



20 August 2014

ASX Announcement

Release of Appendix 4E and Financial Report for Year Ended 30 June 2014

Attached for release to the market are Warrnambool Cheese and Butter Factory Company Holdings Limited (ASX:WCB) Appendix 4E and Financial Report for the year ended 30 June 2014.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Paul Moloney".

Paul Moloney
Company Secretary

Warrnambool Cheese and Butter Factory Company Holdings Limited
Year Ended 30 June 2014

1. The reporting period is the full year ended 30 June 2014 with the previous corresponding year to 30 June 2013.
2. Results for announcement to the market:

Appendix 4E Item No.	Particulars		12 months to June 2014	12 months to June 2013	Increase/ (Decrease)	% Change	Up/ Down
2.1	Revenue from Ordinary Activities	\$'000	608,995	496,504	112,491	22.7%	up
2.2	Profit/(Loss) from ordinary activities after Tax attributable to Members	\$'000	21,276	7,490	13,786	184.1%	up
2.3	Net Profit/(Loss) attributable to Members	\$'000	21,276	7,490	13,786	184.1%	up
2.4	Dividends/distributions Final dividend - 30 June 2014 (fully franked)	Cents per security	-	11.00	(11.00)	-100.0%	down
	Interim dividend - 31 December 2013 (fully franked)	Cents per security	Nil	Nil			
2.5	Record date	Nil					
2.6	Result explanation	International dairy product demand, driven primarily by growing imports in China, along with a depreciation in the Australian dollar supported a surge in dairy commodity prices					

3. Net tangible assets per security:

Appendix 4E Item No.	Particulars		12 months to June 2014	12 months to June 2013	Increase/ (Decrease)	% Change	Up/ Down
9	Net tangible assets	\$ per security	3.25	2.90	0.35	12.1%	up

4. Changes in controlled entities:

There were no changes to controlled entities during the financial year ended 30 June 2014.

5. Details of individual and total dividends or distributions and payments declared or paid during or subsequent to the year ended 30 June 2014:

Appendix 4E Item No.	Particulars	Amount per security cents	Total Dividend \$	Franked amount per security %	Foreign sourced dividend amount per security
7	31 December 2013 interim dividend	nil	nil	N/A	N/A
	30 June 2014 final dividend	nil	nil	N/A	N/A

6. Dividend reinvestment plans:

No final dividend was declared for FY2014 and the Board does not intend to declare any as the Directors have decided to retain cash for investment into the business for growth, investment and development.

7. Details of associates or Joint Ventures:

Appendix 4E Item No.	Associates or Joint Ventures	Holding %	Profit share %	Profit/(Loss) contribution 12 months to June 2014 (\$'000)	Profit/(Loss) contribution 12 months to June 2013 (\$'000)	Increase/ (Decrease)	% Change	Up/ Down
11	Great Ocean Ingredients Pty Ltd	50%	50%	3,231	441	2,790	632.7%	up
	The Great Ocean Ingredients Pty Ltd joint venture is producing product at capacity and within quality expectations. Earnings in 2014 were impacted by improved volumes, pricing and lower Australian dollar							
11	Warrnambool Cheese and Butter Japan Company Ltd.	49%	49%	632	1,247	(615)	-49.3%	down
	Warrnambool Cheese and Butter Japan Company Ltd is performing as expected, given the impact of an unfavourable exchange rate movement.							

8. Foreign Accounting Entities:

Not applicable.

9. Auditors review:

This report is based on accounts which have been reviewed by independent auditors, Coffey Hunt, refer to the attached Warrnambool Cheese and Butter Factory Company Holdings Limited 30 June 2014 full year report.

Financials and notes

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

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

Its registered office and principal place of business is:

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

During the current financial year Saputo Inc. purchased a controlling interest in Warrnambool Cheese and Butter Factory Company Holdings Limited.

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 20 August 2014. The Company has the power to amend and reissue the financial report.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2014

		CONSOLIDATED	
	Notes	2014 \$'000	2013 \$'000
Revenue from continuing operations	2	608,543	495,851
Other income	3	452	653
Changes in inventories of finished goods and work in progress		4,987	(978)
Raw materials and consumables used		(465,279)	(376,835)
Depreciation and amortisation expense	4	(12,661)	(11,798)
Finance costs	4	(3,658)	(4,142)
Distribution expense		(22,982)	(23,506)
Employee benefits expense		(50,090)	(45,963)
Other expenses		(24,755)	(25,379)
Corporate advisory expenses	4	(9,557)	–
Share of net profits/(losses) of joint ventures accounted for using the equity method	37	3,863	1,688
Profit/(Loss) before income tax (expense)/benefit		28,863	9,591
Income tax (expense)/benefit	5	(7,587)	(2,101)
Profit/(Loss) for the year		21,276	7,490
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	(2,383)
Executive Performance Rights Plan valuation adjustment		(31)	31
Other comprehensive income for the year, net of income tax		2,729	(2,352)
Total comprehensive income for the year		24,005	5,138
Profit/(Loss) attributable to owners of Warrnambool Cheese and Butter Factory Company Holdings Limited		21,276	7,490
Total comprehensive income attributable to owners of Warrnambool Cheese and Butter Factory Company Holdings Limited		24,005	5,138
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the company			
		Cents	Cents
Basic earnings per share	35	38.1	13.6
Diluted earnings per share	35	38.1	13.6

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

Consolidated Balance Sheet

as at 30 June 2014

		CONSOLIDATED	
	Notes	2014 \$'000	2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	16	2,414	3,794
Trade and other receivables	6	96,308	111,176
Inventories	7	75,791	70,804
Total Current Assets		174,513	185,774
NON-CURRENT ASSETS			
Investments accounted for using the equity method	9	26,917	23,705
Other financial assets	10	5	5
Property, plant & equipment	11	95,438	85,314
Investment properties	12	10,533	10,138
Deferred tax assets	13	2,223	–
Intangible assets	14	1,628	1,628
Total Non-Current Assets		136,744	120,790
Total Assets		311,257	306,564
CURRENT LIABILITIES			
Trade and other payables	15	58,679	52,638
Borrowings	16	52,842	71,278
Current tax liabilities	17	4,193	1,546
Derivative financial instruments	8	–	4,137
Provisions	18	6,776	5,845
Total Current Liabilities		122,490	135,444
NON-CURRENT LIABILITIES			
Borrowings	19	3,935	8,001
Deferred tax liabilities	20	–	792
Provisions	21	852	524
Total Non-Current Liabilities		4,787	9,317
Total Liabilities		127,277	144,761
Net Assets		183,980	161,803
EQUITY			
Contributed equity	22	73,856	69,607
Reserves	23	12,236	9,507
Retained profits	23	97,888	82,689
Total Equity		183,980	161,803

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

	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 2013		69,607	9,507	82,689	161,803
Profit for the year		–	–	21,276	21,276
Net cash flow hedges	23	–	2,760	–	2,760
Executive Performance Rights Plan valuation adjustment	23	–	(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	22	4,249	–	–	4,249
Dividends provided for or paid	24	–	–	(6,077)	(6,077)
		4,249	–	(6,077)	(1,828)
Balance at 30 June 2014		73,856	12,236	97,888	183,980
Balance at 1 July 2012		67,676	11,859	81,210	160,745
Profit for the year		–	–	7,490	7,490
Net cash flow hedges	23	–	(2,383)	–	(2,383)
Executive Performance Rights Plan valuation adjustment	23	–	31	–	31
Total comprehensive income for the year		–	(2,352)	7,490	5,138
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	22	1,931	–	–	1,931
Dividends provided for or paid	24	–	–	(6,011)	(6,011)
		1,931	–	(6,011)	(4,080)
Balance at 30 June 2013		69,607	9,507	82,689	161,803

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

Consolidated Cash Flow Statement

for the year ended 30 June 2014

		CONSOLIDATED	
	Notes	2014 \$'000	2013 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		636,872	493,301
Payments to suppliers and employees (inclusive of goods and services tax)		(595,015)	(490,799)
Dividends received		240	80
Interest received		91	145
Finance costs		(3,658)	(4,142)
Income tax paid		7,763	–
Income tax received		–	2,384
Net Cash Inflow (Outflow) from Operating Activities	32	46,293	969
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant & equipment		392	533
Payments for land		(728)	(133)
Payments for property, plant & equipment		(22,636)	(22,611)
Net Cash Inflow (Outflow) from Investing Activities		(22,972)	(22,211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		12,896	6,048
Proceeds from issues of shares		3,045	1,904
Repayment of borrowings		(5,149)	(3,449)
Dividends paid by parent entity	24	(6,077)	(6,011)
Share issue transaction costs		(12)	(7)
Net Cash Inflow (Outflow) from Financing Activities		4,703	(1,515)
Net Increase (Decrease) in Cash, Cash Equivalents and Overdrafts		28,024	(22,757)
Cash, cash equivalents and overdrafts at the beginning of the financial year		(53,706)	(31,154)
Effects of exchange rate changes on cash, cash equivalents and overdrafts		846	205
Cash, cash equivalents and overdrafts at the end of the financial year	16	(24,836)	(53,706)

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

Notes to the Financial Statements

30 June 2014

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.

(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 30 June 2014 and the results of all subsidiaries for the year 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(z)).

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 9) and the share of movements in reserves in the balance sheet. Details relating to joint ventures are set out in note 37.

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, have been identified as the board and executive management.

(d) Income Tax

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

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

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

Notes to the Financial Statements

30 June 2014

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 expected 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

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. 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. At balance date amounts received or receivable in foreign currencies are translated into Australian currency at the rate of the Forward Exchange Contract to be utilised when converting the foreign currency received or receivable to Australian currency. 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 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 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.

Notes to the Financial Statements

30 June 2014

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 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 28).

(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.

Notes to the Financial Statements

30 June 2014

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 33).

(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.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 8. Movements in the hedging reserve in shareholders' equity are shown in note 23.

(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.

Notes to the Financial Statements

30 June 2014

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) Share Based Payments

Share based compensation benefits are provided, at the company's discretion, to employees via the Warrnambool Cheese and Butter Factory Company Holdings Limited employee share scheme. Information relating to this scheme is set out in note 36.

(iv) 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.

(v) Executive Performance Rights Plan

With shareholder approval the group implemented an executive performance rights plan in October 2012. Rights vesting as a part of the plan are recognised in the statement of comprehensive income and in equity over the vesting period (refer note 1(x)).

(vi) 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 actuarial.

(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.

Notes to the Financial Statements

30 June 2014

(ii) Diluted Earnings Per Share

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

(x) Share Based Payments

Goods or services received or acquired in a share-based payment transaction shall be recognised when the goods or as the services are received. A corresponding increase in equity shall be recognised if the goods or services were received in an equity-settled share-based payment transaction. The equivalent increase in equity shall be based on the fair value of the goods and services received or on a fair value determined by reference to the fair value of the equity instruments granted at grant date.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they shall be recognised as expenses.

The fair value of rights granted under the Warrnambool Cheese and Butter Factory Company Holdings Limited Executive Performance Rights Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Executive Performance Rights Plan is administered by the Warrnambool Cheese and Butter Factory Company Holdings Limited Nominations & Remunerations Committee. When the rights are exercised, the Nominations & Remunerations Committee transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Under the Executive Performance Rights Plan, shares issued by the Warrnambool Cheese and Butter Factory Company Holdings Limited Executive Performance Rights Plan to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

The fair value of deferred shares granted to employees for nil consideration under the Executive Performance Rights Plan is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at each reporting date and adjustments are recognised in profit or loss and the share-based payment reserve.

The deferred shares are issued by the Warrnambool Cheese and Butter Factory Company Holdings Limited Executive Performance Rights Plan on the vesting date, see note 23.

(y) 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.

(z) 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.

Notes to the Financial Statements

30 June 2014

(aa) 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.

(ab) 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.

(ac) 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.

(ad) 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.

(ae) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2014 reporting periods.

- (i) *AASB 9 Financial Instruments (effective on or after 1 January 2017).*

AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2013.

- (i) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities (effective 1 January 2013), AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures*
- (ii) *AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirements to disclose the impact of the change in accounting policy on the current period*

- (iii) *AASB 13 Fair value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

- (iv) *AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle, and*

- (v) *AASB 2012-2 Amendments to Australian Accounting Standards disclosures – Offsetting Financial Assets and Financial Liabilities.*

(af) Parent Entity Financial Information

The financial information for the parent entity, Warrnambool Cheese and Butter Factory Company Holdings Limited, disclosed in note 38 has been prepared on the same basis as the consolidated financial statements.

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 2. Revenue		
Sales Revenue		
Sale of goods	595,995	480,545
Sale of services	13,692	16,264
	609,687	496,809
Other Revenue		
Rent	861	856
Interest	91	145
Dividends	240	80
Net foreign exchange gains/(losses)	(2,349)	(2,073)
Other	13	34
	(1,144)	(958)
Revenue from continuing operations	608,543	495,851
Note 3. Other Income		
Net gain/(loss) on disposal of property, plant and equipment	210	392
Fair value gains on investment properties	–	32
Government grants (a)	242	229
	452	653
(a) Government grants		
Grants for regional development \$0 (\$2013: \$32,000) and the energy grants credits scheme of \$242,000 (2013: \$197,000) 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	975	958
Plant & equipment	11,686	10,840
Total depreciation	12,661	11,798
<i>Finance Costs</i>		
Interest and finance charges paid/payable	3,658	4,142
Write down of inventories to net realisable value	1,164	801
Impairment losses – trade receivables	340	460
Research and development	3,000	3,500
Employee benefits provided for	4,888	4,249
Corporate advisory expenses (a)	9,557	–

(a) Corporate advisory expenses

Corporate advisory expenses relate to external legal and financial advice received in FY2014 for takeover defence. These expenses have been recognised in 'corporate advisory expenses' in the statement of comprehensive income.

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 5. Income Tax		
(a) Income tax expense		
Current tax	11,956	1,591
Deferred tax	(4,351)	535
Under (over) provided in prior years	(18)	(25)
Aggregate income tax expense/(benefit)	7,587	2,101
<i>Deferred income tax (benefit) expense included in income tax expense/(benefit) comprises:</i>		
Decrease (increase) in deferred tax assets (note 13)	(4,701)	510
(Decrease) increase in deferred tax liabilities (note 20)	350	25
	(4,351)	535
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit/(loss) from operations before income tax expense/(benefit)	28,863	9,591
Income tax calculated @ 30% (2013 – 30%)	8,659	2,877
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Depreciation and amortisation	69	84
Entertainment	40	31
Executive Performance Rights Plan	365	–
Research and development	(300)	(350)
Sundry items	(69)	(9)
Share of net profits/(losses) of joint ventures	(1,206)	(507)
	7,558	2,126
Under (over) provision in prior years	(18)	(25)
Income tax expense/(benefit)	7,540	2,101
(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 13 and 20)	(1,336)	(867)
	(1,336)	(867)

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 6. Current Assets – Trade and Other Receivables		
Trade receivables	85,229	96,974
Provision for impairment of receivables (a)	(538)	(340)
	84,691	96,634
Other receivables (c)	9,747	12,860
Prepayments	1,870	1,682
	96,308	111,176
(a) Impaired trade receivables		
As at 30 June 2014 current trade receivables of the Group with a nominal value of \$538,000 (2013: \$344,000) were impaired. The amount of the provision was \$538,000 (2013: \$340,000). 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	538	344
	538	344
Movements in the provision for impairment of receivables are as follows:		
At 1 July	340	800
Provision for impairment recognised during the year	538	–
Receivables written off during the year as uncollectible	(340)	(460)
Unused amount reversed	–	–
	538	340
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 at 30 June 2014, Group trade receivables of \$11,008,000 (2013: \$13,009,000) 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	10,262	10,999
3 to 6 months	383	2,010
Over 6 months	363	–
	11,008	13,009

(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 25.

(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 25 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

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 7. Current Assets – Inventories		
Raw materials and stores – at cost	25,572	30,398
Work in progress – at cost	328	510
Finished goods – at net realisable value	8,207	4,360
Finished goods – at cost	41,684	35,536
	75,791	70,804
(a) Inventory expense		
Inventory recognised as an expense during the year ended 30 June 2014 amounted to \$404,257,754 (2013: \$356,893,702).		
Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to \$1,164,000 (2013: \$801,000). This expense has been recognised in 'raw materials and consumables used' in the statement of comprehensive income.		
Change in accounting estimates utilised to calculate internal transfer pricing of the whey stream from the cheese plant to the whey processing plant resulted in a one-off adjustment of \$3,209,163 to inventory valuation. This expense has been recognised in 'raw materials and consumables used' in the statement of comprehensive income.		
Note 8. Derivative Financial Instruments		
Current liabilities		
Forward foreign exchange contracts – cash flow hedges (a)	–	4,137
	–	4,137
(a) Instruments used by the Group		
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.		
The Group exports dairy products to numerous countries. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to sell US dollars, which is the common currency for international dairy sales.		
The Group's risk management policy is to hedge 100% of contracted sales and 50% of anticipated sales transactions in US dollars for no more than the subsequent 12 months. The contracts are timed to mature when funds are scheduled to be received for major export shipments.		
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.		
(b) Risk exposures		
Information about the Group's exposure to credit, foreign exchange and interest rate risk is provided in note 25.		
Note 9. Non-Current Assets – Investments Accounted for Using the Equity Method		
Interest in joint ventures (note 37)	26,917	23,705
	26,917	23,705
Note 10. 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

30 June 2014

Note 11. 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 2014						
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						
Year ended 30 June 2014						
Opening net book amount		2,999	162	5,668	1,191	85,314
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

Notes to the Financial Statements

30 June 2014

Note 11. 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 2013						
At 1 July 2012						
Cost or fair value	3,869	2,620	21,250	114,442	6,281	2,145
Accumulated depreciation	–	–	(7,164)	(74,297)	(2,745)	(1,552)
Net book amount	3,869	2,620	14,086	40,145	3,536	593
Year ended 30 June 2013						
Opening net book amount	3,869	2,620	14,086	40,145	3,536	593
Additions	6,614	–	991	7,184	5,217	225
Disposals	–	–	–	(38)	(20)	–
Depreciation charge	–	–	(958)	(7,251)	(1,321)	(198)
Closing net book amount	10,483	2,620	14,119	40,040	7,412	620
At 30 June 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
		Computer equipment \$'000	Crown land improv's \$'000	Effluent plant \$'000	Leased plant & equipment \$'000	Total \$'000
Consolidated 2013						
At 1 July 2012						
Cost or fair value		11,346	481	8,845	23,736	195,015
Accumulated depreciation		(9,534)	(300)	(2,767)	(21,966)	(120,325)
Net book amount		1,812	181	6,078	1,770	74,690
Year ended 30 June 2013						
Opening net book amount		1,812	181	6,078	1,770	74,690
Additions		2,333	–	–	–	22,564
Disposals		(1)	–	–	(83)	(142)
Depreciation charge		(1,145)	(19)	(410)	(496)	(11,798)
Closing net book amount		2,999	162	5,668	1,191	85,314
At 30 June 2013						
Cost or fair value		13,641	481	8,845	22,417	215,160
Accumulated depreciation		(10,642)	(319)	(3,177)	(21,226)	(129,846)
Net book amount		2,999	162	5,668	1,191	85,314

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 19 for information on non-current assets pledged as security by the Group.

Notes to the Financial Statements

30 June 2014

		CONSOLIDATED											
		2014 \$'000	2013 \$'000										
Note 12. Non-Current Assets – Investment Properties													
At fair value													
Opening balance 1 July		10,138	9,973										
Acquisitions		728	133										
Transfers		(333)	–										
Net gain (loss) from fair value adjustment		–	32										
Closing balance 30 June		10,533	10,138										
(a) Amounts recognised in profit/(loss) for investment property													
Rental income		808	767										
Direct operating expenses from property that generated rental income		(12)	(12)										
		796	755										
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 30 June 2014 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 June 2014.</p> <p>Details of the Groups investment properties and information about the fair value hierarchy as at 30 June 2014 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>10,533</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			10,533	
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 4 \$'000									
Investment Properties in South Western Victoria and South Eastern South Australia			10,533										
Non-current assets pledged as security													
Refer note 19 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		724	766										
Later than one year but not later than five years		1,024	1,678										
		1,748	2,444										

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 13. Non-Current Assets – Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Doubtful debts	161	102
Employee benefits	2,657	2,595
Finance leases	26	77
Audit fees	35	40
Accrued expenses	2,415	70
Quality claims	59	–
Business related capital expenses	2,542	309
Borrowing costs	1	1
	7,896	3,194
<i>Amounts recognised directly in equity</i>		
Share issue expenses	147	1,183
Cash flow hedges	–	288
Deferred tax assets	8,043	4,665
Set-off deferred tax liabilities pursuant to set-off provisions (note 20)	5,820	4,665
Net deferred tax assets	2,223	–
Movements:		
Opening balance at 1 July	4,665	4,295
(Credited) charged to the statement of comprehensive income (note 5)	4,701	(510)
(Credited) charged to equity	(1,323)	880
Closing Balance 30 June	8,043	4,665
Deferred tax assets to be recovered within 12 months	3,767	1,342
Deferred tax assets to be recovered after more than 12 months	4,276	3,323
	8,043	4,665

Note 14. Non-Current Assets – Intangible Assets

	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

Notes to the Financial Statements

30 June 2014

Note 14. Non-Current Assets – Intangible Assets (cont.)

	Goodwill \$'000	Total \$'000
Consolidated 2013		
Year ended 30 June 2013		
Opening net book amount	1,628	1,628
Closing net book amount	1,628	1,628
At 30 June 2013		
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	
	2014 \$'000	2013 \$'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% (2013: 0%) and a post-tax discount rate of 11% (2013: 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 15. Current Liabilities – Trade and Other Payables

Trade payables	50,201	46,829
Other payables (a)	8,478	5,809
	58,679	52,638

(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	1,591	389
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Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 16. Current Liabilities – Borrowings		
SECURED		
Bank overdrafts	27,250	57,500
Bills payable	23,534	12,142
Lease liabilities	2,058	1,636
	52,842	71,278
Cash, cash equivalents and overdrafts at the end of the financial year		
Bank overdrafts (note 19)	27,250	57,500
Cash and cash equivalents	(2,414)	(3,794)
	24,836	53,706
(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 19.		
(b) Risk exposures		
Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 25.		
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 17. Current Liabilities – Current Tax Liabilities		
Income tax	4,193	1,546
	4,193	1,546
Note 18. Current Liabilities – Provisions		
Employee benefits (a)	6,579	5,845
Quality claims	197	–
	6,776	5,845
(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	2,289	2,151
(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 – 2014		
Carrying amount at start of year	–	70
Charged/(credited) to the statement of comprehensive income – additional provisions recognised	197	–
Amounts used during the period	–	(70)
Carrying amount at end of year	197	–

Notes to the Financial Statements

30 June 2014

CONSOLIDATED				
	2014		2013	
	\$'000		\$'000	
Note 19. Non-Current Liabilities – Borrowings				
SECURED				
Bills payable	–		2,215	
Lease liabilities	3,935		5,786	
	3,935		8,001	
Further information relating to loans from related parties is set out in note 31.				
(a) Secured liabilities and assets pledged as security				
Total secured liabilities (current and non-current) are as follows:				
Bank overdrafts	27,250		57,500	
Bills payable	23,534		14,357	
Lease liability	5,993		7,422	
Total secured liabilities	56,777		79,279	
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 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		111,501	
Inventories	75,791		70,804	
Total current assets pledged as security	172,099		182,305	
Non-current				
Investments accounted for using the equity method	26,917		23,705	
Other financial assets	5		5	
Property, plant & equipment	95,438		84,432	
Investment properties	10,533		10,138	
Deferred tax assets	8,043		–	
Intangible assets	1,628		1,628	
Total non-current assets pledged as security	142,564		119,908	
Total assets pledged as security	314,663		302,213	
(b) Fair value		2014	2013	
		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	27,250	27,250	57,500	57,500
Bills payable	23,534	23,028	14,357	12,521
Lease liabilities	5,993	6,521	7,422	8,301
Non-traded financial liabilities	56,777	56,799	79,279	78,322

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 25.

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 20. Non-Current Liabilities – Deferred Tax Liabilities		
<i>The balance comprises temporary differences attributable to:</i>		
<i>Amounts recognised in profit or loss</i>		
Prepayments	86	85
Inventories	452	298
Depreciation	786	729
Unrealised foreign exchange gains	–	88
Accrued revenue	218	62
Investment property	1,747	1,747
Business related capital expenses	501	405
	3,790	3,414
<i>Amounts recognised directly in equity</i>		
Revaluation of land and buildings	2,030	2,030
Executive Performance Rights Plan	–	13
Deferred tax liabilities	5,820	5,457
Set-off deferred tax assets pursuant to set-off provisions (note 13)	5,820	4,665
Net deferred tax liabilities	–	792
<i>Movements:</i>		
Opening balance at 1 July	5,457	5,419
Credited (charged) to the statement of comprehensive income (note 5)	350	25
Credited (charged) to equity	13	13
Closing Balance 30 June	5,820	5,457
Deferred tax liabilities to be settled within 12 months	1,017	775
Deferred tax liabilities to be settled after more than 12 months	4,803	4,682
	5,820	5,457
Note 21. Non-Current Liabilities – Provisions		
Employee benefits – long service leave	852	524
	852	524

Notes to the Financial Statements

30 June 2014

PARENT ENTITY

	2014 Number of Shares	2013 Number of Shares	2014 Value \$'000	2013 Value \$'000
Note 22. Contributed Equity				
(a) Share capital				
Ordinary shares – fully paid	56,098,797	55,246,173	73,856	69,607
	56,098,797	55,246,173	73,856	69,607

	Date	Notes	Number of Shares	Issue Price \$	\$'000
(b) Movement in ordinary share capital					
Opening balance					
Ordinary share capital	30-Jun-13		55,246,173		69,607
Dividend reinvestment (Final Div)	27-Sep-13	(c)	723,338	4.20	3,038
Executive performance rights	24-Jan-14	(f)	129,286	9.37	1,211
Total movements in share capital			852,624		4,249
Balance	30-Jun-14		56,098,797		73,856

(c) Shareholders of Warrnambool Cheese and Butter Company Holdings Limited receive dividends paid on their shareholdings in cash or shares or a combination of both.

(d) Under the Employee Share Plan, at the discretion of the board, an issue of \$1,000 worth of shares per annum, at no cost, can be made to each eligible employee. Eligible employees are all permanent employees with at least one year's equivalent full time service and all casual/seasonal employees with at least two year's equivalent full time service. No shares were issued under this plan in 2014.

(e) A Supplier Share Plan is in place where company milk suppliers are entitled, at certain times, to purchase shares at a discount rate to the current market. The times when this offer is open is at the discretion of the company. At 30 June the plan was not open. No shares were issued under this plan this financial year.

(f) An Executive Performance Rights Plan is in place. During 2014, a total of 129,286 shares were issued to participants in the plan.

(g) 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 2014, the Group's strategy, which was unchanged from 2013, 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 30 June 2014 and 30 June 2013 were as follows:

CONSOLIDATED

	2014 \$'000	2013 \$'000
Total borrowings	56,777	79,279
Less cash and cash equivalents	(2,414)	(3,794)
Net debt	54,363	75,485
Total equity	183,980	161,803
Total capital	238,343	237,288
Gearing ratio	23%	32%

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 23. Reserves and Retained Profits		
(a) Asset revaluation reserve		
Movements		
Balance 1 July	5,222	5,221
Balance 30 June	5,222	5,221
(b) Capital reserve		
Movements		
Balance 1 July	7,014	7,014
Balance 30 June	7,014	7,014
(c) Hedging reserve		
Movements		
Balance 1 July	(2,760)	(377)
Revaluation – gross	3,942	(3,404)
Deferred tax (note 20)	(1,182)	1,021
Balance 30 June	–	(2,760)
(d) Executive Performance Rights Plan		
Movements		
Balance 1 July	31	–
Transfer from retained earnings	(44)	44
Deferred tax (note 20)	13	(13)
Balance 30 June	–	31
Balance of reserves at the end of the financial year	12,236	9,507
(e) Retained profits		
Movements		
Balance 1 July	82,689	81,210
Net profit/(loss) for the year	21,276	7,490
Dividends provided for or paid	(6,077)	(6,011)
Balance 30 June	97,888	82,689

(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 as described in note 1(x). Amounts are recognised in the profit and loss when the associated revaluation transaction affects profit and loss.

Notes to the Financial Statements

30 June 2014

	PARENT ENTITY	
	2014 \$'000	2013 \$'000
Note 24. 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	6,011
Total dividends provided for or paid out of prior year's profits	6,077	6,011
(b) Dividends provided for or paid out of current year's profits		
Ordinary shares		
No interim dividend declared	–	–
Total dividends provided for or paid out of current year's profits	–	–
(c) Dividends not recognised at year end		
Ordinary shares – final dividend		
No final dividend declared	–	6,077
Total dividends not recognised at year end	–	6,077
(d) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30% (2013 – 30%)	41,263	32,425

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 25. 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 are used to manage foreign exchange risk.

Notes to the Financial Statements

30 June 2014

Note 25. Financial Risk Management (cont.)

The Group's risk management policy is to hedge 100% of contracted and 50% of anticipated sales transactions in US dollars for no more than the subsequent 12 months. 100% of projected sales qualify as "highly probable" for hedge accounting purposes.

The Board has resolved that in exceptional circumstances further hedges may be taken outside the above policy on approval by any two of the Chairman of the Board, the Chairman of the Audit & Risk Committee and the Chief Executive Officer.

The Group's exposure to foreign currency risk at reporting date was as follows:

	2014 USD \$'000	2013 USD \$'000
Forward Exchange Contracts sell foreign currency (cash flow hedges)	–	64,751

Group Sensitivity

Based on financial instruments held at 30 June 2014, 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 (2013 – increased \$400,107/decreased \$327,360), 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 2014, whilst exposure for 2013 was due to an ineffective hedge position on forward exchange contracts. Equity would have been \$0 lower/\$0 higher (2013 – \$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. Equity is more sensitive to movements in the Australian dollar/US dollar exchange rate in 2014 than 2013 because of the decreased amount in forward exchange contracts recognised as effective hedges.

(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. Group practice is to fix rates for approximately 50% of its long-term borrowings. This practice has been continued during 2014. All borrowings were denominated in Australian dollars in 2014 and 2013.

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

	2014		2013	
	Weighted Average Interest Rate %	Balance \$'000	Weighted Average Interest Rate %	Balance \$'000
Bank overdrafts and bank loans	2.7%	46,612	3.5%	66,690

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

Group Sensitivity

The Group had no material sensitivity to movements in interest rates at 30 June 2014 or 30 June 2013.

(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, 8 and 10). 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. At 30 June 2014 the Group had trade credit insurance of AUD\$56,110,000 on selected export customers.

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

30 June 2014

Note 25. 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	
	2014 \$'000	2013 \$'000
Bank overdrafts	52,664	23,794
Bank loans and bills	10,523	18,290
	63,187	42,084

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 (2013 – 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 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	58,676	–	–	–	58,676	58,676
Variable rate	50,394	499	12	–	50,905	50,784
Fixed rate	1,180	1,180	2,105	2,056	6,521	5,993
	110,250	1,679	2,117	2,056	116,102	115,453
Group – At 30 June 2013	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	51,844	–	–	–	51,844	51,844
Variable rate	67,612	1,223	1,770	–	70,605	70,484
Fixed rate	1,493	1,504	2,773	3,971	9,741	8,776
	120,949	2,727	4,543	3,971	132,190	131,104

(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

30 June 2014

Note 26. 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. (from 9 May 2014)
Terence Richardson (from 28 August 2013 to 9 May 2014)
Francis Davis (from 1 July 2013 to 28 August 2013)

Executive director

David Lord, Managing Director* and CEO

Non-executive directors

R A Andrew Anderson*
Kay Antony*
Louis-Philippe Carrière (from 9 May 2014)
Michael Carroll*
Neville Fielke (from 28 August 2013)
John Gall (resigned 24 October 2013)
Robert Lane*
Terence Richardson (from 1 July 2013 to 28 August 2013 and from 9 May 2014)
Raymond Smith*
Bruce Vallance

*resigned as a Director on 9 May 2014

(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
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
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	General Manager Operations	The Warrnambool Cheese and Butter Factory Company Limited
John Williams	General Manager Sales, Marketing & Innovation	The Warrnambool Cheese and Butter Factory Company Limited
Ross Martin	General Manager ICT & Program Management Office	The Warrnambool Cheese and Butter Factory Company Limited

All of the above were other key management personnel in 2014.

	CONSOLIDATED	
	2014 \$	2013 \$
(c) Key management personnel compensation		
Short-term employee benefits	4,147,319	3,728,459
Post-employment benefits	302,943	283,734
Long-term benefits	1,277,474	129,765
	5,727,736	4,141,958

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

30 June 2014

Note 26. 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.

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)	–
Richard Wallace	50,976	(50,976)	–
John Williams	1,330	(1,330)	–
2013	Balance at start of year	Net change	Balance at year end
Directors			
R A Andrew Anderson	30,647	1,041	31,688
Kay Antony	1,334	6,205	7,539
Michael Carroll	–	–	–
Francis Davis	38,334	–	38,334
John Gall	1,267,641	170	1,267,811
David Lord	10,000	–	10,000
Terence Richardson	668	–	668
Raymond Smith	–	–	–
Bruce Vallance	72,022	2,392	74,414
Executives			
Anthony Cook	74,006	35	74,041
William Hannah	1,143	–	1,143
Bernard Kavanagh	597,841	–	597,841
Ross Martin	–	–	–
Paul Moloney	1,291	45	1,336
William Slater	921	–	921
Richard Wallace	49,297	1,679	50,976
John Williams	1,286	44	1,330

(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 a Supplier Director 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 30 June 2014 Supplier Director Terence Richardson, who is also a supplier of milk to the company, through a related party, had an interest free feed/fertiliser advance of \$34,105 which is due to be repaid in full by 12 February 2015.

(f) Other transactions with key management personnel

No other amounts were paid to key management personnel.

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$	2013 \$
Note 27. Remuneration of Auditors		
(a) Audit and other assurance services		
Coffey Hunt		
Audit and review of financial statements	275,530	156,000
Total remuneration for audit and other assurance services	275,530	156,000
(b) Taxation services		
Coffey Hunt		
Tax compliance services, including review of company tax returns	5,062	4,150
Total remuneration for taxation services	5,062	4,150
(c) Advisory services		
Coffey Hunt		
Other minor accounting services	22,950	–
Total remuneration for advisory services	22,950	–
Total remuneration for auditors	303,542	160,150

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	
	2014 \$'000	2013 \$'000
Note 28. Commitments		
(a) Capital commitments		
Commitments for the acquisition of plant & equipment contracted for at the reporting date but not recognised as liabilities payable	3,437	24,935
Not later than one year	3,437	24,935
(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	273	229
Later than one year but not later than five years	269	493
	542	722
<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	14
	37	14

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 28. 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 \$5,993,000 (2013: \$7,402,000) 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	2,361	2,015
Later than one year but not later than five years	4,161	6,287
Minimum Lease Payments	6,522	8,302
Less: Future finance charges	(528)	(900)
Total finance lease liability	5,994	7,402
Representing lease liabilities:		
Current (note 16)	2,058	1,636
Non-current (note 19)	3,935	5,786
	5,993	7,421

The weighted average interest rate implicit in the finance leases is 5.78% (2013: 5.93%).

Note 29. 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	
			2014 %	2013 %	2014 \$'000	2013 \$'000
Name of entity						
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 30.

Note 30. 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 31. 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 29.

Notes to the Financial Statements

30 June 2014

Note 31. Related Party Transactions (cont.)

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 26.

(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	
	2014 \$	2013 \$
The following transactions occurred with related parties:		
Sales of good and services		
Sale of wholemilk to subsidiaries	356,798,670	294,952,808
Directors		
At balance date Terence Richardson and Bruce 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 26(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	84,970,347	94,802,578
Loan advance	10,007,922	–
Loan repayments received	–	(9,832,231)
End of year	94,978,269	84,970,347

There is no interest charged on loans to subsidiaries.

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 32. Reconciliation of Profit/(Loss) after Income Tax to Net Cash Inflow (Outflow) from Operating Activities		
Operating Profit/(loss) after income tax	21,276	7,490
Depreciation and amortisation	12,661	11,847
Non-cash employee benefits expense – share-based payments	1,216	65
Fair value adjustment to investment property	–	(32)
Net (gain)/loss on sale of non-current assets	(210)	(392)
Share of (profits)/losses of joint ventures	(3,863)	(1,688)
Revaluation of foreign investment	(14)	17
Dividends received joint ventures	637	1,032
Fair value adjustments to derivatives	(195)	359
<i>Change in operating assets and liabilities:</i>		
Decrease (increase) in trade debtors	14,022	(17,896)
Decrease (increase) in inventories	(4,987)	978
Decrease (increase) in deferred tax assets	(8,043)	(4,665)
Increase (decrease) in trade creditors	6,041	(3,431)
Increase (decrease) in provision for income taxes payable	2,647	1,546
Increase (decrease) in deferred tax liabilities	3,846	5,354
Increase (decrease) in other provisions	1,259	385
Net Cash Inflow (Outflow) from Operating Activities	46,293	969

Notes to the Financial Statements

30 June 2014

Note 33. 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 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 year ended 30 June 2014 is as follows:

	Commodities \$'000	Consumer Goods \$'000	Other \$'000	Total \$'000
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 gains/(losses)				(846)
EBIT				32,431
30 June 2013				
Total segment revenue	784,170	56,870	21,110	862,150
Inter-segment revenue	(360,959)	(113)	(4,718)	(365,790)
Revenue from external customers	423,211	56,757	16,392	496,360
Adjusted EBIT	12,151	(2,045)	2,193	12,299
Share of joint ventures profits/(losses)				1,688
Unrealised financial instruments gain/(losses)				(399)
EBIT				13,588

(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	
	2014 \$'000	2013 \$'000
Total segment revenue	1,042,092	862,150
Intersegment eliminations	(433,188)	(365,790)
Interest revenue	91	145
Total revenue (note 2 and note 3)	608,995	496,505

Notes to the Financial Statements

30 June 2014

Note 33. 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	
	2014 \$'000	2013 \$'000
Adjusted EBIT	29,414	12,299
Interest revenue	91	145
Finance costs	(3,658)	(4,142)
Share of joint ventures' profits/(losses)	3,863	1,688
Unrealised financial instrument gains/(losses)	(846)	(399)
Profit/(loss) before income tax (expense)/benefit	28,863	9,591

Note 34. 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 30 June 2014 the maximum amount of the contingent liability was \$102,000 (2013: \$128,000).

	CONSOLIDATED	
	2014 Cents	2013 Cents
Note 35. Earnings Per Share		
(a) Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company	38.1	13.6
(b) Diluted earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company	38.1	13.6

	CONSOLIDATED	
	2014 Number of Shares	2013 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	55,849,455	55,096,794

Notes to the Financial Statements

30 June 2014

Note 36. Share-Based Payments

(a) Employee share scheme

A scheme under which shares may be issued by the Company to employees for no consideration was approved by shareholders at the 2004 annual general meeting. Eligible employees (excluding executive directors) are employees with at least one year's equivalent full time service and all casual/seasonal employees with at least two year's equivalent full time service.

Under the scheme, eligible employees may be granted up to \$1,000 worth of fully-paid ordinary shares in Warrnambool Cheese and Butter Factory Company Holdings Limited from time to time for no consideration. The market value of the shares issued under the scheme measured by the weighted average share price on the day of issue of the shares, is recognised in the balance sheet as share capital and as part of employee benefits expense in the period the shares are granted.

Offers under the scheme are at the discretion of the Company and shares may not be sold until the earlier of three years after issue or cessation of employment by the Group. In all other respects the shares rank equally with other fully paid ordinary shares on issue.

The number of shares issued to participants in the scheme is the offer amount divided by the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five days immediately before the date of the offer.

PARENT ENTITY		
	2014 Number of Shares	2013 Number of Shares
Shares issued under the plan to participating employees	–	9,078

(b) Executive Performance Rights Plan

A scheme under which shares may be issued by the company to executives for no consideration (Note1(x)).

Shares issued under the executive performance rights plan to participating executives	129,286	–
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Each participant was issued with shares based on the weighted average market price of \$9.41.

(c) 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		
	2014 \$'000	2013 \$'000
Shares issued under employee share scheme	–	34
Shares issued under the executive performance rights plan to participating executives	1,211	–

Notes to the Financial Statements

30 June 2014

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Note 37. 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 9).		
Information relating to all the joint ventures is set out below.		
Carrying amount of investment in joint ventures	26,917	23,705
Share of material joint venture's assets and liabilities		
Current assets	10,937	9,390
Non-current assets	29,133	31,649
Total assets	40,070	41,039
Current liabilities	2,048	2,991
Non-current liabilities	15,393	18,650
Total liabilities	17,440	21,640
Net assets	22,630	19,399
Share of material joint venture's revenue, expenses and results		
Revenues	19,099	15,566
Expenses	(14,508)	(14,998)
Profit/(loss) before income tax	4,591	568
Income tax (expense)/benefit	(1,360)	(127)
Total Comprehensive Income	3,231	441
Share of joint venture's assets and liabilities not individually material		
Current assets	17,613	20,369
Non-current assets	62	61
Total assets	17,675	20,431
Current liabilities	15,597	18,203
Non-current liabilities	–	36
Total liabilities	15,597	18,239
Net assets	2,078	2,192
Share of joint venture's revenue, expenses and results not individually material		
Revenues	60,175	42,752
Expenses	(59,145)	(40,700)
Profit/(loss) before income tax	1,030	2,052
Income tax (expense)/benefit	(399)	(805)
Total Comprehensive Income	632	1,247
Share of joint venture's commitments		
Capital commitments	199	345

Notes to the Financial Statements

30 June 2014

	PARENT ENTITY	
	2014 \$'000	2013 \$'000
Note 38. Parent Entity Information		
Parent entity assets and liabilities		
Current assets	116,027	113,850
Non-current assets	35,783	28,362
Total assets	151,810	142,212
Current liabilities	40,134	34,027
Non-current liabilities	–	1,625
Total liabilities	40,134	35,652
Net assets	111,676	106,560
Contributed equity	73,856	69,607
Retained profits	37,820	36,953
Total equity	111,676	106,560
Parent entity profit/(loss)		
Profit/(loss) before income tax	9,920	7,227
Income tax (expense)/benefit	(2,976)	(2,168)
Profit/(loss) after income tax	6,944	5,059
Parent entity total comprehensive income		
Total comprehensive income for the year	6,944	5,059

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes, as set out on pages 25 to 63, 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 30 June 2014 and of its performance for the financial year 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 30 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 30.

The directors have been given the declarations by 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



Neville Fielke
Independent Director

Allansford
20 August 2014

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 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year 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 year's end or from time to time during the financial year.

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 30 June 2014 and of their performance for the year 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 15 to 21 of the directors' report for the year ended 30 June 2014. 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 year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Coffey Hunt
Chartered Accountants

C.J. Kol
Partner

Dated at Warrnambool, 20 August 2014