

Annual Report 2015

(9 Months to 31 March 2015)

Warrnambool Cheese and Butter Factory
Company Holdings Limited



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President and COO Report

The FY2015 Annual Report for the nine months to 31 March 2015 represents Warrnambool Cheese and Butter Factory Company Holdings Limited (WCB)'s first year of aligning its financial year end with that of Saputo Inc.

FY2015 has been a good nine months for WCB with an EBITDA (earnings before interest, taxation, depreciation and amortisation) of \$57.1 million, an \$11.9 million or 26.3% increase on the FY2014 twelve months. This is a good result in a reduced reporting period and an environment of declines in Global International Commodity prices partially offset by the favourable impact of foreign exchange.

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 its business-wide Continuous Improvement Program whilst maintaining a highly competitive milk pricing position.

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. This transaction will allow WCB to increase its presence in the consumer branded everyday cheese products segment in Australia. The transaction is subject to usual closing conditions and is expected to close towards the end of May 2015.

I would also like to thank and acknowledge the contribution and outstanding efforts that recently retired CEO David Lord has brought to WCB not only during this current financial year but in his entire time at the helm of WCB in the past five years.

During FY2015, WCB's integration into the Saputo group and the realisation of business synergies has continued along with the Saputo support of management to accelerate growth in the Australian and international market. Saputo intends to make investments and expand WCB's capacity and capabilities and encourage growth in milk production among WCB's supply group.



Kai Bockmann

President and Chief Operating Officer

Review and Results of Operations

Financial Summary

Warmnambool Cheese and Butter Factory Company Holdings Limited (WCB) draws milk from some of the most productive dairying regions in the country, including southwest Victoria, southeast South Australia and the Fleurieu Peninsula.

The company produces, markets and distributes in Australia and on the international market a variety of high quality cheeses, butter and butter blends, milk and cream. These products are sold under various brand names such as Warmnambool, Sungold and Great Ocean Road. The company also produces, markets and distributes dairy ingredients, including milk powders, whey protein concentrates and lactoferrin.

FY2015 results are based on the nine months to 31 March 2015 versus the twelve months to 30 June 2014 as the company integrates and aligns its financial year end with Saputo Inc.

- Total revenue \$454.1 million, down \$154.8 million or 25.4% versus FY2014 \$608.9 million.
- A net profit after tax of \$34.3 million, an increase of \$13.0 million or 61.0% compared to FY2014 \$21.3 million.
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) increased by \$11.9 million or 26.3% to \$57.1 million compared to \$45.2 million in FY2014.

Business Highlights

International dairy commodity pricing has continued to decline from the highs of February 2014, in USD terms. Butter, SMP and Cheddar export commodity prices have fallen 27.7%, 52.0% and 32.4% respectively. Growth in Europe and USA milk supply combined with reduced demand have undermined international commodity pricing.

The Australian dollar depreciated against the US dollar by an average of approximately six cents in FY2015. With the majority of WCB exports being in US dollars the AUD depreciation provided a revenue benefit which has partially offset the decline in commodity pricing.

Australian 2014-15 farmgate milk pricing has been impacted by the declining commodity pricing with current milk price expectations approximately 14.4% down on last year.

The Great Ocean Ingredients (GOI) and Warmnambool Cheese and Butter Japan (WCBJ) joint ventures contribution grew by \$3.7 million or 95% as they realised the benefits of a stable pricing environment, the depreciation in the Australian dollar and improved strategic initiatives.

Returns to Shareholders

WCB's improved profit outcome in FY2015 is reflected in improved shareholder returns. Return on equity was 15.7% in FY2015 (FY2014: 11.6%) and return on invested capital was 17.6% (FY2014: 16.8%).

Earnings per share also reflected the improved overall earnings and increased to 61.2 cents (FY2014: 38.1).

Balance Sheet and Cash Flow

Balance sheet strength has been enhanced in FY2015. The EBITDA has contributed to a strong cash flow from operations, which, when combined with retention of cash within the business has enabled WCB to reduce its overall debt position.

Gearing based on total debt over total debt plus equity has decreased to 17.6% from 22.8% in the prior year.

Manufacturing

FY2015 was the first full year of operation of the new Lactoferrin plant commissioned in FY2014 at the Allansford site. This plant provides a nutritional ingredient for the infant and toddler formula and nutrition markets.

WCB's focus on continuous improvement includes the optimisation of plant processes, increasing yields and reduction in operating costs, wastage and downtime. A number of operational initiatives were realised in FY2015 resulting in more efficient processes, as well as reduced operational costs.

Sales Marketing and Innovation

Demand from traditional markets remained strong however this could not compensate for the reduced demand which destabilised overall international pricing. Taking full advantage of its operational flexibility the company maximised its returns through the optimisation of its product mix and the targeting of its higher margin markets.

WCB's entry into the Lactoferrin market has contributed to FY2015 results and has been well received on the market.

Great Ocean Ingredients

Great Ocean Ingredients Pty Ltd (GOI) owns and operates a Vivinal GOS (galacto-oligosaccharides) manufacturing plant at the Allansford site. Vivinal GOS is sold worldwide to leading infant nutrition providers. GOI realised the benefits of major plant operating efficiencies and a lower exchange rate during FY2015.

WCB Japan

Lower Japanese domestic milk production along with consistent dairy product consumption continued to support demand for imported dairy ingredients. The WCBJ joint venture has been successful in expanding business through new and existing customers which has helped to offset the impact of reduced commodity prices. Expanding the WCB range of products available for Japan complemented and enhanced the existing business by providing customers with more variety, and positions WCBJ as a specialised supplier of a wider range of dairy products for the Japanese market.

Change of Financial Year

Under Saputo majority ownership and control, WCB continues to focus on its integration into the Saputo group including the alignment of its financial year reporting with that of Saputo Inc. In this first year of change in financial year end, the FY2015 results considered a full year milk pricing estimate but do not include the full year impact of:

- (a) April – June seasonal milk flow variations that result in less effective utilisation of plant,
- (b) the cost of annual plant maintenance shut-downs,
- (c) variations in international commodity pricing and exchange rates.

Outlook 2015

International dairy prices have remained weak with global milk production remaining high and limited change in demand.

The Australian dollar is currently slightly lower than FY2015 average but remains volatile.

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. This transaction will allow WCB to increase its presence in the consumer branded everyday cheese products segment in Australia. The transaction is subject to usual closing conditions and is expected to close towards the end of May 2015. The purchase price is payable in cash at closing and will be financed through additional financing to be obtained in connection with the transaction.

The company intends to continue to improve its efficiencies, while remaining committed to producing quality products, innovation and growth. WCB intends to accelerate its growth activities, invest in capital projects, increase manufacturing capacity, grow milk intake and create new opportunities.

Dividend

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.

Executive Team

Kai Bockmann

President & Chief Operating Officer

B Bus Admin, B Arts Comm, MBA

Mr Bockmann assumed the most senior role in the Company with the title of President & Chief Operating Officer on 1 April 2015. Mr Bockmann has been with Saputo Inc. in his current function since January 2012. He holds over 15 years of international experience within the food industry. He has held several senior management positions in production, sales and marketing and has worked in Canada, the USA, China, India, as well as in Latin America. Mr Bockmann will take on his new role with the Company as part of his current responsibilities as President and Chief Operating Officer of Saputo Inc.'s Dairy Division (International).

Anthony Cook

General Manager – Milk Supply

B Bus, CA

Mr Cook's responsibilities include milk supply and trading and field services. He joined the Company in 2000 after 12 years experience in various finance and advisory roles. Mr Cook held several senior finance positions after gaining experience domestically and internationally in audit and corporate advisory roles with a focus on the manufacturing sector.

Stephen Cook

General Manager – Operations

B Comp

Mr Cook's responsibilities include the management of the Company's production facilities and related services. He joined the Company in 1993 and was previously the Plant Manager of joint venture company, Great Ocean Ingredients Pty Ltd.

William Hannah

Chief Financial Officer

B Com, MBA, FCPA, FCSA, FCIS, GAICD

Mr Hannah is responsible for the strategic direction and management of the financial, taxation and treasury functions and the provision of reliable business controls and financial risk management. He has been an employee since 1998. Mr Hannah has over 40 years of ASX-listed company experience in senior financial, secretarial and commercial management positions. Mr Hannah has advised the company that he will be stepping down from his current position as of 1 July 2015. On such date, Mr Paul Moloney, currently Company Secretary, will be appointed as Vice President, Finance and Administration, Chief Financial Officer and Company Secretary.

Bernard Kavanagh

General Manager – Corporate Development

B Com, FCSA, FCIS, AFAIM, FAICD

Mr Kavanagh is responsible for strategic planning, corporate development and for pursuing profitable growth opportunities. He has held senior management positions in a number of areas including finance, accounting, investor relations and growth. He has extensive experience in the dairy industry including with alliances and joint ventures both in Australia and overseas. He is currently a Director of Great Ocean Ingredients Pty Ltd and Warrnambool Cheese and Butter Japan Company Limited. He commenced employment with the company in 1978.

David Lord

Chief Executive Officer

Grad Dip Bus (Mgt), MBA, MAICD

Mr Lord has spent 30 years in the fast-moving consumer goods sector of the food industry in various sales, marketing, operational and general management roles. He spent 14 years at Parmalat Australia Ltd, holding the position of CEO and Managing Director for eight years. He was a Director of Great Ocean Ingredients Pty Ltd and Warrnambool Cheese and Butter Japan Company Limited. Following his resignation, Mr Lord left the company on 1 April 2015.

Ross Martin

General Manager – Supply Chain, ICT/PMO

BSc.

Mr Martin's responsibilities include leading the Supply Chain and Information Technology teams as well as Program Portfolio Management for key business projects. Mr Martin has over 37 years of dairy/beverage industry experience in diverse senior management roles with large ASX-listed and multinational FMCG companies. He commenced employment with the company in 2013.

Paul Moloney

Company Secretary

B Bus, CPA

Mr Moloney is responsible for advising the Board and the Company in corporate governance practices, management of the legal, risk and investor relations functions and for statutory, ASX and company compliance issues. Mr Moloney commenced employment with WCB in 2001 and prior to becoming Company Secretary had 20 years of domestic and international experience in a number of financial roles. He is currently Company Secretary for Great Ocean Ingredients Pty Ltd and is responsible for the secretarial duties of Warrnambool Cheese and Butter Japan Company Limited. Mr Moloney will take on the additional roles of Vice President, Finance and Administration and Chief Financial Officer from 1 July 2015.

William Slater

General Manager – Retail Dairy

Mr Slater is responsible for management of sales, marketing and distribution of the Company's retail dairy products in the Australian domestic market and packaged consumer products internationally. He joined WCB in 2002 having gained 28 years experience in both domestic and international retail management. He has held several key management positions in enterprises involved in the sales and distribution of retail branded products.

Richard Wallace

Senior Vice President & General Manager

Dip Dairy Technology, MBA

Mr Wallace was appointed Senior Vice President & General Manager of the company on 5 January 2015. He has spent 26 years in the dairy industry, 18 of which at WCB. Prior to his current position Mr Wallace held the position of General Manager Operations for 8 years. He is currently a Director of Great Ocean Ingredients Pty Ltd and Dairy Technical Services Limited.

John Williams

General Manager – Sales, Marketing & Innovation

B Ec (Asian Studies), Grad Dip International Business, FAICD, FARL

Mr Williams has 25 years experience in trading hard and soft commodities with a focus on agricultural products mainly to the Asian region. He is responsible for sales, marketing and distribution of the Company's bulk dairy products both internationally and domestically. He also oversees the Company's research and development program and warehousing and logistics. He is currently a director of Australia's dairy industry peak body, Australian Dairy Industry Council Inc. and Vice President of the Australian Dairy Products Federation. He has been an employee since 2000.

Corporate Governance Report

The Board is responsible for the governance of the Company, and oversees its operations and financial performance. It sets strategic direction, determines the appropriate risk profile and management systems, and monitors compliance in terms of the regulatory regime. Governance is of vital importance to the Company and is discussed in this section. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2015 corporate governance statement is dated 31 March 2015 and reflects the corporate governance practices in place throughout the 2015 financial year. This 2015 corporate governance statement was approved by the Board on 21 May 2015. A description of the Group's current corporate governance practices, including disclosure on compliance or otherwise with Corporate Governance Principles, is set out below.

Board Constitution

A new constitution was adopted at the May 2014 general meeting of the Company to enable a restructure of the Company's Board following Saputo Dairy Australia Pty Ltd gaining control of the Company on 21 January 2014. This constitution provides for a minimum of five Directors. The Board as at 31 March 2015 consisted of five Directors: Louis-Philippe Carrière, Neville Fielke, Lino A. Saputo, Jr., Terence Richardson and Bruce Vallance. Dino Dello Sbarba is an Associate Director. Details of the Directors' experience, expertise, qualifications, term of office and relationships affecting their independence are set out in the Directors' Report on page 13.

The Board determined that the Directors who represent controlling shareholder Saputo Dairy Australia Pty Ltd, Louis-Philippe Carrière and Lino A. Saputo, Jr., could not be regarded as "independent" within the meaning of the ASX Governance Council Guidelines (the Guidelines) having regard to their senior executive positions with Saputo Inc., parent company of Saputo Dairy Australia Pty Ltd.

The Board determined that Directors Terence Richardson and Bruce Vallance who supply milk to the Company – even though the milk supply contracts with those Directors are on identical terms as other suppliers and are not negotiated individually with those Directors – could not be regarded as "independent" within the meaning of the ASX Governance Council Guidelines (the Guidelines) having regard to their personal interest in milk supply contracts with the Company.

Thus, the Board does not consist of a majority of "independent" members, as recommended by the Guidelines.

The Company's constitution can be found in the corporate governance section of the Company's website www.wcbf.com.au.

Board Structure

The Board has adopted formal written charters detailing the roles and responsibilities of the Board, Chairman and CEO to ensure these roles are clearly defined and separated. Different individuals exercise the role of Chairman and CEO. The Board Chairman, Mr Saputo, Jr., is one of the Directors defined by the Board not to be "independent". From 1 April 2015 the title of the Company's most senior role, currently CEO, will be President & Chief Operating Officer.

The Chairman is responsible for the setting of the Board meeting agenda. The Board and Committee charters are subject to regular review to ensure they are appropriate in the current circumstances. The members of the Board meet on a regular basis without a management presence. Day-to-day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the CEO.

Directors and Board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice, at the Company's expense.

Where individual Directors wish to seek independent professional advice the issue is to be discussed with the Chairman of the Board who will determine whether or not the Company will cover the cost of the independent professional advice.

Board Committees

The Directors establish board committees whose function is to assist the Board to carry out its duties in specific areas. In this respect the Audit & Risk, Nominations & Remuneration and Supplier Relations & Pricing Policy committees assist the Board in meeting its statutory and stakeholder commitments and obligations. All committees report to the Board on a regular basis.

Audit & Risk Committee

Under its charter, the Audit & Risk Committee reviews the appropriateness of the Company's accounting systems, procedures and controls, and ensures there is regulatory and statutory compliance, risk management and review of the audit function. The committee meets regularly and makes appropriate recommendations to the Board as required. The current committee members are Neville Fielke (Chairman), Louis-Philippe Carrière, Lino A. Saputo, Jr., Terence Richardson and Bruce Vallance, with assistance from Associate Director Dino Dello Sbarba.

The Board through the Audit & Risk Committee appoints external auditors who clearly demonstrate quality and independence. Coffey Hunt has been the Company's auditor for a number of years. It is Coffey Hunt's policy to rotate audit engagement partners at least every five years unless the Board approves the extension of an audit partner's involvement in the audit for a further two years.

A majority of members are not within the adopted definition of "independent", reflecting the current Board membership, but are non executive members of the Board. Mr Fielke, an independent member of the Board, chairs the committee with members shown above. Mr Fielke has had commercial, strategic, sales and marketing experience and has previously held senior executive, including CEO, employment positions. Other members of the committee have commercial, finance and accounting experience as set out in their profiles. The Company's auditors, Coffey Hunt, participate in the committee meetings on invitation. The auditors periodically meet with the committee without management being present.

Nominations & Remuneration Committee

The purpose and charter of this committee is to make recommendations as to the appointment of senior executives, non executive and executive directors; board and CEO remuneration matters; executive succession planning and executive salary packages; development and implementation of programs for director training and education; and evaluation and monitoring of the Board's performance. The current committee members are Neville Fielke (Chairman), Louis-Philippe Carrière, Lino A. Saputo, Jr., Terence Richardson and Bruce Vallance, with assistance from Associate Director Dino Dello Sbarba. Having regard to the adopted definition of "independent", the majority of the committee are not independent.

Corporate Governance Report

Supplier Relations & Pricing Policy Committee

The purpose and charter of this committee is to recommend the payment systems, productivity amounts and incentives for milk payments; to liaise with and be an effective communication channel between the Company and its milk suppliers by organising functions, events and surveys; to arrange for various communications in a timely manner; to recommend to the Board where WCB should seek industry representation, or should support representation by other entities or individuals; to make recommendations to the Board regarding the Company's position in relation to industry policy initiatives; and to ensure that relevant issues are communicated to WCB stakeholders as appropriate. The Board determines the milk price upon recommendations from management. The current committee members are Bruce Vallance (Chairman), Neville Fielke and Terence Richardson. Having regard to the adopted definition of "independent", the committee Chairman is not independent and a majority of the committee are not independent.

Board and Management Performance

The performance of the Board, Directors and senior management is reviewed on a regular basis. The Board, through its Nominations & Remuneration Committee, has implemented a system of board and director assessment which presently is by a process of both self and peer evaluation. The Board reviewed its and its committees' performance in March 2015.

Senior management's performance is formally reviewed by the CEO as part of an annual performance and remuneration review process. The review process takes place in April each year. The performance of the CEO is reviewed annually by the Chairman and by the Board in a non executive session. The CEO's performance was last reviewed in March 2015.

Director and Executive Remuneration

Details of director and executive remuneration are stated in the Remuneration Report following this section. Remuneration via consultancy fees for former Associate Director John McLean is \$120,550 per year.

Recognition of the Legitimate Interests of Stakeholders

Throughout its history, the Company has recognised that in addition to its shareholders, other groups such as milk suppliers, employees, customers and the wider local community are legitimate stakeholders in the Company's business. This has been recognised by the establishment of the Supplier Advisory Forum and by donations to community projects and clubs. Formal recognition of these interests is contained in the Corporate Social Responsibility Policy.

Rights of Shareholders

The CEO is responsible for implementing the communications strategy. The process is assisted by a website to improve shareholder communication and to make public various Company publications in an electronic format. Shareholder communications are also enhanced by the presence of the auditors at the Annual General Meeting (AGM) with the Chairman's announcement that the auditors are present and available to answer questions regarding the conduct of their audit.

Financial Reporting

The Board, through its Audit & Risk Committee, has implemented steps to assist in the verification and safeguarding of the integrity of the Company's financial reporting system. The Chief Executive Officer and Chief Financial Officer attest to the accuracy, correctness and

compliance with accounting standards and statutory regulation of the accounts. The composition and processes of the Audit & Risk Committee have been structured and established in accordance with the ASX guidelines, further enhancing the integrity of the financial reporting process.

Market Disclosure

The *Corporations Act 2001* (Cwlth) imposes continuous and periodic disclosure obligations to the ASX as well as its statutory obligations of disclosure. To enable the Company to comply with its disclosure obligations it has adopted a Continuous Disclosure Policy and associated procedures. In brief terms, the policy provides for a process of notification of matters that may be required to be disclosed to the market. The CEO, in consultation with the Board where appropriate or necessary, is responsible for deciding if information should be disclosed to the ASX.

The announcements made to the ASX to date are available on the ASX website.

Risk Management

The Company, through the executive team and the Audit & Risk Committee, continually reviews its risk profile. The Company has implemented an Internal Risk Review program to identify and manage risks. To assist in the management of risk, the Company has a number of policies that address both operational and financial risk. These policies include risk management, occupational health and safety, foreign exchange hedging, fraud and corruption, share trading, continuous disclosure, whistleblower and credit control. The Audit & Risk Committee reviewed the Company's risk management framework and risk profile in August 2014.

Ethical Decision Making

The Board has taken steps to promote ethical and responsible decision making within the Company. The Board has adopted a Code of Conduct applicable to both Directors and senior executives. The Board has also implemented a general Code of Ethics for employees. The Codes cover such topics as conflicts of interest, fair dealing of fellow employees, suppliers and customers, the protection of Company assets and opportunities, and the encouragement of the reporting of unlawful or unethical behaviours. To complement the codes, the Company has adopted whistleblower and fraud and corruption control policies.

The Company has also adopted a share trading policy that regulates share trading by Directors, Associate Directors, senior management and specified employees who have day-to-day access to the Company's financial position. The Board, Chairman and Company Secretary monitor the policy. The statutory provisions contained in the Corporations Act "insider trading" provisions supplement the policy.

Company Secretary

The Company Secretary is Paul Moloney who has held that position since December 2011. Mr Moloney holds a Bachelor of Business and is a qualified member of the Certified Practising Accountants of Australia. Prior to his appointment as Company Secretary, he had had 20 years experience, both domestic and international, in a number of financial roles.

Diversity Issues

WCB's Diversity Policy, adopted in 2011, continues to support a culture of attracting, retaining and developing a diverse range of talent. The principles of the Policy also support the Company's Equal Employment Opportunity (EEO) Policy. In August 2013, a Diversity Council was established with the charter to promote diversity within WCB through enhancing awareness of diversity and inclusion concerns, raising critical diversity issues and providing guidance on policies and programs to address diversity issues. WCB's 2014 annual mandatory EEO training, with a "Respecting Individual Differences" theme, was successfully rolled out across the business in interactive workshops.

The proportion of women in WCB's workforce has increased to 29% with 48% of new hires for the year being female. The WCB Parental Leave Policy continues to support females returning from maternity leave with flexible work options.

Diversity objectives include ongoing recruitment training to reinforce merit based recruitment processes, leadership and talent development with a focus on developing women into leadership roles, and continuing review of WCB workforce metrics to identify diversity factors that impact on the business.

Compliance with Corporate Governance Principles and Recommendations

No.	Principle/Recommendation	WCB Response
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	WCB has established charters for the Board and its committees as well as policies detailing executive responsibilities and authorities
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	(a) When seeking candidates for Board positions the Company may engage the services of external recruitment firms with significant experience in the recruitment of company directors (b) Security holders are provided with a summary on each candidates experience as part of the Notice of Meeting
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Each director on joining the Board receives a letter of appointment detailing the terms and conditions of their appointment. Each executive has an employment agreement setting out the terms of their appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complies
1.5	A listed entity should: (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	(a) The Company has measurable objectives in place, however it monitors rather than measures progress against those objectives (b) Generally complies, see this report (c) See (a) above (2) A copy of the 2013–14 public report submitted to the Workplace Gender Equality Agency can be found on the Company's website at www.wcbf.com.au
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	(a) Complies, see this report (b) Complies, see this report
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	(a) Complies, see this report (b) Complies, see this report

Corporate Governance Report

No.	Principle/Recommendation	WCB Response
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE		
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>(a) Generally complies, see this report</p> <p>(5) Complies, see page 22 of this Annual Report</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	On achieving majority ownership of WCB, Saputo Inc. reviewed the mix, skills and diversity requirements of the Board and put forward to security holders candidates to meet those requirements. All nominated candidates were elected.
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in of the Corporate Governance Principles and Recommendations but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>(a) Complies, see this report</p> <p>(b) Complies, see this report</p> <p>(c) Complies, see page 13 of this Annual Report</p>
2.4	A majority of the board of a listed entity should be independent directors.	Does not comply. Independent directors are not in the majority as four of the five directors are not considered independent. With two directors representing controlling shareholder Saputo Dairy Australia Pty Ltd and two directors supplying milk to the Company
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Does not comply. Representative Director for Saputo Dairy Australia Pty Ltd, the controlling shareholder, Lino A. Saputo, Jr., is the chairperson
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Company has an induction process for new directors, including providing a comprehensive Director's Manual. Professional development opportunities are provided.

No.	Principle/Recommendation	WCB Response
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY		
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	(a) Complies, see this report (b) Complies, see this report
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	(a) Generally complies, see this report (4) Complies, see page 13 of this Annual Report (5) Complies, see page 22 of this Annual Report
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complies, see this report
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complies, see this report
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	(a) Complies, see this report (b) Complies, see this report
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies, see www.wcbf.com.au
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies, see this report
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complies
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complies

Corporate Governance Report

No.	Principle/Recommendation	WCB Response
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>(a) Generally complies, see this report</p> <p>(5) Complies, see page 22 of this Annual Report</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>(a) Complies, see this report</p> <p>(b) Complies, see this report</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; OR</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>(a) Complies. The internal audit function is managed by the internal audit group of Saputo Inc.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Complies, see the Directors Statutory Report in this Annual Report</p>
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; OR <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>(a) Generally complies, see this report</p> <p>(5) Complies, see page 22 of this Annual Report</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Complies, see the Remuneration Report in this Annual Report</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>The company does not have an equity based remuneration scheme.</p>

Directors

The names and details of the Directors of the Company in office at the end of the financial year and during the whole of the financial year, and until the date of this report are as follows:

Lino A. Saputo, Jr.

Formal Qualifications: B Arts (political science)

Position: Non Executive Director and Chairman

Experience & Expertise: Non Executive Director and Chairman from 9 May 2014. Joined Saputo Inc. in 1988 as Administrative Assistant. Saputo is one of the top ten dairy processors in the world. In 1993, he was named Vice President, Operations and Engineering, and in 1998, Executive Vice President, Operations. In 2001, he became President and Chief Operating Officer of the Cheese Division (USA). In 2004, he was appointed to the position of President and Chief Executive Officer and in 2011, he was elected to the position of Vice Chairman of the Board of Saputo Inc.

Other Current Directorships: Saputo Inc., Transcontinental Inc. and National Bank of Canada

Former Directorships in the last 3 years: none

Special Responsibilities: member of Audit & Risk and Nominations & Remuneration Committees

Interests in Shares: Mr Saputo, Jr. is the Chief Executive Officer and Vice Chairman of the board of directors of Saputo Inc., which has a relevant interest in 49,321,980 shares (87.92%) of the Company. In addition, he has a personal interest in Jolina Capital Inc., the principal shareholder of Saputo Inc.

Louis-Philippe Carrière

Formal Qualifications: B Man, CPA certification from the Order of Professional Chartered Accountants of Québec, FCPA, FCA, Fellow of the Order of Professional Chartered Accountants of Quebec

Position: Non Executive Director

Experience & Expertise: Non Executive Director from 9 May 2014. Joined Saputo Inc. as Supervisor of Accounting in 1986. Saputo is one of the top ten dairy processors in the world. In 1988, he was named Director of Accounting and, in 1996, assumed the responsibilities of Corporate Controller. Within a year, he was named Vice President, Finance and Administration. He acted as Executive Vice President, Finance and Administration of Saputo Inc. from 1998 to 2015, when his title was changed to Chief Financial Officer.

Other Current Directorships: none

Former Directorships in the last 3 years: none

Special Responsibilities: member of Audit & Risk and Nominations & Remuneration Committees

Interests in Shares: Mr Carrière is the Chief Financial Officer of Saputo Inc. which has a relevant interest in 49,321,980 shares (87.92%) of the Company.

Neville Fielke

Formal Qualifications: B Econ, FAICD, FAMI

Position: Independent Non Executive Director

Experience & Expertise: Independent Non Executive Director from 28 August 2013. He has held a number of senior executive positions in sales, marketing and strategy over 20 years to 2007 at H J Heinz group companies, Fosters Group Limited and Mars group companies, including seven years as CEO and Managing Director of H J Heinz Australia Ltd which extended to Watties in New Zealand and Heinz Japan during this period. He was also CEO and Managing Director of Racing Victoria Ltd 2001–2003. Since 2007, he has been involved in corporate advisory as a director of Falcon Corporate Advisory Pty Ltd which specialises in merger and acquisition transactions and growth consulting through Growth Solutions Group Pty Ltd

Other Current Directorships: Falcon Corporate Advisory Pty Ltd

Former Directorships in the last 3 years: none

Special Responsibilities: Chairman of Audit & Risk and Nominations & Remuneration Committees and member of Supplier Relations & Pricing Policy Committee

Interests in Shares: none

Terence Richardson

Formal Qualifications: B Ag Econ, Dip Bus St, Cert Co Dir, MAICD

Position: Non Executive Director

Experience & Expertise: Director from 2007, Chairman from August 2013 to May 2014 and dairy farmer for 35 years. He was a director of Kiwi Co-Operative Dairies Ltd for seven years and an agribusiness consultant with Agriculture New Zealand

Other Current Directorships: none

Former Directorships in the last 3 years: none

Special Responsibilities: member of Audit & Risk, Nominations & Remuneration and Supplier Relations & Pricing Policy Committees

Interests in Shares: none

Bruce Vallance

Formal Qualifications: Dip App Sci (Ag), GAICD

Position: Non Executive Director

Experience & Expertise: Associate Director from 2006 to 2009, Director from May 2009 and dairy farmer for 25 years

Other Current Directorships: none

Former Directorships in the last 3 years: none

Special Responsibilities: Chairman of Supplier Relations & Pricing Policy Committee and member of Audit & Risk and Nominations & Remuneration Committees

Interests in Shares: none

Directors' Statutory and Remuneration Report

Statutory Report

The Directors submit their report of Warrnambool Cheese and Butter Factory Company Holdings Limited and the entities it controlled (WCB) at the end of and during the nine month period ended 31 March 2015.

As the Company has changed its financial year end to 31 March, commencing 31 March 2015, amounts disclosed for the 2015 financial year reflect the nine month period 1 July 2014 to 31 March 2015.

Principal Activities

The principal activities of WCB during the course of the financial year were the manufacture, processing and sale of cheese, milk powder, butter, cream, whey protein concentrate, lactoferrin, and bulk and processed milk. The commencement of the manufacture, processing and sale of lactoferrin was the only change in those activities in the 2015 financial year.

On 2 March 2015 the Company announced that it has entered into an agreement to acquire the everyday cheese business of Lion-Dairy & Drinks Pty Ltd based in Victoria, Australia.

The purchase price of \$137.5 million, on a debt-free basis, includes \$106.5 million which represents the value of inventory net of a minimal amount of assumed liabilities, and is subject to the final determination of the inventory amount and assumed liabilities amount at closing. The purchase price is payable in cash at closing and will be financed through additional financing to be obtained in connection with the transaction. The transaction is subject to the usual conditions and is expected to close in May 2015.

The everyday cheese business operations include cutting and wrapping, distribution, sales & marketing and intellectual property associated with the COON, Cracker Barrel, Mil Lel and Fred Walker brands. The everyday cheese business generates annual sales of approximately \$160 million and employs approximately 170 people. The cut and wrap operations of the everyday cheese business are located in a building owned by the Company which is adjacent to the Company's cheese manufacturing facility at Allansford.

Results

The net profit after tax attributable to members of Warrnambool Cheese and Butter Factory Company Holdings Limited is \$34.3 million.

Directors' Benefits

No Director of the Company, since the end of the 2014 financial year, has received or become entitled to receive a benefit of a contract made by the Company with the Director or with a firm of which he/she is a member, or with a Company in which he/she has a substantial interest other than:

- (i) an amount paid or receivable as remuneration for acting in the capacity of director as contained in the Remuneration Report of this report
- (ii) an amount paid or payable as a result of a contract to supply milk and associated dealings on terms identical to other non director milk suppliers
- (iii) an amount paid or payable in accordance with Article 59.6 of the Company's constitution for reimbursement of out-of-pocket expenses incurred in carrying out Company business

(iv) in respect of Mr Richardson through a related party, has an interest-free farm investment partnership advance of \$35,003 which is due to be repaid in full by 12 August 2015. The advance was provided on an identical basis to other non director suppliers.

(v) in respect of Mr Vallance, has interest-free feed/fertiliser advances, across two farms, of \$77,198 which are due to be repaid in full by 12 November 2015. The advances were provided on an identical basis to other non director suppliers.

Significant Changes in State of Affairs of the Group

In the Directors' opinion, there were no significant changes to the state of affairs of the Company or any of its subsidiaries during the 2015 financial year not otherwise disclosed in this report.

Events Subsequent to Balance Date and up to the Date of This Report

Other than that disclosed above and in the Notes to the financial accounts there were no events that occurred subsequent to the balance date that require disclosure.

Review of Operations, Financial Position, Business Strategies and Prospects

Information regarding the Company's business operations is contained in the Operations Review.

Future Developments and Results

The Company and its subsidiaries will continue to pursue their vision to be Australia's leading milk processing company. There is a continuing general trend in the Australian dairy industry towards globalisation and rationalisation. The Company intends to take advantage of opportunities arising from this process.

The Company will continue to develop its business strategies of accelerating growth in the Australian and international markets and investing to expand the Company's capacity and capabilities. Any further details under this heading would in the Directors' opinion cause unreasonable prejudice to the interests of the Company.

Environmental Performance

The Company continues to generally comply with all current environmental legislation and has continued to improve its environmental performance throughout the year.

Environmental Regulation

The Company is subject to considerable environmental regulation as part of its food manufacturing operations. Its activities are licensed by the Environmental Protection Agency (EPA) to allow for discharges to air and discharges of treated wastewater to land. Wastes from the premises must not be discharged to the environment except in accordance with the licence.

The discharge of waste water to the sewer system is with the approval of Wannon Water. The EPA licence requires the Company to report to the EPA on an annual basis on performance against the licence.

The Company is also subject to the reporting requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cwlth), the *National Environment Protection Council Act 1994* (Cwlth) and the *National Environment Protection (National Pollutant Inventory) Measure 1998* (Cwlth).

The National Greenhouse and Energy Reporting Act requires the Company to report its annual greenhouse gas emissions and energy use. The Company has implemented systems and processes for the collection and calculation of the data required and submitted annual reports for its corporate and Allansford and Mil Lel facilities.

The National Environment Protection Council Act requires the Company to report under the National Environment Protection (National Pollutant Inventory) Measure consumption and emission of designated pollutants.

A Groundwater Monitoring and Management Plan and a Long Term Soil Gas Monitoring and Management Plan developed as part of the groundwater Clean Up Notice requirement have been implemented. The plans and the annual report are audited annually by an EPA auditor to assess the adequacy of the plans and incorporation of amendments to improve the plans based on further data obtained through testing performed over the 2015 financial year.

Dividends Paid

No interim or final dividend for the nine months ending 31 March 2015 was declared.

Options

At the date of this report the Company has not issued any options over unissued shares or interests to any person. There are no unissued shares or interests in the Company.

Directors' Shareholdings

The particulars of shares held solely in the name of each Director as shown on the Register of Directors' Shareholdings and the particulars of shares in which the Directors had a relevant interest at the date of this report are shown in this report.

Indemnification/Insurance of Officers or Auditors

Details of this matter are shown in the Remuneration Report including director and executives disclosures.

Proceedings on Behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act for leave to issue proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237 of the Corporations Act.

Company Secretary

The qualifications and experience of the Company Secretary are shown in the Corporate Governance Report.

Auditor

Coffey Hunt was in office for financial year 2015 in accordance with Section 327 of the Corporations Act. In the course of the 2015 financial year the auditors undertook non-audit work as detailed on this page. There are no company officers within the meaning of the Corporations Act who are former auditors.

The Company intends to seek shareholder approval to appoint Deloitte Touche Tohmatsu as auditor of the Company and its controlled entities, for the purposes of section 327B of the Corporations Act and for all other purposes from the date of the Annual General Meeting or the date on which ASIC consents to the resignation of Coffey Hunt, whichever is later.

Auditors Independence Declaration

The Company received from its auditors a declaration, a copy of which is reproduced on page 23.

Non-audit Services Provided by Auditors

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 link closely to work performed during audit services. Details of the amounts paid or payable to the auditor (Coffey Hunt) for non-audit services provided during the year are set out below.

The Board has considered the position and, in accordance with the advice received from the Audit & Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

- All non-audit services have been reviewed by the Audit & Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work, acting in a management or a decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risks and rewards.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, the auditor's related practices and non-related audit firms:

	CONSOLIDATED	
	9 months to 31 March 2015 \$	12 months to 30 June 2014 \$
(a) 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
(b) Advisory services		
Coffey Hunt		
Other minor accounting services	–	22,950
Total remuneration for advisory services	–	22,950
Total remuneration for non-audit services	5,200	28,012

Directors' Statutory and Remuneration Report

Remuneration Report

The Directors of Warrnambool Cheese and Butter Factory Company Holdings Limited present the Remuneration Report prepared in accordance with Section 300A of the Corporations Act for the Company for the year ended 31 March 2015. This Remuneration Report is audited.

As the Company has changed its financial year end to 31 March, commencing 31 March 2015, remuneration amounts disclosed for the 2015 financial year reflect the nine month period from 1 July 2014 to 31 March 2015.

This Remuneration Report is prepared in respect of the Key Management Personnel, being those persons who have authority and responsibility for planning, directing and controlling the activities of the Group. The Board has determined that the Key Management Personnel are:

- the non executive Directors of the Company as detailed earlier in the Annual Report
- those listed in the table below, referred to in this report as executives.

Name	Position
David Lord	Chief Executive Officer
Anthony Cook	General Manager Milk Supply
Stephen Cook ⁽²⁾	General Manager Operations
William Hannah	Chief Financial Officer
Bernard Kavanagh	General Manager Corporate Development
Ross Martin	General Manager Supply Chain, ICT & Program Management Office
Paul Moloney	Company Secretary
William Slater	General Manager Retail Dairy
Richard Wallace ⁽¹⁾	Senior Vice President & General Manager
John Williams	General Manager Sales, Marketing & Innovation

(1) Richard Wallace was promoted to Senior Vice President & General Manager from General Manager Operations on 5 January 2015.

(2) Stephen Cook was promoted to General Manager Operations on 5 January 2015.

All executives are employed by The Warrnambool Cheese and Butter Factory Company Limited.

Change in Key Management Personal

David Lord resigned as CEO, effective 1 April 2015 and was replaced from that date by Mr Kai Bockmann. Mr Bockmann assumes the most senior role in the Company with the title of President & Chief Operating Officer. Mr Bockmann assumed the most senior role in the Company as part of his function as the President & Chief Operating Officer of Saputo Inc.'s Dairy Division (International). As such, Mr Bockmann will continue to be employed by Saputo Inc. It is not intended that the Company will enter into an employment, services or consulting agreement with Mr Bockmann.

William Hannah has resigned as CFO effective 1 July 2015 and will be replaced from that date by Company Secretary Paul Moloney who will be combining both roles.

Executive Remuneration Policy and Framework

The objective of the Group's reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns reward with achievement of strategic objectives and the creation of value for stakeholders, and conforms to market practice for delivery of reward.

The Board ensures through the Nominations & Remuneration Committee that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent
- acceptable to stakeholders
- aligned to the Company's strategic and business objectives.

In consultation with external consultants, the Group has structured an executive remuneration framework that is market-competitive and complementary to the reward strategy of the organisation.

In assessing the appropriate remuneration structure and quantum, the Board takes into account market data for comparable roles within similar industries and ensures that remuneration is aligned to both stakeholder and executive interests.

Alignment to stakeholder interests:

- optimises returns to all stakeholders
- has profit as core component
- focuses on sustained growth and delivering constant return on assets
- attracts and retains high-calibre executives.

Alignment to executive interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth and profits
- provides clear structure for earning rewards.

The framework provides a mix of fixed and variable pay and a blend of short term and long term incentives as detailed below in Executive remuneration.

Role of the Nominations & Remuneration Committee

- To determine and review remuneration arrangements for the Directors, CEO and senior executives with due regard to independence, appropriateness and performance.
- To provide assurance to shareholders that the Company's strategies and decisions relating to remuneration are formulated and implemented with the overall objective of ensuring stakeholder benefit from the retention of a high-performing board and executive team.
- To make recommendations to the Board on a periodic basis by reference to relevant market conditions on:
 - CEO remuneration
 - assessment of the appropriateness of the nature and amount of remuneration of executives
 - director fees and committee allowances.

Further details of the committee functions, role, membership and meetings are set out in the Corporate Governance section of this Annual Report.

Voting and Comments Made at the Company's 2014 Annual General Meeting

At the Company's 2014 AGM, the remuneration report was passed on a show of hands. The Company did not receive any questions on the remuneration report.

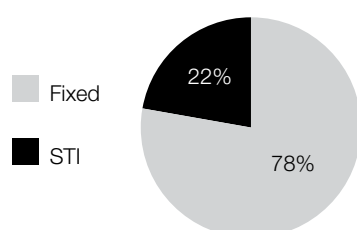
Executive Remuneration Structure

The CEO's total pay is reviewed annually by the Board, on the recommendation of the Nominations & Remuneration Committee, with reference to market-comparative data and individual performance.

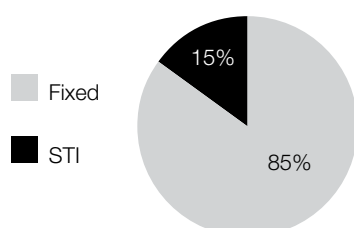
Other executives are offered a competitive total pay based upon external remuneration consultants' benchmarking reports to ensure that total pay is reflective of the respective performance requirements of the position and the market for a comparable role. Total pay is reviewed annually by the Board, with reference to market-comparative data, experience and performance.

Executive remuneration (total pay) is made up of fixed pay and variable pay (STIs). No LTI program was in place for FY2015. For FY2015 the set mix of pay was as per below.

CEO Remuneration Mix



Other Executives Average Remuneration Mix



1. Fixed Pay

Included in fixed pay are the following elements:

- base salary
- superannuation
- motor vehicle benefit or allowance
- annual leave loading
- other benefits as agreed with the Company.

Base salary

Executives have the option of receiving base salary in a variety of forms including cash and fringe benefits such as a motor vehicle. It is intended that the manner of payment is flexible without creating any additional cost to the Company.

Superannuation

For executives, the superannuation component is based on statutory superannuation obligations, on either the maximum earnings base, as amended each year by the ATO, or on base salary. In either case, it is included within the total package value. Executives, at their discretion, can choose to salary sacrifice part of base salary into superannuation contributions above the level of the Company's statutory superannuation obligations.

The Company has a target funding superannuation obligation for one executive, Bernard Kavanagh, of the lump sum Retirement Benefits Limit at age 65.

2. Variable Pay (Incentive Scheme)

Executives participate with a number of other senior staff in an incentive scheme. The scheme is designed to reward participants for their contribution to Company performance and shareholder returns. Its application in any particular year is determined by reference to the achievement of both corporate and individual Key Performance Indicators (KPIs).

Incentives payable for FY2015 have been accrued at 100% of eligible incentive, with the final amount payable to each executive to be determined in the first quarter of FY2016.

(a) Short term incentives

Each participant in the scheme is set a number of KPIs designed to, if achieved, result in strengthening the Company's performance. KPIs are agreed to at the beginning of the financial year and assessed at the completion of the year.

The Board, in consultation with the CEO, establishes measures for determining whether the CEO is to be paid an STI and the amount of that incentive. The CEO's STI is set at a maximum of \$200,000. KPIs for the CEO are set in agreement with, and assessed by, the Board.

Other executive's incentives are set at a maximum 20% of their base salary. KPIs for other executives are set in agreement with, and assessed by, the CEO.

The amount of the STI allocated to the achievement of corporate KPIs is 60% and the amount of the STI allocated to achievement of individual KPIs is 40%.

Corporate KPIs for FY2015 focused on a financial return target for net profit after tax. Individual KPIs for FY2015 focused on incremental and transformational change aligned with the Company's strategic initiatives.

In FY2015, while individual KPIs were set for each other executive, the percentage of achievement of these individual KPIs will be collated and an average collective percentage achieved will be used to calculate the incentive payable for each other executive and the CEO. This was implemented to create alignment of the executive team to the achievement of the Company's strategic initiatives.

The STI accrued in FY2015 reflects that FY2015 was a nine month period.

(b) Long term incentives

Following the takeover of the Company by Saputo Dairy Australia Pty Ltd, a review of the LTI Plan determined it was no longer a relevant tool for long term incentive remuneration. As such the LTI Plan was terminated by the Board at its August 2014 meeting.

Executive Contract Details

Remuneration and terms of employment for executives are formalised in executive employment agreements. The agreements specify the components of remuneration, benefits and notice periods.

For the CEO, the Company can terminate the agreement immediately, or at any time, after notice is given by either party by making a payment equal to the value of the CEO's remuneration package in lieu of the full or remaining period of notice.

Directors' Statutory and Remuneration Report

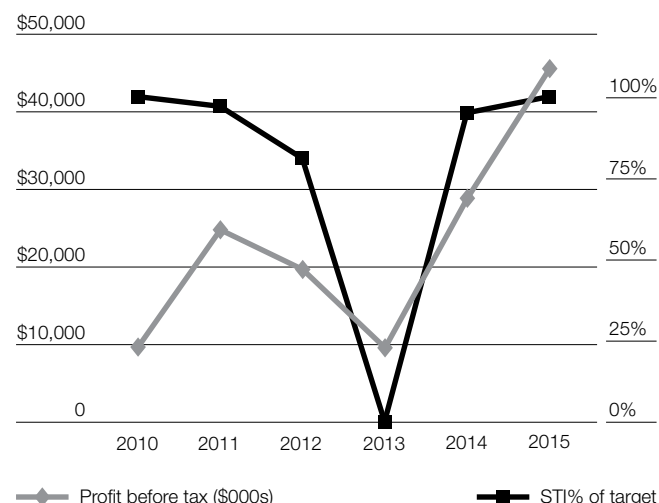
For other executives, excluding William Slater, the notice period is 12 months or 4 weeks for each completed year of service (up to a maximum of 112 weeks) whichever is greater. The Company may, in lieu of giving the executive part or all of the notice, make payment to the executive, by making a payment equal to the value of the executive's remuneration package, as follows:

- if the notice period is 12 months or more – for up to 12 months of the notice period, in which case the executive's employment will continue for the balance, if any of the notice period
- if the notice period is less than 12 months – for any period up to the entire notice period.

Benefits paid on redundancy are the same as for all employees, except executives (excluding the CEO and William Slater) who receive 12 weeks pay in lieu of notice compared with the standard four weeks for those under 45 years of age and 5 weeks for those over 45 years of age.

Performance of the Company

The graph below illustrates the key link between executive remuneration and the Company's performance.



Summary of Key Agreement Terms

Agreement Details	David Lord	Anthony Cook	Stephen Cook	William Hannah	Bernard Kavanagh	Ross Martin	Paul Moloney	William Slater	Richard Wallace	John Williams
Base salary (base)	633,155	257,664	190,712	315,590	294,110	289,921	207,294	238,821	379,610	305,328
STI % of base	31.5%	20%	20%	20%	20%	20%	20%	20%	30%	20%
LTI	–	–	–	–	–	–	–	–	–	–
Notice by the Company	9 months	60 weeks	80 weeks	64 weeks	112 weeks	12 months	56 weeks	1 month	72 weeks	60 weeks
Notice by employee	6 months	3 months	3 months	3 months	3 months	3 months	3 months	1 month	3 months	3 months

The base salary amount included in the above table is 12 months remuneration.

Details of Executive Remuneration

9 months ended 31 March 2015 Name	Short-Term Employee Benefits				Post- Employment Benefits	Long-Term Benefits	Share- Based Payments	Termination Benefits	TOTAL
	Short-Term Incentives			Non- Monetary Benefits	Long- Term Incentives	Long Service Leave			
	Cash Salary and Fees	2013/14 Paid 2014/15 ⁽²⁾	2014/15 Payable 2015/16				Super- annuation		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
David Lord	494,120	(12,000)	150,000	2,967	27,542	–	(38,550)	–	624,079
Anthony Cook	198,291	(2,994)	38,650	–	19,241	–	7,597	–	260,785
Stephen Cook ⁽¹⁾	58,188	–	28,607	–	6,799	–	14,764	–	108,358
William Hannah	253,419	(2,080)	47,339	1,242	18,008	–	9,810	–	327,738
Bernard Kavanagh	231,731	(1,378)	44,116	4,611	15,367	–	13,362	–	307,809
Ross Martin	228,015	(3,369)	43,488	–	21,702	–	2,491	–	292,327
Paul Moloney	158,574	(2,410)	31,094	–	15,396	–	6,009	–	208,663
William Slater	191,686	(2,872)	35,823	17,525	18,481	–	4,343	–	264,986
Richard Wallace	263,498	(3,654)	56,942	–	27,961	–	37,228	–	381,975
John Williams	232,006	(3,549)	45,799	–	22,533	–	8,997	–	305,786
TOTAL	2,309,528	(34,306)	521,858	26,345	193,030	–	66,051	–	3,082,506

12 months ended 30 June 2014 Name	Short-Term Employee Benefits				Post- Employment Benefits	Long-Term Benefits	Share- Based Payments	Termination Benefits \$	TOTAL \$	
	Cash Salary and Fees \$	Short-Term Incentives		Non- Monetary Benefits \$	Super- annuation \$	Long- Term Incentives \$	Long Service Leave \$			
		2012/13 Paid 2013/14 \$	2013/14 Payable 2014/15 \$							
David Lord	597,394	—	200,000	2,432	55,660	1,172,543	19,213	—	—	2,047,242
Anthony Cook	248,065	—	62,378	—	23,446	—	9,252	—	—	343,141
William Hannah	333,289	—	76,381	1,679	25,196	—	16,166	—	—	452,711
Bernard Kavanagh	283,291	—	71,205	2,141	17,667	—	16,587	—	—	390,891
Ross Martin	298,883	—	70,188	—	27,609	—	1,074	—	—	397,754
Paul Moloney	212,588	—	50,185	—	20,335	—	9,053	—	—	292,161
William Slater	222,152	—	59,840	—	20,511	—	6,009	—	—	308,512
Richard Wallace	326,360	—	76,128	1,396	31,113	—	12,565	—	—	447,562
John Williams	302,374	—	73,918	—	29,000	—	15,012	—	—	420,304
TOTAL	2,824,396	—	740,223	7,648	250,537	1,172,543	104,931	—	—	5,100,278

(1) Stephen Cook was promoted to General Manager Operations on 5 January 2015.

(2) Negative STI amounts reflect the difference between the amount accrued for the FY2014 STI at 30 June 2014 and the final amount paid in FY2015.

Directors' Statutory and Remuneration Report

Additional Information

For FY2014, each STI or cash bonus included in the tables above the percentage of the available short term incentive or bonus that was paid or payable and the percentage that was forfeited because the Company's performance and person did not meet performance criteria is set out below. For FY2015, the percentage of STI or cash bonus accrued, but not yet paid, is set out below. The final FY2015 incentive payable to each executive will be determined in the first quarter of FY2016.

Name	CASH BONUS		
	2013/14		2014/15
	Paid %	Forfeited %	Accrued Not Yet Paid %
David Lord	94	6	100
Anthony Cook	95	5	100
Stephen Cook	N/A	N/A	100
William Hannah	95	5	100
Bernard Kavanagh	95	5	100
Ross Martin	95	5	100
Paul Moloney	95	5	100
William Slater	95	5	100
Richard Wallace	95	5	100
John Williams	95	5	100

Non Executive Director Remuneration Policy

The total amount of director fees and committee allowances are determined by shareholders at the AGM as and when recommended by the Board. The Nominations & Remuneration Committee provides recommendations as required to the Board for this purpose.

Remuneration for non executive directors was last fixed by members at the 2010 AGM held in October 2010. In accordance with the requirements of the Company constitution, the meeting fixed the total remuneration at \$700,000.

The recommended level approved by the meeting was based upon levels paid by comparable listed companies, the consideration of market surveys by various remuneration advisers, and having regard to the increasing responsibilities and workload undertaken by directors.

External remuneration advisers are consulted from time to time to assist the Nominations & Remuneration Committee and the Board in recommending director fees and committee allowances that are consistent and appropriate with market practice.

Non executive director remuneration consists of three elements:

- director fees
- committee allowances
- superannuation.

Total remuneration is inclusive of any committee fees and statutory superannuation.

As indicated in the table below, the total amount was subsequently allocated by Directors, as follows, for the 2015 financial year.

Directors:	\$49,727
Committee fees:	\$3,616 per committee with a maximum allowance of two committees.

There are no shares, share options, unissued shares, interests or rights in shares or termination benefits forming part of the remuneration package of any non executive director.

Representative Directors of Saputo Dairy Australia Pty Ltd, Lino A. Saputo, Jr. and Louis-Philippe Carrière have waived their right to remuneration.

Details of Non Executive Director Remuneration

9 months ended 31 March 2015	Short-Term Employee Benefits			Post-Employment Benefits	TOTAL
	Cash Salary and Fees	Short-Term Incentives	Non-Monetary Benefits	Superannuation	
Name	\$	\$	\$	\$	\$
Louis-Phillipe Carrière	–	–	–	–	–
Neville Fielke	52,018	–	–	4,942	56,960
Terence Richardson	52,018	–	2,355	4,942	59,315
Lino A. Saputo, Jr.	–	–	–	–	–
Bruce Vallance	52,018	–	–	4,942	56,960
TOTAL	156,054	–	2,355	14,826	173,235

12 months ended 30 June 2014	Short-Term Employee Benefits			Post-Employment Benefits	TOTAL
	Cash Salary and Fees	Short-Term Incentives	Non-Monetary Benefits	Superannuation	
Name	\$	\$	\$	\$	\$
R A Andrew Anderson ⁽⁵⁾	59,637	–	–	5,516	65,153
Kay Antony ⁽⁵⁾	57,802	–	–	5,347	63,149
Louis-Phillipe Carrière ⁽⁶⁾	–	–	–	–	–
Michael Carroll ⁽⁵⁾	76,126	–	–	7,042	83,168
Francis Davis ⁽¹⁾	20,183	–	3,920	1,867	25,970
Neville Fielke ⁽²⁾	56,284	–	–	5,206	61,490
John Gall ⁽³⁾	23,119	–	–	2,139	25,258
Robert Lane ^{(4), (5)}	37,100	–	–	3,432	40,532
Terence Richardson	110,596	–	4,593	10,230	125,419
Lino A. Saputo, Jr. ⁽⁶⁾	–	–	–	–	–
Raymond Smith ⁽⁵⁾	58,169	–	–	5,381	63,550
Bruce Vallance	67,523	–	–	6,246	73,769
TOTAL	566,539	–	8,513	52,406	627,458

(1) Francis Davis resigned from the Board on 28 August 2013.

(2) Neville Fielke was appointed to the Board on 28 August 2013 to fill a casual vacancy.

(3) John Gall did not seek re-election at the 2013 AGM.

(4) Robert Lane was elected to the Board at the AGM on 24 October 2013.

(5) R.A. Andrew Anderson, Kay Antony, Michael Carroll, Robert Lane and Ray Smith resigned from the Board on 9 May 2014.

(6) Louis-Philippe Carrière and Lino A. Saputo, Jr. were elected to the Board at a general meeting on 9 May 2014.

Non monetary benefits received by Francis Davis and Terence Richardson were a gift on retirement and the use of a company motor vehicle during and after the takeover period respectively. Both amounts include applicable fringe benefits tax.

Directors' Statutory and Remuneration Report

Use of Remuneration Consultants

In FY2015 the Board engaged Aon Hewitt to benchmark executive remuneration. Aon Hewitt confirmed that their advice, analyses and observations have been made free from undue influence by the group's Key Management Personnel (KMP). In addition the Board entered into arrangements with Aon Hewitt to ensure that the advice was free from undue influence by KMP, including:

- the agreement for the services was executed by the Chairman of the Nominations & Remuneration Committee
- the advice from Aon Hewitt was provided directly to the Nominations & Remuneration Committee

As a result of this approach, the Board is satisfied that the work conducted by Aon Hewitt was made free from undue influence by KMP. Aon Hewitt's fee for this work was \$21,200.

Aon Hewitt were also engaged in 2014–15 to provide advice on the company's non-executive remuneration framework and pay structures. The fee for this service was \$32,860.

Insurance of Officers

Amounts disclosed for remuneration of Directors and other KMP exclude insurance premiums of \$28,772 paid by WCB in respect of Directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers.

Loans to Directors and Executives

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 as they are entitled to receive an interest-free advance to purchase feed or fertiliser or as part of the company's farm investment partnership on the same terms and conditions as available to all suppliers of milk to WCB.

As at 31 March 2015 Director Terence Richardson, through a related party, had an interest-free farm investment partnership advance of \$35,003 which is due to be repaid in full by 12 August 2015 and Director Bruce Vallance had interest-free feed/fertiliser advances, across two farms, of \$77,198 which are due to be repaid in full by 12 November 2015.

Rounding of Amounts

The Company is of a kind referred to in class order 98/0100 issued by the Australian Securities and Investments Commission relating to "rounding-off". Accordingly, amounts have been rounded-off to the nearest thousand dollars.

Meetings of Directors and Board Committees

The number of meetings of the Company's Board of Directors and of each Board committee held during the financial year ended 31 March 2015, and the number attended by each Director were as follows:

Name	Committee Meetings			
	Board Meetings (5)	Audit & Risk (3)	Nominations & Remuneration (5)	Supplier Relations & Pricing Policy (1)
Louis-Philippe Carrière	5 (5)	3 (3)	5 (5)	
Dino Dello Sbarba	4 (5)	2 (3)	4 (5)	
Neville Fielke	5 (5)	3 (3)	5 (5)	1 (1)
Terence Richardson	5 (5)	3 (3)	5 (5)	1 (1)
Lino A. Saputo, Jr.	5 (5)	3 (3)	5 (5)	
Bruce Vallance	5 (5)	3 (3)	5 (5)	1 (1)

The total number of meetings held is shown in brackets at the top of the table. The number of meetings held at which a Director was eligible to attend is shown in brackets.

Dated at Montreal, 20 May 2015

Dated at Allansford, 21 May 2015

Lino A. Saputo, Jr.
Chairman

Neville Fielke
Independent Director

Independent Auditor's Declaration



As lead auditor for the audit of Warrnambool Cheese and Butter Factory Company Holdings Limited for the 9 months ended 31 March 2015, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Warrnambool Cheese and Butter Factory Company Holdings Limited and the entities it controlled during the period.

A handwritten signature in dark ink that reads "Coffey Hunt".

Coffey Hunt
Chartered Accountants

A handwritten signature in dark ink that appears to read "C.J. Kol".

C.J. Kol
Partner

Dated at Warrnambool, 21st May 2015

Shareholders and additional information

This section contains information which is not included elsewhere in this report that is required to be included in the Annual Report by the ASX Listing Rules.

Shareholding Interests

The top 20 shareholders at 6 May 2015 are shown below. The Company has received two notices of a substantial holding, one from Saputo Dairy Australia Pty Ltd and the other from Lion-Dairy & Drinks Pty Ltd. Other than those shareholders there are no other shareholders known to the Company to have a shareholding in excess of 5% of the issued capital and thus, there are no other known "substantial holders in the entity" as defined by the ASX Listing Rules. The shareholdings of Saputo Dairy Australia Pty Ltd and Lion-Dairy & Drinks Pty Ltd are shown on this page.

The Number of Holders of Each Class of Share

The Company shares consist of 56,098,797 ordinary shares. There are no issued employee shares. Over the last financial year there were no movements in share capital.

As at 6 May 2015, there were 439 shareholders.

The Voting Rights Attached to Shares

The ordinary shares have full voting rights. That is, on a show of hands every member present at the meeting or by proxy shall have one vote and upon a poll each member shall have one vote for each share.

Marketable Holdings

There were 105 holders of less than a marketable parcel of ordinary shares at 6 May 2015.

Miscellaneous Matters

The Company shares are not listed on any stock exchange other than the ASX. The Company has not issued any equity securities as defined by the ASX Listing Rules that are of a class of unquoted equity securities within the meaning of Listing Rule 4.10.16. There is no current on-market buy-back.

Distribution Schedule of Shareholding

A distribution schedule as at 6 May 2015 follows.

Shares	Number
1 – 1,000	323
1,001 – 5,000	81
5,001 – 10,000	17
10,001 – 100,000	15
100,001 +	3

Top 20 Shareholders as at 6 May 2015

Name	Number of shares	%
Saputo Dairy Australia Pty Ltd	49,321,980	87.92%
Lion-Dairy & Drinks Pty Ltd	5,733,400	10.22%
One Managed Investment Funds Limited		
ACF Sandon Capital Investments Limited	235,258	0.42%
National Nominees Limited	85,275	0.15%
Avanteos Investments Limited	45,750	0.08%
Ms Marie-Claire Louise Renee Joye	44,836	0.08%
Mr Graeme Ian Douglas & Mrs Beverley Joyce Douglas	41,000	0.07%
Mr Warren Gilman	33,000	0.06%
J P Morgan Nominees Australia Limited	25,710	0.05%
Bond Street Custodians Limited	24,000	0.04%
Mutual Trust Pty Ltd	23,200	0.04%
Est WJ Farrer & ME Farrer	22,500	0.04%
Mrs Coline McLeod	22,090	0.04%
HSBC Custody Nominees (Australia) Limited	19,846	0.04%
Est Heather Drake	17,808	0.03%
Invia Custodian Pty Limited	12,441	0.02%
BT Portfolio Services Limited	11,760	0.02%
BNP Paribas Noms Pty Ltd	11,739	0.02%
Ian R Young	10,000	0.02%
Mr James Francis Lindsay & Ms Pamela Huthison Collett	9,760	0.02%
Total	55,751,353	99.38%

Shareholding Restrictions

There is currently no restriction on the amount of shares in the Company that may be owned by a person.

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

		CONSOLIDATED	
	Notes	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			
<i>Items that may be reclassified subsequently to profit or loss</i>			
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

		CONSOLIDATED	
	Notes	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

		CONSOLIDATED	
	Notes	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.

Notes to the Financial Statements

31 March 2015

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 its financial year end close date to 31st March in line with its 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 authoritative 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 substantively 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.

Notes to the Financial Statements

31 March 2015

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 group's 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.

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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.

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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.

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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.

Notes to the Financial Statements

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(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:		
<i>Depreciation</i>		
Buildings	815	975
Plant & equipment	9,198	11,686
Total depreciation	10,013	12,661
<i>Finance Costs</i>		
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.

Notes to the Financial Statements

31 March 2015

	CONSOLIDATED	
	2015 9 mths \$'000	2014 12 mths \$'000
Note 5. Income Tax		
(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
<i>Deferred income tax (benefit) expense included in income tax expense/(benefit) comprises:</i>		
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)

Notes to the Financial Statements

31 March 2015

	CONSOLIDATED	
	31/03/15 9 mths \$'000	30/06/14 12 mths \$'000
Note 6. Current Assets – Trade and Other Receivables		
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:		
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:		
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:		
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		
Interest in joint ventures (note 36)	33,452	26,917
	33,452	26,917
Note 9. Non-Current Assets – Other Financial Assets		
<i>Other unlisted securities</i>		
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.

Notes to the Financial Statements

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

	Constr'n in progress \$'000	Freehold land \$'000	Buildings \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Furniture, fixtures & fittings \$'000
Consolidated 2015 (9 months)						
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
		Computer equipment \$'000	Crown land improv's \$'000	Effluent plant \$'000	Leased plant & equipment \$'000	Total \$'000
Consolidated 2015 (9 months)						
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

Notes to the Financial Statements

31 March 2015

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

	Constr'n in progress \$'000	Freehold land \$'000	Buildings \$'000	Plant & equipment \$'000	Motor vehicles \$'000	Furniture, fixtures & fittings \$'000
Consolidated 2014						
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
		Computer equipment \$'000	Crown land improv's \$'000	Effluent plant \$'000	Leased plant & equipment \$'000	Total \$'000
Consolidated 2014						
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.

Notes to the Financial Statements

31 March 2015

		CONSOLIDATED											
		31/03/15 9 mths \$'000	30/06/14 12 mths \$'000										
Note 11. Non-Current Assets – Investment Properties													
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													
<p>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:</p> <ul style="list-style-type: none"> 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. <p>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.</p> <p>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.</p> <p>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.</p> <p>Details of the Groups investment properties and information about the fair value hierarchy as at 31 March 2015 are as follows:</p> <table> <tr> <th></th> <th>Level 1 \$'000</th> <th>Level 2 \$'000</th> <th>Level 3 \$'000</th> <th>Level 4 \$'000</th> </tr> <tr> <td>Investment Properties in South Western Victoria and South Eastern South Australia</td> <td></td> <td></td> <td>9,168</td> <td></td> </tr> </table> <p>There were no transfers between levels during the year.</p>					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	
	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										
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.													
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										

Notes to the Financial Statements

31 March 2015

	CONSOLIDATED	
	31/03/15 9 mths \$'000	30/06/14 12 mths \$'000
Note 12. Non-Current Assets – Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
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
<i>Amounts recognised directly in equity</i>		
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

	Goodwill \$'000	Total \$'000
Consolidated 2015		
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

Notes to the Financial Statements

31 March 2015

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

	Goodwill \$'000	Total \$'000
Consolidated 2014		
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

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.

Annual leave obligation expected to be settled after 12 months	972	1,591
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Notes to the Financial Statements

31 March 2015

	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

Notes to the Financial Statements

31 March 2015

	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

Notes to the Financial Statements

31 March 2015

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:		
<i>Amounts recognised in profit or loss</i>		
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
<i>Amounts recognised directly in equity</i>		
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

Notes to the Financial Statements

31 March 2015

	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%

Notes to the Financial Statements

31 March 2015

	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.

Notes to the Financial Statements

31 March 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 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.

Notes to the Financial Statements

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 its 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.

Notes to the Financial Statements

31 March 2015

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
<i>Non-derivatives</i>						
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
<i>Non-derivatives</i>						
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.

Notes to the Financial Statements

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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.

Notes to the Financial Statements

31 March 2015

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.

Notes to the Financial Statements

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	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>(i) Non-cancellable operating leases</i>		
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
<i>(ii) Cancellable operating leases</i>		
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

Notes to the Financial Statements

31 March 2015

	CONSOLIDATED	
	31/03/15 9 mths \$'000	30/06/14 12 mths \$'000
Note 27. Commitments (cont.)		
(b) Lease Commitments: Group as lessee (cont.)		
<i>(iii) Finance Leases</i>		
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.		
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).

	Country of incorporation	Class of Shares	Equity Holding	Equity Holding	Cost of parent entity investment	
Name of entity			2015 %	2014 %	2015 \$'000	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.

Notes to the Financial Statements

31 March 2015

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:		
<i>Current receivables/(payables) – (tax funding agreement)</i>		
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		
<i>Loans to subsidiaries</i>		
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		
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)
<i>Change in operating assets and liabilities:</i>		
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

Notes to the Financial Statements

31 March 2015

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

Notes to the Financial Statements

31 March 2015

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).

	CONSOLIDATED	
	2015 Cents	2014 Cents

Note 34. Earnings Per Share

(a) Basic earnings per share

Profit/(loss) attributable to the ordinary equity holders of the company

(b) Diluted earnings per share

Profit/(loss) attributable to the ordinary equity holders of the company

	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

Notes to the Financial Statements

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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.		
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

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31 March 2015

	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.		
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

Notes to the Financial Statements

31 March 2015

	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

Notes to the Financial Statements

31 March 2015

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		
<i>Items that may be reclassified subsequently to profit or loss</i>		
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

Notes to the Financial Statements

31 March 2015

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

Notes to the Financial Statements

31 March 2015

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



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*.

A handwritten signature in dark ink that reads "Coffey Hunt".

Coffey Hunt
Chartered Accountants

A handwritten signature in dark ink that appears to read "C.J. Kol".

C.J. Kol
Partner

Dated at Warrnambool, 21st May 2015

Corporate Directory

Chairman of Directors

Lino A. Saputo, Jr.

Directors

Louis-Philippe Carrière
Neville Fielke
Terence Richardson
Bruce Vallance

Associate Director

Dino Dello Sbarba

Company Secretary

Paul Moloney

Bankers

National Australia Bank Ltd
330 Collins Street
Melbourne 3000

Australia and New Zealand
Banking Group Limited
530 Collins Street
Melbourne 3000

The Bank of Tokyo
Mitsubishi UFJ, Ltd.
600 Bourke Street
Melbourne 3000

Solicitors

Clayton Utz
333 Collins Street
Melbourne 3000

Auditors

Coffey Hunt
199 Koroit Street
Warrnambool 3280

Subsidiary Companies

The Warrnambool Cheese and Butter Factory Company Limited
Australian Dairy Products Pty Ltd
Protein Technology Victoria Pty Ltd
Warrnambool Milk Products Pty Limited

Joint Ventures

Great Ocean Ingredients Pty Ltd
Warrnambool Cheese and Butter Japan Company Limited

Registered Office

5331 Great Ocean Road
Allansford 3277

Telephone (03) 5565 3200
Facsimile (03) 5565 3156

Email wcbf@wcbf.com.au
Website www.wcbf.com.au

Place of Incorporation

Victoria, Australia

Australian Company Number

071 945 232

Group Australian Business Number

15 071 945 232

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