
1 to 3 months	**–**	–
3 to 6 months	**–**	–
Over 6 months	**459**	538
	459	538

Movements in the provision for impairment of receivables are as follows:

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
At 1 July		
Provision for impairment recognised during the year	**538**	340
Receivables written off during the year as uncollectible	**(79)**	198
Unused amount reversed	**–**	–
	459	538

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the statement of comprehensive income. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As of 31 March 2015, Group trade receivables of $16,199,000 (2014: $11,008,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Up to 3 months	**15,203**	10,262
3 to 6 months	**971**	383
Over 6 months	**25**	363
	16,199	11,008

(c) Other receivables

These amounts generally arise from transactions outside the usual activities of the Group. Interest may be charged on other receivables.

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 24.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.
The fair value of securities held for certain receivables is insignificant as is the fair value of any collateral sold or repledged. Refer note 24 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

Notes to the Financial Statements

31 March 2015

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Note 7. Current Assets – Inventories		
Raw materials and stores – at cost	**25,015**	25,572
Work in progress – at cost	**–**	328
Finished goods – at net realisable value	**2,074**	8,207
Finished goods – at cost	**83,496**	41,684
	110,585	75,791

(a) Inventory expense

Inventory recognised as an expense during the period ended 31 March 2015 amounted to $314,773,226 (2014: $442,257,754).

Write-downs of inventories to net realisable value recognised as an expense during the period ended 31 March 2015 amounted to $2,972,000 (2014: $1,164,000). This expense has been recognised in 'raw materials and consumables used' in the statement of comprehensive income.

Note 8. Non-Current Assets – Investments Accounted for Using the Equity Method

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Interest in joint ventures (note 36)	**33,452**	26,917
	33,452	26,917

Note 9. Non-Current Assets – Other Financial Assets

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Other unlisted securities		
Equity securities	**5**	5
	5	5

These financial assets are carried at cost. Unlisted securities are traded in inactive markets that do not give indication as to fair value, as such they are valued at cost.

Note 10. Non-Current Assets – Property, Plant & Equipment

Consolidated 2015 (9 months)	Constr'n in progress $'000	Freehold land $'000	Buildings $'000	Plant & equipment $'000	Motor vehicles $'000	Furniture, fixtures & fittings $'000
Year ended 31 March 2015						
Opening net book amount	5,867	2,814	16,748	54,037	6,209	513
Additions	1,083	–	1,077	4,548	1,205	87
Disposals	–	–	–	(11)	(3)	–
Write offs	(1,951)	–	–	–	–	–
Depreciation charge	–	–	(815)	(5,904)	(1,321)	(114)
Closing net book amount	4,999	2,814	17,010	52,670	6,090	486
At 31 March 2015						
Cost or fair value	4,999	2,814	26,921	146,578	11,896	2,244
Accumulated depreciation	–	–	(9,911)	(93,908)	(5,806)	(1,758)
Net book amount	4,999	2,814	17,010	52,670	6,090	486

Consolidated 2015 (9 months)	Computer equipment $'000	Crown land improv's $'000	Effluent plant $'000	Leased plant & equipment $'000	Total $'000
Year ended 31 March 2015					
Opening net book amount	2,878	145	5,343	884	95,438
Additions	2,626	–	–	–	10,626
Disposals	(2)	–	–	–	(16)
Write offs	–	–	–	–	(1,951)
Depreciation charge	(1,355)	(12)	(275)	(217)	(10,013)
Closing net book amount	4,147	133	5,068	667	94,084
At 31 March 2015					
Cost or fair value	16,442	481	8,845	21,413	242,633
Accumulated depreciation	(12,295)	(348)	(3,777)	(20,746)	(148,549)
Net book amount	4,147	133	5,068	667	94,084

Note 10. Non-Current Assets – Property, Plant & Equipment (cont.)

Consolidated 2014	Constr'n in progress $'000	Freehold land $'000	Buildings $'000	Plant & equipment $'000	Motor vehicles $'000	Furniture, fixtures & fittings $'000
At 1 July 2013						
Cost or fair value	10,483	2,620	22,240	121,307	10,767	2,359
Accumulated depreciation	–	–	(8,121)	(81,267)	(3,355)	(1,739)
Net book amount	10,483	2,620	14,119	40,040	7,412	620
Year ended 30 June 2014						
Opening net book amount	10,483	2,620	14,119	40,040	7,412	620
Additions	(4,616)	194	3,605	22,079	448	52
Disposals	–	–	(1)	(115)	(24)	(12)
Depreciation charge	–	–	(975)	(7,967)	(1,627)	(147)
Closing net book amount	5,867	2,814	16,748	54,037	6,209	513
At 30 June 2014						
Cost or fair value	5,867	2,814	25,844	142,286	10,877	2,228
Accumulated depreciation	–	–	(9,096)	(88,249)	(4,668)	(1,715)
Net book amount	5,867	2,814	16,748	54,037	6,209	513

Consolidated 2014	Computer equipment $'000	Crown land improv's $'000	Effluent plant $'000	Leased plant & equipment $'000	Total $'000
At 1 July 2013					
Cost or fair value	13,641	481	8,845	22,417	235,300
Accumulated depreciation	(10,642)	(319)	(3,177)	(21,226)	(139,092)
Net book amount	2,999	162	5,668	1,191	96,208
Year ended 30 June 2014					
Opening net book amount	2,999	162	5,668	1,191	96,208
Additions	1,205	–	–	–	22,967
Disposals	(1)	–	–	(29)	(182)
Depreciation charge	(1,325)	(17)	(325)	(278)	(12,661)
Closing net book amount	2,878	145	5,343	884	95,438
At 30 June 2014					
Cost or fair value	13,999	481	8,845	21,413	234,654
Accumulated depreciation	(11,121)	(336)	(3,502)	(20,529)	(139,216)
Net book amount	2,878	145	5,343	884	95,438

Valuation of land and buildings

On transition to Australian Equivalents of International Accounting Standards, AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* allows companies to elect to use fair value as deemed cost. The company has elected to do so, as such land and buildings fair value at 30 June 2006 was deemed cost on transition to AIFRS.

Non-current assets pledged as security

Refer note 18 for information on non-current assets pledged as security by Saputo Inc.

	CONSOLIDATED 31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 11. Non-Current Assets – Investment Properties

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
At fair value		
Opening balance 1 July	**10,533**	10,138
Acquisitions	**–**	728
Transfers	**–**	(333)
Impairment	**(1,450)**	–
Net gain (loss) from fair value adjustment	**85**	–
Closing balance	**9,168**	10,533
(a) Amounts recognised in profit/(loss) for investment property		
Rental income	**730**	808
Direct operating expenses from property that generated rental income	**(11)**	(12)
	719	796

Valuation basis

The basis of valuation of investment properties is fair value as defined in the accounting standards. The Group's investment properties are all classified as Level 3 in the valuation hierarchy. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect differences in nature; and
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The key inputs used for investment property valuation under the capitalisation and summation approaches have been land prices and building rental rates per square metre for comparably sized and located property, and capitalisation rates.

The significant unobservable inputs to the valuation of investment property classified as Level 3 are expected lease terms, vacancy rates and rental growth rates. These are estimated by the external valuers or management based on comparable transactions and market data.

The 31 March 2015 revaluations were based on independent assessments by Certified Practising Valuer in accordance with the requirements of the Australian Accounting Standards Board by C.J. Ham & Murray Pty Limited in January 2015.

Details of the Groups investment properties and information about the fair value hierarchy as at 31 March 2015 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Level 4 $'000
Investment Properties in South Western Victoria and South Eastern South Australia			9,168	

There were no transfers between levels during the year.

Non-current assets pledged as security

Refer note 18 for information on non-current assets pledged as security by the Group.

Leasing arrangements

The consolidated entity has properties that are leased to tenants under long-term operating leases with rentals payable monthly.

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Minimum lease payments under non-cancellable operating leases of properties not recognised in the financial statements are receivable as follows:		
Within one year	**187**	834
Later than one year but not later than five years	**440**	1,574
	627	2,408

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 12. Non-Current Assets – Deferred Tax Assets

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	**138**	161
Employee benefits	**2,878**	2,657
Finance leases	**6**	26
Audit fees	**44**	35
Accrued expenses	**4,854**	2,415
Quality claims	**278**	59
Business related capital expenses	**2,370**	2,542
Borrowing costs	**6**	1
	10,574	7,896
Amounts recognised directly in equity		
Share issue expenses	**4**	147
Deferred tax assets	**10,578**	8,043
Set-off deferred tax liabilities pursuant to set-off provisions (note 19)	**6,169**	5,820
Net deferred tax assets	**4,409**	2,223
Movements:		
Opening balance at 1 July	**8,043**	4,665
(Credited) charged to the statement of comprehensive income (note 5)	**2,679**	4,701
(Credited) charged to equity	**(144)**	(1,323)
Closing Balance 31 March	**10,578**	8,043
Deferred tax assets to be recovered within 12 months	**6,550**	3,767
Deferred tax assets to be recovered after more than 12 months	**4,028**	4,276
	10,578	8,043

Note 13. Non-Current Assets – Intangible Assets

Consolidated 2015	**Goodwill $'000**	**Total $'000**
Nine month period ended 31 March 2015		
Opening net book amount	**1,628**	**1,628**
Closing net book amount	**1,628**	**1,628**
At 31 March 2015		
Cost	**1,628**	**1,628**
Net book amount	**1,628**	**1,628**

Note 13. Non-Current Assets – Intangible Assets (cont.)

Consolidated 2014	Goodwill $'000	Total $'000
Year ended 30 June 2014		
Opening net book amount	1,628	1,628
Closing net book amount	1,628	1,628
At 30 June 2014		
Cost	1,628	1,628
Net book amount	1,628	1,628

(a) Impairment tests for goodwill

Goodwill and intangible assets with indefinite useful lives are allocated to the Groups cash-generating units (CGU's) according to which CGU generated those assets on acquisition. A summary of amounts of goodwill and indefinite life intangibles allocated is presented below.

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Cash-generating unit		
Cheese/Whey	**1,523**	1,523
Specialty Cheese	**105**	105
	1,628	1,628

The recoverable amount of a CGU is based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering no more than a five-year period. Cash flows beyond the five-year period are extrapolated using a zero growth rate.

(b) Key assumptions used for value-in-use calculations

In performing value-in-use calculations for applicable CGU's, the company has applied a growth rate of 0% (2014: 0%) and a post-tax discount rate of 11% (2014: 11%) to discount the forecast future attributable post tax cash-flows.

These assumptions have been used for the analysis of each CGU. Budgeted gross margin was based on past performance and expectations for the future. It is not considered a change in any of the key assumptions would be required.

Note 14. Current Liabilities – Trade and Other Payables

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Trade payables	**61,510**	50,201
Other payables (a)	**9,197**	8,478
	70,707	58,679

(a) Amounts not expected to be settled within the next 12 months

Other payables include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave within the next 12 months. The following amounts represent leave that is not expected to be taken in the next 12 months.

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Annual leave obligation expected to be settled after 12 months	**972**	1,591

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 15. Current Liabilities – Borrowings

SECURED		
Bank overdrafts	**–**	27,250
Bills payable	**–**	23,534
Lease liabilities	**2,431**	2,058
Total secured borrowings	**2,431**	52,842
UNSECURED		
Bank overdrafts	**50,607**	–
Total borrowings	**53,038**	52,842
Cash, cash equivalents and overdrafts at the end of the financial year		
Bank overdrafts (note 18)	**50,607**	27,250
Cash and cash equivalents	**(9,125)**	(2,414)
	41,482	24,836

(a) Security and fair value disclosures

Details of the security relating to each of the secured liabilities and the fair value of each of the borrowings are provided in note 18.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 24. The bank overdrafts information above contains cash and cash equivalents. This is due to the bank's ability to offset all bank accounts against overdrafts or borrowings.

Note 16. Current Liabilities – Current Tax Liabilities

Income tax	**4,444**	4,193
	4,444	4,193

Note 17. Current Liabilities – Provisions

Employee benefits (a)	**6,913**	6,579
Quality claims	**926**	197
	7,839	6,776

(a) Amounts not expected to be settled within the next 12 months

The current provision for long service leave included all unconditional entitlements where employees have completed the required period of service and also where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

Long service leave obligation expected to be settled after 12 months	**3,244**	3,255

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

Quality Claims		
Consolidated – 2015		
Carrying amount at start of year	**197**	–
Charged/(credited) to the statement of comprehensive income – additional provisions recognised	**729**	197
Amounts used during the period	**–**	–
Carrying amount at end of year	**926**	197

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 18. Non-Current Liabilities – Borrowings

SECURED		
Lease liabilities	**2,615**	3,935
	2,615	3,935

Further information relating to loans from related parties is set out in note 30.

(a) Secured liabilities and assets pledged as security		
Total secured liabilities (current and non-current) are as follows:		
Bank overdrafts	**–**	27,250
Bills payable	**–**	23,534
Lease liability	**5,046**	5,993
Total secured liabilities	**5,046**	56,777
(b) Unsecured liabilities and assets		
Bank overdrafts	**50,607**	–
Total secured liabilities	**55,653**	56,777

As at 31 October 2014 the bank overdraft and bills payable of the Group are secured by a guarantee from Saputo Inc. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

During 2014 the bank overdraft and bills payable of the Group are secured by a fixed and floating charge over the whole of the Group's assets and an interlocking guarantee from all companies within the Group. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Bank loans are secured by a negative pledge that imposes certain covenants on the Group.

(a) Minimum capital adequacy of 45% as at 30 June 2014
(b) Minimum interest cover of 2.0 times as at 30 June 2014
(c) Stock and debtor to working capital debt of 2 times as at 30 June 2014

The carrying amounts of assets pledged as security for current and non-current borrowings are:

Current		
Trade and other receivables	**–**	96,308
Inventories	**–**	75,791
Total current assets pledged as security	**–**	172,099
Non-current		
Investments accounted for using the equity method	**–**	26,917
Other financial assets	**–**	5
Property, plant & equipment	**–**	95,438
Investment properties	**–**	10,533
Deferred tax assets	**–**	8,043
Intangible assets	**–**	1,628
Total non-current assets pledged as security	**–**	142,564
Total assets pledged as security	**–**	314,663

Note 18. Non-Current Liabilities – Borrowings (cont.)

(c) Fair value	2015 (9 months)		2014	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
The carrying amount and fair values of borrowings at balance date are:				
On-balance sheet				
Bank overdraft	**50,607**	**50,607**	27,250	27,250
Bills payable	**–**	**–**	23,534	23,028
Lease liabilities	**5,046**	**5,383**	5,993	6,521
Non-traded financial liabilities	**55,653**	**55,990**	56,777	56,799

None of the classes of borrowings are readily traded on organised markets in standardised form.

Fair value is inclusive of costs which would be incurred on settlement of liability.

The fair value of on-balance sheet borrowings is based upon market prices where a market exists or by discounting expected future cash flows by the current interest rates for liabilities with similar risk profiles.

(c) Risk exposures

Information about the Group's exposure to interest rate changes is provided in note 24.

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Note 19. Non-Current Liabilities – Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Prepayments	**22**	86
Inventories	**1,618**	452
Depreciation	**794**	786
Accrued revenue	**–**	218
Investment property	**1,338**	1,747
Business related capital expenses	**367**	501
	4,139	3,790
Amounts recognised directly in equity		
Revaluation of land and buildings	**2,030**	2,030
Deferred tax liabilities	**6,169**	5,820
Set-off deferred tax assets pursuant to set-off provisions (note 12)	**6,169**	5,820
Net deferred tax liabilities	**–**	–
Movements:		
Opening balance at 1 July	**5,820**	5,457
Credited (charged) to the statement of comprehensive income (note 5)	**349**	350
Credited (charged) to equity	**–**	13
Closing Balance 31 March	**6,169**	5,820
Deferred tax liabilities to be settled within 12 months	**1,905**	1,017
Deferred tax liabilities to be settled after more than 12 months	**4,264**	4,803
	6,169	5,820

	CONSOLIDATED 31/03/15 9 mths $'000	30/06/14 12 mths $'000
Note 20. Non-Current Liabilities – Provisions		
Employee benefits – long service leave	**730**	852
	730	852

	PARENT ENTITY 2015 Number of Shares	2014 Number of Shares	2015 Value $'000	2014 Value $'000
Note 21. Contributed Equity				
(a) Share capital				
Ordinary shares – fully paid	**56,098,797**	56,098,797	**73,856**	73,856
	56,098,797	56,098,797	**73,856**	73,856

	Date	Notes	Number of Shares	Issue Price $	$'000
(b) Movement in ordinary share capital					
Opening balance					
Ordinary share capital	1-July-14		56,098,797		73,856
Balance	31-Mar-15		56,098,797		73,856

(b) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other listed entities, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital, where net debt is borrowings less cash and cash equivalents and total capital is equity plus net debt.

During 2015, the Group's strategy, which was unchanged from 2014, was to maintain a gearing ratio within a 25% to 50% range or above or below for a short-term in unforeseen circumstances. The gearing ratios at 31 March 2015 and 30 June 2014 were as follows:

	CONSOLIDATED 31/03/15 9 mths $'000	30/06/14 12 mths $'000
Total borrowings	**55,653**	56,777
Less cash and cash equivalents	**(9,125)**	(2,414)
Net debt	**46,528**	54,363
Total equity	**218,285**	183,980
Total capital	**264,813**	238,343
Gearing ratio	**18%**	23%

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Note 22. Reserves and Retained Profits		
(a) Asset revaluation reserve		
Movements		
Balance 1 July	**5,222**	5,222
Balance end of financial period	**5,222**	5,222
(b) Capital reserve		
Movements		
Balance 1 July	**7,014**	7,014
Balance end of financial period	**7,014**	7,014
(c) Hedging reserve		
Movements		
Balance 1 July	**–**	(2,760)
Revaluation – gross	**–**	3,942
Deferred tax (note 20)	**–**	(1,182)
Balance end of financial period	**–**	–
(d) Executive Performance Rights Plan		
Movements		
Balance 1 July	**–**	31
Transfer from retained earnings	**–**	(44)
Deferred tax (note 19)	**–**	13
Balance end of financial period	**–**	–
Balance of reserves at the end of the financial year	**12,236**	12,236
(e) Retained profits		
Movements		
Balance 1 July	**97,888**	82,689
Net profit/(loss) for the period	**34,305**	21,276
Dividends provided for or paid	**–**	(6,077)
Balance end of financial period	**132,193**	97,888

(f) Nature and purpose of reserves

(i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1(j).

(ii) Capital reserve

The capital reserve is used to record capital profits made on the non-reciprocal contribution of a non-current asset.

(iii) Hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(r). Amounts are recognised in the profit and loss when the associated hedge transaction affects profit and loss.

(iv) Executive Performance Rights Plan Valuation Adjustment

The Executive Performance Rights Plan Valuation Adjustment is used to record increments and decrements on the value of the rights. Amounts are recognised in the profit and loss when the associated revaluation transaction affects profit and loss. The plan was closed by the Board during 2015.

	PARENT ENTITY	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 23. Dividends

(a) Dividends provided for or paid out of prior year's profits		
Ordinary shares		
Final dividend of 11.0 cents per fully paid share paid 27 September 2013 fully franked @ 30%	**–**	6,077
Total dividends provided for or paid out of prior year's profits	**–**	6,077
(b) Franked dividends		
The franked portions of the dividends declared after 31 March 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 March 2015.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2014 – 30%)	**54,710**	41,263

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability

(b) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and

(c) franking credits that may be prevented from being distributed in subsequent financial years.

Note 24. Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Financial risk management is carried out by the treasury function within the finance department. The finance department identifies, evaluates and hedges financial risks in accordance with approved Board practices and policies covering specific areas, such as mitigating foreign exchange, interest rate and and credit risk, use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group exports commodities and is exposed to foreign exchange risk from currency exposures to the US dollar. The risk is measured using sensitivity analysis and cash flow forecasting. Forward contracts and options may be used to manage foreign exchange risk.

Group Sensitivity

Based on financial instruments held at 31 March 2015, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased $0/decreased $0 (2014 – increased $0/ decreased $0), as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table. There was no exposure for 2015, whilst exposure for 2014 was due to an ineffective hedge position on forward exchange contracts. Equity would have been $0 lower/$0 higher (2014 – $4,175,000 lower/$5,103,000 higher) had the Australian dollar weakened/ strengthened by 10% against the US dollar, arising from forward foreign exchange contracts designated as cashflow hedges. The sensitivity is zero in 2015 as the Company does not have any forward exchange contracts in place at 31 March 2015.

Note 24. Financial Risk Management (cont.)

(ii) Cash flow and fair value interest rate risk

The Groups interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. All borrowings were denominated in Australian dollars in 2015 and 2014.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2015		2014	
	Weighted Average Interest Rate %	**Balance $'000**	Weighted Average Interest Rate %	Balance $'000
Bank overdrafts and bank loans	**1.5%**	**50,607**	2.7%	46,612

An analysis by maturity is provided in (c) below.

Group Sensitivity

The Group had no material sensitivity to movements in interest rates at 31 March 2015 or 30 June 2014.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets (notes 6 and 9). The Group generally retains title over goods until full payment is received.

The Group trades with recognised, creditworthy third parties, and as such collateral is generally not requested nor is it the Group's practice to securitise it's trade and other receivables. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, including assessment of financial position, past experience, industry reputation and credit rating. For new export customers the Group may take security in the form of letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Receivables balances are monitored on an ongoing basis to ensure all accounts are trading within agreed terms.

Receivables outside terms are proactively managed with the result that the Group's exposure to bad debts is generally not significant.

There are no significant concentrations of credit risk within the Group and financial instruments are spread across three financial institutions, who presently have Standard and Poor's rating of AA-, to minimise the risk of default of counterparties.

Note 24. Financial Risk Management (cont.)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, through the availability of funding via adequate amounts of committed credit facilities and the ability to close-out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Groups treasury function maintains flexibility in funding by keeping committed credit lines available with its major banking partner.

The Group has access to the following undrawn borrowing facilities at the reporting date:

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Bank overdrafts	**124,287**	52,664
Bank loans and bills	**7,686**	10,523
	131,973	63,187

The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. The bank loans may be drawn at any time and are subject to annual review. Bank loans have an average maturity of 2.0 years (2014 – 2.0 years)

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group – At 31 March 2015	**Less than 6 months $'000**	**6 – 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount $'000**
Non-derivatives						
Non-interest bearing	**70,707**	**–**	**–**	**–**	**70,707**	**70,707**
Variable rate	**50,607**	**–**	**–**	**–**	**50,607**	**50,607**
Fixed rate	**1,325**	**1,325**	**1,983**	**750**	**5,383**	**5,046**
	122,639	**1,325**	**1,983**	**750**	**126,697**	**126,360**

Group – At 30 June 2014	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives						
Non-interest bearing	58,679	–	–	–	58,679	58,679
Variable rate	50,394	499	12	–	50,905	50,784
Fixed rate	1,180	1,180	2,105	2,056	6,521	5,993
	110,253	1,679	2,117	2,056	116,105	115,456

(d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Note 25. Key Management Personnel Disclosures

(a) Directors

The following persons were directors of Warrnambool Cheese and Butter Factory Company Holdings Limited during the financial year:

Chairman – non-executive

Lino A. Saputo, Jr.

Non-executive directors

Louis-Philippe Carrière
Neville Fielke
Terence Richardson
Bruce Vallance

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
Anthony Cook	General Manager Milk Supply	The Warrnambool Cheese and Butter Factory Company Limited
Stephen Cook*	General Manager Operations	The Warrnambool Cheese and Butter Factory Company Limited
William Hannah	Chief Financial Officer	The Warrnambool Cheese and Butter Factory Company Limited
Bernard Kavanagh	General Manager Corporate Development	The Warrnambool Cheese and Butter Factory Company Limited
Ross Martin	General Manager Supply Chain ICT & Program Management Office	The Warrnambool Cheese and Butter Factory Company Limited
Paul Moloney	Company Secretary	The Warrnambool Cheese and Butter Factory Company Limited
William Slater	General Manager Retail Dairy	The Warrnambool Cheese and Butter Factory Company Limited
Richard Wallace*	Senior Vice President & General Manager	The Warrnambool Cheese and Butter Factory Company Limited
John Williams	General Manager Sales, Marketing & Innovation	The Warrnambool Cheese and Butter Factory Company Limited

*promoted on 5 January 2015

All of the above were other key management personnel in 2014, except Stephen Cook.

	CONSOLIDATED	
	31/03/15 9 mths $	30/06/14 12 mths $
(c) Key management personnel compensation		
Short-term employee benefits	**2,981,834**	4,147,319
Post-employment benefits	**207,856**	302,943
Long-term benefits	**66,051**	1,277,474
	3,255,741	5,727,736

Under the *Corporations Act 2001* and Regulation 2M.3.03 the Group is required to report remuneration information in the Director's report. The same remuneration information is required in the financial statements in accordance with *AASB124* Related Party Disclosures. The standard, to avoid duplication, has provided relief so that required information, if disclosed in the Director's report, does not need to be included in the financial statements. Remuneration information contained in the Director's report is subject to audit to ensure requirements of accounting standards are met.

Note 25. Key Management Personnel Disclosures (cont.)

(d) Equity instrument disclosures relating to key management personnel

The number of shares in the Company held during the financial year by each director of Warrnambool Cheese and Butter Factory Company Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period under the employee share plan.

2015	Balance at start of year	Net change	Balance at year end
Directors			
Louis-Phillipe Carrière	–	–	–
Neville Fielke	–	–	–
Terence Richardson	–	–	–
Lino A. Saputo, Jr.	–	–	–
Bruce Vallance	–	–	–
Executives			
Anthony Cook	–	–	–
Stephen Cook	–	–	–
William Hannah	10	–	10
Bernard Kavanagh	–	–	–
David Lord	–	–	–
Ross Martin	–	–	–
Paul Moloney	10	–	10
William Slater	–	–	–
John Williams	–	–	–
Richard Wallace	–	–	–

2014	Balance at start of year	Net change	Balance at year end
Directors			
Louis-Phillipe Carrière	–	–	–
Neville Fielke	–	–	–
Terence Richardson	668	(668)	–
Lino A. Saputo, Jr.	–	–	–
Bruce Vallance	74,414	(74,414)	–
Executives			
Anthony Cook	74,041	(74,041)	–
William Hannah	1,143	(1,133)	10
Bernard Kavanagh	597,841	(597,841)	–
David Lord	10,000	(10,000)	–
Ross Martin	–	–	–
Paul Moloney	1,336	(1,326)	10
William Slater	921	(921)	–
John Williams	1,330	(1,330)	–
Richard Wallace	50,976	(50,976)	–

(e) Loans to key management personnel

Loans are not provided to directors of Warrnambool Cheese and Butter Factory Company Holdings Limited or executives, except where the Director is also a supplier of milk to the Company, they are entitled to receive an interest free advance to purchase feed or fertiliser on the same terms and conditions as available to all suppliers of milk to the company.

As at 31 March 2015 Supplier Director Terence Richardson, who is also a supplier of milk to the company, through a related party, is participating in the Farm Investment Partnership scheme with earnings of $35,003 to be repaid by 12 August 2015.

As at 31 March 2015 Supplier Director Bruce Vallance, also a supplier of milk to the company, had an interest free feed/fertilizer advances across two farms of $77,198 which are due to be repaid in full 12 November 2015.

(f) Other transactions with key management personnel

No other amounts were paid to key management personnel.

	CONSOLIDATED	
	31/03/15 9 mths $	30/06/14 12 mths $
Note 26. Remuneration of Auditors		
(a) Audit and other assurance services		
Coffey Hunt		
Audit and review of financial statements	**175,044**	232,000
Total remuneration for audit and other assurance services	**175,044**	232,000
(b) Taxation services		
Coffey Hunt		
Tax compliance services, including review of company tax returns	**5,200**	5,062
Total remuneration for taxation services	**5,200**	5,062
(c) Advisory services		
Coffey Hunt		
Other minor accounting services	**–**	66,480
Total remuneration for advisory services	**–**	66,480
Total remuneration for auditors	**180,244**	303,542

The Group employs Coffey Hunt on assignments additional to their statutory audit duties as their expertise and experience with the Group are important. These assignments are principally small in nature and linked closely to work performed during audit services.

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Note 27. Commitments		
(a) Capital commitments		
Commitments for the acquisition of plant & equipment contracted for at the reporting date but not recognised as liabilities payable	**2,736**	3,437
Not later than one year	**2,736**	3,437
(b) Lease Commitments: Group as lessee		
(i) Non-cancellable operating leases		
The Group leases offices and storage facilities under non-cancellable operating leases expiring within one to four years. The leases have varying terms, escalation clauses and renewal rights.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**265**	273
Later than one year but not later than five years	**230**	269
	495	542
(ii) Cancellable operating leases		
The Group also has rental properties on short-term cancellable leases.		
Commitments in relation to operating leases contracted for at reporting date but not recognised as liabilities, payable:		
Within one year	**37**	37
	37	37

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 27. Commitments (cont.)

(b) Lease Commitments: Group as lessee (cont.)

(iii) Finance Leases

The Group leases part of its tanker fleet with a carrying amount of $5,046,000 (2014: $5,994,000) under finance leases expiring within one to four years. Under the terms of the lease, the Group has the option to acquire the leased assets on expiry of the leases.

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**2,649**	2,361
Later than one year but not later than five years	**2,734**	4,161
Minimum Lease Payments	**5,383**	6,522
Less: Future finance charges	**(337)**	(528)
Total finance lease liability	**5,046**	5,994
Representing lease liabilities:		
Current (note 15)	**2,431**	2,058
Non-current (note 18)	**2,615**	3,935
	5,046	5,994

The weighted average interest rate implicit in the finance leases is 5.49% (2014: 5.78%).

Note 28. Investments in Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of Shares	Equity Holding 2015 %	Equity Holding 2014 %	Cost of parent entity investment 2015 $'000	Cost of parent entity investment 2014 $'000
The Warrnambool Cheese and Butter Factory Company Limited	Australia	Ordinary	**100**	100	**15,124**	15,124
Australian Dairy Products Pty Ltd	Australia	Ordinary	**100**	100	**1**	1
Warrnambool Milk Products Pty Limited	Australia	Ordinary	**100**	100	**7,455**	7,455
Warrnambool Milk Products Pty Limited	Australia	Preference	**100**	100	**2,609**	2,609
Protein Technology Victoria Pty Ltd	Australia	Ordinary	**100**	100	**7,082**	7,082
					32,271	32,271

All subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 (as amended) issued by the Australian Securities Investment Commission. For further information refer to note 29.

Note 29. Deed of Cross Guarantee

Warrnambool Cheese and Butter Factory Company Holdings Limited, The Warrnambool Cheese and Butter Factory Company Limited, Australian Dairy Products Pty Ltd, Warrnambool Milk Products Pty Limited and Protein Technology Victoria Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities Investments Commission.

As the above companies represent the entire Group of companies in this consolidated report there are no differences to the consolidated financial statements from that of the Group of companies party to the deed of cross guarantee.

Note 30. Related Party Transactions

(a) Parent entity

The parent entity within the Group is Warrnambool Cheese and Butter Factory Company Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 28.

Note 30. Related Party Transactions (cont.)

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 25.

(d) Transactions with related parties

Transactions between the parent entity and other entities in the consolidated entity consist of wholemilk sales, services and transfer of tax related amounts under a tax sharing agreement.

	PARENT ENTITY	
	31/03/15 9 mths $	30/06/14 12 mths $
The following transactions occurred with related parties:		
Sales of good and services		
Sale of wholemilk to subsidiaries	**287,757,295**	356,798,670
Directors		
At balance date T.J. Richardson and B.G. Vallance were directors and suppliers of milk to the company. Payments to directors for milk and associated dealings are on an identical basis as other non-director milk suppliers. Any associated dealings are disclosed as an other transaction with key management personnel in note 25(f).		
(e) Outstanding balances arising from sales/purchase of goods and services		
The following balances are outstanding at the reporting date in relation to transactions with related parties:		
Current receivables/(payables) – (tax funding agreement)		
Wholly-owned tax consolidated entities	**–**	–
No provision for impairment of receivables has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or impaired debts due from related parties.		
(f) Loans to/from related parties		
Loans to subsidiaries		
Beginning of the year	**94,978,269**	84,970,347
Loan advance	**10,323,712**	10,007,922
Loan repayments received	**–**	–
End of year	**105,301,981**	94,978,269

There is no interest charged on loans to subsidiaries.

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 31. Reconciliation of Profit/(Loss) after Income Tax to Net Cash Inflow (Outflow) from Operating Activities

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Operating Profit/(loss) after income tax	**34,305**	21,276
Depreciation and amortisation	**10,013**	12,661
Non-cash employee benefits expense – share-based payments	**–**	1,216
Fair value adjustment to investment property	**(85)**	–
Net (gain)/loss on sale of non-current assets	**(27)**	(210)
Share of (profits)/losses of joint ventures	**(7,580)**	(3,863)
Revaluation of foreign investment	**(13)**	(14)
Impairment of assets	**3,401**	–
Dividends received joint ventures	**1,058**	637
Fair value adjustments to derivatives	**–**	(195)
Change in operating assets and liabilities:		
Decrease (increase) in trade debtors	**4,556**	14,022
Decrease (increase) in inventories	**(34,794)**	(4,987)
Decrease (increase) in deferred tax assets	**(2,535)**	(8,043)
Increase (decrease) in trade creditors	**12,028**	6,041
Increase (decrease) in provision for income taxes payable	**251**	2,647
Increase (decrease) in deferred tax liabilities	**350**	3,846
Increase (decrease) in other provisions	**941**	1,259
Net Cash Inflow (Outflow) from Operating Activities	**21,869**	46,293

Note 32. Segment Information

The board has determined the operating segments based on the reports reviewed by the board and executive that are used to make strategic decisions. The board and executive meet regularly to discuss, review and plan strategic initiatives.

The board and executive consider the business from a product group perspective and has identified three reportable segments. Commodities consist of dairy products, cheese, skim milk powder, butter, cream, lactoferrin and whey protein concentrate which are manufactured in Australia and sold in domestic and export markets to wholesale customers. Consumer goods consists of branded products sold for retail sale, namely Sungold and Great Ocean Road (packaged milk), Enprocal (nutritional products) and Warrnambool and Great Ocean Road (cheese products). Other consists of revenue generating units that do not relate to either commodities or retail segments. Information about segment assets and liabilities are not reported to the board and executive.

(a) Strategic information provided to the board and executive

The segment information provided to the board and executive for the reportable segments for the period ended 31 March 2015 is as follows:

	Commodities $'000	Consumer Goods $'000	Other $'000	Total $'000
31 March 2015				
Total segment revenue	**737,152**	**49,751**	**16,508**	**803,411**
Inter-segment revenue	**(344,791)**	**(144)**	**(4,341)**	**(349,276)**
Revenue from external customers	**392,361**	**49,607**	**12,167**	**454,135**
Adjusted EBIT	**38,560**	**(1,215)**	**(1,295)**	**36,050**
Share of joint ventures profits/(losses)				**7,580**
Unrealised financial instruments gains/(losses)				**3,450**
EBIT				**47,080**
30 June 2014				
Total segment revenue	958,254	62,925	20,913	1,042,092
Inter-segment revenue	(428,107)	(117)	(4,964)	(433,188)
Revenue from external customers	530,147	62,808	15,949	608,904
Adjusted EBIT	44,906	(7,727)	(7,765)	29,414
Share of joint ventures profits/(losses)				3,863
Unrealised financial instruments gain/(losses)				(846)
EBIT				32,431

(b) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the board and executive is measured in a manner consistent with the statement of comprehensive income.

Revenues from external customers are derived from the sale of dairy commodities on a wholesale basis and consumer goods on a wholesale and retail basis. A breakdown of revenue and results is provided in the table above.

Segment revenue reconciles to total revenue as follows:

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Total segment revenue	**803,411**	1,042,092
Intersegment eliminations	**(349,276)**	(433,188)
Interest revenue	**38**	91
Total revenue (note 2 and note 3)	**454,173**	608,995

Note 32. Segment Information (cont.)

(ii) Adjusted EBIT

The board and executive assess the performance of the operating segments based on a measure of EBIT. This measure excludes effects of any non-recurring expenditure from the operating segments such as restructuring costs. Furthermore, the measure excludes the effect of equity-settled share based payments, unrealised gains/losses on financial instruments and equity accounted share of profits/losses from joint ventures. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the group.

A reconciliation of adjusted EBIT to operating profit before income tax is provided as follows:

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Adjusted EBIT	**36,050**	29,414
Interest revenue	**38**	91
Finance costs	**(1,551)**	(3,658)
Share of joint ventures' profits/(losses)	**7,580**	3,863
Unrealised financial instrument gains/(losses)	**3,450**	(846)
Profit/(loss) before income tax (expense)/benefit	**45,567**	28,863

Note 33. Contingent Liabilities

(a) Milk vat loan arrangement

The Group has a contingent liability to refund existing suppliers a portion of the interest under a specific milk vat loan arrangement. The liability is extinguished immediately a supplier ceases to supply milk to the company. At 31 March 2015 the maximum amount of the contingent liability was $74,000 (2014: $102,000).

Note 34. Earnings Per Share

	CONSOLIDATED	
	2015 Cents	2014 Cents
(a) Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company	**61.2**	38.1
(b) Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company	**61.2**	38.1

	CONSOLIDATED	
	2015 Number of Shares	2014 Number of Shares
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and alternative basic earnings per share	**56,098,797**	55,849,455

	PARENT ENTITY	
	2015 Number of Shares	2014 Number of Shares

Note 35. Share-Based Payments

(a) Executive Performance Rights Plan

A scheme under which shares may be issued by the company to executives for no consideration.

	2015 Number of Shares	2014 Number of Shares
Shares issued under the executive performance rights plan to participating executives	**–**	129,286

No shares were issued this year.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefits and executive performance rights plan expenses were as follows:

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Shares issued under the executive performance rights plan to participating executives	**–**	1,211

	CONSOLIDATED	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000

Note 36. Interest in Joint Ventures

The Group has a 50% ownership interest and voting rights in Great Ocean Ingredients Pty Ltd, which is resident in Australia and the principal activity of which is to manufacture galacto-oligosaccharides (GOS) for sale to infant formula manufacturers.

The Group has a 49% ownership interest and voting rights in Warrnambool Cheese and Butter Japan Company Limited, which is resident in Japan and the principal activity of which is to trade dairy commodities in the Japanese market.

The interest in Great Ocean Ingredients Pty Ltd and Warrnambool Cheese and Butter Japan Company Limited is accounted for in the consolidated financial statements using the equity method of accounting (note 8).

Information relating to all the joint ventures is set out below.

	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Carrying amount of investment in joint ventures	**33,452**	26,917
Share of material joint venture's assets and liabilities		
Current assets	**20,352**	10,937
Non-current assets	**27,227**	29,133
Total assets	**47,579**	40,070
Current liabilities	**2,022**	2,048
Non-current liabilities	**16,617**	15,393
Total liabilities	**18,639**	17,440
Net assets	**28,940**	22,630
Share of material joint venture's revenue, expenses and results		
Revenues	**19,168**	19,099
Expenses	**(10,168)**	(14,508)
Profit/(loss) before income tax	**9,000**	4,591
Income tax (expense)/benefit	**(2,691)**	(1,360)
Total Comprehensive Income	**6,310**	3,231
Share of joint venture's assets and liabilities not individually material		
Current assets	**23,862**	17,613
Non-current assets	**81**	62
Total assets	**23,943**	17,675
Current liabilities	**21,413**	15,597
Non-current liabilities	**341**	–
Total liabilities	**21,753**	15,597
Net assets	**2,190**	2,078
Share of joint venture's revenue, expenses and results not individually material		
Revenues	**55,734**	60,175
Expenses	**(53,686)**	(59,145)
Profit/(loss) before income tax	**2,048**	1,030
Income tax (expense)/benefit	**(778)**	(399)
Total Comprehensive Income	**1,270**	632
Share of joint venture's commitments		
Capital commitments	**346**	199

	PARENT ENTITY	
	31/03/15 9 mths $'000	30/06/14 12 mths $'000
Note 37. Parent Entity Information		
Parent entity assets and liabilities		
Current assets	**127,171**	116,027
Non-current assets	**37,991**	35,783
Total assets	**165,162**	151,810
Current liabilities	**51,501**	40,134
Non-current liabilities	**–**	–
Total liabilities	**51,501**	40,134
Net assets	**113,661**	111,676
Contributed equity	**73,856**	73,856
Retained profits	**39,805**	37,820
Total equity	**113,661**	111,676
Parent entity profit/(loss)		
Profit/(loss) before income tax	**2,836**	9,920
Income tax (expense)/benefit	**(851)**	(2,976)
Profit/(loss) after income tax	**1,985**	6,944
Parent entity total comprehensive income		
Total comprehensive income for the year	**1,985**	6,944

Note 38. Additional Disclosure for Change of Reporting Period (9 months comparative)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period ended 31 March 2015 (9 months comparative)

	CONSOLIDATED	
	31/03/15 9 mths $'000	31/03/14 9 mths $'000
Revenue from continuing operations	**453,725**	454,531
Other income	**448**	464
Changes in inventories of finished goods and work in progress	**34,794**	26,487
Raw materials and consumables used	**(361,572)**	(368,840)
Depreciation and amortisation expense	**(10,013)**	(9,512)
Finance costs	**(1,551)**	(2,916)
Asset impairment	**(3,401)**	–
Distribution expense	**(16,171)**	(17,631)
Employee benefits expense	**(40,165)**	(38,353)
Other expenses	**(18,107)**	(18,611)
Corporate advisory expenses	**–**	(9,557)
Share of net profits/(losses) of joint ventures accounted for using the equity method	**7,580**	3,754
Profit/(Loss) before income tax (expense)/benefit	**45,567**	19,816
Income tax (expense)/benefit	**(11,262)**	(4,680)
Profit/(Loss) for the year	**34,305**	15,136
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of cash flow hedges	**–**	2,855
Executive Performance Rights Plan valuation adjustment	**–**	(31)
Other comprehensive income for the year, net of income tax	**–**	2,824
Total comprehensive income for the year	**34,305**	17,960
Profit/(Loss) attributable to owners of Warrnambool Cheese and Butter Factory Company Holdings Limited	**34,305**	15,136
Total comprehensive income attributable to owners of Warrnambool Cheese and Butter Factory Company Holdings Limited	**34,305**	17,960
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company	**Cents**	Cents
Basic earnings per share	**61.2**	27.1
Diluted earnings per share	**61.2**	27.1

Note 38. Additional Disclosure for Change of Reporting Period (9 months comparative) (cont.)

CONSOLIDATED BALANCE SHEET as at 31 March 2015 (9 months comparative)

	CONSOLIDATED	
	31/03/15 9 mths $'000	31/03/14 9 mths $'000
CURRENT ASSETS		
Cash and cash equivalents	**9,125**	2,374
Trade and other receivables	**95,202**	84,669
Derivative financial instruments	**–**	136
Inventories	**110,585**	97,757
Total Current Assets	**214,912**	184,936
NON-CURRENT ASSETS		
Investments accounted for using the equity method	**33,452**	26,807
Other financial assets	**5**	5
Property, plant & equipment	**94,084**	92,455
Investment properties	**9,168**	10,866
Deferred tax assets	**4,409**	6,172
Intangible assets	**1,628**	1,628
Total Non-Current Assets	**142,746**	137,933
Total Assets	**357,658**	322,869
CURRENT LIABILITIES		
Trade and other payables	**70,707**	76,698
Borrowings	**53,038**	48,768
Current tax liabilities	**4,444**	298
Provisions	**7,839**	6,369
Total Current Liabilities	**136,028**	132,133
NON-CURRENT LIABILITIES		
Borrowings	**2,615**	5,107
Deferred tax liabilities	**–**	7,037
Provisions	**730**	657
Total Non-Current Liabilities	**3,345**	12,801
Total Liabilities	**139,373**	144,934
Net Assets	**218,285**	177,935
EQUITY		
Contributed equity	**73,856**	73,856
Reserves	**12,236**	12,331
Retained profits	**132,193**	91,748
Total Equity	**218,285**	177,935

Note 38. Additional Disclosure for Change of Reporting Period (9 months comparative) (cont.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the period ended 31 March 2015 (9 months comparative)

	ATTRIBUTABLE TO OWNERS OF WARRNAMBOOL CHEESE AND BUTTER FACTORY COMPANY HOLDINGS LIMITED			
	Contributed equity $'000	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2014	**73,856**	**12,236**	**97,888**	**183,980**
Profit for the period	**–**	**–**	**34,305**	**34,305**
Balance at 31 March 2015	**73,856**	**12,236**	**132,193**	**218,285**
Balance at 1 July 2013	69,607	9,507	82,689	161,803
Profit for the year	–	–	15,136	15,136
Net cash flow hedges	–	2,855	–	2,855
Executive Performance Rights Plan valuation adjustment	–	(31)	–	(31)
Total comprehensive income for the nine months	–	2,824	15,136	17,960
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	4,249	–	–	4,249
Dividends provided for or paid	–	–	(6,077)	(6,077)
	4,249	–	(6,077)	(1,828)
Balance at 31 March 2014	73,856	12,331	91,748	177,935

Notes to the Financial Statements

31 March 2015

Note 38. Additional Disclosure for Change of Reporting Period (9 months comparative) (cont.)

CONSOLIDATED CASH FLOW STATEMENT for the period ended 31 March 2015 (9 months comparative)

	Notes	CONSOLIDATED	
		2015 9 mths $'000	2014 9 mths $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		**465,781**	490,571
Payments to suppliers and employees (inclusive of goods and services tax)		**(429,361)**	(437,187)
Dividends received		**160**	120
Interest received		**38**	76
Finance costs		**(1,551)**	(2,916)
Income tax paid		**(13,198)**	(7,066)
Net Cash Inflow (Outflow) from Operating Activities		**21,869**	43,598
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		**42**	388
Payments for land		**–**	(728)
Payments for property, plant & equipment		**(10,626)**	(16,759)
Net Cash Inflow (Outflow) from Investing Activities		**(10,584)**	(17,099)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**518**	11,959
Proceeds from issues of shares		**–**	3,045
Repayment of borrowings		**(24,999)**	(2,863)
Dividends paid by parent entity		**–**	(6,077)
Share issue transaction costs		**–**	(12)
Net Cash Inflow (Outflow) from Financing Activities		**(24,481)**	6,052
Net Increase (Decrease) in Cash, Cash Equivalents and Overdrafts		**(13,196)**	32,551
Cash, cash equivalents and overdrafts at the beginning of the financial year		**(24,836)**	(53,706)
Effects of exchange rate changes on cash, cash equivalents and overdrafts		**(3,450)**	529
Cash, cash equivalents and overdrafts at the end of the financial year		**(41,482)**	(20,626)

Note 39. Events after the Reporting period

On March 2, 2015, WCB announced that it has entered into an agreement to acquire the everyday cheese business of Lion-Dairy & Drinks Pty Ltd, for a total cash consideration of $137.5 million, subject to closing adjustments.

The Shareholders resolved on the 30 April 2015 to proceed with the acquisition, for a total cash consideration of $137.5 million, subject to closing adjustment and it is expected that the acquisition is to be close towards the end of May 2015.

The acquisition will be financed through a three year bank term loan.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes, as set out on pages 25 to 66, are in accordance with the Corporations Act 2001, including

(i) complying with Accounting Standards, the *Corporations Regulations 2001*; and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the economic entity's financial position as at 31 March 2015 and of its performance for the nine month period ended on that date.

(b) there are reasonable grounds to believe that Warrnambool Cheese and Butter Factory Company Holdings Limited will be able to pay its debts as and when they become due and payable.

(c) the financial statements and notes comply with the International Financial Reporting Standards, as stated in note 1(a)(i).

(d) at the date of this declaration there are reasonable grounds to believe that the members of the group of companies identified in note 29 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

The directors have been given the declarations by the President & Chief Operating Officer, who performs the function of the Chief Executive Officer, and the Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

Lino A. Saputo, Jr.
Chairman

Montreal
20 May 2015

Neville Fielke
Independent Director

Allansford
21 May 2015

Independent Auditor's Report

Coffey Hunt
CHARTERED ACCOUNTANTS

Independent Auditor's Report to the Members of Warrnambool Cheese and Butter Factory Company Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Warrnambool Cheese and Butter Factory Company Holdings Limited (the consolidated entity), which comprises the balance sheet as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the nine month period then ended, a summary of significant accounting policies, and other explanatory information and the directors' declaration of the company and the consolidated entity comprising the company Warrnambool Cheese and Butter Factory Company Holdings Limited and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(a)(i), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion,

(a) the financial report of Warrnambool Cheese and Butter Factory Company Holdings Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial positions as at 31 March 2015 and of their performance for the nine month period ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a)(i).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 22 of the directors' report for the nine month period ended 31 March 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Warrnambool Cheese and Butter Factory Company Holdings Limited for the nine month period ended 31 March 2015, complies with section 300A of the *Corporations Act 2001*.

Coffey Hunt.

Coffey Hunt
Chartered Accountants

C.J. Kol
Partner

Dated at Warrnambool, 21st May 2015