

PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT

The a2 Milk Company Limited
For the year ended 30 June 2016

Preliminary full year (12 month) report on consolidated results (including the results for the previous corresponding full year) in accordance with Listing Rule 10.3.2.

This report has been prepared in a manner which complies with generally accepted accounting practices and gives a true and fair view of the matters to which the report relates. The report is based on unaudited financial statements.

The audit of the 2016 Annual Report is currently in progress.

Prior year annual figures have been updated to reflect the reported audited position as at 30 June 2015.

The Listed Issuer has a formally constituted Audit and Risk Management Committee of the Board of Directors.

	Consolidated Statement		
	Financial Performance		
1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE	Current Full Year NZ\$'000	Up/Down %	Previous corresponding Full Year NZ\$'000
1.1 OPERATING REVENUE			
(a) Trading Revenue	352,502	127.7%	154,803
(b) Other Revenue	274	(10.5%)	306
(c) Total Operating Revenue	352,776	127.4%	155,109
1.2 OPERATING SURPLUS (DEFICIT) BEFORE TAXATION	52,299	3982.7%	1,281
(a) Less taxation on operating result	21,863	548.4%	3,372
1.3 OPERATING SURPLUS (DEFICIT) AFTER TAX	30,436	NM	(2,091)
(a) Extraordinary Items after Tax [detail in Item 3]	nil		nil
(b) Unrealised net change in value of investment properties	nil		nil
1.4 NET SURPLUS (DEFICIT) FOR THE YEAR	30,436	NM	(2,091)
(a) Net Surplus (Deficit) attributable to minority interests	nil		nil
1.5 NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER	30,436	NM	(2,091)

NM = not meaningful

	Consolidated Statement of	
	Financial Performance	
2 DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/ EXPENSES FOR FULL YEAR	Current Full Year NZ\$'000	Previous corresponding Full Year NZ\$'000
2.1 INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE		
(a) Interest revenue	502	150
(b) Unusual items for separate disclosure gain/(loss) (detail - Item 3)	nil	(1,681)
(c) Equity earnings (gain/loss) (detail - Item 17)	nil	nil
(d) Interest expense included in Item 1.2 (include all forms of interest, etc)	(37)	(49)
(e) Leasing and renting expenses	(963)	(690)
(f) Depreciation	(1,320)	(1,174)
(g) Diminution in the value of assets (other than depreciation)	nil	nil
(h) Amortisation of goodwill	nil	nil
(i) Amortisation of other intangible assets	(1,422)	(775)
(j) Impairment of goodwill	nil	nil
(k) Impairment of other intangible assets	nil	nil
2.2 SUPPLEMENTARY ITEMS		
(a) Interest costs excluded from Item 2.1(d) and capitalised	nil	nil
(b) Outlays (other than those arising from the acquisition of an existing business) capitalised in intangibles	(882)	(2,632)
(c) Unrecognised differences between the carrying value and market value of publicly traded investments	nil	nil

3 DISCONTINUED, UNUSUAL (INCLUDING NON RECURRING), AND EXTRAORDINARY ITEMS OF THE GROUP		Group	
DETAILS AND COMMENTS	Current Full Year NZ\$'000	Previous corresponding Full Year NZ\$'000	
Discontinued Activities	nil	nil	
TOTAL DISCONTINUED ACTIVITIES	nil	nil	
Material Unusual (including Non Recurring) Items (included in 1.2)			
Description:			
Net settlement proceeds from a former licensee			
Settlement proceeds	nil	nil	
Less expenses incurred	nil	nil	
Other Material Non Recurring Items			
Costs associated with ASX Listing	nil	(1,681)	
TOTAL MATERIAL NON RECURRING ITEMS	nil	(1,681)	
Extraordinary Items (Ref. Item 1.3(a))			
Description:			
TOTAL EXTRAORDINARY ITEMS	nil	nil	

4 STATEMENT OF MOVEMENTS IN EQUITY		Statement of Movements In Equity	
DETAILS AND COMMENTS	Current Full Year NZ\$'000	Previous corresponding Full Year NZ\$'000	
4.1 NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER	30,436	(2,091)	
(a) Net Surplus (Deficit) attributable to minority interest	nil	nil	
4.2 OTHER RECOGNISED REVENUE AND EXPENSES			
(a) Increases (decreases) in revaluation reserves	nil	nil	
(b) Current Translation Differences	(3,341)	954	
(c) Minority interest in other recognised revenue and expenses	nil	nil	
4.3 TOTAL RECOGNISED REVENUES AND EXPENSES	27,095	(1,137)	
4.4 OTHER MOVEMENTS			
(a) Contributions by Owners	44,245	39	
(b) Distributions to Owners	nil	nil	
(c) Other	3,109	1,083	
4.5 EQUITY AT BEGINNING OF FULL YEAR	58,629	58,644	
4.6 EQUITY AT END OF FULL YEAR	133,078	58,629	

5 EARNINGS PER SECURITY		Earnings Per Security	
Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share	Current Full Year cents per share	Previous corresponding Full Year cents per share	
(a) Basic EPS	4.43	(0.33)	
(b) Diluted EPS	4.31	(0.32)	

6 MATERIAL ACQUISITIONS OF SUBSIDIARIES:
(N/A)

7 MATERIAL DISPOSALS OF SUBSIDIARIES
(N/A)

8 REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS
Please refer to attachment "Operating Segment Information"

		Consolidated Statement of Financial Position		
		At end of current Full Year NZ\$'000	As shown in last Annual Report NZ\$'000	If half yearly as shown in last half yearly report NZ\$'000
9 CURRENT ASSETS:				
	Note(s)			
(a) Cash	10 to 13	69,361	6,092	
(b) Trade receivables		45,407	39,944	
(c) Investments		nil	nil	
(d) Inventories	16 & 19 (f)	52,556	4,846	
(e) Other assets, current	19 (f)	15,099	9,651	
TOTAL CURRENT ASSETS		182,423	60,533	
9.1 NON-CURRENT ASSETS				
(a) Trade receivables		nil	nil	
(b) Other receivables		nil	nil	
(c) Investments		nil	nil	
(d) Inventories		nil	nil	
(e) Property, plant and equipment		8,097	9,301	
(f) Goodwill		10,381	10,993	
(g) Other Intangible Assets		5,933	6,230	
(h) Other assets, non current		nil	nil	
(i) Deferred Taxation Assets		3,318	1,810	
9.2 TOTAL NON-CURRENT ASSETS		27,729	28,334	
9.3 TOTAL ASSETS		210,152	88,867	
9.4 CURRENT LIABILITIES				
(a) Trade Creditors		60,088	26,926	
(b) Secured loans		nil	nil	
(c) Unsecured loans		nil	nil	
(d) Provisions, current		nil	nil	
(e) Income Tax Liability		10,640	595	
(f) Other liabilities, current		6,080	1,431	
TOTAL CURRENT LIABILITIES		76,808	28,952	
9.5 NON-CURRENT LIABILITIES				
(a) Accounts payable, non-current		228	189	
(b) Secured loans		nil	nil	
(c) Unsecured loans		nil	nil	
(d) Provisions, non-current		nil	nil	
(e) Deferred Taxation Liability, non-current		38	1,097	
(f) Other liabilities, non-current		nil	nil	
9.6 TOTAL NON-CURRENT LIABILITIES		266	1,286	
9.7 TOTAL LIABILITIES		77,074	30,238	
9.8 NET ASSETS		133,078	58,629	
9.8(a) NET TANGIBLE ASSETS		116,764	41,406	
9.9 SHAREHOLDERS' EQUITY				
(a) Share capital (optional)		130,548	86,303	
(b) Reserves (optional)	(i) Revaluation reserve	nil	nil	
	(ii) Other reserves	(1,841)	(1,609)	
(c) Retained Surplus (accumulated Deficit) (optional)		4,371	(26,065)	
9.10 SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER		133,078	58,629	
(a) Minority equity interests in subsidiaries		nil	nil	
9.1 TOTAL SHAREHOLDERS' EQUITY		133,078	58,629	
(a) Return on Assets (%) (EBIT divided by Total Assets)		24.7%	1.3%	
(b) Return on Equity (%) (Net Income divided by average Shareholders' Equity)		31.8%	-3.6%	
(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)		57.9%	51.6%	

10.0 CASH FLOWS RELATING TO OPERATING ACTIVITIES	Consolidated Statement of cashflows for *full year	
	Current Full Year NZ\$'000	Corresponding Full Year NZ\$'000
(a) Receipts from customers	341,995	144,708
(b) Interest received	502	150
(c) Dividends received	nil	nil
(d) Payments to suppliers and employees	(311,587)	(150,633)
(e) Interest paid	(37)	(49)
(f) Income taxes paid/refunds received	(9,673)	(2,548)
(g) Other cash flows relating to operating activities	274	306
NET OPERATING FLOWS	21,474	(8,066)

11.0 CASH FLOWS RELATING TO INVESTING ACTIVITIES		
(a) Cash proceeds from sale of property, plant and equipment	nil	nil
(b) Cash proceeds from sale of equity investments	nil	nil
(c) Loans repaid by other entities	nil	nil
(d) Cash paid for purchases of property, plant and equipment	(1,172)	(995)
(e) Interest paid - capitalised	nil	nil
(f) Cash paid for purchases of equity investments	nil	nil
(g) Loans to other entities	nil	nil
(h) Acquisition of subsidiaries	nil	nil
(i) Investment in intangible assets	(882)	(2,632)
(j) Investment in associates	nil	nil
(k) Other cash flows relating to investing activities	nil	nil
NET INVESTING CASH FLOWS	(2,054)	(3,627)

12.0 CASH FLOWS RELATED TO FINANCING ACTIVITIES		
(a) Cash proceeds from issue of shares, options, etc.	44,245	39
(b) Borrowings	nil	nil
(c) Repayment of borrowings	nil	nil
(d) Dividends paid	nil	nil
(e) Other cash flows relating to financing activities	nil	nil
NET FINANCING CASH FLOWS	44,245	39

13.0 NET INCREASE (DECREASE IN CASH HELD)		
(a) Cash at beginning of *full year	6,092	15,979
(b) Exchange rate adjustments to Item 13.0(a) above	(396)	1,767
(c) Other	nil	nil
(d) CASH AT END OF FULL YEAR	69,361	6,092

14.0 NON-CASH FINANCING AND INVESTING ACTIVITIES
Provide details of financing and investing transactions which have had a material effect on group assets and liabilities but did not involve cash flows:
(N/A)

15.0 RECONCILIATION OF CASH	Current Full Year NZ\$'000	Previous Corresponding Full Year NZ\$'000
Cash at the end of the full year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:		
Cash on hand and at bank	58,361	6,092
Deposits at call	nil	nil
Short term deposits (less than 60 days)	11,000	nil
Total = Cash at End of Full Year (Item 13(d) above)	69,361	6,092

16.0 INVENTORIES

	Current Full Year NZ\$'000	Previous corresponding Full Year NZ\$'000
Total inventories reported by the Group comprises:		
Raw materials	12,517	916
Finished goods	34,458	2,465
Good in transit	8,193	1,465
Stock provision	(2,612)	nil
Total inventories at the lower of cost and net realisable value	52,556	4,846

17.0 EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES

(N/A)

18.0 ISSUED AND QUOTED SECURITIES AT END OF CURRENT FULL YEAR

Category of Securities	Number Issued
PREFERENCE SHARES:	
# (Description)	n/a
Issued during current full year	n/a
ORDINARY SHARES:	
Fully Paid shares:	
Balance at beginning of year	633,326,979
Issued during year	78,673,086
Balance at end of year	712,000,065
<i>(includes PPS paid up and transferred to FPS)</i>	
Partly Paid shares:	
Balance at beginning of year	26,740,000
Issued during year	0
Fully paid during the year	(15,440,000)
Balance at end of year	11,300,000
SHARE OPTIONS & PERFORMANCE RIGHTS	
Balance at beginning of year	5,000,000
Issued during year	16,600,000
Balance at end of year	21,600,000
CONVERTIBLE NOTES	
# (Description)	n/a
Issued during current *full year	
Issued during current *full year	
DEBENTURES - Totals only:	
UNSECURED NOTES - Totals only:	
OTHER SECURITIES	

Description includes rate of dividend or interest and any redemption or conversion rights together with the prices and dates thereof.

19.0 COMMENTS BY DIRECTORS

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

- (a) Material factors affecting the revenues and expenses of the group for the current year

Refer attached commentary

- (b) Significant trends or events since end of current full year

1/ Refer attached commentary for further information

- (c) Changes in accounting policies since last Annual Report and/or last Half Yearly to be disclosed

N/a

- (d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain

1/Assessment of impairment of goodwill and intangibles

2/Capitalisation of intangible assets

3/Estimation of fair value of share based payments

4/Assessment of recognition of deferred tax on temporary differences and tax losses

5/ Estimation of net realisable value of inventory

- (e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty

Refer attached commentary

- (f) Other comments

1/ The movement in inventory for the year is primarily attributable to infant formula to support growth in the business

2/ The movement in other current assets for the year is primarily attributable to prepayments to the Company's supplier of infant formula

20.0 DIVIDEND

- (a) Dividend Yield as at balance date (%) (Annual dividend per share divided by price per share)

n/a

- (b) Tax Adjusted Dividend Yield as at balance date (%) (Annual net dividend per share divided by price per share)

n/a

21.0 NET TANGIBLE ASSETS PER SECURITY

	FY2016	FY2015
Net tangible assets (NZ\$'000)	116,764	41,406
Number of ordinary securities on issue (#)	723,300,065	660,066,979
Net tangible assets per security (NZ\$)	0.16	0.06

If this full year report was approved by resolution of the Board of Directors, please indicate date of meeting:



(signed by) Authorised Officer of Listed Issuer

23 August 2016

(date)

THE A2 MILK COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

OPERATING SEGMENT INFORMATION**Continuing Operations**

	Segment Revenue		Segment EBITDA ¹	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Australia and New Zealand	296,313	149,097	84,687	30,006
China and other Asia	38,163	4,044	9,158	(3,103)
USA and UK	18,257	1,929	(20,490)	(12,062)
Corporate and other	43	39	(18,779)	(11,712)
	352,776	155,109	54,576	3,129
Interest income			502	150
Interest expense			(37)	(49)
Depreciation and amortisation			(2,742)	(1,949)
Income tax expense			(21,863)	(3,372)
Consolidated segment profit/(loss)			30,436	(2,091)

Over 41% of sales come from three customers. (2015: over 67% from three customers)

	Depreciation & Amortisation		Additions to Non-Current Assets	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Australia and New Zealand	1,097	1,155	993	288
China and other Asia	486	393	218	4
USA and UK	793	172	96	2,680
Corporate and other	366	229	747	655
	2,742	1,949	2,054	3,627

	Assets		Liabilities	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Australia and New Zealand	89,001	47,968	29,550	14,691
China and other Asia	60,140	18,372	33,141	8,522
USA and UK	15,962	6,412	4,671	3,818
Corporate and other	45,049	16,115	9,712	3,207
	210,152	88,867	77,074	30,238

Change in segment categories from prior period

The above reportable operating segments have been changed from the prior year in keeping with the way the chief operating decision maker reviews performance and manages the affairs of the Group.

Prior year comparatives have been adjusted for consistency to reflect the segment categories as outlined above.

¹Segment EBITDA is shown before inter-company charges. Inter-company charges include licence fees and management fees payable to the Corporate segment, and marketing and herd testing costs payable by the Corporate segment. Segment EBITDA for 2015 includes non-recurring ASX listing costs of \$1,681,000