

Fonterra Shareholders' Fund

Results for Announcement to the Market

Reporting Period	Year ended 31 July 2016
Previous Reporting Period	Year ended 31 July 2015

	31 July 2016 (NZD million)	31 July 2015 (NZD million)	Percentage Change
Revenue from ordinary activities ¹	147	(158)	193%
Net profit from ordinary activities after tax attributable to members ¹	–	–	–
Net profit attributable to members¹	–	–	–

¹ Fonterra Shareholders' Fund financial statements are prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards. Revenue from ordinary activities comprises net fair value movements of Economic Rights of Fonterra Shares, and dividend income. This was a loss for the prior reporting period.

Net Tangible Assets per Security	31 July 2016 (NZ cents)	31 July 2015 (NZ cents)
Net tangible assets per security	569	468

Interim/Final Dividend	Amount per Security (NZ cents)	Imputed/Franked Amount per Security (NZ cents)
Interim	30.0	Nil
Final	10.0	Nil

Record Date	Interim: 8 April 2016 Interim: 30 May 2016 Final: 1 September 2016
Distribution Payment Date	Interim: 20 April 2016 Interim: 7 June 2016 Final: 9 September 2016

Comments	On 18 August 2016, the Board of FSF Management Company Limited declared a distribution of 10.0 cents per Unit which was paid on 9 September 2016 to Unit holders on the register at 1 September 2016.
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To be followed by the balance of the information required in the report pursuant to Appendix 1.

2016
**ANNUAL
REPORT**
FONTERRA SHAREHOLDERS' FUND

**FONTERRA
SHAREHOLDERS'
FUND.**



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CHAIRMAN'S REPORT

DEAR INVESTORS

I am pleased to present the Fonterra Shareholders' Fund (the Fund) Annual Report for the year ending 31 July 2016.

International industry conditions have been challenging, however Fonterra has produced a strong result for the year, building on the progress made last financial year, with highlights that include:

- Net profit after tax increased 65 per cent to \$834 million
- Ingredients delivered another strong performance with normalised EBIT of \$1,204 million
- Growth in the consumer and foodservice portfolio continues with an additional 380 million LME¹ moved into higher value products
- Continued strengthening of the balance sheet, with a gearing ratio now at 44.3 per cent

As the return on a unit is driven by the underlying performance of Fonterra, I encourage you to read Fonterra's 2016 Annual Report, available online at www2.fonterra.com/our-financials to gain a good understanding of the Co-operative's results.

Unit holders received a total distribution of 40 cents per unit², paid in April, June and September.



The Distribution Reinvestment Plan (DRP) continued to operate at a discount of 2.5 per cent to the strike price. More details on the DRP can be found in the offer document, which is available in hard copy from Computershare or online at www.investorcentre.com/nz and www2.fonterra.com/our-financials/dividends.

Unit trading remains strong, with the Fund ranked 12th on the NZX50 in terms of liquidity³ with a median daily trading value of \$1.2 million.

Analysis of the unit register shows that New Zealand and Australian unit holders are the largest group by region, holding 90 per cent of units on issue⁴.

I would once again like to thank you for your continued support of, and investment in, the Fonterra Shareholder's Fund.

JOHN SHEWAN
CHAIRMAN
FSF MANAGEMENT COMPANY LIMITED

*(Australian Registered Body Number 160 539 935,
incorporated in New Zealand)*

¹ Liquid milk equivalents.

² Less any PIE (Portfolio Investment Entity) tax or any other adjustments for tax in relation to that unit.

³ Liquidity has been calculated as median daily value (6 months) / Average Daily New Zealand Free Float Cap (6 months).

⁴ Merlin Consulting Shareholder Identification Report August 2016.

OUR BOARD



- 1. JOHN SHEWAN
- 2. PIP DUNPHY
- 3. KIM ELLIS
- 4. NICOLA SHADBOLT
- 5. IAN FARRELLY

1. JOHN SHEWAN

CNZM BCA (Hons), FCA
Independent Director and Chairman
appointed by unit holders

John Shewan was appointed Chairman of the FSF Board in November 2012. He is currently an Adjunct Professor of Accounting at Victoria University. He chairs the Wellington Regional Stadium Trust, Munichre New Zealand Service Limited, Yealands Wine Group Limited and is Deputy Chair of the Partnership

Schools Authorisation Board. John is also a Director of Munich Reinsurance Company of Australasia Limited and China Construction Bank (New Zealand) Limited. John was partner at PricewaterhouseCoopers from 1984 and chaired the firm in New Zealand from 2003 to 2012. John was appointed a Companion of the New Zealand Order of Merit for services to business in 2012.

2. PIP DUNPHY

B.Horti.Sci, CFA
Independent Director appointed
by unit holders

Pip Dunphy has worked as a non-executive director for the last 10 years in a variety of different industries and companies. Pip currently chairs the Boards of First Gas Limited and associated companies and is deputy chair of Abano Healthcare Group Limited. Her other directorships include Chubb Insurance NZ Limited, NZ Superannuation Fund and Transpower. Pip is also an Advisory Panel member of the Next Foundation.

3. KIM ELLIS

BCA (Hons), BE (Hons)
Independent Director appointed
by unit holders

Kim Ellis was the Chief Executive Officer of listed company Waste Management NZ Limited for 13 years, until its sale in 2006. He currently chairs the Board of New Zealand Social Infrastructure Fund Limited and Metlifecare Limited. Kim also holds several directorships including Freightways Limited, Ballance Agri-Nutrients Limited, EnviroWaste Services Limited and the Port of Tauranga Limited. He is also a member of the Trust Board of Wanganui Collegiate School.

4. NICOLA SHADBOLT

B.Sc (Hons), M.AgrSc (Hons), DipBusStud
(Accountancy), FNZIPIM (Reg), FAICD
Appointed to the Board of the Manager
by Fonterra

Nicola Shadbolt was elected to the Fonterra Board in 2009. Nicola is a Professor of Farm and Agribusiness Management at Massey University and represents New Zealand in the International Farm Comparison Network in Dairying. Nicola and her husband live in the Pohangina Valley in the Manawatu, which is the base for the five farming and forestry equity partnerships they run, which include two dairy farms.

5. IAN FARRELLY

B.Agr
Appointed to the Board of the Manager
by Fonterra

Ian Farrelly was elected to the Fonterra Board in 2007. Ian had a 20-year career in the banking industry including 15 years as head of ASB's Rural Division. Ian is a director of First Mortgage Managers Limited, Spectrum Dairies Limited, Fortuna Group Limited and Waikato Stud. He owns and runs a 500-hectare 10,000 animal calf rearing farm in Te Awamutu and has ownership interests in dairy farms in Canterbury and the Waikato.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2016

	\$ MILLION	
	31 JULY 2016	31 JULY 2015
Net fair value gain/(loss) on revaluation of Economic Rights of Fonterra shares	101	(176)
Dividend income	46	18
Investment income/(expense)	147	(158)
Net change in fair value of liability to unit holders	(101)	176
Distributions to unit holders	(46)	(18)
Finance (cost)/income	(147)	158
Profit before tax	-	-
Tax expense	-	-
Profit for the year	-	-

There are no items of other comprehensive income.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS

FOR THE YEAR ENDED 31 JULY 2016

	\$ MILLION
Net assets attributable to unit holders at 1 August 2015	494
Movements:	
Revaluation of liability to unit holders	101
Issue of units	152
Redemption of units	(110)
Net assets attributable to unit holders at 31 July 2016	637
Net assets attributable to unit holders at 1 August 2014	681
Movements:	
Revaluation of liability to unit holders	(176)
Issue of units	131
Redemption of units	(142)
Net assets attributable to unit holders at 31 July 2015	494

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2016

		\$ MILLION	
	NOTES	31 JULY 2016	31 JULY 2015
Assets			
Economic Rights of Fonterra shares	2	637	494
Total assets		637	494
Total liabilities (excluding net assets attributable to unit holders)		-	-
Net assets attributable to unit holders – liability	3	637	494

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2016

		\$ MILLION	
	NOTES	31 JULY 2016	31 JULY 2015
Cash flows from operating activities			
Cash was provided from:			
– Sale of Economic Rights of Fonterra shares		110	142
– Dividend received (net of dividends reinvested)		38	17
Cash was applied to:			
– Purchase of Economic Rights of Fonterra shares		(144)	(130)
Net cash flows from operating activities	4	4	29
Cash flows from financing activities			
Cash was provided from:			
– Proceeds from issue of units		144	130
Cash was applied to:			
– Outflows on redemption of units		(110)	(142)
– Distributions paid to unit holders (net of dividends reinvested)		(38)	(17)
Net cash flows from financing activities		(4)	(29)
Net (decrease)/increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The accompanying notes form part of these financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 JULY 2016

A) GENERAL INFORMATION

The Fonterra Shareholders' Fund (FSF or the Fund) is a New Zealand unit trust established to be the 'Authorised Fund' under Fonterra's Trading Among Farmers scheme. It has been established under the Unit Trusts Act 1960 and the Fonterra Shareholders' Fund Unit Trust Deed (the Trust Deed) dated 23 October 2012 and has a life of 80 years. Under the Trust Deed, the Fund may invest only in authorised investments, which are Economic Rights of Fonterra shares (Economic Rights), and issue units to investors. It may not invest directly in Fonterra shares (shares).

The Fund is listed on the NZX Main Board operated by NZX Limited and the Australian Securities Exchange operated by ASX Limited. The activities of the Fund and the issue of units to the public are managed by FSF Management Company Limited (the Manager). The immediate and ultimate parent of the Fund is Fonterra Co-operative Group Limited (Fonterra).

The New Zealand Guardian Trust Company Limited (the Trustee) acts as the trustee for the Fund. The Economic Rights assets are held on trust for the Trustee under the Fonterra Economic Rights Trust by Fonterra Farmer Custodian Limited (the Custodian). The trustees of the Fonterra Farmer Custodian Trust also hold one unit known as the Fonterra unit.

The Manager is an FMC reporting entity under the Financial Markets Conduct Act 2013. The registered office of the Fund is 109 Fanshawe Street, Auckland Central, Auckland 1010, New Zealand.

The financial statements were authorised for issue by the Manager on 20 September 2016.

Fonterra financial statements

Investors are encouraged to read the financial statements of Fonterra, together with the financial statements of the Fund, given that the performance of the Fund is driven by the performance of Fonterra. The Fonterra financial statements can be found at www2.fonterra.com/our-financials.

Activities

The principal activity of the Fund is to acquire Economic Rights and issue units to investors. It allows investors in the Fund an opportunity to earn returns based on the financial performance of Fonterra.

Economic Rights and units

One Economic Right represents the right to receive dividends and other economic benefits derived from a fully paid share in Fonterra. This does not include the right to hold legal title to the share or to exercise voting rights in Fonterra.

A unit constitutes an undivided interest in the Fund. The Fund is designed to have the effect that each unit on issue in the Fund will represent the Economic Right derived from a single share in Fonterra.

Key attributes of Economic Rights

- The right to receive a distribution equivalent to any dividend declared by the Fonterra Board (before PIE tax, withholding tax or other tax on distribution).
- The right to participate in other transactions in respect of Fonterra shares such as bonus issues, rights issues or buy-backs.
- The right to share in any surplus on liquidation of Fonterra.

Key rights and restrictions of unit holders

- Unit holders will be entitled to have passed through to them an amount equal to any dividend payable in relation to a share in Fonterra (less any PIE tax, withholding tax or any other adjustments for tax in relation to that unit holder).
- If Fonterra reconstructs or adjusts its shares, an equivalent reconstruction or adjustment will be made in respect of units.
- If Fonterra makes bonus issues or rights issues of shares to its shareholders, corresponding issues of units will be made to unit holders.
- If there is an offer to acquire shares held by the Custodian, the Fund will seek instructions from unit holders as to whether the offer should be accepted. If a unit holder directs the Fund to accept the offer, the Fund will redeem units from such unit holder and accept the offer for shares in proportion to that direction. The amount received from the sale of the shares will be paid by the Fund to the unit holder.
- Unit holders are entitled to attend and vote at unit holder meetings and to elect three Directors of the Manager of the Fund. The additional two Directors of the Manager of the Fund are appointed by Fonterra.

- Unit holders do not have any right to attend or vote, or request the Custodian to attend or vote, at any meeting of Fonterra farmer shareholders.

Key rights of the Fonterra unit holder

The Trust Deed cannot be amended without the prior approval of the holder of the Fonterra unit if that amendment would change the governance structure of the Board of the Manager, the scope and role of the Fund, the exchange mechanism for units and Economic Rights and the individual fund size restrictions.

In other respects the holder of the Fonterra unit has the same rights as any other unit holder.

B) BASIS OF PREPARATION

These financial statements comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). These financial statements also comply with International Financial Reporting Standards (IFRS).

These financial statements are prepared on a historical cost basis, except for Economic Rights and liabilities to unit holders which have been measured at fair value.

These financial statements are presented in New Zealand dollars (\$), which is the Fund's functional and presentation currency, and rounded to the nearest million, except where otherwise stated.

The same accounting policies are followed in these financial statements as were applied in the financial statements for the year ended 31 July 2015.

The preparation of financial statements requires the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions of accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty, requiring judgement in applying accounting policies, that have the most significant effect on the amounts recognised in the financial statements, are described below.

Fair value of Economic Rights

Economic Rights are not listed and there is no active market for Economic Rights assets. Economic Rights are valued using the quoted price of units (which are considered to be a materially comparable instrument) in the Fund listed on the NZX Main Board. The on-going validity of assumptions around comparability between the unit and Economic Rights instruments, and market operation and efficiency are regularly reviewed to support this area of significant judgement.

Classification of unit holder instruments as liabilities or equity

Judgement has been applied in classifying the units as financial liabilities. The Manager considers that under the Trust Deed the Fund has an obligation to repurchase units from Farmers, the Registered Volume Provider and Fonterra which meets the definition of a puttable instrument under NZ IAS 32 Financial Instruments: Presentation. Puttable instruments meet the definition of a financial liability as they include a contractual obligation for the issuer to repurchase or redeem the instrument for cash or another financial asset on exercise of the put. Puttable instruments are classified as financial liabilities unless they meet a set of limited criteria which allow them to be presented as equity. The Manager has determined that the unit instruments do not meet these criteria. The Fund has therefore both presented and accounted for the unit instruments as financial liabilities.

C) OPERATING SEGMENTS

The Fund's investments only include Economic Rights assets and the Fund's performance is evaluated on an overall basis. Therefore the Fund is a single-segment entity. All of the Fund's income is from investments in the Economic Rights.

The internal reporting provided to the Board of the Manager, which is the Fund's chief operating decision maker, for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of NZ IFRS. The Board of the Manager reviews the Fund's internal reporting in order to assess the performance and position of the Fund.

D) ISSUE AND REDEMPTION OF UNITS

The issue and redemption of units are recognised at the Weighted Average Trade Price from the NZX Main Board at the date on which the units are issued or redeemed.

E) DIVIDEND INCOME

Dividend income from investments in Economic Rights is recognised in profit or loss on the date that the right to receive payment of the dividend is established.

F) DISTRIBUTIONS TO UNIT HOLDERS

Distributions payable to unit holders are recognised in profit or loss as finance costs in the period in which they are declared by the Board of the Manager.

G) NET GAINS AND LOSSES FROM CHANGES IN FAIR VALUE

Net gains and losses from financial instruments held at fair value through profit or loss include all realised and unrealised fair value changes on Economic Rights assets and unit holder liabilities, and exclude dividend income and distributions to unit holders.

H) TAX

The Fund has elected to be a 'foreign investment variable-rate Portfolio Investment Entity' for New Zealand income tax purposes. Due to this election, income is effectively taxed in the hands of the unit holders and therefore the Fund has no tax expense, current tax payable or deferred tax assets or liabilities.

The Fund will attribute PIE income (being Fonterra dividends) to unit holders and pay tax on that income at each relevant unit holder's nominated prescribed investor rate (PIR), being their applicable tax rate, subject to the option to apply the non-resident withholding tax rules in respect of Notified Foreign Investors. When the Fund receives Fonterra dividends the Fund will retain an amount from dividends distributed to a unit holder to satisfy the PIE (or withholding) tax liability in relation to that unit holder and pay amounts owing direct to the IRD. It is not anticipated that the Fund will have a PIE tax loss or excess tax credits which will be attributed to unit holders.

I) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset or liability is recognised when the Fund becomes a party to the contractual provisions of the asset or liability (i.e. trade date). The Fund classifies financial instruments issued as either financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Financial assets and liabilities held at fair value through profit or loss are initially recognised at fair value and transaction costs, if any, are expensed in the income statement as incurred.

After initial recognition, financial assets and financial liabilities are measured at their fair values with fair value changes recognised in profit or loss. The Fund manages its Economic

Rights assets and its liability to unit holders on a fair value basis in accordance with the Fund's risk management strategy and hence has designated these at fair value through profit or loss.

Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire or if the Fund transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Fund's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

J) FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. Where an instrument measured at fair value has a bid and an ask price, the Fund has used the price within that range that is most representative of fair value. Where the last traded price is within that range, the Fund uses the last traded price. Where the last traded price falls outside that range, the Fund uses the mid-point between the bid and ask prices.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The valuation techniques used aim to make maximum use of market inputs and rely as little as possible on entity-specific inputs and may include reference to other instruments that are judged to be substantially the same.

K) NEW STANDARDS AND INTERPRETATIONS

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations have been issued which were available for early adoption but have not been adopted. None of these are expected to have a material impact on the financial statements of the Fund.

NZ IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets, financial liabilities and hedge accounting. The Fund is yet to assess the full impact of adopting this Standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016

1 FINANCIAL RISK MANAGEMENT

The Fund is primarily established to invest in Economic Rights and issue units to investors. As such its only investment comprises of Economic Rights. Through the holding of this investment and issuing units to unit holders, the Fund has limited net exposure to market price risk and liquidity risk. The Fund has no direct exposure to interest rate, foreign exchange or credit risk. The risk management policies employed by the Fund are discussed in the notes below.

Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual instrument, its issuer or all factors affecting all instruments traded in the market.

The Fund's financial instruments primarily comprise of investments in the Economic Rights and liabilities to unit holders which are both carried at fair value with fair value changes recognised in the income statement. Both of these instruments are exposed to market price risk. Any change in the market price of the units will result in an equal and opposite change in the market price of the Economic Rights. Hence, no impact on the income statement is expected due to changes in market prices.

Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund is not exposed to cash redemptions and only certain parties are permitted to redeem their units. Where permitted parties redeem units, the Fund will transfer one Economic Right for each unit redeemed to meet the redemption. Unit holders will not otherwise have the ability to redeem their units or exchange them for shares. Hence, the Fund does not have significant liquidity risk.

Financial instruments fair value

The Fund's accounting policy on fair value measurement is discussed in the Statement of Significant Accounting Policies.

The Fund measures fair values for recognition of both Economic Rights assets and unit holder liabilities.

The Fund uses the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. The Fund has no Level 3 instruments.

The Fund's liability to unit holders is a Level 1 instrument as the unit price is quoted on the NZX Main Board which is considered to be an active market. The Manager considers market prices to be the most representative measure of fair value as they are used by market participants as a practical expedient for fair value measurement. The market will be monitored on an on-going basis to confirm that it remains active for the purposes of establishing fair value.

Economic Rights are Level 2 instruments as Economic Rights are not listed and there is no active market for Economic Rights assets. Economic Rights are valued using the quoted price of units (which are considered to be a materially comparable instrument) in the Fund listed on the NZX Main Board. The on-going validity of that assumption is regularly reviewed to support this area of significant judgement.

There have been no transfers between the categories in the fair value hierarchy during any of the periods presented.

Capital risk management

The Fund manages its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders is classified as a financial liability. The amount of unit holders' funds can change on a daily basis as the Fund is subject to the issue and redemption of units at the discretion of Fonterra and Fonterra farmer shareholders. Fonterra has an interest in ensuring the stability of the Fund and has established a Fund Size Risk Management Policy which requires that the number of units on issue remain within specified limits, and that within these limits, the number of units is managed appropriately. Fonterra can use a range of measures to ensure the Fund size remains within the specified limits, including: introducing or cancelling a distribution reinvestment plan, operating a unit repurchase programme and introducing new units.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016 CONTINUED

2 ECONOMIC RIGHTS OF FONTERRA SHARES

The Economic Rights are held on trust for the Fund by the Custodian under the Fonterra Economic Rights Trust.

	31 JULY 2016	31 JULY 2015
Value of Economic Rights (\$ million)	637	494
Number of Economic Rights	111,991,937	105,480,366

The Economic Rights are measured at fair value, calculated as the number of Economic Rights held multiplied by the established fair value for each Economic Right.

	\$ MILLION	
	31 JULY 2016	31 JULY 2015
Opening value of Economic Rights	494	681
Movements:		
Purchase of Economic Rights ¹	152	131
Sale of Economic Rights	(110)	(142)
Revaluation of Economic Rights	101	(176)
Closing value of Economic Rights	637	494

¹ Purchase of Economic Rights includes \$7.8 million for Economic Rights acquired in conjunction with Fonterra's Dividend Reinvestment Plan (31 July 2015: \$1.3 million).

3 LIABILITY TO UNIT HOLDERS

	31 JULY 2016	31 JULY 2015
Value of unit holder liability (\$ million) ¹	637	494
Opening number of units on issue ²	105,480,366	109,777,717
Number of units issued ³	27,137,036	21,906,235
Number of units redeemed	(20,625,465)	(26,203,586)
Closing number of units on issue	111,991,937	105,480,366

¹ The liability to unit holders is measured at fair value, calculated as the number of units on issue multiplied by the unit market price of \$5.69 (31 July 2015: \$4.68).

² Included in the total number of units is one Fonterra unit which was issued at launch.

³ Included in the number of units issued are 1,400,416 units with a total value of \$7.8 million that were issued under the Distribution Reinvestment Plan (31 July 2015: 249,550 units with a total value of \$1.3 million).

4 RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO PROFIT

	\$ MILLION	
	31 JULY 2016	31 JULY 2015
Reconciliation of profit before tax to net cash flows from operating activities		
Profit for the year	–	–
Adjustments for:		
– Fair value (gain)/loss on revaluation of Economic Rights of Fonterra shares	(101)	176
– Net change in fair value of liability to unit holders	101	(176)
– Distribution to unit holders	46	18
– Non-cash dividend income	(8)	(1)
Changes in assets:		
Net (purchase)/sale of Economic Rights of Fonterra shares	(34)	12
Net cash flows from operating activities	4	29

5 NET TANGIBLE ASSETS PER SECURITY

As at 31 July 2016, the net tangible assets per unit on issue was \$5.69 (31 July 2015: \$4.68).

6 COMMITMENTS AND CONTINGENT LIABILITIES

The Fund has no material commitments or contingent liabilities as at 31 July 2016 (31 July 2015: nil).

7 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions, or if they are members of the same group.

FSF Management Company Limited (the Manager)

FSF Management Company Limited is the Fund's Manager whose sole objective is to manage the Fund and its property as a passive investment vehicle under the Trust Deed. Under the Trust Deed, the Manager is not entitled to any fees in respect of its services.

Key Management Personnel are those people with the responsibility and authority for planning, directing and controlling the activities of an entity. As the Fund does not have any employees or directors, Key Management Personnel are considered to be the Directors of the Manager.

Unit transactions and balances with Key Management Personnel

	\$ MILLION	
	YEAR ENDED 31 JULY 2016	YEAR ENDED 31 JULY 2015
Purchased	–	0.03
Sold	–	2.53
Value at the end of the year	0.20	0.16

At 31 July 2016 35,192 (31 July 2015: 35,192) units were held by Key Management Personnel.

Fonterra Co-operative Group Limited (Fonterra)

Under the Authorised Fund Contract, Fonterra provides administrative services in relation to the Fund for the Manager and meets the operating expenses of the Fund, including the fees of the Directors of the Manager.

The Manager and the Trustee have agreed that Fonterra will meet the day-to-day operating costs of the Fund. In addition, the Fund will use corporate facilities, support functions and services provided by Fonterra. All of these services will be provided at no cost to the Fund.

There are some costs that will not be covered by Fonterra. These principally relate to circumstances where the Manager has breached certain obligations or seeks to bring claims outside the ambit of those which Fonterra has undertaken to pay. In these circumstances, the Manager would have to seek funding from other sources. This could include seeking a resolution of unit holders that they agree to bear the relevant costs through a deduction from distributions that would otherwise be made by the Fund.

Fonterra Farmer Custodian Limited (the Custodian)

The Fund has appointed Fonterra Farmer Custodian Limited, a subsidiary of Fonterra, to provide custodian services. The Economic Rights are held on trust for the Trustee by the Custodian under the Fonterra Economic Rights Trust. Custodian services are provided at no cost to the Fund.

Fonterra (Delegated Compliance Trading Services) Limited (DCT)

DCT is a wholly owned subsidiary of Fonterra which undertakes delegated compliance trading in the Fund on behalf of Fonterra's farmer shareholders.

Fund expenses

Fonterra, the Manager, the Trustee and the Custodian have entered into the Authorised Fund Contract, which authorises the Fund to operate as an Authorised Fund and regulates the relationship between Fonterra and the Fund.

Under the Authorised Fund Contract all expenses relating to the Fund are incurred and paid by either Fonterra or the Manager. The costs of running the Fund include services by Fonterra for which there is no payment made, as well as services for which the Fund contracts to third parties.

Included within the total expenses incurred and paid by Fonterra during the year ended 31 July 2016 with respect to the Fund are the following amounts paid to PricewaterhouseCoopers:

- Fees for the annual audit and interim review of the financial statements of \$40,800 (31 July 2015: \$40,600) and
- Fees for other assurance services of \$3,000 (31 July 2015: \$10,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2016 CONTINUED

Fund unit and Fonterra share transactions

As at 31 July 2016, the Custodian holds 111,991,937 (31 July 2015: 105,480,366) Fonterra shares on trust for the Fund.

During the current year, 56,892 units (31 July 2015: nil) were purchased for \$0.3 million (31 July 2015: nil) by DCT on behalf of Fonterra farmer shareholders. These units were converted to Shares and sold to farmers participating in the 2016 season Delegated Compliance Trading Scheme for \$0.3 million (31 July: nil).

The closing date for the 2017 season applications under the Delegated Compliance Trading Scheme was extended to 30 September 2016, and as such there were no units held by DCT on behalf of Fonterra's farmer shareholders at 31 July 2016 (31 July 2015: nil).

Dividends received

The following dividends were received from Fonterra:

DIVIDENDS	\$ MILLION	
	YEAR ENDED 31 JULY 2016	YEAR ENDED 31 JULY 2015
2016 Interim dividend received – 10.0 cents per Economic Right ¹	11	–
2016 Interim dividend received – 20.0 cents per Economic Right ²	21	–
2015 Final dividend received – 15.0 cents per Economic Right ³	14	–
2015 Interim dividend received – 10.0 cents per Economic Right ⁴	–	12
2014 Final dividend received – 5.0 cents per Economic Right ⁵	–	6

¹ This was distributed on to unit holders on 7 June 2016 and represented a cash distribution of 10.0 cents per unit.

² This was distributed on to unit holders on 20 April 2016 and represented a cash distribution of 20.0 cents per unit.

³ This was distributed on to unit holders on 20 October 2015 and represented a cash distribution of 15.0 cents per unit.

⁴ This was distributed on to unit holders on 20 April 2015 and represented a cash distribution of 10.0 cents per unit.

⁵ This was distributed on to unit holders on 20 October 2014 and represented a cash distribution of 5.0 cents per unit.

8 SUBSEQUENT EVENTS

Declaration of distribution

On 18 August 2016, the Board of Directors of Fonterra declared a dividend of 10 cents per share. Following Fonterra's dividend declaration, the Board of the Manager declared a distribution of 10 cents per unit for the year ended 31 July 2016. The distribution, totalling \$12 million was paid on 9 September 2016 to the unit holders on the register at 1 September 2016.

The Manager has a Distribution Reinvestment Plan, where eligible unit holders can choose to reinvest all or part of their distribution in additional units. The Distribution Reinvestment Plan was applicable to this distribution. Full details of the Distribution Reinvestment Plan are available in the 'Our Financials' section of Fonterra's website.

Changes in unit price

Units are traded on the NZX and ASX and accordingly the unit price changes regularly, including during the period between balance date and the date these financial statements were authorised for issue. Changes in the market price of the units result in a corresponding change in the value of the Economic Rights asset held by the Fund. Daily unit prices are available on the NZX website.

INDEPENDENT AUDITORS' REPORT

TO THE UNIT HOLDERS OF THE FONTERRA SHAREHOLDERS' FUND



REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Fonterra Shareholders' Fund (the 'Fund') on pages 5 to 12, which comprise the statement of financial position as at 31 July 2016, the statement of comprehensive income, the statement of changes in net assets attributable to unit holders and the cash flow statement for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

The Fund's Manager is responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Manager determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Our firm carries out other assignments for the Fund in relation to other assurance services. The provision of these other services has not impaired our independence as auditors of the Fund.

Opinion

In our opinion, the financial statements on pages 5 to 12 present fairly, in all material respects, the financial position of the Fund as at 31 July 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

RESTRICTION ON USE OF OUR REPORT

This report is made solely to the Fund's unit holders, as a body. Our audit work has been undertaken so that we might state to the Fund's unit holders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unit holders, as a body, for our audit work, for this report or for the opinions we have formed.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in black ink.

Chartered Accountants, Auckland
20 September 2016

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 JULY 2016

TWENTY LARGEST UNIT HOLDERS

AS AT 31 JULY 2016

UNIT HOLDER	NUMBER OF UNITS	% OF TOTAL ISSUED UNITS
HSBC Custody Nominees (Australia) Limited	5,836,498	5.22
National Nominees Limited	5,472,308	4.89
JP Morgan Nominees Australia Limited	4,439,598	3.96
HSBC Nominees (New Zealand) Limited	4,431,337	3.96
Investment Custodial Services Limited <A/C C>	4,417,338	3.94
Netwealth Investments Limited	4,323,028	3.86
FNZ Custodians Limited	4,154,879	3.71
Accident Compensation Corporation	3,553,444	3.17
Citibank Nominees (New Zealand) Limited	2,087,490	1.86
BNP Paribas Noms Pty Ltd	1,917,677	1.71
Custodial Services Limited	1,379,702	1.23
BNP Paribas Nominees (NZ) Limited – NZCSD <BPSS40>	1,297,823	1.16
National Nominees New Zealand Limited	1,152,156	1.03
HSBC Nominees (New Zealand) Limited A/C State Street	1,148,284	1.03
BNP Paribas Nominees (NZ) Limited – NZCSD <COGN40>	1,027,782	0.92
Investment Custodial Services Limited <A/C R>	967,394	0.86
JBWere (NZ) Nominees Limited	906,147	0.81
JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct	836,315	0.75
Michael Douglas Hammond & Helen Mavis Hammond & Leigh Joseph Horton	770,270	0.69
Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust	709,678	0.63
Total	50,829,148	45.39
Total quoted units on issue	111,991,936	100.00

SPREAD OF UNIT HOLDERS

AS AT 31 JULY 2016

SIZE OF HOLDING	NUMBER OF HOLDERS	NUMBER OF UNITS	% OF TOTAL ISSUED UNITS
1 – 1,000	2,821	1,618,674	1.44
1,001 – 5,000	3,860	9,775,687	8.73
5,001 – 10,000	1,039	7,871,904	7.03
10,001 – 100,000	731	21,727,351	19.40
100,001 and over	113	70,998,321	63.40
Total¹	8,564	111,991,937	100.00

¹ Total includes the Fonterra unit (which is not quoted).

SUBSTANTIAL PRODUCT HOLDERS

AS AT 31 JULY 2016

The following unit holders had filed substantial product holder notices in accordance with the Financial Markets Conduct Act 2013.

PRODUCT HOLDER	NUMBER OF UNITS HELD AT DATE OF NOTICE	% OF TOTAL ISSUED UNITS AS AT 31 JULY 2016
JCP Investment Partners	10,152,277	9.07
Commonwealth Bank of Australia and subsidiaries	5,772,618	5.15

As at 31 July 2016 the Fund had 111,991,936 quoted units, and one Fonterra unit, on issue.

HOLDINGS OF DIRECTORS OF THE MANAGER

AS AT 31 JULY 2016

The following Directors of the Manager have disclosed relevant interests in units of the Fund:

DIRECTOR	NUMBER OF UNITS	NATURE OF INTEREST
John Bruce Shewan (Chairman)	15,680	Trustee and discretionary beneficial interest through Investment Custodial Services Limited
John Bruce Shewan (Chairman)	4,512	Power to control and exercise a right to vote and to control the acquisition and disposal of these units held on behalf of his wife by Private Nominees Limited
Kimmit Rowland Ellis	15,000	Trustee and discretionary beneficial interest held by Custodial Services Limited

NZX TRADING HALTS

No trading halts were placed by NZX Regulation in the financial year ended 31 July 2016.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 JULY 2016 CONTINUED

NZX DIVERSITY REPORTING REQUIREMENTS

As at 31 July 2016, the gender composition of the Board of the Manager comprised two female and three male Directors. As at 31 July 2015, the gender composition of the Board of the Manager comprised two female and three male Directors. The Manager does not employ any Officers.

NZX WAIVERS

A summary of waivers and approvals granted by NZX Regulation in relation to the NZX Main Board Listing Rules (NZX Listing Rules), which have been relied upon by the Fund in the year ended 31 July 2016, is available at <http://www2.fonterra.com/our-financials/fonterra-shareholders-fund>.

NZX NON-STANDARD DESIGNATION

The Fonterra Shareholders' Fund has been granted Listing with a 'Non-Standard' ('NS') designation by NZX Regulation. This designation was granted because of the unique governance arrangements and unit holder restrictions.

ASX LISTING

On 1 August 2016 the Fund changed its ASX listing category from an 'ASX Listing' to an ASX Foreign Exempt Listing. As a consequence the Fund is primarily regulated by the NZX Listing Rules and is to be exempt from complying with most of the ASX Listing Rules.

CORPORATE GOVERNANCE

Background

The Fund was established as a unit trust under the Unit Trusts Act 1960. Before 30 November 2016, the Trustee, Manager and Board of the Manager, will transition to instead become governed by Part 4 of the Financial Markets Conduct Act 2013. The Fund is required to have a supervisor (trustee) and a manager. The role of the trustee is to hold the economic benefit of shares held by the Fonterra Farmer Custodian for the benefit of the trustee of the Fund. The role of the Manager is to issue or offer units in the Fund and to manage the property of the Fund.

The Trust Deed defines a narrow function of the Fund which is, in summary to:

- issue units when new Economic Rights of Fonterra shares are held for the benefit of the Fund;
- redeem units when required by a farmer shareholder, Fonterra or the registered volume provider and direct that the Fonterra Farmer Custodian transfers Fonterra shares to the farmer shareholder, Fonterra or the Fonterra Farmer Custodian on behalf of the registered volume provider seeking that redemption; and
- not undertake other trading activities.

The Fund is to be 'passive', i.e., it does not actively solicit Economic Rights or the redemption of units except for undertaking the initial supply offer.

Corporate Governance Principles

The Board's corporate governance framework takes into consideration contemporary standards in New Zealand and Australia, incorporating principles and guidelines issued by the Financial Markets Authority, the best practice code issued by NZX (NZX Governance Code) and the ASX Corporate Governance Council Principles and Recommendations (ASX Principles). The ASX Principles are not mandatory, but are guidelines designed to maximise corporate performance and accountability in the interests of investors and the broader community. If a listed entity considers that a recommendation is inappropriate to the particular circumstances, it has the flexibility not to adopt it – a flexibility tempered by the requirement under the ASX Listing Rules to explain why – the 'if not, why not' approach.

The corporate governance framework adopted by the Board reflects its role as a manager of a fund with limited operational activity, which in several ways is different to the corporate governance structure appropriate for a traditional listed company carrying on an operating business.

Given the special purpose nature of the Fund, the Manager has determined that a number of the recommendations in the NZX Governance Code and the ASX Principles are not appropriate for the Fund or are not relevant. In accordance with the NZX Listing Rules, the Manager has disclosed in this corporate governance statement a summary of the corporate governance policies, practices and processes adopted or followed at the date of this annual report.

References to 'Board' and 'Directors' in this statement are to the Board and Directors of the Manager.

The Board

The Board has statutory responsibilities for the affairs and activities of the Manager and the Fund.

The role of the Board is set out in its Board Charter. Its roles and responsibilities include:

- monitoring the performance of the Fund and the implementation of its objectives;
- monitoring compliance with the regulatory requirements and ethical standards; and
- monitoring compliance with the constituent documents for Trading Among Farmers as they relate to the Fund.

Given the Fund's limited operational activity, the Manager has limited discretion in respect of the day-to-day management of the Fund. To the extent that any material exercise of discretion or other decision making authority is required, that discretion or authority is exercised by the Board.

The Manager does not have any employees. Under the Authorised Fund Contract, Fonterra has agreed to provide the Fund with administrative services and to meet the costs of the general business of the Fund, including paying the fees and expenses of the Directors.

The Manager has written agreements with each of its Directors.

A copy of the Board Charter is available from the Manager upon request.

Diversity Policy

Given the small size of the Board, and as Directors are either elected by unit holders or appointed by Fonterra, the Manager has not implemented a gender diversity policy for the Board.

Performance assessment

The Board assesses its performance against its role and the Board Charter and the performance of the Audit Committee against the Audit Committee Charter.

Board composition

The constitution of the Manager provides for five Directors and sets out how they are appointed.

In accordance with the procedure set out in the Trust Deed, unit holders are entitled to elect three Directors (Elected Directors) and may remove and replace any Elected Director.

The three Elected Directors must be 'Independent Directors' for the purposes of the NZX Listing Rules. At the date of this statement the three Elected Directors are John Shewan, Pip Dunphy and Kim Ellis. One Elected Director is required to retire at each annual meeting of the Fund. The Chair of the Board must be one of the three Elected Directors. John Shewan is Chair.

The remaining two Directors are appointed, and can be replaced, by Fonterra. There is no requirement as to who the Fonterra-appointed Directors must be. While they need not be Directors of Fonterra, the current people that Fonterra has appointed (Ian Farrelly and Nicola Shadbolt) are both Directors of Fonterra.

Nominations Committee

Given the small size of the Board, the Manager has not established a separate Nominations Committee and therefore has decided not to follow Recommendation 2.1 or clause 3.11 of the NZX Governance Code. The Board is appointed in accordance with the Trust Deed and the constitution of the Manager. The Board is responsible for establishing the criteria for determining the suitability of potential Elected Directors and recommending persons suitable for appointment to the Board.

Independent professional advice

The Board seeks independent professional advice when it considers that appropriate. Fonterra pays the costs of independent professional advice in accordance with the Authorised Fund Contract.

Code of Conduct

The Manager has adopted the Code of Conduct. The Code of Conduct guides the Directors on:

- the practices necessary to maintain confidence in the Manager's integrity; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Securities trading policy

The Manager and Fonterra have adopted trading policies that detail the policy on, and rules for, trading in units. The policies each apply to Directors of the Manager and Directors, officers, employees and contractors of Fonterra and are in addition to legal prohibitions on insider trading in New Zealand and Australia.

Audit Committee

The Board acts as the Audit Committee for the Fund. The Chair of the Audit Committee is the Chair of the Board. Due to the limited nature of the Fund's operations, the Board does not consider it necessary to have an independent Chair for the Audit Committee.

The Board acting as Audit Committee is responsible for:

- providing oversight in relation to financial reporting and regulatory compliance; and
- reviewing financial reporting processes, internal controls, the audit process and the process for monitoring legal and regulatory compliance.

The Manager has implemented a formal Audit Committee Charter which sets out the responsibilities of the Audit Committee in full. A copy of the Audit Committee Charter is available from the Manager upon request.

The Board acting as Audit Committee selects and appoints the external auditor and determines the rotation of external audit engagement partners. It also acts as a forum for communication between the Board and external auditors where appropriate. The Audit Committee asks that the external auditor attends the annual unit holder meeting and to be available to answer questions from unit holders relevant to the audit.

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 JULY 2016 CONTINUED

Continuous disclosure

The Board aims to ensure that unit holders are informed of all major developments affecting the Fund. Information is communicated to unit holders through NZX and ASX announcements, the Fund's annual report and half and full-year results announcements.

Fonterra and the Manager have entered into an arrangement to co-operate with each other and take all steps reasonably required to ensure that information to be disclosed by either of them under the listing rules of the Fonterra Shareholders' Market, the NZX Listing Rules or the ASX Listing Rules (as the case may be) is disclosed simultaneously to the Fonterra Shareholders' Market, the NZX Main Board and ASX in relation to the Fund. It is intended that where NZX, as market operator of the Fonterra Shareholders' Market, receives information provided by Fonterra for release under the Fonterra Shareholders' Market, NZX simultaneously releases the information under the code relating to the Fund. This process is intended to be automatic.

Due to the relationship between units and Fonterra shares, the majority of continuous disclosure announcements are made by Fonterra in relation to matters affecting Fonterra and the value of Fonterra shares (and by implication the value of units).

Communications with unit holders

All external communications by the Fund are:

- subject to internal vetting and authorisation before issue;
- reviewed to ensure that they do not omit material information; and
- timely and expressed in a clear and objective manner.

Mechanisms are in place to promote effective two-way communication with unit holders and to encourage their participation at unit holder meetings, including:

- The Manager will release to the NZX Main Board and ASX market announcements platform respectively all information sent to unit holders, and will comply with the NZX Listing Rules and ASX Listing Rules with respect to unit holder communications.
- Notices of meetings are sent to unit holders at least 14 days before a meeting.
- A unit holder may raise matters for discussion or resolution at general meetings, by giving written notice to the Manager. If the notice is received more than 25 working days before the last day on which notice of the meeting is due, the Manager is required to, at the expense of the Fund, give notice of the unit holder proposal and the text of any proposed resolution to all unit holders entitled to receive notice of the meeting. The unit holder proposing the resolution has the right to prepare a statement in support of the proposal to include with the notice of meeting (clause 14.1 of the Schedule to the Trust Deed).

Investors who have provided the Manager with an email address will be sent annual and interim reports electronically unless they expressly opt to receive hard copy reports and will receive other communications electronically where requested. Unit holders are strongly encouraged to provide an email address.

Risk management

The Board is responsible for the risk management of the Fund, including:

- reviewing the principal risks contained in the risk profile of the Fund on an annual basis;
- ensuring that a risk management framework is established which includes policies and procedures to effectively identify, treat and monitor principal business risks, including consideration of internal audit;
- at least annually assessing the effectiveness of the implementation of the risk management system and reporting back to the Board; and
- monitoring compliance with the risk management framework.

Given the Fund's limited operational functions, its risk profile is limited. The management of risks relating to Fonterra's operations and which may affect the value of Fonterra shares and dividends (and therefore the value of units and distributions flowed through to unit holders) is a matter for the Board and Management of Fonterra and is beyond the control of the Manager Board. To the extent that there are risks that specifically impact the operation of the Fund, the Board periodically reviews the management of those risks.

Remuneration of Directors

Under the Authorised Fund Contract, Fonterra is responsible for the payment of all director fees payable to the Directors of the Manager.

Fonterra has currently approved the following amounts of remuneration for the Directors.

These amounts exclude GST, where applicable:

- \$80,000 per year to the Chair of the Board; and
- \$53,000 per year to each independent Director.

Currently, the two Directors of the Manager who have been appointed by Fonterra and who are also Directors of Fonterra are not to be paid any additional remuneration (in addition to their remuneration as Directors of Fonterra) for their service on the Board of the Manager.

The remuneration of the Directors of the Manager may be reviewed and adjusted from time to time.

Directors' unit holdings

The independent Directors of Fonterra that are also appointed to the Board of the Manager are prohibited from acquiring any relevant interest in units. The other Directors of the Manager (elected by unit holders) may acquire units, and to the extent any units are acquired, these acquisitions will be disclosed to the market as required by law.

DIRECTORY

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Kimmitt Rowland Ellis
Ian James Farrelly
Nicola Mary Shadbolt
John Bruce Shewan

COMPANY SECRETARY

Michael Cronin

SUPERVISOR/TRUSTEE

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