ANNUAL
FINANCIAL RESULTS

FOR THE YEAR ENDED
31 JULY 2015

Fonterra™

Dairy for life

CONTENTS

DIRECTORS' STATEMENT

FOR THE YEAR ENDED 31 JULY 2015

The Directors of Fonterra Co-operative Group Limited (Fonterra) are pleased to present to Shareholders the Annual Report[1] and financial statements for Fonterra and its subsidiaries (together the Group) and the Group's interest in its equity accounted investees for the year ended 31 July 2015.

The Directors present financial statements for each financial year which fairly present the financial position of the Group and its financial performance and cash flows for that period.

The Directors consider the financial statements of the Group have been prepared using accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

The Directors hereby approve and authorise for issue the Annual Report for the year ended 31 July 2015. For and on behalf of the Board:

JOHN WILSON
CHAIRMAN
23 September 2015

DAVID JACKSON
DIRECTOR
23 September 2015

1 This document, in conjunction with the Fonterra Annual Review 2015, constitutes the 2015 Annual Report to Shareholders of Fonterra Co-operative Group Limited.

INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2015

	NOTES	GROUP $ MILLION 31 JULY 2015	GROUP $ MILLION 31 JULY 2014
Revenue from sale of goods		**18,845**	22,275
Cost of goods sold	2	**(15,567)**	(19,813)
Gross profit		**3,278**	2,462
Other operating income		**288**	139
Selling and marketing expenses		**(693)**	(593)
Distribution expenses		**(700)**	(499)
Administrative expenses		**(874)**	(762)
Other operating expenses		**(493)**	(356)
Net foreign exchange gains	19	**70**	39
Share of profit of equity accounted investees	18	**66**	73
Profit before net finance costs and tax	4	**942**	503
Finance income	8	**39**	13
Finance costs	8	**(557)**	(379)
Net finance costs		**(518)**	(366)
Profit before tax		**424**	137
Tax credit	20	**82**	42
Profit after tax		**506**	179
Profit after tax is attributable to:			
Equity holders of the Co-operative		**466**	157
Non-controlling interests		**40**	22
Profit after tax		**506**	179

		GROUP $ 31 JULY 2015	GROUP $ 31 JULY 2014
Earnings per share:			
Basic and diluted earnings per share	3	**0.29**	0.10

The accompanying notes form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2015

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Profit after tax	**506**	179
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges:		
– Net fair value (losses)/gains	**(1,361)**	732
– Transferred and reported in revenue from sale of goods	**501**	(505)
– Tax credit/(expense) on cash flow hedges	**241**	(63)
Net investment hedges:		
– Net fair value (losses)/gains on hedging instruments	**(164)**	25
– Tax credit/(expense) on net investment hedges	**46**	(7)
Available-for-sale investments:		
– Net fair value (losses) on available-for-sale investments	**(2)**	(1)
Foreign currency translation gains/(losses) attributable to equity holders	**385**	(207)
Foreign currency translation reserve transferred to income statement	**78**	–
Hyperinflation movements attributable to equity holders	**20**	–
Share of equity accounted investees' movements in reserves	**4**	(11)
Total items that may be reclassified subsequently to profit or loss	**(252)**	(37)
Items that will not be reclassified subsequently to profit or loss:		
Foreign currency translation (losses) attributable to non-controlling interests	**(6)**	(4)
Hyperinflation movements attributable to non-controlling interests	**13**	–
Total items that will not be reclassified subsequently to profit or loss	**7**	(4)
Total other comprehensive (expense) recognised directly in equity	**(245)**	(41)
Total comprehensive income	**261**	138
Total comprehensive income is attributable to:		
Equity holders of the Co-operative	**214**	120
Non-controlling interests	**47**	18
Total comprehensive income	**261**	138

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2015

		GROUP $ MILLION	
	NOTES	**31 JULY 2015**	31 JULY 2014
ASSETS			
Current assets			
Cash and cash equivalents		**342**	340
Trade and other receivables	9	**2,322**	1,950
Inventories	10	**3,025**	3,701
Tax receivable		**22**	20
Derivative financial instruments		**44**	303
Assets held for sale		**90**	58
Other current assets		**232**	112
Total current assets		**6,077**	6,484
Non-current assets			
Property, plant and equipment	13	**6,159**	5,091
Equity accounted investments	18	**1,185**	388
Livestock	14	**331**	202
Intangible assets	15	**3,273**	2,791
Deferred tax assets	20	**732**	231
Available-for-sale investments		**74**	74
Derivative financial instruments		**373**	154
Other non-current assets		**111**	114
Total non-current assets		**12,238**	9,045
Total assets		**18,315**	15,529
LIABILITIES			
Current liabilities			
Bank overdraft		**39**	21
Borrowings	7	**1,681**	1,534
Trade and other payables	11	**1,984**	1,638
Owing to suppliers	12	**159**	1,771
Tax payable		**39**	18
Derivative financial instruments		**993**	30
Provisions	21	**77**	47
Other current liabilities		**59**	74
Total current liabilities		**5,031**	5,133
Non-current liabilities			
Borrowings	7	**5,879**	3,364
Derivative financial instruments		**415**	415
Provisions	21	**186**	65
Deferred tax liabilities	20	**109**	5
Other non-current liabilities		**36**	13
Total non-current liabilities		**6,625**	3,862
Total liabilities		**11,656**	8,995
Net assets		**6,659**	6,534
EQUITY			
Subscribed equity		**5,814**	5,807
Retained earnings		**1,289**	1,059
Foreign currency translation reserve		**(110)**	(455)
Cash flow hedge reserve		**(537)**	82
Other reserves		**17**	(1)
Total equity attributable to equity holders of the Co-operative		**6,473**	6,492
Non-controlling interests		**186**	42
Total equity		**6,659**	6,534

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2015

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE CO-OPERATIVE							
GROUP $ MILLION	SUBSCRIBED EQUITY	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	CASH FLOW HEDGE RESERVE	OTHER RESERVES	TOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As at 1 August 2014	**5,807**	**1,059**	**(455)**	**82**	**(1)**	**6,492**	**42**	**6,534**
Profit after tax	**–**	**466**	**–**	**–**	**–**	**466**	**40**	**506**
Other comprehensive income/(expense)	**–**	**4**	**345**	**(619)**	**18**	**(252)**	**7**	**(245)**
Total comprehensive income/(expense)	**–**	**470**	**345**	**(619)**	**18**	**214**	**47**	**261**
Transactions with equity holders in their capacity as equity holders:								
Dividend paid to equity holders of the Co-operative	**–**	**(240)**	**–**	**–**	**–**	**(240)**	**–**	**(240)**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**120**	**120**
Equity instruments issued	**7**	**–**	**–**	**–**	**–**	**7**	**–**	**7**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(23)**	**(23)**
As at 31 July 2015	**5,814**	**1,289**	**(110)**	**(537)**	**17**	**6,473**	**186**	**6,659**
As at 1 August 2013	5,807	1,249	(266)	(82)	–	6,708	40	6,748
Profit after tax	–	157	–	–	–	157	22	179
Other comprehensive (expense)/income	–	(11)	(189)	164	(1)	(37)	(4)	(41)
Total comprehensive income/(expense)	–	146	(189)	164	(1)	120	18	138
Transactions with equity holders in their capacity as equity holders:								
Dividend paid to equity holders of the Co-operative	–	(336)	–	–	–	(336)	–	(336)
Dividend paid to non-controlling interests	–	–	–	–	–	–	(16)	(16)
As at 31 July 2014	5,807	1,059	(455)	82	(1)	6,492	42	6,534

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2015

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Cash flows from operating activities		
Profit before net finance costs and tax	**942**	503
Adjustments for:		
Foreign exchange (gains)/losses	**(70)**	11
Depreciation and amortisation	**561**	538
Movement in provisions	**(157)**	132
Other	**(63)**	(41)
	271	640
Decrease/(increase) in working capital:		
Inventories	**809**	(757)
Trade and other receivables	**182**	(111)
Amounts owing to suppliers	**(1,612)**	1,060
Payables and accruals	**104**	111
Other movements	**27**	(28)
Total	**(490)**	275
Cash generated from operations	**723**	1,418
Net taxes paid	**(55)**	(51)
Net cash flows from operating activities	**668**	1,367
Cash flows from investing activities		
Cash was provided from:		
– Proceeds from sale of business operations	**62**	46
– Proceeds from disposal of property, plant and equipment	**20**	12
– Proceeds from sale of livestock	**30**	13
– Other cash inflows	**36**	8
Cash was applied to:		
– Acquisition of business operations	**(771)**	(18)
– Acquisition of available-for-sale investments	**–**	(78)
– Acquisition of property, plant and equipment	**(1,189)**	(791)
– Acquisition of livestock	**(121)**	(88)
– Acquisition of intangible assets	**(104)**	(102)
– Other cash outflows	**(3)**	(11)
Net cash flows from investing activities	**(2,040)**	(1,009)
Cash flows from financing activities		
Cash was provided from:		
– Proceeds from borrowings	**7,470**	4,241
– Interest received	**8**	13
– Other cash inflows	**–**	8
Cash was applied to:		
– Interest paid	**(427)**	(332)
– Repayment of borrowings	**(5,443)**	(3,894)
– Settlement of borrowing derivatives	**–**	(24)
– Dividends paid to non-controlling interests	**(23)**	(16)
– Dividends paid to equity holders of the Co-operative	**(233)**	(336)
Net cash flows from financing activities	**1,352**	(340)
Net (decrease)/increase in cash and cash equivalents	**(20)**	18
Cash and cash equivalents at the beginning of the year	**319**	329
Effect of exchange rate changes on cash balances	**4**	(28)
Cash and cash equivalents at the end of the year	**303**	319
Reconciliation of closing cash balances to the statement of financial position:		
Cash and cash equivalents	**342**	340
Bank overdraft	**(39)**	(21)
Closing cash balances	**303**	319

The accompanying notes form part of these financial statements.

BASIS OF PREPARATION

FOR THE YEAR ENDED 31 JULY 2015

A) GENERAL INFORMATION

Fonterra Co-operative Group Limited (Fonterra or the Co-operative) is a co-operative company incorporated and domiciled in New Zealand. Fonterra is registered under the Companies Act 1993 and the Co-operative Companies Act 1996, and is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. Fonterra is also required to comply with the Dairy Industry Restructuring Act 2001.

These financial statements comprise Fonterra and its subsidiaries (together referred to as the Group) and the Group's interest in its equity accounted investees after adjustments to align to the accounting policies of the Group.

The Group operates predominantly in the international dairy industry and is a profit-oriented entity. The Group is primarily involved in the collection, manufacture and sale of milk and milk derived products and in fast moving consumer goods and foodservice businesses.

B) BASIS OF PREPARATION

These financial statements comply with International Financial Reporting Standards (IFRS).These financial statements also comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). In accordance with the Financial Market Conducts Act 2013, where a reporting entity prepares consolidated financial statements, parent company disclosures are not required. As such these financial statements now present the consolidated results of the Group.

These financial statements are prepared on a historical cost basis, except for derivative financial instruments, available-for-sale assets, livestock and the hedged risks on certain debt instruments, which are recognised at their fair values.

These financial statements are presented in New Zealand Dollars ($ or NZD), which is Fonterra's functional currency, and rounded to the nearest million, except where otherwise stated.

In the process of applying the Group's accounting policies, management make a number of judgements, estimates of future events, and assumptions. These are all believed to be reasonable based on the most current set of circumstances available to the Group. Judgements and estimates that have the most significant effect on the amounts recognised in the financial statements are described below and in the following notes:

Intangible assets (Note 15)

The recoverability of the carrying value of goodwill and indefinite life brands is assessed at least annually to ensure they are not impaired. Performing this assessment requires management to estimate future cash flows, pre tax discount rates and terminal growth rates.

Provisions and contingent liabilities (Note 21)

Legal counsel or other experts are consulted on matters that may give rise to a provision or a contingent liability. Estimates and assumptions are made in determining the likelihood, amount and timing of cash outflows when the outcome is uncertain.

Taxation (Note 20)

Estimates are required relating to the amount of tax that will ultimately be payable and the availability and utilisation of losses to be carried forward. Judgement is required in determining the provision for taxes as tax treatment is often by its nature complex, and may not be finally determined until a formal resolution has been reached with the relevant tax authority. Judgement is also required in assessing the amount of deferred tax asset that can be recognised. Deferred tax assets relating to tax losses carried forward can only be recognised if it is probable that they can be used. A deferred tax asset can be used if there are future taxable profits to offset against the losses carried forward. This requires management to assess the likelihood, timing and expected amount of future taxable profits.

C) BASIS OF CONSOLIDATION

In preparing these financial statements, subsidiaries are fully consolidated from the date the Group gains control until the date on which control ceases. The Group's share of results of equity accounted investments is included in the consolidated financial statements from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. All intercompany transactions are eliminated.

Translation of the financial statements into NZD

The assets and liabilities of Group companies whose functional currency is not NZD are translated into NZD at the year end exchange rate. The revenue and expenses of these companies are translated into NZD at rates approximating those at the dates of the transactions. Exchange differences arising on this translation are recognised in the foreign currency translation reserve. On disposal or partial disposal of an entity, the related exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. The financial statements of a subsidiary in a hyperinflationary economy are translated into NZD at the year end exchange rate.

The government in Venezuela has established multiple foreign currency systems. For consolidation, Fonterra translates its operations in Venezuela using the rate most representative of the entity's economic circumstances, taking into consideration management's intention to reinvest in the Venezuelan operations.

D) NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

i) New and amended standards adopted by the Group

The Group has early adopted the amendments to NZ IAS 1 Presentation of Financial Statements, which clarifies existing requirements relating to materiality, order of the notes, subtotals, accounting policies and disaggregation. These amendments support the new structure of these financial statements.

ii) New and amended standards issued but not yet effective

New and amended standards that could be expected to have a material impact on the Group's financial statements, which were available for early adoption but have not been adopted, are stated below. At this time it is not possible to reasonably estimate the impact of the adoption of these standards.

- NZ IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets, financial liabilities, impairment of financial assets and hedge accounting.
- NZ IFRS 15 Revenue from Contracts with Customers establishes the framework for revenue recognition.

There are no other new or amended standards that are issued but not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2015

FINANCIAL STATEMENTS PRESENTATION

Fonterra is pleased to present a new structure for our financial statements. The new structure has been designed to improve the clarity and usefulness of this report. The report has been structured under the following categories:

- Performance
- Debt and equity
- Working capital
- Long term assets
- Investments
- Financial risk management
- Other

Significant accounting policies which are relevant to an understanding of the financial statements and summarise the measurement basis used are provided throughout the Notes in blue frames.

PERFORMANCE

This section focuses on Fonterra's financial performance and the returns provided to equity holders.

This section includes the following Notes:

Note 1: Segment reporting

Note 2: Cost of goods sold

Note 3: Earnings per share

Note 4: Profit before net finance costs and tax

1 SEGMENT REPORTING

a) Operating segments

The Group has five reportable segments that reflect the Group's management and reporting structure as viewed by the Fonterra Management Team.

During the year ended 31 July 2014, transactions between segments were based on estimated market prices adjusted for the difference between the Farmgate Milk Price calculated in accordance with the Farmgate Milk Price Manual and that determined by the Board. During the year ended 31 July 2015, transactions between segments were based on estimated market prices.

REPORTABLE SEGMENT	DESCRIPTION
Global Ingredients and Operations (formerly New Zealand Milk Products (NZMP))	Represents the collection, processing and distribution of New Zealand milk, global sales and marketing of New Zealand and non-New Zealand milk products (including North Asia), Global Brands and Nutrition, Co-operative Affairs and Group Services.
Oceania	Represents Fast Moving Consumer Goods (FMCG) businesses in New Zealand (including export to the Pacific Islands) and all FMCG and ingredients businesses in Australia (including Milk Supply and Manufacturing). It includes foodservice sales in Australia and New Zealand, and Fonterra Farm Source stores.
Asia	Represents FMCG and foodservice businesses in Asia (excluding North Asia and Greater China), Africa and the Middle East.
Greater China	Represents FMCG, foodservice and farming businesses in Greater China.
Latin America	Represents FMCG and ingredients businesses in South America and the Caribbean.

From 1 August 2014, Greater China has been reported separately from Asia. In addition, Fonterra's organisational structure was realigned and as a result the Taiwanese ingredients business has moved out of Greater China into Global Ingredients and Operations. Comparatives have been restated to reflect these changes.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

a) Operating segments continued

	GROUP $ MILLION						
	GLOBAL INGREDIENTS AND OPERATIONS	OCEANIA	ASIA	GREATER CHINA	LATIN AMERICA	ELIMINATIONS	TOTAL GROUP
Segment income statement							
Year ended 31 July 2015							
External revenue	11,497	2,802	1,551	807	2,188	–	18,845
Inter-segment revenue	1,575	483	181	–	2	(2,241)	–
Revenue from sale of goods	13,072	3,285	1,732	807	2,190	(2,241)	18,845
Cost of goods sold	(11,576)	(2,873)	(1,224)	(599)	(1,516)	2,221	(15,567)
Segment gross profit	1,496	412	508	208	674	(20)	3,278
Selling and marketing expenses	(109)	(141)	(176)	(135)	(132)	–	(693)
Distribution expenses	(217)	(164)	(33)	(10)	(276)	–	(700)
Administrative and other operating expenses	(773)	(296)	(105)	(81)	(162)	50	(1,367)
Segment operating expenses	(1,099)	(601)	(314)	(226)	(570)	50	(2,760)
Net other operating income	120	40	2	18	158	(50)	288
Net foreign exchange gains/(losses)	83	(1)	(4)	–	(8)	–	70
Share of profit of equity accounted investees	62	7	–	(5)	2	–	66
Segment earnings before net finance costs and tax	662	(143)	192	(5)	256	(20)	942
Normalisation adjustments	37	119	3	1	(128)	–	32
Normalised segment earnings before net finance costs and tax	699	(24)	195	(4)	128	(20)	974
Normalisation adjustments							(32)
Finance income							39
Finance costs							(557)
Profit before tax							424
Profit before tax includes the following amounts:							
Depreciation	(321)	(66)	(10)	(19)	(37)	–	(453)
Amortisation	(77)	(25)	(3)	(1)	(2)	–	(108)
Normalisation adjustments consist of the following amounts:							
Net gain on Latin America strategic realignment[1]	–	–	–	–	(129)	–	(129)
Impairment of assets in Australia[2]	–	108	–	–	–	–	108
Restructuring and redundancy provisions[3]	17	11	3	1	1	–	33
Time value of options[4]	20	–	–	–	–	–	20
Total normalisation adjustments	37	119	3	1	(128)	–	32
Segment asset information:							
As at and for the year ended 31 July 2015							
Equity accounted investments	276	42	–	858	9	–	1,185
Capital expenditure[5]	930	93	36	382	90	–	1,531

1 Of the $129 million normalisation adjustment, $141 million relates to other operating income, $4 million to cost of goods sold and $8 million to other operating expenses. Refer Note 16.

2 Of the $108 million normalisation adjustment, $58 million relates to other operating expenses and $50 million to cost of goods sold.

3 The $33 million normalisation adjustment relates to administrative and other operating expenses.

4 The $20 million normalisation adjustment relates to net foreign exchange losses.

5 Capital expenditure comprises purchases of property, plant and equipment and intangible assets, and net purchases of livestock.

a) **Operating segments** continued

	GROUP $ MILLION						
	GLOBAL INGREDIENTS AND OPERATIONS	OCEANIA	ASIA	GREATER CHINA	LATIN AMERICA	ELIMINATIONS	TOTAL GROUP
Segment income statement							
Year ended 31 July 2014							
External revenue	16,160	2,979	1,415	618	1,103	–	22,275
Inter-segment revenue	1,915	621	195	–	58	(2,789)	–
Revenue from sale of goods	18,075	3,600	1,610	618	1,161	(2,789)	22,275
Cost of goods sold	(17,032)	(3,017)	(1,224)	(436)	(894)	2,790	(19,813)
Segment gross profit	1,043	583	386	182	267	1	2,462
Selling and marketing expenses	(106)	(137)	(187)	(111)	(52)	–	(593)
Distribution expenses	(184)	(182)	(31)	(7)	(95)	–	(499)
Administrative and other operating expenses	(673)	(255)	(110)	(56)	(51)	27	(1,118)
Segment operating expenses	(963)	(574)	(328)	(174)	(198)	27	(2,210)
Net other operating income	96	18	4	22	26	(27)	139
Net foreign exchange gains/(losses)	50	(1)	(12)	–	2	–	39
Share of profit of equity accounted investees	54	5	–	–	14	–	73
Segment earnings before net finance costs and tax	280	31	50	30	111	1	503
Finance income							13
Finance costs							(379)
Profit before tax							137
Profit before tax includes the following amounts:							
Depreciation	(323)	(72)	(8)	(8)	(26)	–	(437)
Amortisation	(75)	(22)	(3)	–	(1)	–	(101)
Segment asset information:							
As at and for the year ended 31 July 2014							
Equity accounted investments	218	36	–	–	134	–	388
Capital expenditure[1]	602	93	32	198	44	–	969

1 Capital expenditure comprises purchases of property, plant and equipment and intangible assets, and net purchases of livestock.

There were no normalisation adjustments for the year ended 31 July 2014.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

b) Strategic platforms

The Group also presents financial information that reflects Fonterra's strategic platforms. These strategic platforms are organised on a different basis than the Group's operating segments presented in section a) of this note. The basis of presentation is explained in the table below.

Fonterra considers this information is useful as it provides more clarity on the financial performance of the ingredients, consumer and foodservice, and international farming businesses.

PLATFORM	DESCRIPTION
Ingredients	Represents the Global Ingredients and Operations reportable segment, the ingredients businesses in Australia and South America, and Fonterra Farm Source stores, and excludes the foodservice businesses in Asia and Greater China and unallocated costs.
Consumer and foodservice	
– Oceania	Represents the Oceania reportable segment, excluding the ingredients business in Australia and Fonterra Farm Source stores.
– Asia	Represents the Asia reportable segment and the Asia foodservice business reported in Global Ingredients and Operations.
– Greater China	Represents the Greater China reportable segment, excluding International Farming and including the foodservice business in Greater China reported in Global Ingredients and Operations.
– Latin America	Represents the Latin America reportable segment excluding the ingredients businesses in South America.
International Farming	Represents China farming operations.

	GROUP 31 JULY 2015								
	INGREDIENTS	CONSUMER AND FOODSERVICE					INTERNATIONAL FARMING	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
		OCEANIA	ASIA	GREATER CHINA	LATIN AMERICA	TOTAL			
Volume[1] (liquid milk equivalents, billion)	**21.5**	**1.7**	**1.6**	**0.6**	**0.6**	**4.5**	**0.2**	**(3.4)**	**22.8**
Volume[1] (metric tonnes, thousand)	**2,982**	**619**	**284**	**122**	**660**	**1,685**	**164**	**(528)**	**4,303**
Sales revenue[1] ($ million)	**14,341**	**2,021**	**1,918**	**729**	**2,033**	**6,701**	**141**	**(2,338)**	**18,845**
Normalised EBIT ($ million)	**973**	**51**	**202**	**45**	**110**	**408**	**(44)**	**(363)**	**974**
Capital employed[2] ($ million)	**8,592**	**465**	**145**	**45**	**403**	**1,058**	**594**	**(757)**	**9,487**
Return on capital[3] (%)	**9.3%**	**5.0%**	**96.2%**	**71.5%**	**18.6%**	**25.5%**	**(7.3)%**		**8.9%**

For the year ended 31 July 2015 the Group's return on capital including intangible assets, goodwill and equity accounted investments, was 6.9 per cent.

	GROUP 31 JULY 2014								
	INGREDIENTS	CONSUMER AND FOODSERVICE					INTERNATIONAL FARMING	UNALLOCATED COSTS AND ELIMINATIONS	TOTAL
		OCEANIA	ASIA	GREATER CHINA	LATIN AMERICA	TOTAL			
Volume[1] (liquid milk equivalents, billion)	21.7	1.8	1.2	0.4	0.5	3.9	0.1	(3.5)	22.2
Volume[1] (metric tonnes, thousand)	3,052	631	274	92	328	1,325	100	(512)	3,965
Sales revenue[1] ($ million)	19,553	2,102	1,811	560	848	5,321	103	(2,702)	22,275
Normalised EBIT ($ million)	679	(24)	51	8	94	129	21	(326)	503
Capital employed[2] ($ million)	9,403	294	154	(23)	220	645	288	(1,843)	8,493
Return on capital[3] (%)	5.6%	(15.0)%	17.0%	N/A	24.6%	5.9%	7.1%		4.7%

For the year ended 31 July 2014 the Group's return on capital including intangible assets, goodwill and equity accounted investments, was 4.1 per cent.

1 Includes sales to other strategic platforms. Total column represents total external sales.

2 Capital employed excludes brands, goodwill and equity accounted investments.

3 Return on capital is calculated as normalised EBIT, less equity accounted investees' earnings, less a notional royalty charge for use of the Group's brands, less a notional tax charge, divided by capital employed.

c) Geographical revenue

	GROUP $ MILLION								
	CHINA	REST OF ASIA	AUSTRALIA	NEW ZEALAND	USA	EUROPE	LATIN AMERICA	REST OF WORLD	TOTAL
Geographical segment external revenue:									
Year ended 31 July 2015	**2,111**	**5,222**	**1,560**	**1,882**	**1,198**	**725**	**3,113**	**3,034**	**18,845**
Year ended 31 July 2014	5,537	5,787	1,666	2,162	1,014	946	1,802	3,361	22,275

Revenue is allocated to geographical segments on the basis of the destination of the goods sold.

d) Non-current assets

	GROUP $ MILLION							
	GLOBAL INGREDIENTS AND OPERATIONS		OCEANIA		ASIA	GREATER CHINA	LATIN AMERICA	TOTAL GROUP
	NEW ZEALAND	REST OF WORLD	NEW ZEALAND	AUSTRALIA				
Geographical segment reportable non-current assets:								
As at 31 July 2015	**4,783**	**464**	**1,394**	**814**	**822**	**1,751**	**1,105**	**11,133**
As at 31 July 2014	4,300	391	1,387	1,022	705	410	445	8,660

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Reconciliation of geographical segment non-current assets to total non-current assets:		
Geographical segment non-current assets	**11,133**	8,660
Deferred tax assets	**732**	231
Derivative financial instruments	**373**	154
Total non-current assets	**12,238**	9,045

2 COST OF GOODS SOLD

Cost of goods sold is primarily made up of New Zealand sourced cost of milk.

New Zealand sourced cost of milk includes the cost of milk supplied by farmer shareholders, supplier premiums paid, and the cost of milk purchased from contract suppliers during the financial year.

New Zealand sourced cost of milk supplied by farmer shareholders comprises the volume of milk solids supplied at the Farmgate Milk Price as determined by the Board for the relevant season. In making that determination the Board takes into account the Farmgate Milk Price calculated in accordance with the Farmgate Milk Price Manual, which is independently audited.

For the year ended 31 July 2014, the Fonterra Board announced a Farmgate Milk Price lower than that calculated in accordance with the Farmgate Milk Price Manual.

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Opening inventory	**3,701**	3,078
Cost of Milk:		
– New Zealand sourced	**7,121**	13,226
– Non-New Zealand sourced	**1,151**	1,192
Other purchases	**6,619**	6,018
Closing inventory	**(3,025)**	(3,701)
Total cost of goods sold	**15,567**	19,813

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

3 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Co-operative by the weighted average number of Co-operative shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to equity holders of the Co-operative and the weighted average number of Co-operative shares outstanding for the effects of all Co-operative shares with dilutive potential. There were no Co-operative shares with dilutive potential for either of the years presented.

	GROUP	
	31 JULY 2015	31 JULY 2014
Basic and diluted earnings per share attributable to equity holders of the Co-operative ($)	**0.29**	0.10
Earnings attributable to equity holders of the Co-operative ($ million)	**466**	157
Weighted average number of shares (thousands of shares)	**1,598,464**	1,597,834

4 PROFIT BEFORE NET FINANCE COSTS AND TAX

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
The following items have been included in profit before net finance costs and tax:		
Auditors' remuneration:		
– Fees paid for the audit or review of the financial statements	**5**	5
– Fees paid for other services[1]	**1**	1
Operating lease expense	**76**	66
Research and development costs	**83**	87
Donations	**1**	1
Research and development grants received from government	**(5)**	(5)
Total employee benefits expense	**2,178**	1,717
Contributions to defined contribution plans included in employee benefits expense	**74**	61

1 The Group uses the services of PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise and experience with the Group are important and auditor independence is not impaired. Other services include advisory services $0.5 million (31 July 2014: $0.3 million) and other assurance and attestation services $0.1 million (31 July 2014: $0.2 million).

DEBT AND EQUITY

This section outlines Fonterra's capital structure and the related financing costs. It also provides details on how the funds that finance current and future activities are raised and on how the Group manages liquidity risk and interest rate risk.

This section includes the following Notes:

Note 5: Subscribed equity instruments

Note 6: Dividends paid

Note 7: Borrowings

Note 8: Net finance costs

5 SUBSCRIBED EQUITY INSTRUMENTS

Subscribed equity instruments comprise Co-operative shares and units in the Fonterra Shareholders' Fund. Incremental costs directly attributable to equity transactions are recognised as a deduction from subscribed equity.

Co-operative shares, including shares held within the Group

Co-operative shares may only be held by a shareholder supplying milk to the Company (farmer shareholder), by former farmer shareholders for up to three seasons after cessation of milk supply, or by Fonterra Farmer Custodian Limited (the Custodian). Voting rights in the Company are dependent on milk supply supported by Co-operative shares[1].

	CO-OPERATIVE SHARES (THOUSANDS)
Balance at 1 August 2014	1,597,834
Shares issued[2]	1,260
Shares surrendered	–
Balance at 31 July 2015	**1,599,094**

1 These rights are also attached to vouchers when backed by milk supply (subject to limits).

2 1,260,116 shares with a total value of $7 million were issued under the Dividend Reinvestment Plan during the year ended 31 July 2015.

No shares were issued or surrendered during the year ended 31 July 2014.

The rights attaching to Co-operative shares are set out in Fonterra's Constitution, available in the 'About/Our Governance' section of Fonterra's website.

Units in the Fonterra Shareholders' Fund

The Custodian holds legal title of Co-operative shares of which the Economic Rights have been sold to the Fund on trust for the benefit of the Fund. At 31 July 2015, 105,480,366 Co-operative shares (31 July 2014: 109,777,717) were legally owned by the Custodian, on trust for the benefit of the Fund.

	UNITS (THOUSANDS)
Balance at 1 August 2014	**109,778**
Units issued	**21,906**
Units surrendered	**(26,204)**
Balance at 31 July 2015	**105,480**
Balance at 1 August 2013	107,969
Units issued	13,116
Units surrendered	(11,307)
Balance at 31 July 2014	109,778

The rights attaching to units are set out in the Trust Deed constituting the Fonterra Shareholders' Fund, available in the 'Financial/Trading Among Farmers' section of Fonterra's website.

Capital management and structure

The Board's objective is to maximise equity holder returns over time by maintaining an optimal capital structure. As part of the key financial risk management activities undertaken by the Group, Trading Among Farmers (TAF) was launched in November 2012 to support the establishment of the Fonterra Shareholders' Market. The establishment of the Fonterra Shareholders' Market eliminates redemption risk and provides a permanent capital base for the Co-operative.

The Group provides returns to farmer shareholders through a milk price, and to equity holders through dividends and changes in the Company's share price.

The Fund is subject to the issue and redemption of units at the discretion of Fonterra and Fonterra's farmer shareholders. Fonterra has an interest in ensuring the stability of the Fund and has established a Fund Size Risk Management Policy, which requires that the number of units on issue remain within specified limits and that within these limits, the number of units is managed appropriately. Fonterra may use a range of measures to ensure the Fund size remains within the specified limits, including introducing or cancelling a dividend reinvestment plan, operating a unit and/or share repurchase programme and issuing new shares.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

6 DIVIDENDS PAID

All Co-operative shares, including those held by the Fonterra Farmer Custodian Limited (the Custodian) on trust for the benefit of the Fonterra Shareholders' Fund (the Fund), are eligible to receive dividends if declared by the Board. Dividends paid to the Custodian are passed on to unit holders by the FSF Management Company Limited (the Manager).

Dividends are recognised as a liability in the Group's financial statements in the period in which they are declared by the Board.

	$ MILLION	
DIVIDENDS	**YEAR ENDED 31 JULY 2015**	YEAR ENDED 31 JULY 2014
2015 Interim dividend – 10.0 cents per share[1]	**160**	–
2014 Final dividend – 5.0 cents per share[2]	**80**	–
2014 Interim dividend – 5.0 cents per share[3]	**–**	80
2013 Final dividend – 16.0 cents per share[4]	**–**	256

1 Declared on 24 March 2015 and paid on 20 April 2015 to all Co-operative shares on issue at 10 April 2015. The Dividend Reinvestment Plan applied to this interim dividend.

2 Declared on 23 September 2014 and paid on 20 October 2014 to all Co-operative shares on issue at 9 October 2014.

3 Declared on 25 March 2014 and paid on 17 April 2014 to all Co-operative shares on issue at 10 April 2014.

4 Declared on 24 September 2013 and paid on 18 October 2013 to all Co-operative shares on issue at 10 October 2013.

Dividends declared after balance date

On 23 September 2015, the Board declared a final dividend of 15 cents per share, to be paid on 20 October 2015 to all Co-operative shares on issue at 8 October 2015.

Fonterra has a Dividend Reinvestment Plan, where eligible shareholders can choose to reinvest all or part of their future dividend in additional Co-operative shares. The Dividend Reinvestment Plan does apply to this dividend. Full details of the Dividend Reinvestment Plan are available on the financial section of Fonterra's website.

7 BORROWINGS

The Group borrows in the form of bonds, bank facilities and other financial instruments. The interest expense incurred on Fonterra's borrowings is shown in Note 8.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method, with the hedged risks on certain debt instruments measured at fair value. Changes in fair value of those hedged risks are recognised in the income statement, except where they relate to borrowings classified as net investment hedges and cash flow hedges and recorded directly in other comprehensive income.

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Commercial paper	**473**	464
Bank loans	**1,717**	437
Finance leases	**169**	180
Capital notes	**35**	35
NZX listed bonds	**500**	948
Medium-term notes	**4,666**	2,834
Total borrowings	**7,560**	4,898
Included within the statement of financial position as follows:		
Total current borrowings	**1,681**	1,534
Total non-current borrowings	**5,879**	3,364
Total borrowings	**7,560**	4,898

- Finance leases are secured over the related item of property, plant and equipment (Note 13).
- Capital notes are unsecured subordinated borrowings.
- All other borrowings are unsecured and unsubordinated.

7 BORROWINGS CONTINUED

Leverage ratios

The Board closely monitors the Group's leverage ratios, which include the gearing ratio and debt coverage ratios (debt payback and interest coverage ratios). The primary debt payback ratios comprise funds from operations divided by economic net interest bearing debt, and economic net interest bearing debt divided by EBITDA. The gearing ratio is calculated as economic net interest bearing debt divided by total capital. Economic net interest bearing debt is calculated in the table below. Total capital is calculated as equity, as presented in the statement of financial position (excluding the cash flow hedge reserve), plus economic net interest bearing debt. The gearing ratio as at 31 July 2015 was 49.7 per cent (31 July 2014: 42.3 per cent).The Group is not subject to externally imposed capital requirements.

Economic net interest bearing debt

Economic net interest bearing debt reflects the effect of debt hedging in place at balance date.

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Net interest bearing debt position		
Total borrowings	7,560	4,898
Cash and cash equivalents	(342)	(340)
Interest bearing advances included in other non-current assets	(65)	(81)
Bank overdraft	39	21
Net interest bearing debt	7,192	4,498
Value of derivatives used to manage changes in hedged risks and other foreign exchange movements on debt	(72)	234
Economic net interest bearing debt	7,120	4,732

Finance leases

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Finance leases – minimum lease payments		
Not later than one year	37	20
Later than one year and not later than five years	175	82
Later than five years	8	136
	220	238
Future finance charges on finance leases	(51)	(58)
Present value of finance leases	169	180
The present value of finance leases is as follows:		
Not later than one year	26	9
Later than one year and not later than five years	136	42
Later than five years	7	129
Total present value of finance leases	169	180

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has a policy in place to ensure that it has sufficient cash or facilities on demand to meet expected operational expenses for a period of at least 80 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In such situations back-up funding lines are maintained and as set out in the Company's constitution, the Company can defer payments to farmer shareholders if necessary.

The Group manages its liquidity by retaining cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Fonterra's funding facilities are reviewed at least annually, which is one of the key financial risk management activities undertaken by the Group to ensure an appropriate maturity profile given the nature of the Group's business. At balance date the Group had undrawn lines of credit totalling $2,520 million (31 July 2014: $3,215 million).

Liquidity and refinancing risks are also managed by ensuring that Fonterra can maintain access to funding markets throughout the world. To that end, Fonterra maintains debt issuance programmes in a number of key markets and manages relationships with international investors.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

7 BORROWINGS CONTINUED

Exposure to liquidity risk

The following tables show the timing of the gross contractual cash flows of the Group's financial instruments.

	GROUP $ MILLION					
	AS AT 31 JULY 2015					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	3 MONTHS OR LESS	3–12 MONTHS	1–5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities						
Borrowings						
– Commercial paper	(473)	(475)	(415)	(60)	–	–
– Bank loans	(1,717)	(1,818)	(150)	(320)	(1,348)	–
– Finance leases	(169)	(220)	(21)	(16)	(175)	(8)
– Capital notes	(35)	(44)	(1)	(1)	(7)	(35)
– NZX listed bonds	(500)	(610)	(13)	(163)	(61)	(373)
– Medium-term notes	(4,666)	(6,104)	(285)	(528)	(2,117)	(3,174)
Bank overdraft	(39)	(40)	(16)	(24)	–	–
Owing to suppliers	(159)	(159)	(159)	–	–	–
Trade and other payables (excluding employee entitlements)	(1,697)	(1,697)	(1,697)	–	–	–
Financial guarantees issued[1]	–	(31)	(31)	–	–	–
Total non-derivative financial liabilities	(9,455)	(11,198)	(2,788)	(1,112)	(3,708)	(3,590)
Derivative financial instruments						
Gross settled derivatives						
– Inflow		18,308	9,123	5,572	1,578	2,035
– Outflow		(19,379)	(9,388)	(6,187)	(1,726)	(2,078)
Total gross settled derivative financial instruments	(877)	(1,071)	(265)	(615)	(148)	(43)
Net settled derivatives	(114)	(102)	(20)	34	(100)	(16)
Total financial instruments	(10,446)	(12,371)	(3,073)	(1,693)	(3,956)	(3,649)

1 Maximum cash flows under guarantees provided by the Group.

	GROUP $ MILLION					
	AS AT 31 JULY 2014					
	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	3 MONTHS OR LESS	3–12 MONTHS	1–5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities						
Borrowings						
– Commercial paper	(464)	(466)	(354)	(112)	–	–
– Bank loans	(437)	(452)	(165)	(150)	(137)	–
– Finance leases	(180)	(238)	(5)	(15)	(82)	(136)
– Capital notes	(35)	(44)	–	(1)	(8)	(35)
– NZX listed bonds	(948)	(1,017)	(21)	(836)	(160)	–
– Medium-term notes	(2,834)	(3,826)	(41)	(179)	(1,608)	(1,998)
Bank overdraft	(21)	(22)	(21)	(1)	–	–
Owing to suppliers	(1,771)	(1,771)	(1,771)	–	–	–
Trade and other payables (excluding employee entitlements)	(1,418)	(1,418)	(1,418)	–	–	–
Financial guarantees issued[1]	–	(56)	(56)	–	–	–
Total non-derivative financial liabilities	(8,108)	(9,310)	(3,852)	(1,294)	(1,995)	(2,169)
Derivative financial instruments						
Gross settled derivatives						
– Inflow		20,128	11,988	5,979	1,568	593
– Outflow		(20,359)	(11,912)	(5,731)	(1,783)	(933)
Total gross settled derivative financial instruments	4	(231)	76	248	(215)	(340)
Net settled derivatives	8	(108)	(16)	23	(66)	(49)
Total financial instruments	(8,096)	(9,649)	(3,792)	(1,023)	(2,276)	(2,558)

1 Maximum cash flows under guarantees provided by the Group.

7 BORROWINGS CONTINUED

Interest rate risk

The Group's interest rate risk arises from its borrowings and funds on deposit. Borrowings issued and funds on deposit held 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.

The Group borrows a mixture of fixed and variable rate debt in a range of currencies. The Group actively hedges its repricing profile using interest rate swaps in accordance with its Treasury Policy in order to manage the volatility of finance costs.

Exposure to interest rate risk and analysis of fair value sensitivity

Sensitivities to interest rate risk have been assessed on the basis of a 100 basis point movement in interest rates. A 100 basis point movement is considered reasonably possible over the short term.

A 100 basis point movement in interest rates to which the Group is exposed would result in the following post-tax, increase/(decrease) to equity and profit. The fair value sensitivity to a 100 basis point movement in interest rates (based on financial assets and liabilities held at the balance date) is as follows:

	GROUP $ MILLION			
	31 JULY 2015		31 JULY 2014	
	EQUITY	PROFIT	EQUITY	PROFIT
Fair value gain/(loss) from 100 basis point increase	(11)	61	12	62
Fair value gain/(loss) from 100 basis point decrease	14	(65)	(13)	(67)

Cash flow sensitivity analysis

A change in interest rates would also impact on interest payments and receipts on the Group's floating rate debt instruments, including the floating leg of any interest rate derivatives. The cash flow sensitivity to a 100 basis point movement in interest rates, based on financial assets and liabilities held at the balance date, is as follows:

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
One year cash flow impact of 100 basis point increase	(4)	(3)
One year cash flow impact of 100 basis point decrease	4	3

8 NET FINANCE COSTS

Interest income and expense is recognised on an accrual basis in profit or loss, using the effective interest method.

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Finance income[1]	39	13
Interest expense on financial liabilities measured at amortised cost	(404)	(319)
Interest expense on derivatives classified as held for trading	(10)	(16)
Total interest expense calculated on an amortised cost basis	(414)	(335)
Change in fair value of hedged risks on debt instruments designated in a fair value hedge relationship	(40)	31
Change in fair value of derivative instruments designated as a fair value hedge[2]	42	(39)
Change in fair value of financial instruments classified as held for trading	(145)	(36)
Finance costs	(557)	(379)
Net finance costs	(518)	(366)

1 Includes a $31 million gain on restatement of the net monetary position of hyperinflationary foreign operations.

2 This includes the fair value impact of the basis risk adjustment inherent in the valuation of cross currency interest rate swaps that do not form part of the debt instrument hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

WORKING CAPITAL

This section provides information about the primary elements of Fonterra's working capital. Working capital represents the short term operating assets and liabilities generated by Fonterra. Movements in these items have a direct impact on the net cash flows generated from operating activities.

This section includes the following Notes:

Note 9: Trade and other receivables

Note 10: Inventories

Note 11: Trade and other payables

Note 12: Owing to suppliers

9 TRADE AND OTHER RECEIVABLES

Revenue from sale of goods is recognised at the fair value of the consideration received or receivable, net of returns, discounts and allowances. Revenue is recognised when the amount can be reliably measured, significant risks and rewards of ownership of the inventory have passed to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Trade receivables are amounts due from customers for goods or services sold. Trade receivables are recognised initially at their fair value, which is represented by their face value, and subsequently measured at the amount expected to be collected.

Estimates are used in determining the level of receivables that may not, in the opinion of management, be collected. A provision for impairment is established when there is sufficient evidence that the Group will not be able to collect all amounts due.

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Trade receivables	2,023	1,775
Less: provision for impairment of trade receivables	(15)	(8)
Trade receivables net of provision for impairment	2,008	1,767
Receivables from related parties[1]	24	29
Other receivables	190	75
Total receivables	2,222	1,871
Prepayments	100	79
Total trade and other receivables	2,322	1,950

1 There were no material provisions for impairment of receivables from related parties.

Customer credit risk

Customer credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations.

The Group operates a policy of only entering into contracts for sale with customers whose credit limits are in accordance with the Group's delegated authorities approved by the Board. For export customers located outside of New Zealand, credit risk mitigant tools such as letters of credit may be utilised in conjunction with credit limits.

The aging profile of the Group's trade and other receivables (excluding prepayments) is as follows:

		PAST DUE BUT NOT IMPAIRED			
GROUP $ MILLION	NEITHER PAST DUE NOR IMPAIRED	LESS THAN 1 MONTH PAST DUE	MORE THAN 1 MONTH BUT LESS THAN 3 MONTHS PAST DUE	MORE THAN 3 MONTHS PAST DUE	TOTAL
As at 31 July 2015	1,934	206	62	20	2,222
As at 31 July 2014	1,663	138	48	22	1,871

10 INVENTORIES

Inventories are stated at the lower of cost and net realisable value on a first in first out basis.

In the case of manufactured inventories and work in progress, cost includes all direct costs plus the portion of fixed and variable production overhead incurred in bringing inventories into their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Raw materials	**700**	619
Finished goods	**2,428**	3,281
Impairment of finished goods	**(103)**	(199)
Total inventories	**3,025**	3,701

11 TRADE AND OTHER PAYABLES

Trade and other payables, excluding amounts owing to farmer shareholders and contract milk suppliers, are initially recognised at the amount invoiced by the supplier. They are subsequently measured at amortised cost using the effective interest method. Due to their short term nature, trade and other payables are not discounted.

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Trade payables	**1,569**	1,335
Amounts due to related parties	**19**	11
Other payables	**109**	72
Total trade and other payables (excluding employee entitlements)	**1,697**	1,418
Employee entitlements	**287**	220
Total trade and other payables	**1,984**	1,638

12 OWING TO SUPPLIERS

Amounts owing to suppliers are amounts Fonterra owes to farmer shareholders and contract milk suppliers for the collection of milk, which includes end of season adjustments, offset by amounts owing from farmer shareholders for services provided to them by Fonterra.

These amounts are initially recognised at fair value, being the amount due to the supplier for the milk provided. They are subsequently measured at amortised cost using the effective interest method.

The Board uses its discretion in establishing the rate at which Fonterra will pay suppliers for the milk supplied over the season. This is referred to as the advance rate. The following table provides a breakdown of the advance payments made to suppliers:

	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Final milk price for the season	**$4.40**	$8.40
Of this amount:		
– Total advance payments made during the year	**$4.33**	$7.30
– Total owing as at 31 July	**$0.07**	$1.10
Amount advanced during the year as a percentage of the milk price for the season ended 31 May	**98%**	87%

The total amount owing to suppliers at 31 July 2015 is $159 million (31 July 2014: $1,771 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

LONG TERM ASSETS

This section provides information about the investments Fonterra has made in long term assets to operate the business and generate returns to equity holders. These assets include physical assets such as land and buildings and livestock, and non-physical assets such as brands and goodwill. This section also explains the estimates and judgements applied in the measurement of these assets.

This section includes the following Notes:

Note 13: Property, plant and equipment

Note 14: Livestock

Note 15: Intangible assets

13 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase consideration and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. It also includes financing costs directly attributable to the acquisition, production or construction of the asset. Subsequent costs are capitalised 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. The carrying amount of any replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed and adjusted, where required, each financial year.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount, and are recognised in the income statement.

Depreciation

Depreciation is calculated on a straight line basis to allocate the cost of the asset, less any residual value, over its estimated useful life. The range of estimated useful lives for each class of property, plant and equipment is as follows:

– Land	Indefinite
– Buildings and leasehold improvements	15–50 years
– Plant, vehicles and equipment	3–25 years

	GROUP $ MILLION				
	LAND	BUILDINGS AND LEASEHOLD IMPROVEMENTS	PLANT, VEHICLES AND EQUIPMENT	CAPITAL WORK IN PROGRESS	TOTAL
As at 31 July 2015					
Cost	**366**	**2,316**	**6,789**	**1,103**	**10,574**
Accumulated depreciation and impairment	**–**	**(811)**	**(3,604)**	**–**	**(4,415)**
Net book value at 31 July 2015	**366**	**1,505**	**3,185**	**1,103**	**6,159**
As at 31 July 2014					
Cost	327	1,986	6,175	510	8,998
Accumulated depreciation and impairment	–	(703)	(3,204)	–	(3,907)
Net book value at 31 July 2014	327	1,283	2,971	510	5,091

13 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	GROUP $ MILLION				
	LAND	BUILDINGS AND LEASEHOLD IMPROVEMENTS	PLANT, VEHICLES AND EQUIPMENT	CAPITAL WORK IN PROGRESS	TOTAL
Net book value					
As at 1 August 2014	**327**	**1,283**	**2,971**	**510**	**5,091**
Additions[1]	**–**	**6**	**16**	**1,316**	**1,338**
Transfer from capital work in progress	**10**	**181**	**540**	**(731)**	**–**
Acquisition of subsidiaries	**18**	**85**	**81**	**10**	**194**
Hyperinflationary movements	**16**	**28**	**27**	**5**	**76**
Transfer to assets held for sale	**(6)**	**(18)**	**(66)**	**–**	**(90)**
Depreciation charge	**–**	**(93)**	**(360)**	**–**	**(453)**
Impairment losses	**–**	**(17)**	**(39)**	**–**	**(56)**
Disposals	**(2)**	**(1)**	**(10)**	**–**	**(13)**
Foreign currency translation	**3**	**51**	**25**	**(7)**	**72**
As at 31 July 2015	**366**	**1,505**	**3,185**	**1,103**	**6,159**
Net book value					
As at 1 August 2013	318	1,206	2,729	554	4,807
Additions[1]	–	8	40	740	788
Transfer from capital work in progress	11	173	596	(780)	–
Depreciation charge	–	(83)	(354)	–	(437)
Impairment losses	–	–	(2)	–	(2)
Disposals	–	(1)	(12)	(1)	(14)
Foreign currency translation	(2)	(20)	(26)	(3)	(51)
As at 31 July 2014	327	1,283	2,971	510	5,091

1 Additions include borrowing costs of $15 million (2014: $8 million) capitalised using a weighted average interest rate of 6.30 per cent (2014: 5.97 per cent).

During the year ended 31 July 2015, Fonterra recorded impairment losses of $108 million in relation to the Australian yoghurt and dairy desserts business. This impairment reflected the continuing challenges in that business's market environment. $50 million was for property, plant and equipment, and $58 million was for intangible assets. The impairment was determined by reference to Fonterra's estimate of the business's fair value less costs to sell, which is a level 3 measurement in the fair value hierarchy. This impairment was recorded in the Oceania segment.

Leased assets

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Assets under finance leases are recognised as property, plant and equipment in the statement of financial position. They are recognised initially at their fair value, or if lower, at the present value of the minimum lease payments. A corresponding liability is established and each lease payment allocated between the liability and interest expense using the effective interest method. The assets recognised are depreciated on the same basis as equivalent property, plant and equipment.

Leases that are not finance leases are classified as operating leases and the leased assets are not recognised on the Group's statement of financial position. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

The net book value of property, plant and equipment subject to finance leases is as follows:

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Land	**5**	5
Building and leasehold improvements	**102**	115
Plant and equipment	**29**	30
Net book value of property, plant and equipment subject to finance leases	**136**	150

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

14 LIVESTOCK

The Group's livestock balance primarily comprises dairy cows, which provide Fonterra with a quality milk source in China.

Livestock is measured at fair value less costs to sell, with any resulting gain or loss recognised in the income statement. The Group's dairy cow herd comprises both immature and mature livestock.

Immature livestock comprises dairy cows that are intended to be reared to maturity. These cows are held to produce milk or offspring, but have not yet produced their first calf and begun milk production. Costs incurred in rearing immature livestock are capitalised to the statement of financial position. The fair value of immature livestock is determined by reference to market prices, adjusted to reflect the age of the herd.

Mature livestock includes dairy cows which have produced their first calf and begun milk production. Costs incurred in relation to mature livestock are recognised in the income statement. The fair value of mature dairy cows is determined by reference to an independent valuer's report. The independent valuer primarily uses a discounted cash flow methodology. The Group also holds immaterial quantities of other livestock (such as bulls, beef and sheep).

The quantity of livestock owned by the Group is presented below:

	HEADCOUNT	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Immature dairy cows	**55,755**	48,837
Mature dairy cows	**31,444**	20,964
Other livestock	**2,825**	2,647
Total livestock headcount	**90,024**	72,448

During the year the Group collected 200 million litres of milk (31 July 2014: 127 million litres) from its dairy cows.

The value of livestock at 31 July 2015 is as follows:

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Opening balance	**202**	111
Purchase of livestock	**32**	33
Rearing costs of immature livestock	**89**	55
Change in fair value – birth and growth	**(7)**	10
Change in fair value – price changes	**17**	18
Sale of livestock	**(44)**	(19)
Effect of movements in exchange rates	**42**	(6)
Closing balance	**331**	202
Livestock – at fair value less costs to sell		
Immature dairy cows	**189**	130
Mature dairy cows	**141**	71
Other livestock	**1**	1
Total livestock at fair value less costs to sell at 31 July	**331**	202

Valuation techniques and significant unobservable inputs

The following table shows the inter-relationship between the significant unobservable inputs and fair value measurement for mature livestock:

TYPE	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT
Mature livestock	Discounted cash flows	Raw milk yield	A 5% increase/(decrease) in the raw milk yield would result in a $9 million increase/(decrease) in fair value.
		Milk price	A 5% increase/(decrease) in the selling price of milk would result in a $20 million increase/(decrease) in fair value.

15 INTANGIBLE ASSETS

Intangible assets include goodwill, brands and other intangibles, and computer software. Amortisation of intangible assets, with the exception of goodwill and brands with indefinite useful lives, is recorded over the assets' estimated useful lives.

Intangible assets are reviewed for impairment whenever there is an indication that the carrying amount may not be recoverable. In addition, goodwill and intangible assets with indefinite useful lives are tested annually for impairment. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the income statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use.

Intangible assets (excluding goodwill) that have been impaired are reviewed for possible reversal of impairment at each balance date. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior years.

Goodwill

Goodwill represents the premium paid by the Group over the fair value of the Group's share of the net identifiable assets of an acquired subsidiary at the date of acquisition.

Goodwill is initially recognised at cost and is subsequently measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. Goodwill is allocated 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.

Brands and other identifiable intangible assets

Brands and other intangible assets purchased by the Group are recognised if the asset is controlled through custody or legal rights and could be sold separately from the rest of the business. Brands and other intangible assets have a combination of both indefinite and finite useful lives.

Intangibles with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses, and are amortised on a straight line basis to allocate the cost over their licence period (three to 25 years).

Computer software

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. The costs incurred to acquire specific software licenses are capitalised. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software licences and development costs recognised as assets are amortised on a straight line basis over their estimated useful lives, being three to 10 years.

	GROUP $ MILLION					
	GOODWILL	BRANDS	SOFTWARE	SOFTWARE WIP	OTHER	TOTAL INTANGIBLES
As at 31 July 2015						
Cost	**1,101**	**1,892**	**1,091**	**92**	**102**	**4,278**
Accumulated amortisation and impairment	**(2)**	**(193)**	**(741)**	**–**	**(69)**	**(1,005)**
Net book value at 31 July 2015	**1,099**	**1,699**	**350**	**92**	**33**	**3,273**
As at 31 July 2014						
Cost	940	1,500	1,007	73	94	3,614
Accumulated amortisation and impairment	(2)	(118)	(640)	–	(63)	(823)
Net book value at 31 July 2014	938	1,382	367	73	31	2,791

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

15 INTANGIBLE ASSETS CONTINUED

	GROUP $ MILLION					
	GOODWILL	BRANDS	SOFTWARE	SOFTWARE WIP	OTHER	TOTAL INTANGIBLES
Net book value						
As at 1 August 2014	**938**	**1,382**	**367**	**73**	**31**	**2,791**
Additions[1]	**–**	**–**	**2**	**98**	**–**	**100**
Acquisition of subsidiaries	**176**	**340**	**–**	**–**	**–**	**516**
Transfer from work in progress	**–**	**–**	**79**	**(79)**	**–**	**–**
Amortisation	**–**	**(6)**	**(100)**	**–**	**(2)**	**(108)**
Impairment loss	**–**	**(66)**	**–**	**–**	**–**	**(66)**
Foreign currency translation	**(15)**	**49**	**2**	**–**	**4**	**40**
As at 31 July 2015	**1,099**	**1,699**	**350**	**92**	**33**	**3,273**
Net book value						
As at 1 August 2013	970	1,417	221	217	33	2,858
Additions[1]	–	–	3	96	5	104
Transfer from work in progress	–	–	235	(235)	–	–
Amortisation	–	(5)	(90)	–	(6)	(101)
Disposals	(4)	–	(2)	–	–	(6)
Foreign currency translation	(28)	(30)	–	(5)	(1)	(64)
As at 31 July 2014	938	1,382	367	73	31	2,791

1 Additions include borrowing costs of $1 million (2014: $3 million) capitalised using an interest rate of 6.30 per cent (2014: 6.59 per cent).

Amortisation is recognised in other operating expenses in the income statement.

Goodwill and other indefinite life intangibles

Goodwill

Goodwill for each cash generating unit (CGU) except DPA Brazil has been tested for impairment on a value in use basis. The goodwill for DPA Brazil was tested on a fair value less costs to sell basis, reflecting the recent fair value assessment performed when Fonterra acquired a controlling interest on 1 August 2014.

Impairment testing was undertaken at 31 May 2015, using external sources of information where appropriate. Cash flow forecasts used as inputs to determine value in use are based on the Group's three year business plans, applying a long term growth rate.

The discount rates applied to the future cash flows are between 7.5 per cent and 11 per cent (31 July 2014: between 6.6 per cent and 9.1 per cent) and long term growth rates applied to future cash flows are between 2.6 per cent and 4.5 per cent (31 July 2014: between 3.0 per cent and 3.8 per cent).

There was sufficient headroom between the recoverable amount and the carrying value of goodwill therefore no impairment was recognised.

Of those CGUs tested, the goodwill of the Fonterra Brands New Zealand CGU is considered significant in the context of the carrying value of goodwill for the Group. For the Fonterra Brands New Zealand CGU the carrying value of goodwill is $650 million (31 July 2014: $650 million) and the carrying value of indefinite life brands attributable to the CGU is $389 million (31 July 2014: $389 million).

Indefinite life brands

Of the total brands held, 99 per cent ($1,661 million) have indefinite useful lives (31 July 2014: 93 per cent, $1,283 million). In concluding that a brand has an indefinite life, management considers its intention to acquire, hold and support brands through advertising and promotional spending for an indefinite period.

Individual indefinite life brands are tested annually for impairment through a value in use test using a discounted cash flow methodology, using the same assumptions as those for goodwill impairment testing.

INVESTMENTS

This section provides information about Fonterra's interest in other entities. These investments include subsidiaries and equity accounted investments.

This section includes the following Notes:

Note 16: Business combinations

Note 17: Assets held for sale

Note 18: Equity accounted investments

16 BUSINESS COMBINATIONS

The acquisition of subsidiaries is accounted for by allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Where the amount of consideration transferred is greater than the net assets acquired, goodwill on acquisition is recognised. Goodwill is not amortised and instead is tested annually for impairment. Where the consideration transferred is less than the fair value of the net assets acquired, the difference is recognised in the income statement as a gain on bargain purchase.

On 1 August 2014, the Group acquired additional voting shares in DPA Brazil (Dairy Partners Americas Brasil Limitada – from 50 per cent to 51 per cent, with Nestlé holding the balance) and DPA Venezuela (Lacven Corporation – 25 per cent to 60 per cent, with a local partner holding the balance). These equity accounted investments became consolidated subsidiaries from that date.

On 1 October 2014, the Group's equity accounted investments in Ecuador (Ecuajugos S.A.) and DPA's milk powder manufacturing business (DPA Manufacturing Holdings Limited) were sold to Nestlé.

The fair value of consideration transferred at the acquisition date is:

	GROUP $ MILLION		
	BRAZIL	VENEZUELA	TOTAL
Carrying value of existing interest	106	23	129
Gain/(loss) on remeasuring to fair value[1]	165	(6)	159
Fair value of existing interest	271	17	288
Cash paid	2	–	2
Fair value of consideration transferred	273	17	290
Represented by:			
Share of identifiable acquired net assets	97	41	138
Goodwill on acquisition	176	–	176
Gain on bargain purchase[2]	–	(24)	(24)
Total	273	17	290

1 The gain/(loss) on remeasuring the previous equity accounted interests is determined with reference to the fair value determined by independent experts.

2 Gain on bargain purchase arises on the consolidation of Venezuela into the Group. The business was no longer a strategic fit for another owner, and therefore the Group was able to negotiate a favourable purchase price for the additional 35 per cent.

The cash inflow on acquisition is:

	GROUP $ MILLION		
	BRAZIL	VENEZUELA	TOTAL
Net cash acquired with subsidiary	9	17	26
Cash paid	(2)	–	(2)
Net consolidated inflow on acquisition	7	17	24

The contribution of the acquired entities to the Group's revenue and profit for the year ended 31 July 2015 is:

	GROUP $ MILLION		
	BRAZIL	VENEZUELA	TOTAL
Revenue	495	673	1,168
Profit after tax	4	45	49

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

16 BUSINESS COMBINATIONS CONTINUED

The Group has recorded a one-off gain relating to the business combinations, sale of equity accounted investments and the settlement of other relationships with the parties.

	GROUP $ MILLION			
	BRAZIL	VENEZUELA	OTHER	TOTAL
Fair value gain/(loss) revaluing existing interest	165	(6)	–	159
Foreign currency translation reserve transferred to income statement	(39)	(15)	(24)	(78)
Gain on bargain purchase	–	24	–	24
Gain on sale of equity accounted investment	–	–	5	5
Other items	–	–	19	19
Total gain[1]	126	3	–	129

1 The gain is included in other operating income ($141 million), cost of goods sold ($4 million expense) and other operating expenses ($8 million expense).

The fair values of the major classes of identifiable assets acquired and liabilities assumed at the acquisition date are:

	GROUP $ MILLION		
	BRAZIL	VENEZUELA	TOTAL
Trade and other receivables	159	64	223
Property, plant and equipment	111	83	194
Intangible assets	328	12	340
Other assets	115	59	174
Total assets	713	218	931
Trade and other payables	(119)	(95)	(214)
Borrowings	(193)	(37)	(230)
Deferred tax liabilities	(112)	(6)	(118)
Other liabilities[1]	(101)	(10)	(111)
Total liabilities	(525)	(148)	(673)
Fair value of identifiable net assets	188	70	258

1 Provisions of $80 million have been recognised for contingencies relating to tax and legal matters arising in the normal course of business. The timing and amount of the future obligations are uncertain, as they are contingent on the outcome of a number of administrative and judicial proceedings. The amount recognised has been based on management's best estimate of the amount that will be required to settle the obligations. The outcome of most of the obligations is not expected to be determined within the next year and therefore the provisions are classified as non-current.

17 ASSETS HELD FOR SALE

Darnum manufacturing plant – Australia

On 16 March 2015, Fonterra acquired an 18.8 per cent shareholding in Beingmate Baby & Child Food Co., Ltd. (Beingmate). In conjunction with this investment, Fonterra and Beingmate confirmed their intention to establish a partnership to purchase the Darnum manufacturing plant in Australia. The sale of the plant to the partnership is subject to regulatory approvals and is expected to complete within one year of balance date. Accordingly the Darnum manufacturing plant is classified as held for sale at 31 July 2015.

18 EQUITY ACCOUNTED INVESTMENTS

Associates and joint ventures

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Joint ventures are those arrangements in which the Group has contractually agreed to share control and where the Group has rights to the net assets rather than rights to the assets and obligations for the liabilities.

For joint ventures and associates the Group applies the equity method of accounting. Under the equity method, the Group recognises its initial investment at cost (including any goodwill identified on acquisition) and subsequently adjusts this for its share of the entities' profits or losses. The Group's share of profits and losses are recognised in the income statement and its share of movements in other comprehensive income is recognised in other comprehensive income. Dividends received from equity accounted investees reduce the carrying amount of the investment.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and no further losses are recognised except to the extent the Group has an obligation or has made payments on behalf of the investee.

The Group determines at each reporting date whether there is any objective evidence that its investments in equity accounted investees are impaired. If this is the case, the Group recognises any impairment in the income statement.

The Group's significant equity accounted investments are listed below. The ownership interest in these entities is 50 per cent or less and the Group is not considered to exercise a controlling interest.

		OWNERSHIP INTERESTS (%)	
EQUITY ACCOUNTED INVESTEE NAME[1]	COUNTRY OF INCORPORATION[2]	**AS AT 31 JULY 2015**	AS AT 31 JULY 2014
DMV Fonterra Excipients GmbH & Co KG	Germany	**50**	50
Dairy Industries (Jamaica) Limited	Jamaica	**50**	50
DairiConcepts, L.P.	USA	**50**	50
DairiConcepts Management, L.L.C.	USA	**50**	50
Dairy Partners Americas Brasil Limitada[3]	Brazil	**–**	50
Lacven Corporation[3]	Barbados	**–**	25
Beingmate Baby & Child Food Co., Ltd	China	**18.8**	–
International Nutritionals Limited	New Zealand	**50**	50

1 Except for International Nutritionals Limited, all investees have balance dates of 31 December. International Nutritionals Limited has the same balance date as the Group.

2 This is also the principle place of business.

3 On 1 August 2014, the Group purchased additional voting equity interests in DPA Brazil (Dairy Partners Americas Brasil Limitada) and DPA Venezuela (Lacven Corporation). These entities became consolidated subsidiaries from that date. Please refer to Notes 16 and 23 for further information.

The Group holds investments in a number of joint ventures and associates that are not individually significant to the Group. The aggregate amount of the Group's share of these equity accounted investments is included in the table below:

	GROUP $ MILLION					
	ASSOCIATES		JOINT VENTURES		TOTAL	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014	**AS AT 31 JULY 2015**	AS AT 31 JULY 2014	**AS AT 31 JULY 2015**	AS AT 31 JULY 2014
Carrying amount of investment	**863[1]**	7	**322**	381	**1,185**	388
Profit from continuing operations	**(3)**	1	**69**	72	**66**	73
Other comprehensive income/(expense)	**–**	–	**4**	(11)	**4**	(11)
Total comprehensive income	**(3)**	1	**73**	61	**70**	62

1 On 16 March 2015, Fonterra acquired an 18.8 per cent shareholding in Beingmate Baby & Child Food Co., Ltd. (Beingmate) for cash consideration of $756 million. Beingmate is an infant formula business in the People's Republic of China, listed on the Shenzhen stock exchange.

The Group has provided financial guarantees to certain equity accounted investees as set out in Note 22.

The Group's equity accounted investees have entered into non-cancellable operating leases, and the Group's share of the future aggregate minimum lease payments under these leases is $21 million (31 July 2014: $7 million).

The Group's share of capital expenditure contracted for at balance date but not recognised by equity accounted investees is $1 million (31 July 2014: $12 million).

There are no contingent liabilities relating to the Group's interests in joint ventures or equity accounted investees.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

FINANCIAL RISK MANAGEMENT

This section outlines the key risk management activities undertaken to manage the Group's exposure to financial risk.

This section includes the following Note:

Note 19: Financial risk management

19 FINANCIAL RISK MANAGEMENT

Overview

Global financial and commodity markets remain volatile. The nature of Fonterra's business is such that managing risks in the foreign exchange, interest rate, commodity, credit and liquidity markets is critical to minimising the volatility in returns to equity holders.

The Board has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Board:

- has established financial risk management policies and procedures to identify, analyse and, where appropriate, manage the financial risks faced by the Group;
- has approved a Treasury Policy that covers appropriate financial risk limits and controls (including, but not limited to, delegated authority levels and authorised use of various financial instruments); and
- monitors financial risks and adherence to approved limits.

The Group's overall financial risk management programme focuses primarily on maintaining a prudent financial risk profile that provides flexibility to implement the Group's strategies, while ensuring the optimisation of the return on assets. Financial risk management is centralised, which supports compliance with the financial risk management policies and procedures set by the Board.

Fonterra manages financial risk, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The table below shows where information on how each of these risks is managed can be found.

Information on capital management and structure, financial instrument fair values and disclosures and offsetting of financial assets and liabilities is also included in the table below.

ITEM	DISCLOSURE
Foreign exchange risk	See section a) below.
Interest rate risk	Interest rate risk principally arises from the Group's borrowings and funds on deposit and associated derivative financial instruments. Interest rate risk is addressed in Note 7 in the Debt and Equity section.
Credit risk	Credit risk principally arises from the Group's receivables from customers and derivative financial instruments. Credit risk on receivables is discussed in Note 9 in the Working Capital section. Credit risk on derivative financial instruments is addressed in section b) below.
Liquidity risk	Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is addressed in Note 7 in the Debt and Equity section.
Capital management and structure	The Board's objective is to maximise equity holder returns over time by maintaining an optimal capital structure. Capital management is addressed in Note 5 in the Debt and Equity section.
Dairy commodity price risk	See section c) below.
Fair values and classifications	See section d) below.
Offsetting of financial assets and liabilities	See section e) below.

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk on sales, purchases, investments and borrowings that are denominated in foreign currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

The main impacts of foreign exchange movements on the Group arise from:

- transaction risk: variations in the New Zealand dollar value of the Group's sales receipts and other cash flows; and
- translation risk: the value of the Group's investment in foreign operations and the Group's foreign currency debt.

The Group's objective is to ensure foreign exchange exposure is managed in a prudent manner in order to reduce volatility on the returns to equity holders and farmer shareholders.

In respect of transaction hedging, the Group's policy is to hedge 100 per cent of the net recognised foreign currency trade receivables and foreign currency trade payables, and up to 100 per cent of forecast cash receipts from sales for a period of up to 18 months. The level of hedging undertaken is influenced by current exchange rates and the time until the expected cash flows occur, within the limits approved by the Board. The Group seeks to designate items in a hedge relationship where it is practical to do so; therefore some derivative instruments entered into as economic hedges may not be in a designated hedge relationship for accounting purposes.

19 FINANCIAL RISK MANAGEMENT CONTINUED

Approximately 96 per cent (31 July 2014: 96 per cent) of the Group's net transaction foreign exchange exposure, before taking into consideration hedging activity, is against the United States Dollar.

In respect of translation hedging, the Group principally uses foreign currency denominated borrowings to hedge exposures arising from net investments in foreign operations. The Group uses forward foreign exchange contracts, currency options and cross currency interest rate swaps to hedge translation exposure arising from foreign currency debt that is not in a net investment hedge.

Of the Group's translation exposure arising from investment in foreign operations, before taking into consideration hedging activity, approximately 24 per cent (31 July 2014: 32 per cent) is against the Australian Dollar, 14 per cent (31 July 2014: 4 per cent) is against the Hong Kong Dollar, 13 per cent (31 July 2014: 9 per cent) is against the Chinese Renminbi, and 12 per cent (31 July 2014: 16 per cent) is against the Singapore Dollar.

Of the Group's translation exposure arising from foreign currency debt, before taking into consideration hedging activity, approximately 44 per cent (31 July 2014: 39 per cent) is against the United States Dollar, 19 per cent (31 July 2014: 27 per cent) is against the Australian Dollar, and 19 per cent (31 July 2014: 9 per cent) is against the Chinese Renminbi.

Net foreign exchange gains

Foreign currency transactions

Foreign currency transactions are translated using the exchange rate at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, using the exchange rates at the balance date, of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow or qualifying net investment hedges.

The table below provides a breakdown of the net foreign exchange gains or losses recognised in the income statement.

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Net foreign exchange (losses)/gains on debt instruments designated in a fair value hedge relationship	**(352)**	19
Net foreign exchange gains/(losses) on derivative instruments designated as a fair value hedge	**357**	(21)
Net foreign exchange (losses)/gains on financial instruments classified as held for trading	**(267)**	125
Net foreign exchange gains/(losses) on financial assets classified as loans and receivables	**618**	(275)
Net foreign exchange (losses)/gains on financial liabilities measured at amortised cost	**(286)**	191
Net foreign exchange gains	**70**	39

Foreign exchange sensitivity

A 10 per cent movement in the value of the New Zealand Dollar against the key currencies to which the Group is exposed would result in the following post-tax, using appropriate tax rates, increase/(decrease) to equity and profit. A 10 per cent movement in exchange rates is considered reasonably possible over the short term, given historical fluctuations in the value of the New Zealand Dollar.

	GROUP $ MILLION			
	31 JULY 2015		31 JULY 2014	
	EQUITY	**PROFIT**	EQUITY	PROFIT
Impact of a 10% strengthening of the NZD	**28**	**14**	231	(7)
Impact of a 10% weakening of the NZD	**(46)**	**(11)**	(210)	31

b) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. In relation to derivative financial instruments, the Group has a policy to limit its exposure to credit risk by entering into transactions only with financial counterparties that have a credit rating of at least 'A-' from Standard & Poor's or equivalent. Given this high credit rating threshold, management does not expect these counterparties to fail to meet their obligations. Exceptions to this policy are authorised in accordance with the Board-approved Financial Risk Management Standard.

The maximum credit risk on cash and cash equivalents, trade and other receivables, derivative financial instruments and other investments is best represented by their carrying values. The Group has no undue concentrations of credit risk.

c) Dairy commodity price risk

Dairy commodity price risk is the risk of volatility in profit or loss from a movement in dairy commodity prices to which the Group may be exposed. Volatility in global dairy commodity prices can have an adverse impact on Fonterra's earnings and milk price by eroding selling prices or increasing input costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

19 FINANCIAL RISK MANAGEMENT CONTINUED

The Group primarily manages its dairy commodity price risk by:

- determining the most appropriate mix of products to manufacture based on the supply curve and global demand for dairy products;
- governing the length and terms of sales contracts so that sales revenue is reflective of current market prices and is, where possible, linked to GlobalDairyTrade (GDT) prices; and
- using derivative contracts to manage earnings volatility. The Group has direct trading in dairy commodity derivatives. Fonterra aims to use its industry knowledge to obtain the best price for future sales. The markets for these types of derivatives are relatively limited and this reduces the scope for using derivatives to manage earnings volatility. As markets for these derivatives grow, the scope of such commodity risk management activities may increase.

Commodity price risk sensitivity analysis

The table below summarises the impact on dairy commodity derivatives for changes in dairy commodity prices on the Group's profit after tax. The analysis is based on the assumption that dairy based commodity derivative prices had changed by 10 per cent with all other variables held constant:

	GROUP $ MILLION	
	31 JULY 2015 PROFIT	31 JULY 2014 PROFIT
Impact of 10% increase in quoted dairy commodity derivative prices	**(14)**	(3)
Impact of 10% decrease in quoted dairy commodity derivative prices	**14**	3

d) Fair values and classifications

A financial asset or liability is recognised if the Group becomes a party to the contractual provisions of the asset or liability. A financial asset or liability is recognised initially at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Financial assets and liabilities carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are classified on initial recognition into the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. Financial liabilities are classified as either fair value through profit or loss, or financial liabilities measured at amortised cost. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

After initial recognition, financial instruments are measured at their fair values, except for loans and receivables, which are measured at amortised cost less any provision for impairment, and financial liabilities measured at amortised cost.

Financial assets and liabilities at fair value through profit or loss are either designated as fair value through profit or loss, or classified as held for trading. All derivatives are classified as held for trading except when they are in hedge accounting relationships. Other financial assets and financial liabilities may be designated at fair value through profit or loss where this eliminates an accounting mismatch, or where they are managed on a fair value basis.

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

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments within predetermined policies and limits in order to reduce its exposure to fluctuations in foreign currency exchange rates and interest rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into (the trade date) and transaction costs are expensed immediately. They are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss 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:

- hedges of the fair value of recognised assets or liabilities, or a firm commitment (fair value hedges);
- hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

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

19 FINANCIAL RISK MANAGEMENT CONTINUED

The full fair value of a hedging derivative is classified as a non-current asset or liability when maturity of the hedged item exceeds 12 months. It is classified as a current asset or liability when the maturity of the hedged item is less than 12 months.

Fair value hedges

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised and recognised in the income statement over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are transferred to the income statement when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, 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 the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recognised immediately in the income statement.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when all or part of a foreign operation is disposed of or sold.

Valuation techniques for determining fair values

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

The fair values of financial assets and liabilities are calculated by reference to quoted market prices where that is possible. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If quoted market prices are not available, the methodology used to calculate the fair values of financial assets and liabilities is to identify the expected cash flows under the terms of each specific contract and then discount these values back to the present value. These models use as their basis independently sourced market data where it is available and rely as little as possible on entity-specific estimates.

The calculation of the fair value of financial instruments reflects the impact of credit risk where applicable.

Specific valuation techniques used to value financial instruments include:

- the fair value of forward foreign exchange contracts is determined using observable currency exchange rates, option volatilities and interest rate yield curves;
- the fair value of interest rate contracts is calculated as the present value of the estimated future cash flows based on observable interest rate yield curves;
- the fair value of commodity contracts that are not exchange traded is determined by calculating the present value of estimated future cash flows based on observable quoted prices for similar instruments; and
- the fair value of borrowings and long-term advances that are not exchange traded is calculated as the present value of the estimated future cash flows based on observable interest rate yield curves.

Fair value hierarchy

All financial instruments for which a fair value is recognised are categorised within level 1 or level 2 of the fair value hierarchy. The fair value of the Group's livestock is categorised within level 3. These categories are described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

19 FINANCIAL RISK MANAGEMENT CONTINUED

The following table shows the fair value hierarchy for financial instruments and livestock measured at fair value on the statement of financial position:

	GROUP $ MILLION					
	LEVEL 1		LEVEL 2		LEVEL 3	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014	AS AT 31 JULY 2015	AS AT 31 JULY 2014	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Derivative assets						
– Commodity derivatives	13	4	3	–	–	–
– Foreign exchange derivatives	–	–	16	304	–	–
– Interest rate derivatives	–	–	386	149	–	–
Derivative liabilities						
– Commodity derivatives	(29)	(16)	(4)	–	–	–
– Foreign exchange derivatives	–	–	(1,009)	(11)	–	–
– Interest rate derivatives[1]	–	–	(367)	(418)	–	–
Available-for-sale investments	74	74	–	–	–	–
Livestock	–	–	–	–	331	202
Fair value	58	62	(975)	24	331	202

1 Includes cross currency interest rate swaps.

The following table shows the fair value hierarchy for each class of asset and liability where the carrying value in the statement of financial position differs from the fair value:

	GROUP $ MILLION					
	CARRYING VALUE		LEVEL 1		LEVEL 2	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014	AS AT 31 JULY 2015	AS AT 31 JULY 2014	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Financial assets						
Long-term advances	65	81	–	–	64	80
Financial liabilities						
Borrowings						
– NZX listed bonds	(500)	(948)	(502)	(960)	–	–
– Capital notes	(35)	(35)	(35)	(33)	–	–
– Commercial paper	(473)	(464)	–	–	(473)	(463)
– Bank loans	(1,717)	(437)	–	–	(1,718)	(439)
– Medium-term notes	(4,666)	(2,834)	–	–	(4,960)	(3,073)
– Finance leases	(169)	(180)	–	–	(192)	(199)

The Group's policy is to recognise transfers between the levels of the fair value hierarchy as of the date of the event or circumstances that caused the transfer.

The timing of the maturity of the release of the Group's gross cash flow hedge reserve is:

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Within 12 months	(591)	158
Later than 12 months	(156)	(45)
Total carrying value	(747)	113

19 FINANCIAL RISK MANAGEMENT CONTINUED

The fair value of derivatives in hedge relationships by type of hedging relationship is:

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Cash flow hedge	**(748)**	133
Fair value hedge	**243**	(179)
Net investment hedge	**(5)**	–
Total fair value of derivatives in hedge relationships	**(510)**	(46)

e) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there currently is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

In the normal course of business, the Group enters into various master netting arrangements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be offset in certain circumstances. These principally relate to derivative transactions under ISDA (International Swap and Derivative Association) agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

The table below sets out the financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and other agreements.

	GROUP $ MILLION				
	AMOUNTS OFFSET IN THE STATEMENT OF FINANCIAL POSITION				
	GROSS FINANCIAL ASSETS/ (LIABILITIES)	GROSS FINANCIAL ASSETS/ (LIABILITIES) SET OFF	NET FINANCIAL ASSETS/ (LIABILITIES) PRESENTED	AMOUNTS NOT OFFSET	NET
Derivative financial assets	**557**	**(140)**	**417**	**(283)**	**134**
Trade and other receivables (excluding prepayments)	**2,579**	**(357)**	**2,222**	**–**	**2,222**
	3,136	**(497)**	**2,639**	**(283)**	**2,356**
Derivative financial liabilities	**(1,548)**	**140**	**(1,408)**	**283**	**(1,125)**
Trade and other payables (excluding employee entitlements)	**(1,987)**	**290**	**(1,697)**	**–**	**(1,697)**
Owing to suppliers	**(226)**	**67**	**(159)**	**–**	**(159)**
Borrowings	**(7,560)**	**–**	**(7,560)**	**–**	**(7,560)**
	(11,321)	**497**	**(10,824)**	**283**	**(10,541)**
31 July 2015	**(8,185)**	**–**	**(8,185)**	**–**	**(8,185)**
Derivative financial assets	542	(85)	457	(433)	24
Trade and other receivables (excluding prepayments)	2,084	(213)	1,871	–	1,871
	2,626	(298)	2,328	(433)	1,895
Derivative financial liabilities	(530)	85	(445)	194	(251)
Trade and other payables (excluding employee entitlements)	(1,572)	154	(1,418)	–	(1,418)
Owing to suppliers	(1,830)	59	(1,771)	–	(1,771)
Borrowings	(4,898)	–	(4,898)	239	(4,659)
	(8,830)	298	(8,532)	433	(8,099)
31 July 2014	(6,204)	–	(6,204)	–	(6,204)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

OTHER

This section contains additional notes and disclosures that aid in understanding Fonterra's position and performance but do not form part of the primary sections.

This section includes the following Notes:

Note 20: Taxation

Note 21: Contingent liabilities, provisions and commitments

Note 22: Related party transactions

Note 23: Group entities

Note 24: Net tangible assets per security

20 TAXATION

Tax expense comprises current and deferred tax. Tax expense, including the tax consequences of distributions to farmer shareholders, is recognised in the income statement. The tax consequences of distributions to farmer shareholders are recognised in the year to which the distribution relates. Other than distributions to farmer shareholders, tax consequences of items recognised directly in equity are also recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Deferred tax is measured at the tax rate that is expected to apply to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the balance date.

Deferred tax is not recognised on the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries and equity accounted investees to the extent that the timing of the reversal is controlled by the Group and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the temporary differences can be utilised.

a) Taxation – income statement

The total taxation credit in the income statement is summarised as follows:

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Current tax expense	**97**	54
Prior period adjustments to current tax	**–**	(2)
Deferred tax movements:		
– Origination and reversal of temporary differences	**(179)**	(94)
Tax credit	**(82)**	(42)

20 TAXATION CONTINUED

The taxation charge that would arise at the standard rate of corporation tax in New Zealand is reconciled to the tax expense/(credit) as follows:

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Profit before tax	**424**	137
Prima facie tax expense at 28%	**119**	38
Add/(deduct) tax effect of:		
– Effect of tax rates in foreign jurisdictions	**(31)**	(13)
– Non-deductible expenses/additional assessable income	**44**	31
– Non-assessable income/additional deductible expenses	**(71)**	(36)
– Prior year over provision	**–**	(2)
Tax expense before distributions and deferred tax	**61**	18
Effective tax rate before distributions and deferred tax[1]	**14.4%**	13.1%
Tax effect of distributions to farmer shareholders	**(107)**	(38)
Tax credit before deferred tax	**(46)**	(20)
Effective tax rate before deferred tax[1]	**(10.8)%**	(14.6)%
Add/(deduct) tax effect of:		
– Origination and reversal of other temporary differences	**2**	(45)
– Losses of overseas Group entities (recognised)/not recognised	**(38)**	23
Tax credit	**(82)**	(42)
Effective tax rate[1]	**(19.3)%**	(30.7)%

Imputation credits

Imputation credits available for use in subsequent reporting periods	**20**	20

Tax losses

Gross tax losses available for which no deferred tax asset has been recognised	**55**	201

1 The effective tax rate is the tax charge on the face of the income statement expressed as a percentage of the profit before tax.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

20 TAXATION CONTINUED

b) Taxation – statement of financial position

The table below outlines the deferred tax assets and liabilities that are recognised in the statement of financial position, together with movements in the year:

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Deferred tax		
Property, plant and equipment	**(47)**	(94)
Intangible assets	**(535)**	(428)
Derivative financial instruments	**230**	(55)
Employee entitlements	**55**	51
Inventories	**85**	27
Receivables, payables and provisions	**66**	40
New Zealand tax losses	**484**	476
Offshore tax losses	**303**	202
Other	**(18)**	7
Total deferred tax	**623**	226
Movements for the year		
Opening balance	**226**	211
Recognised in the income statement	**179**	94
Deferred tax on acquisition	**(91)**	–
Recognised directly in other comprehensive income	**281**	(70)
Foreign currency translation	**28**	(9)
Closing balance	**623**	226
Included within the statement of financial position as follows:		
Deferred tax assets	**732**	231
Deferred tax liabilities	**(109)**	(5)
Total deferred tax	**623**	226
Balance expected to be recovered or settled:		
Within 12 months	**475**	233
Later than 12 months	**148**	(7)
Total deferred tax	**623**	226

$2,039 million (31 July 2014: $1,866 million) of tax loss carry forwards are recognised by Group operations which reported a taxable loss in 2015 or 2014. Fonterra considers it probable that these tax losses can be offset against future taxable income, taking into consideration Fonterra's future expectations including approved business plans for those operations.

The Group has not recognised deferred tax liabilities in respect of unremitted earnings that are considered indefinitely reinvested in foreign subsidiaries. As at 31 July 2015, these earnings amount to $729 million (31 July 2014: $624 million). These could be subject to withholding and other taxes on remittance.

21 CONTINGENT LIABILITIES, PROVISIONS AND COMMITMENTS

Contingent liabilities

In the normal course of business, Fonterra, its subsidiaries and equity accounted investees, are exposed to claims and legal proceedings that may in some cases result in costs to the Group.

In early August 2013, Fonterra publicly announced a potential food safety issue with three batches of Whey Protein Concentrate (WPC80) produced at the Hautapu manufacturing site and initiated a precautionary product recall.

In late August 2013, the New Zealand Government confirmed that the Clostridium samples found in WPC80 were not Clostridium botulinum and were not toxigenic, meaning the consumers of products containing the relevant batches of WPC80 were never in danger from Clostridium botulinum.

21 CONTINGENT LIABILITIES, PROVISIONS AND COMMITMENTS CONTINUED

In January 2014, Danone formally initiated legal proceedings against Fonterra in the High Court of New Zealand and separate Singapore arbitration proceedings against Fonterra in relation to the WPC80 precautionary recall. The New Zealand High Court proceedings have been stayed pending completion of the Singapore arbitration. The hearing of the arbitration is scheduled to occur in February 2016.

Based on current information available and the claims made to date in both proceedings, Fonterra will vigorously defend its position in these proceedings. Uncertainty exists regarding the outcome of the proceedings. Fonterra has provided $11 million (31 July 2014: $11 million) in respect of the Danone claims, which represents the maximum contractual liability to Danone.

The Directors believe that these proceedings have been adequately provided for and disclosed by the Group and that there are no additional claims or legal proceedings in respect of this matter that are pending at the date of these financial statements that require provision or disclosure.

The Group has no other contingent liabilities as at 31 July 2015 (31 July 2014: nil).

Provisions

Provisions are recognised in the statement of financial position only where the Group has a present legal or constructive obligation as a result of a past event, when it is probable, being more likely than not, that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost in the income statement.

	GROUP $ MILLION			
	RESTRUCTURING AND RATIONALISATION PROVISIONS	LEGAL CLAIMS PROVISIONS	OTHER PROVISIONS	TOTAL PROVISIONS
As at 1 August 2014	17	24	71	112
Additional provisions	36	9	22	67
Unused amounts reversed	(4)	(1)	(2)	(7)
Charged to income statement	32	8	20	60
Utilised during the year	(11)	(5)	(13)	(29)
Foreign currency translation	1	1	8	10
Acquisition of subsidiary	–	71	39	110
As at 31 July 2015	39	99	125	263
Included within the statement of financial position as follows:				
Current liabilities				77
Non-current liabilities				186
Total provisions				263

	GROUP $ MILLION			
	RESTRUCTURING AND RATIONALISATION PROVISIONS	LEGAL CLAIMS PROVISIONS	OTHER PROVISIONS	TOTAL PROVISIONS
As at 1 August 2013	40	32	86	158
Additional provisions	12	–	26	38
Unused amounts reversed	(9)	(7)	(10)	(26)
Charged to income statement	3	(7)	16	12
Utilised during the year	(25)	–	(27)	(52)
Foreign currency translation	(1)	(1)	(4)	(6)
As at 31 July 2014	17	24	71	112
Included within the statement of financial position as follows:				
Current liabilities				47
Non-current liabilities				65
Total provisions				112

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

21 CONTINGENT LIABILITIES, PROVISIONS AND COMMITMENTS CONTINUED

The nature of the provisions are:

- the provision for restructuring and rationalisation includes obligations relating to planned changes throughout the business to improve efficiencies and reduce costs. The provisions are expected to be utilised in the next year.
- the legal claims provisions include obligations relating to tax, customs and duties and legal matters arising in the normal course of business. The timing and amount of the future obligations are uncertain, as they are contingent on the outcome of a number of judicial proceedings. The outcome of most of the obligations is not expected to be determined within the next year and therefore most of these provisions are classified as non-current.
- other provisions arise in the normal course of business.

Commitments

a) Capital commitments

Capital expenditure contracted for at balance date but not recognised in the financial statements are as follows:

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Buildings	**75**	124
Plant, vehicles and equipment	**208**	238
Software	**15**	6
Livestock	**8**	5
Total commitments	**306**	373

b) Operating lease commitments

The Group leases premises, plant and equipment. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Less than one year	**104**	73
One to five years	**217**	120
Greater than five years	**181**	39
Total operating lease commitments	**502**	232

22 RELATED PARTY TRANSACTIONS

Equity accounted investees (refer to Note 18 for a list) and key management personnel are related parties of the Group. Key management personnel comprises the Board and the Fonterra Management Team.

Transactions were entered into and year end balances arose from transactions with related parties as follows:

Key management personnel remuneration

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Short-term employee benefits	**15**	10
Termination benefits	**–**	2
Directors' remuneration	**3**	3
Total key management personnel remuneration	**18**	15

22 RELATED PARTY TRANSACTIONS CONTINUED

Transactions with related parties during the year

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Equity accounted investees		
Revenue from the sale of goods[1]	85	77
Sale of services[2]	1	2
Royalty and other income[3]	3	18
Dividends received	58	49
Interest income from financing arrangements	1	1
Purchases of goods[4]	(16)	(43)
Purchases of services[5]	(35)	(16)
Key management personnel		
Purchases of goods[4]	(87)	(146)

1 Goods sold to related parties are primarily commodity products and are provided under normal trade terms.

2 Services provided to related parties include management fees and are provided under normal trade terms.

3 Royalty and other income received from related parties are provided under normal trade terms.

4 Goods purchased from related parties are primarily commodity products, which are acquired under normal trade terms. Key management personnel may also engage in transactions with other Group entities under normal trade terms.

5 Services purchased from related parties are primarily commissions paid and are under normal trade terms.

Outstanding balances with related parties

	GROUP $ MILLION	
	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Equity accounted investees		
Total receivables arising from the sale or purchase of goods or services[6]	24	29
Total receivables arising from financing arrangements[7]	49	57
Total payables arising from the sale or purchase of goods or services	(19)	(11)
Total payables arising from financing arrangements	(1)	(1)
Key management personnel		
Total payables arising from the sale or purchase of goods or services[8]	(2)	(20)

6 There were no material provisions for impairment on the receivables from related parties.

7 Loans to related parties other than equity accounted investees are unsecured and repayable in cash on demand. Loans to equity accounted investees are unsecured and repayable over varying terms of between one month and 12 years.

8 Payables to key management personnel relate to amounts owing for milk supplied to the Group by farmer shareholder Directors.

Financial guarantees

The Group has provided financial guarantees for several equity accounted investees. The aggregate drawn down amount of equity accounted investees' liabilities for which the Group is jointly and severally liable is $17 million (31 July 2014: $29 million).

Transactions with related entities

As part of the administration of Trading Among Farmers, Fonterra entered into an Authorised Fund Contract to provide administrative services in relation to the Fund and meet the operating expenses of the Fund. In addition, Fonterra has agreed to provide corporate facilities, support functions and other services at no cost to the Fund.

	GROUP $ MILLION	
	31 JULY 2015	31 JULY 2014
Dividends paid to key management personnel	3	4

Commitments

In addition to the transactions disclosed above, the Group has prospective commitments with related parties including contracts with equity accounted investees for the supply of dairy products, energy and the provision of various management services.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

23 GROUP ENTITIES

Subsidiaries are entities controlled by the Group. Subsidiaries are consolidated from the date the Group gains control until the date on which control ceases.

Non-controlling interests are allocated their share of profit after tax in the income statement and are presented within equity in the statement of financial position separately from equity attributable to equity holders. The effect of all transactions with non-controlling interests that change the Group's ownership interest but do not result in a change in control are recorded in equity. Where control is lost, the remaining interest in the investment is re-measured to fair value and any surplus or deficit arising from that re-measurement is recognised in the income statement.

Equity accounted investments are discussed in further detail in Note 18.

The Group's subsidiaries and equity accounted investees are involved in the marketing, distribution, processing, technology or financing of dairy products. All Group entities have a balance date of 31 July unless otherwise indicated. Subsidiaries and equity accounted investees with different balance dates from that of the Group are due to legislative requirements in the country the entities are domiciled. Equity accounted investees may also have a different balance date due to alignment with their other investor's balance date or to align with the milk season.

The Group holds investments in certain countries that have some limited restrictions on the repatriation of funds back to New Zealand. This does not result in any significant restriction on the flow of funds for the Group.

The significant subsidiaries of the Group are listed below:

		OWNERSHIP INTERESTS (%)	
SUBSIDIARY NAME	COUNTRY OF INCORPORATION[1]	AS AT 31 JULY 2015	AS AT 31 JULY 2014
Fonterra Australia Pty Limited	Australia	100	100
Fonterra Brands (Australia) Pty Limited	Australia	100	100
Dairy Partners Americas Brasil Limitada[2,3]	Brazil	51	–
Soprole S.A.[2]	Chile	99.9	99.9
Fonterra Commercial Trading (Shanghai) Company Limited[2]	China	100	100
Fonterra (Yutian) Dairy Farm Co. Limited[2]	China	100	100
Fonterra (Ying) Dairy Company Limited[2]	China	100	100
PT Fonterra Brands Indonesia	Indonesia	100	100
Fonterra Brands (Malaysia) Sdn Bhd	Malaysia	100	100
Fonterra (Ing.) Limited	Mauritius	51	51
Fonterra (Europe) Coöperatie U.A.	Netherlands	100	100
Fonterra Europe Manufacturing B.V.	Netherlands	100	100
Fonterra Brands (Singapore) Pte Limited	Singapore	100	100
Fonterra Brands (New Young) Pte Limited	Singapore	51	51
Fonterra (SEA) Pte Limited	Singapore	100	100
Fonterra Brands Lanka (Private) Limited	Sri Lanka	100	100
Fonterra (USA) Inc.	USA	100	100
Corporación Inlaca CA[3]	Venezuela	60	–
Canpac International Limited	New Zealand	100	100
Fonterra Brands (New Zealand) Limited	New Zealand	100	100
Fonterra Brands (Tip Top) Limited	New Zealand	100	100
Fonterra Limited	New Zealand	100	100
Fonterra (New Zealand) Limited	New Zealand	100	100
RD1 Limited	New Zealand	100	100

1 This is also the principal place of business. Exceptions are Fonterra (Ing.) Limited and Fonterra Brands (New Young) Pte Limited, whose principal place of business is Taiwan.

2 Balance date 31 December.

3 On 1 August 2014, the Group purchased additional voting equity interests in DPA Brazil and DPA Venezuela. These entities became consolidated subsidiaries from that date. Please refer to Notes 16 and 18 for further information.

23 GROUP ENTITIES CONTINUED

The Group's ownership interest of the following entities is 50 per cent or less. However they have been consolidated on the basis that the Group controls them through its exposure or rights to variable returns and the power to affect those returns.

OVERSEAS SUBSIDIARIES 50% OR LESS OWNERSHIP	COUNTRY OF INCORPORATION[1]	OWNERSHIP INTERESTS (%) AS AT 31 JULY 2015	OWNERSHIP INTERESTS (%) AS AT 31 JULY 2014
Fonterra (Japan) Limited	Japan	**50**	50
Fonterra Brands (Middle East) L.L.C.	UAE	**49**	49

1 This is also the principal place of business.

In addition to the entities above, Fonterra controls the Fonterra Shareholders' Fund and Fonterra Farmer Custodian Limited and consolidates these two entities. The trustees of the Fonterra Farmer Custodian Trust own the legal title to all of the shares of the Custodian. The Fund is a unit trust with an independent trustee. In concluding that the Group controls the Fund and the Custodian, the Directors took into consideration that they form an integral part of the structure and operation of Trading Among Farmers.

24 NET TANGIBLE ASSETS PER SECURITY

	GROUP AS AT 31 JULY 2015	GROUP AS AT 31 JULY 2014
Net tangible assets per security[1]		
$ per listed debt security on issue	**5.62**	3.55
$ per equity instrument on issue	**2.12**	2.34
Listed debt securities on issue (million)	**603**	1,053
Equity instruments on issue (million)	**1,599**	1,598

1 Net tangible assets represents total assets less total liabilities less intangible assets.

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31 JULY 2015

pwc

TO THE SHAREHOLDERS OF FONTERRA CO-OPERATIVE GROUP LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Group financial statements of Fonterra Co-operative Group Limited ("the Company") on pages 2 to 43, which comprise the statement of financial position as at 31 July 2015, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements that include significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 July 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair representation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Our firm carries out other assignments for the Group in relation to other advisory, other assurance and attestation services. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. These matters have not impaired our independence as auditors of the Group.

Opinion

In our opinion, the financial statements on pages 2 to 43 present fairly, in all material respects, the financial position of the Group as at 31 July 2015, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

RESTRICTION ON DISTRIBUTION OR USE

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

PricewaterhouseCoopers

Chartered Accountants
Auckland
23 September 2015

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 JULY 2015

EQUITY SECURITIES HELD AT BALANCE DATE

In accordance with Rules of the Fonterra Shareholders' Market (FSM) Rule 9.4.4(c), the following table identifies the Equity Securities in which each Director has a Relevant Interest as at 31 July 2015.

	UNITS ISSUED BY THE FONTERRA SHAREHOLDERS' FUND[1]	CO-OPERATIVE SHARES
Ian Farrelly	–	17,488
Leonie Guiney	–	878,824
John Monaghan	–	140,179
Ian (Blue) Read	–	62,843
Nicola Shadbolt	–	366,705
Reindert (Michael) Spaans	–	195,812
John Wilson	–	4,922,875

1 Units issued by the Fonterra Shareholders' Fund may be converted to Co-operative shares.

A 'Relevant Interest' in Fonterra securities which is required to be disclosed is explicitly defined in the Financial Markets Conduct Act 2013.

To qualify as a Farmer Elected Director under the Fonterra Constitution a person must be a shareholder, a shareholder of a company that is a shareholder, a member of a partnership that is a shareholder, or have a legal or beneficial interest in, or a right or entitlement to participate directly in the distributions of, a body corporate that is a shareholder of Fonterra.

Given the variety of ways that farmer shareholders can organise their interests, it is possible for Fonterra Elected Directors to have an interest in Fonterra shares without this being a 'Relevant Interest' as defined in the Financial Markets Conduct Act 2013.

The interests of Mr Malcolm Bailey and Mr David MacLeod in Fonterra shares at balance date did not meet the 'Relevant Interest' definition applicable to the disclosure above. However, their respective interests in Fonterra shares qualify them as Elected Directors under the Fonterra Constitution. Other Fonterra Elected Directors also have interests in Fonterra shares which are not within the definition of 'Relevant Interest' in the Financial Markets Conduct Act 2013 and those interests are not disclosed above.

CO-OPERATIVE STATUS

In accordance with section 10 of the Co-operative Companies Act 1996, the Directors of Fonterra unanimously resolved on 24 August 2015 that the Company was, for the year ended 31 July 2015, a co-operative company. The opinion was based upon the fact that:

- Throughout that period the principal activities of the Company have been the activities stated in clause 1.3 of the Company's constitution:
  - the manufacture and sale of butter, cheese, dried milk, casein, or any other product derived from milk or milk solids supplied to the Company by its shareholders;
  - the sale to any person of milk or milk solids supplied to the Company by its shareholders;
  - the collection, treatment, and distribution for human consumption of milk or cream supplied to the Company by its shareholders.
- Each of the Company's principal activities are co-operative activities (as defined in section 3 of the Co-operative Companies Act 1996).
- Throughout that period not less than 60 per cent of the voting rights attaching to shares in the Company have been held by transacting shareholders (as defined in section 4 of the Co-operative Companies Act 1996).

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

REMUNERATION OF DIRECTORS

The total remuneration and value of other benefits received by each Director in the 12 month period from 1 August 2014 to 31 July 2015 are scheduled below:

	BOARD FEES	COMMITTEE CHAIR FEES	TRAVEL ALLOWANCE	TOTAL REMUNERATION ($)
Malcolm Bailey (Chairman of the Risk Committee)	165,000	31,000	–	196,000
Ian Farrelly	165,000	–	–	165,000
Leonie Guiney	119,308	–	–	119,308
Simon Israel	165,000	–	60,000[1]	225,000
David Jackson (Chairman of the Audit and Finance Committee)	165,000	31,000	–	196,000
David MacLeod	165,000	–	–	165,000
John Monaghan (Chairman of the Co-operative Relations Committee)	165,000	31,000	–	196,000
Sir Ralph Norris	165,000	–	–	165,000
Blue Read	165,000	–	–	165,000
Nicola Shadbolt	165,000	–	–	165,000
Michael Spaans	165,000	–	–	165,000
Jim van der Poel	46,326	–	–	46,326
John Waller (Chairman of the Milk Price Panel)	165,000	31,000	–	196,000
John Wilson (Chairman of the Board of Directors)	405,000	–	–	405,000

1 The Board has approved the payment to Mr Israel of a travel allowance of $10,000 per meeting to travel to and from New Zealand to attend Board meetings.

SUBSIDIARY COMPANY DIRECTORS

The following companies were subsidiaries of Fonterra as at 31 July 2015. Directors as at that date are listed; those who resigned during the year are denoted with an R. Alternate Directors are denoted with an A.

616059 Limited:
G A Duncan, S D T Till

Anchor Ethanol Limited:
G A Duncan, P D Washer

Canpac International Limited:
G A Duncan, M R Spiers

Civil Whey Distributors Limited:
G A Duncan, M R Spiers

Dairy Industry Superannuation Scheme Trustee Limited:
M A Apiata-Wade, B J Kerr, D M Marshall, T P McGuinness, D W C Scott, A K Williams, P D Wynen

Dairy Transport Logistics Limited:
G A Hoddinott (R), M E Leslie, R J Spurway

Fonterra (Asia) Limited:
G A Duncan, M W Smith

Fonterra (Delegated Compliance Trading Services) Limited:
G A Duncan, S D T Till

Fonterra (International) Limited:
G A Duncan, C E Rowe

Fonterra (Kotahi) Limited:
M E Leslie, R J Spurway

Fonterra (Middle East) Limited:
G A Duncan, P D Washer

Fonterra (New Zealand) Limited:
G A Duncan, C E Rowe

Fonterra (Number One) Limited:
G A Duncan, S D T Till

Fonterra Brands (China Holdings) Limited:
G A Duncan, K A Wickham

Fonterra Brands (New Zealand) Limited:
G A Duncan, P J W McClure (R), T H Deane (R), M R Cronin

Fonterra Brands (Tip Top Investments) Limited:
S C Brooks (R), G A Duncan, K M Turner

Fonterra Brands (Tip Top) Limited:
G A Duncan, P J W McClure (R), M R Cronin

Fonterra Brands Limited:
G A Duncan, L J Paravicini, T H Deane (R)

Fonterra Commodities Limited:
G A Duncan

Fonterra Dairy Solutions Limited:
G A Duncan, R McNickle

Fonterra Enterprises Limited:
G A Duncan, J P Minkhorst

Fonterra Equities Limited:
G A Duncan, S D T Till

Fonterra Farming Ventures Limited:
G A Duncan, J P Minkhorst

Fonterra Finance Corporation Limited:
G A Duncan, S D T Till

Fonterra Holdings (Americas) Limited:
G A Duncan, K J Murray (R), R M Kennerley

Fonterra Holdings (Argentina) Limited:
G A Duncan, K J Murray (R)

Fonterra Holdings (Brazil) Limited:
G A Duncan, K J Murray (R), R M Kennerley

Fonterra Holdings (Ecuador) Limited:
G A Duncan, K J Murray (R)

Fonterra Holdings (Venezuela) Limited:
G A Duncan, K J Murray (R), R M Kennerley

Fonterra Investments (China) Limited:
G A Duncan, K A Wickham

Fonterra IP Limited:
G A Duncan, S D T Till

Fonterra Limited:
B Connolly (R), G A Duncan (R), K A Wickham, R J Spurway

Fonterra Manufacturing (Americas) Limited:
G A Duncan, K J Murray (R)

Fonterra PGGRC Limited:
G A Duncan, J P Minkhorst

Fonterra Research Centre Limited:
G A Duncan, M W Smith (R)

Fonterra TM Limited:
G A Duncan, S D T Till

Food Solutions Group 2000 Limited:
G A Duncan, S D T Till

Glencoal Energy Limited:
G A Duncan, M R Spiers

GlobalDairyTrade Holdings Limited:
G A Duncan, L J Paravicini

Kapiti Fine Foods Limited:
S C Brooks (R), G A Duncan, K M Turner

Kotahi GP Limited:
J P Coote (R), H M J Kean, M E Leslie, K G Winders, R J Spurway

MIH Limited:
G A Duncan, J P Minkhorst

Milktest GP Limited:
P G Brown, B Greaney, M E Leslie, C J Mortland, P J Spooner (R), R G Townshend, T A Winter

MyMilk Limited:
M W Hurrell, R M Kennerley

New Zealand Dairy Board:
G A Duncan, C E Rowe

New Zealand Milk (Australasian Holdings) Limited:
G A Duncan, L J Paravicini

New Zealand Milk (International) Limited:
G A Duncan, L J Paravicini

New Zealand Milk Brands Limited:
G A Duncan, S D T Till

NZAgbiz Limited:
G A Duncan, J P Minkhorst

NZM (Dairy Holdings) Limited:
G A Duncan, K K Gupta (R), L J Paravicini

RD1 Limited:
S C Brooks (R), P J W McClure (R), T H Deane (R), J P Minkhorst, K M Turner

SAITL Limited:
P G Brown (R), P J van Boheemen (R), B Greaney, M E Leslie

Tangshan Dairy Farm (NZ) Limited:
G A Duncan, P J Moore (R), K A Wickham

ViaLactia Biosciences (NZ) Limited:
G A Duncan, J P Minkhorst

Whareroa Co-Generation Limited:
G A Duncan, M R Spiers

A.C.N. 008 668 602 Pty Ltd [Australia]:
G A Duncan, D A Steele

A.C.N. 009 163 268 Pty Ltd [Australia]:
G A Duncan, D A Steele

A.C.N. 009 235 492 Pty Ltd [Australia]:
G A Duncan, D A Steele

A.C.N. 111 834 489 Pty Ltd [Australia]:
G A Duncan, D A Steele

A.C.N. 113 345 430 Pty Ltd [Australia]:
G A Duncan, D A Steele

A.C.N. 606-428-639 Pty Ltd [Australia]
J Swales

Anchor Insurance Pte. Limited [Singapore]:
L J Paravicini, S S Herbert, M W Smith, C L Khoon (A)

Anmum (Malaysia) Sdn. Bhd. [Malaysia]:
M F Bin Wahab, D A Ross (R), M W Smith, K K Gupta (R), J M Porraz

Auckland Limited [Barbados]:
G C Aubry (R), M P Campbell (R), B M Jost (R), M F Maldonado, J C Pestana (R), K J Murray, A Turnbull, J Chow, L Hartmann

Australasian Food Holdings Pty Limited [Australia]:
G A Duncan, D A Steele

Bonlac Finance Pty Limited [Australia]:
G A Duncan, D A Steele

Bonlac Staff Retirement Pty Ltd [Australia]:
G A Duncan, D A Steele

Bonland Cheese Trading Pty Ltd [Australia]:
G A Duncan, D A Steele

Comercial Dos Alamos S.A. [Chile]:
T J Appleton, H Covarrubias Lalanne, G Rencoret Mujica,

Comercial Santa Elena S.A. [Chile]:
T J Appleton, H Covarrubias Lalanne, G Rencoret Mujica

Corporación Inlaca C.A [Venezuela]:
A Alegrett (A) (R), J L Bianco (A) (R), F O Costa (R), B M Jost (R), M F Maldonado, O N de Massiani, M M Perez, J R Odon

Dairy Enterprises (Chile) Limitada [Chile]:
M P Campbell, A J Duncan, K J Murray, R Sepúlveda Seminario, M W Smith, J P Egaña Bertoglia (A), J C Gumucio Schönthaler (A), L O Herrera Larraín (A), A Montaner Lewin (A), S Obach González (A)

Dairy Enterprises International (Chile) Limited [Cayman Islands]:
M P Campbell, E A Teisaire

Dairy Fresh Pty. Ltd. [Australia]:
G A Duncan, D A Steele

Dairymas (Malaysia) Sdn Bhd [Malaysia]:
M F Bin Wahab, D A Ross (R), M W Smith, K K Gupta (A) (R), J M Porraz

Dairy Partners Americas Brasil Limitada [Brazil]:
A K Berger (R), D H Broad (R), A J Duncan (R), J D A Hauser (R), B M Jost (R), J C Pestana (R), A D Turnbull (R), I F Zurita (R), V Cornut, O C L Faccina, J C M De Oliveira Frederico, M C O Davila, O E Citta

Dairy Partners Americas Nordeste-Productos Alimenticios Ltda [Brazil]:
A K Berger (R), D H Broad (R), A J Duncan (R), J D A Hauser (R), B M Jost (R), J C Pestana (R), A D Turnbull (R), I F Zurita (R), V Cornut, O C L Faccina, J C M De Oliveira Frederico, M C O Davila, O E Citta

Falcon Dairy Holdings Limited [Hong Kong]:
R M Kennerley, G A Duncan, J S White, J F Ginascol

Fast Forward FFW Limited [United Kingdom]:
K Allum (R), M P Campbell, G Sweeney, J van der Windt (R), H Huistra, M Gallagher

Fazenda MIH Ltda [Brazil]:
R Santos, F Jorge (R), R Carneiro

Fonterra (Brasil) Ltda [Brazil]:
F Jorge (R), R Santos (R), F Spinelli, R Carneiro

Fonterra (Canada), Inc. [Canada]:
G A Duncan, B Kipping, M Piper, P D Washer (R), B M Ryan

Fonterra (Centro America) S.A. [Guatemala]:
A J Cordner, G A Duncan, K J Murray

Fonterra (China) Limited [Hong Kong]:
G A Duncan, Sin W Y, K A Wickham

Fonterra (CIS) Limited Liability Company [Russian Federation]:
M Bates, S Bennett (R)

Fonterra (Europe) Coöperatie U.A. [Netherlands]:
G A Duncan, J van der Windt (R), W Zwaan

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

Fonterra (Europe) GmbH [Germany]:
J van der Windt

Fonterra (France) SAS [France]:
J van der Windt

Fonterra (Ing.) Limited [Mauritius]:
Lee G, R M Kennerley (R), B M Ryan

Fonterra (Japan) Limited [Japan]:
P G Brown (R), T H Deane (R), K Kumagai, H Ono, Y Saito, K Ueta, B M Ryan, K A Wickham

Fonterra (Logistics) Ltd [United Kingdom]:
G R Sharma, J van der Windt

Fonterra (Mexico) S.A. de C.V. [Mexico]:
G A Duncan, M M Pérez Ortiz, P D Washer, L Barona Mariscal (A), F R Camacho (A), G A Castro Palafox (A)

Fonterra (SEA) Pte. Ltd. [Singapore]:
G N Kane, M W Smith

Fonterra (Switzerland) SA [Switzerland]:
J Gauthier, K M Turner

Fonterra (Thailand) Limited [Thailand]:
G N Kane, K Vunthanadit

Fonterra (USA) Inc. [United States]:
G A Duncan, M Piper, P D Washer (R), B M Ryan

Fonterra (Ying) Dairy Farm Company Limited [China]:
G Lee (R), R M Kennerley, P J Moore (R), A van der Nagel, G A Duncan

Fonterra (Yutian) Dairy Farm Company Limited [China]:
G Lee (R), R M Kennerley, P J Moore (R), A van der Nagel, G A Duncan

Fonterra Argentina S.R.L. [Argentina]:
L P Wiener

Fonterra Australia Pty Ltd [Australia]:
G A Duncan, J Swales

Fonterra Beijing Farm Management Consulting Company Limited [China]:
P J Moore (R), C James (R), G Lee (R), R M Kennerley, A van der Nagel, L O'Neill

Fonterra Brands (Asia Holdings) Pte. Ltd [Singapore]:
P Y De Petrini (R), M W Smith, J C Pestana

Fonterra Brands (Australia) Pty Ltd [Australia]:
G A Duncan, J Swales

Fonterra Brands (Centram), S.A. [Panama]:
A J Cordner, G A Duncan, K J Murray

Fonterra Brands (Far East) Limited [Hong Kong]:
G A Duncan, C Sin, K A Wickham

Fonterra Brands (Guangzhou) Ltd [China]:
T L Tan (R), P A Turner (R), K A Wickham, A R R Kasireddy, R M Kennerley

Fonterra Brands (Guatemala), S.A. [Guatemala]:
A J Cordner, G A Duncan, K J Murray

Fonterra Brands (Hong Kong) Limited [Hong Kong]:
G A Duncan, C Sin, K A Wickham

Fonterra Brands (Japan) Limited [Japan]:
T H Deane (R), Y Saito, K A Wickham, B M Ryan

Fonterra Brands (Malaysia) Sdn Bhd [Malaysia]:
M F Bin Wahab, D A Ross (R), M W Smith, K K Gupta (A) (R), J M Porraz

Fonterra Brands (New Young) Pte. Ltd. [Singapore]:
A J Bruce (R), Y Lin, C Lin, J Ling, M W Smith, A M Fitzsimmons (A) (R), K A Wickham (R), R M Kennerley (R), J H Priem, S Deschamps

Fonterra Brands (Singapore) Pte. Ltd [Singapore]:
P Y De Petrini (R), M W Smith, J C Pestana

Fonterra Brands (Thailand) Ltd [Thailand]:
S Aramthip, A M Fitzsimmons, C Phaonimmongkol, M W Smith

Fonterra Brands (Viet Nam) Company Limited [Viet Nam]:
A M Fitzsimmons, M W Smith

Fonterra Brands Indonesia, PT [Indonesia]:
B Kuncoro (R), P A Richards, J C P Soto, M W Smith, A Afiffudin, J Fryer

Fonterra Brands Lanka (Private) Limited [Sri Lanka]:
L M Clement, J H P Gallage, M W Smith

Fonterra Brands Manufacturing Indonesia, PT [Indonesia]:
B Kuncoro (R), M W Smith, J C Pestana, P A Richards, M A Nasution, T A Siswanto, J Fryer

Fonterra Brands Myanmar Co Ltd [Myanmar]:
G A Duncan, M W Smith

Fonterra Brands Phils. Inc. [Philippines]:
L T Barin, C Mendoza (R), R A Mendoza, E T Ogsimer, D D C Salvadore (R), M W Smith, S Choo, M T Boness

Fonterra Commercial Trading (Shanghai) Company Limited [China]:
W F Chu, G A Duncan, A R R Kasireddy, R M Kennerley, K A Wickham

Fonterra Egypt Limited [Egypt]:
G A Duncan, A Anwar

Fonterra Europe Manufacturing B.V. [Netherlands]:
G A Duncan (R), J van der Windt (R), H Berghorst, C Rowe

Fonterra Europe Manufacturing Holding B.V. [Netherlands]:
G A Duncan, J van der Windt (R), W Zwaan

Fonterra Farming Ventures (Australia) Pty Ltd [Australia]:
G A Duncan, D A Steele

Fonterra Foods Pty Ltd [Australia]:
G A Duncan, D A Steele

Fonterra Foodservices (USA), Inc. [United States]:
G A Duncan, M Piper, R J Pedersen

Fonterra Global Business Services Asia Sdn Bhd [Malaysia]:
J Ling, J M Porraz

Fonterra Holdings (Thailand) Limited [Thailand]:
G N Kane, K Vunthanadit

Fonterra India Private Limited [India]:
G N Kane, K M Turner, H D Gowans

Fonterra Ingredients Australia Pty Ltd [Australia]:
G A Duncan, D A Steele, J Swales

Fonterra Investments Netherlands Coöperatie U.A. [Netherlands]:
A D Turnbull, J van der Windt (R), H Huistra

Fonterra Investments Pty Limited [Australia]:
G A Duncan, D A Steele

Fonterra Middle East FZE [United Arab Emirates]:
G A Duncan, A M Fitzsimmons

Fonterra MIH Holdings Brasil Ltda [Brazil]:
F Jorge (R), R Santos, R Carneiro

Fonterra Milk Australia Pty Ltd [Australia]:
G A Duncan, D A Steele

Fonterra Tangshan Dairy Farm (HK) Limited [Hong Kong]:
P J Moore (R), K A Wickham (R), A van der Nagel, R M Kennerley

Fonterra Venezuela, S.A. [Venezuela]:
C P Caldwell (R), F C Ortega Becea, P D Washer (R), O N de Massiani (A) (R), S Guevara Camacho (A) (R), L A Tinoco Arria (A) (R), G A Duncan, M M Perez

Inversiones Dairy Enterprises S.A. [Chile]:
M P Campbell, A J Duncan, J P Egaña Bertoglia (A), L O Herrera Larraín (A), S Obach González (A), J C Gumuccio Schönthaler (A), A Montaner Lewin (A), K J Murray, M W Smith, R Sepúlveda Seminario

Key Ingredients, Inc. [United States]:
G A Duncan, M Piper, P D Washer (R)

Lactaid Holdings Ltd [Venezuela]:
M F Maldonado, K J Murray, A Turnbull, J Chow, L Hartmann

Lacven Corp [Venezuela]:
M F Maldonado, K J Murray (R), A Turnbull, J Chow, L Hartmann, E Mezzano (R)

Mainland Dairies Pty. Ltd. [Australia]:
G A Duncan, D A Steele

Mainland Foodservice Pty Limited [Australia]:
G A Duncan, D A Steele

Milk Products Holdings (Middle East) EC [Bahrain]:
M W Smith, G A Duncan, A Fitzsimmons

Milk Products Holdings (North America) Inc. [United States]:
G A Duncan, M Piper, P D Washer (R), B Ryan, R Pederson

Murrumbidgee Dairy Products Pty Ltd [Australia]:
G A Duncan, D A Steele

New Tai Milk Products Co Ltd [Taiwan]:
K A Wickham (R), G N Kane, C Lee, J Lee, G Lee, M Lee, P D Washer (R), R M Kennerley (R), B M Ryan, J G M Priem

New Zealand Milk Products (Ethiopia) SC [Ethiopia]:
A Fitzsimmons, M Woodward, M W Smith, M Smith, A B Abubeker, M B Abubeker

New Zealand Milk (Australasia) Pty Ltd [Australia]:
G A Duncan, D A Steele

New Zealand Milk (Barbados) Ltd [Barbados]:
G A Duncan, K J Murray

New Zealand Milk (LATAM) Ltd [Bermuda]:
G A Duncan, K J Murray

Newdale Dairies (Private) Limited [Sri Lanka]:
L M Clement, J H P Gallage, M W Smith

NZMP (AEM) Ltd [United Kingdom]:
G R Sharma, W Zwaan, J van der Windt (R)

Recombined Dairy Systems A/S [Denmark]:
G R Sharma, J van der Windt (R), W Zwaan, P Rasmussen

Sociedad Agrícola y Lechera Praderas Australes S.A. ("Pradesur") [Chile]:
T J Appleton, H Covarrubias Lalanne, G Rencoret Mujica

Sociedad Procesadora de Leche Del Sur S.A. [Chile]:
E Alcalde Undurraga, A Cussen Mackenna, J Milic Barros, K J Murray, S Obach González, J R Valente Vias, G Varela Alfonso, J M Alcalde Undurraga (A), E Huiddobro Grove (A) (R), G Jiménez Barahona (A), J P Matus Pickering (A), A Montaner Lewin (A) (R), S Oddo Gómez (A), C Perez-Cotapos Subercaseaux (A), J P E Bertoglia (A), F Spinelli

Solid Fresh Food & Beverage (M) Sdn. Bhd. [Malaysia]:
M F Bin Wahab, D A Ross (R), M W Smith, K K Gupta (A) (R), J M Porraz

Soprole Inversiones SA [Chile]:
G A Bitrán Dicowsky, M P Campbell (R), K J Murray (R), A D Turnbull, J R Valente Vias, G Varela Alfonso, A Walker Prieto, S Diez Arriagada (A), C Herrera Barriga (A), E Huidobro Grove (A) (R), R Sepúlveda Seminario (A), M Somarriva Labra (A), R Tisi Lanchares (A), M L Valdes Steeves (A) (R), L J B Paravicini, F Spinelli, P L Linhares

Soprole S.A. [Chile]:
G A Bitrán Dicowsky, M P Campbell (R), J R Valente Vias, G Varela Alfonso, A Walker Prieto (R), R Fernández Robinson (A) (R), C Herrera Barriga (A), R Sepúlveda Seminario (A) (R), R A Tisi Lanchares (A), A Turnbull (A), P L Linhares (A), S Diez Arriagade (A)

Tangshan Fonterra Dairy Farm Ltd [China]:
P J Moore (R), R M Kennerley, G Lee, J L Zhang, A van der Nagel, G A Duncan

Unilac Australia Pty Ltd [Australia]:
G A Duncan, D A Steele

United Milk Tasmania Pty Limited [Australia]:
G A Duncan, D A Steele

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

REMUNERATION FRAMEWORK

An effective remuneration framework is an important consideration in attracting and retaining talent, driving change, and motivating employees to succeed.

Fonterra's remuneration framework for salaried staff is based on a 'total remuneration' approach, meaning packages include fixed remuneration (e.g. salary and benefits) and variable remuneration (e.g. Short Term Incentive plan (STI)).

Packages are compared against peer companies in the relevant market, using information obtained from independent remuneration consultants. Adjustments to packages may occur regularly, such as an annual base salary review, or on an as-needed basis to recognise additional responsibilities. The framework is designed to differentiate rewards for exceptional performance whilst also considering budget constraints, internal equity and governance factors such as local legislation.

SHORT TERM INCENTIVE PLANS

Most permanent salaried employees in Fonterra participate in an annual STI plan.

STI plans align employees with what is important to Fonterra. At the beginning of each year a series of Group and business unit Key Performance Indicators (KPIs) are identified and agreed. These KPIs may include important financial measures, goals around Health & Safety (H&S), and other important operational and qualitative measures. Some employees have a portion of their STI aligned with their individual performance.

Incentive programmes drive Fonterra's performance by:

- Aligning the objectives of the Co-operative to ensure collaboration and a one team approach to achieve Fonterra's goals;
- Establishing targets which are challenging yet achievable;
- Linking specific levels of reward to individual, team (such as business unit) and Group-wide performance; and
- Provide the opportunity for employees to share in Fonterra's success.

At the end of each operating year, performance against the Fonterra Group KPIs is independently reviewed and approved by the People, Culture and Safety Committee.

OTHER INCENTIVE PLANS

Some business units, both in New Zealand and offshore, adopt sales incentive plans to drive specific growth objectives and, in some cases, other outcomes-based plans for specific employee groups.

Employees in these plans do not, typically, participate in other short term incentive plans.

LONG TERM INCENTIVE PLAN

For certain senior executives, Fonterra operates a Long Term Incentive plan (LTI). This plan is by invitation only and is designed to motivate, reward and retain key executives. This plan is based on achievement of specified long term strategic goals for the Co-operative.

BENEFITS

As Fonterra operates a total remuneration approach, benefits are provided when required by legislation or when they represent typical market practice in that country or region.

FIXED REMUNERATION	STI PLANS	LTI PLAN
• Provides 'stable' base level of reward • External and internal relativities and budget constraints taken into account • Typically set at market median (for local market) using independent external benchmark data • Varies based on employee skills and performance	• Most permanent salaried employees eligible • Comprehensive range of financial and non-financial measures • When targets are exceeded total remuneration will be above market median • Highest performance receives the highest reward, lowest performance receives no STI payment	• Restricted to senior executives • Focus on key long term strategic goals of the Co-operative

EMPLOYEE REMUNERATION

The Group operates in a number of countries where remuneration market levels differ widely. During the year ended 31 July 2015, the number of employees, not being Directors of Fonterra, who received remuneration and the value of other benefits exceeding $100,000 was as follows:

REMUNERATION RANGE ($)		NEW ZEALAND[1]	OFFSHORE[2]	CESSATIONS[3]	TOTAL
100,000	110,000	792	241	39	**1,072**
110,001	120,000	766	274	35	**1,075**
120,001	130,000	338	203	22	**563**
130,001	140,000	206	106	20	**332**
140,001	150,000	162	107	9	**278**
150,001	160,000	116	81	11	**208**
160,001	170,000	104	70	13	**187**
170,001	180,000	84	50	8	**142**
180,001	190,000	57	49	11	**117**
190,001	200,000	54	32	7	**93**
200,001	210,000	58	28	11	**97**
210,001	220,000	33	17	7	**57**
220,001	230,000	30	26	3	**59**
230,001	240,000	26	15	2	**43**
240,001	250,000	24	22	3	**49**
250,001	260,000	22	17	3	**42**
260,001	270,000	13	13	2	**28**
270,001	280,000	15	5	1	**21**
280,001	290,000	9	21	4	**34**
290,001	300,000	6	14	1	**21**
300,001	310,000	6	9	–	**15**
310,001	320,000	10	7	1	**18**
320,001	330,000	6	10	2	**18**
330,001	340,000	8	6	2	**16**
340,001	350,000	6	5	1	**12**
350,001	360,000	4	6	1	**11**
360,001	370,000	5	8	1	**14**
370,001	380,000	8	2	3	**13**
380,001	390,000	5	7	–	**12**
390,001	400,000	6	5	–	**11**
400,001	410,000	1	5	–	**6**
410,001	420,000	5	1	–	**6**
420,001	430,000	3	5	1	**9**
430,001	440,000	5	3	1	**9**
440,001	450,000	4	–	–	**4**
450,001	460,000	2	1	–	**3**
460,001	470,000	–	2	1	**3**
470,001	480,000	1	3	–	**4**
480,001	490,000	4	–	–	**4**
490,001	500,000	1	3	–	**4**
500,001	510,000	3	2	1	**6**
510,001	520,000	–	1	–	**1**
520,001	530,000	1	3	–	**4**
530,001	540,000	1	4	–	**5**
540,001	550,000	–	5	1	**6**
550,001	560,000	2	–	–	**2**

REMUNERATION RANGE ($)		NEW ZEALAND[1]	OFFSHORE[2]	CESSATIONS[3]	TOTAL
560,001	570,000	–	1	1	**2**
570,001	580,000	1	1	–	**2**
580,001	590,000	2	1	–	**3**
590,001	600,000	1	1	–	**2**
600,001	610,000	1	–	–	**1**
610,001	620,000	1	2	–	**3**
620,001	630,000	1	–	1	**2**
630,001	640,000	1	2	–	**3**
640,001	650,000	1	1	–	**2**
650,001	660,000	–	2	–	**2**
660,001	670,000	1	1	–	**2**
670,001	680,000	2	1	1	**4**
680,001	690,000	–	4	–	**4**
710,001	720,000	1	3	–	**4**
740,001	750,000	1	1	–	**2**
750,001	760,000	–	–	1	**1**
760,001	770,000	–	1	–	**1**
790,001	800,000	–	1	–	**1**
810,001	820,000	2	–	–	**2**
820,001	830,000	–	1	–	**1**
840,001	850,000	–	–	1	**1**
890,001	900,000	–	1	–	**1**
900,001	910,000	1	–	–	**1**
920,001	930,000	–	1	–	**1**
930,001	940,000	–	–	1	**1**
940,001	950,000	–	1	–	**1**
960,001	970,000	–	–	1	**1**
1,000,001	1,010,000	1	–	–	**1**
1,030,001	1,040,000	–	–	1	**1**
1,050,001	1,060,000	–	2	–	**2**
1,080,001	1,090,000	–	1	–	**1**
1,090,001	1,100,000	2	–	–	**2**
1,120,001	1,130,000	–	2	–	**2**
1,140,001	1,150,000	1	–	–	**1**
1,200,001	1,210,000	–	1	–	**1**
1,260,001	1,270,000	–	1	1	**2**
1,270,001	1,280,000	–	1	–	**1**
1,360,001	1,370,000	–	1	–	**1**
1,580,001	1,590,000	–	1	–	**1**
1,650,001	1,660,000	1	–	–	**1**
1,700,001	1,710,000	–	1	–	**1**
1,980,001	1,990,000	–	–	1	**1**
2,040,001	2,050,000	1	–	–	**1**
2,150,001	2,160,000	–	1	–	**1**
4,930,001	4,940,000	1	–	–	**1**
Total		**3,036**	**1,533**	**238**	**4,807**

1 Includes employees employed in New Zealand during the reporting period.

2 Includes employees employed in an offshore operation during the reporting period. Amounts paid in foreign currency have been translated at the average conversion rate for the period. As Fonterra has a significant offshore population, the number of offshore employees exceeding the fixed figure of $100,000 increases if the New Zealand Dollar currency weakens significantly, as it has in some of our markets during the prior twelve months. Should the New Zealand Dollar strengthen against those markets, these same individuals may not be reported in future lists.

3 Cessations include employees that have been terminated or retired during the period. The amounts paid to former employees include salary and bonuses for the current period, prior period bonuses that have been paid in the current period (which were accrued at 31 July 2014) and termination entitlements including those arising from employment arrangements entered into by legacy companies prior to the formation of Fonterra.

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

CURRENT CREDIT RATING STATUS

Standard & Poor's long term rating for Fonterra is A with a rating outlook of CreditWatch negative. Fitch's long and short term default rating is AA- with a rating outlook of stable. Retail Bonds have been rated the same as the Company's long term rating by both Standard & Poor's and Fitch. Capital Notes which are subordinate to other Fonterra debt issued are rated A- by Standard & Poor's and A+ by Fitch.

EXCHANGE RULINGS AND WAIVERS

NZX Limited (NZX) has ruled that Capital Notes do not constitute 'equity securities' under the NZX Main Board/Debt Market Listing Rules (Rules). This means that where Capital Notes are quoted on NZX's Debt Market (NZDX), the Company is not required to comply with certain Rules which apply to an issuer of quoted equity securities.

NZX has granted waivers from NZDX Rule 11.1.1 to enable Fonterra to decline to accept or register transfers of Capital Notes or Retail Bonds (NZDX listed debt securities FCGHA, FCG020 and FCG030) if such transfer would result in the transferor holding or continuing to hold Capital Notes or Retail Bonds with a face value or principal amount of less than $5,000 or if such transfer is for an amount of less than $1,000 or not a multiple thereof. The effect of these waivers is that the minimum holding amount in respect of the Capital Notes and Retail Bonds will at all times be $5,000 in aggregate and that Retail Bonds can only be transferred in multiples of $1,000.

NZX has also granted a waiver from NZDX Rule 5.2.3 in respect of Retail Bonds FCG020 and FCG030 to enable these Retail Bonds to be quoted on the NZDX market even though they did not meet the requirement that at least 500 members of the public held at least 25 per cent of the Retail Bonds being issued.

NZX TRADING HALTS

On 10 March 2015, NZX Regulation (NZXR) placed a trading halt on the following Fonterra Co-operative Group Limited securities: FCG, FCG010, FCG020 and FCGHA. This halt was part of an industry-wide action taken by NZXR to place all listed issuers within the dairy industry on a trading halt as a result of the infant formula contamination threat. Following the public release of a Ministry for Primary Industries announcement regarding the contamination threat, NZXR then lifted the trading halt on Fonterra Co-operative Group Limited and other industry participants' securities. The trading halt was in place between 3:21pm and 4:17pm on 10 March 2015.

STOCK EXCHANGE LISTINGS

Fonterra's co-operative shares are listed and quoted on the Fonterra Shareholders' Market under the code 'FCG'. Fonterra has two issues of retail bonds listed and quoted on the NZDX under the codes 'FCG020' and 'FCG030'. Fonterra also has an issue of capital notes listed and quoted on NZDX under the code 'FCGHA' and a Euro Medium Term Note Programme listed on the Singapore Stock Exchange.

As at 14 August 2015 there were 1,599,093,577 Fonterra Co-operative shares on issue.

ANALYSIS OF SHAREHOLDING

Analysis of Fonterra's shareholding as at 14 August 2015:

FCG Largest Recorded Share Holdings[1]

NAME	NUMBER OF SHARES	% OF SHARES
Fonterra Farmer Custodian Limited	104,859,235	6.55
Ellis-Lea Farms (2000) Limited	1,402,996	0.08
Plantation Road Dairies Limited	974,170	0.06
Oscar Farming Company Limited	970,571	0.06
Singletree Dairies 2013 Limited	940,177	0.05
Pengxin New Zealand Farm Group Limited – Bennydale 2	924,765	0.05
Stewart Partnership Limited	922,500	0.05
Van't Klooster Farms Limited	885,190	0.05
McIntyre Williamson Partners	878,952	0.05
Twin Terraces Limited	874,768	0.05
Hopkins Farming Group Limited	863,006	0.05
Moffitt Dairy Limited	853,134	0.05
Landcorp Farming Limited	839,708	0.05
Poplar Partnership Limited	817,827	0.05
Cumberland Dairy Farm Limited	815,665	0.05
Feather Holdings Limited	800,467	0.05
Elderslie Holdings Limited	798,174	0.04
Pengxin New Zealand Farm Group Limited – Bennydale 1	796,255	0.04
McBain Farms Limited	776,977	0.04
McIntyre Williamson Partners	766,908	0.04

1 The FSM Rules, which reflect the rules of the NZX Main Board, require that Fonterra's annual report contain the names and holdings of persons having the 20 largest holdings of Fonterra shares on the register of Fonterra as at a date not earlier than two months before the date of the publication of the annual report. The list above complies with the FSM Rules and sets out the list of the 20 largest shareholders on the register as at the appropriate date. There is a separate requirement in the FSM Rules to disclose in the annual report those persons who have a 'Relevant Interest' (as defined in the Financial Markets Conduct Act 2013) in Fonterra shares in excess of five per cent, where this information has been provided to Fonterra. Accordingly, the list of the 20 largest holdings of Fonterra shares is not required to show, and does not purport to show, the top 20 holdings of 'Relevant Interests' in Fonterra shares which may be owned or controlled by a person or entity and their associated entities. Other people or entities may have 'Relevant Interests' in a greater number of Fonterra shares than those listed above. However, it is not possible for Fonterra to accurately determine those interests, nor is it a requirement of the FSM Rules for those interests to be reported in the annual report, except where Fonterra has been advised that a person has a Relevant Interest in excess of the five per cent threshold.

Substantial Product Holders

According to notices given to the Company under the Financial Markets Conduct Act 2013, as at 31 July 2015, the substantial product holders in the Company and their relevant interests are noted below. The total number of Co-operative shares on issue as at 14 August 2015 was 1,599,093,577.

SUBSTANTIAL PRODUCT HOLDERS	NUMBER OF VOTING SECURITIES	DATE OF MOST RECENT NOTICE
Fonterra Farmer Custodian Limited	113,642,185	7 August 2014
FSF Management Company Limited	113,542,226	7 August 2014

More than one 'Relevant Interest' can exist in the same voting financial products. Fonterra Farmer Custodian Limited holds Fonterra shares for the Fonterra Shareholders' Fund, of which FSF Management Company Limited is the manager. These two notices therefore refer to substantially the same Fonterra shares. (The Custodian also holds some Fonterra shares for the Registered Volume Provider in respect of the Fonterra Shareholders' Fund.)

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

FCG Fonterra Co-operative Shares

Analysis of Fonterra Co-operative Shares as at 14 August 2015:

FROM–TO	HOLDER COUNT	%	HOLDING QUANTITY	%
1–50,000	1,726	16.05	41,415,299	2.59
50,001–100,000	3,169	29.47	240,890,840	15.06
100,001–200,000	3,586	33.35	502,765,401	31.44
200,001–400,000	1,896	17.63	515,171,325	32.22
400,001 and over	376	3.50	298,850,712	18.69

ANALYSIS OF CAPITAL NOTE AND RETAIL BOND HOLDING

Analysis of Fonterra's Capital Note Holding as at 17 August 2015:

FCGHA Capital Notes

FROM–TO	HOLDER COUNT	%	HOLDING QUANTITY	%
1–1,000	11	1.39	4,958	0.01
1,001–5,000	25	3.15	62,650	0.06
5,001–10,000	283	35.69	1,998,927	1.95
10,001–100,000	433	54.60	12,072,730	11.77
100,001 and over	41	5.17	88,379,989	86.21

100,001 and over includes Fonterra Co-operative Group Limited's holding of 67,435,575.

Analysis of Fonterra's Retail Bond Holding as at 17 August 2015:

FCG020 $150 million Retail Bond issue

FROM–TO	HOLDER COUNT	%	HOLDING QUANTITY	%
5,000–9,999	41	10.10	221,000	0.15
10,000–49,999	247	60.83	5,083,000	3.39
50,000–99,999	60	14.78	3,628,000	2.42
100,000–999,999	52	12.81	13,747,000	9.16
1,000,000 and over	6	1.48	127,321,000	84.88

FCG030 $350 million Retail Bond issue

FROM–TO	HOLDER COUNT	%	HOLDING QUANTITY	%
5,000–9,999	38	9.05	220,000	0.06
10,000–49,999	255	60.71	5,460,000	1.56
50,000–99,999	55	13.10	3,341,000	0.95
100,000–999,999	57	13.57	15,426,000	4.41
1,000,000 and over	15	3.57	325,553,000	93.02

ENTRIES IN THE INTERESTS REGISTER

Directors' interests in transactions

General disclosures of interest

The following general disclosures of interest were made in the period from 1 August 2014 to 31 July 2015:

Malcolm Bailey	Ceased to be a Director of Agrico Holding Ltd; Chairman of the Executive Committee of the Dairy Companies Association of New Zealand Incorporated; Chairman of the Red Meat Profit Partnership General Partner Limited; Director of RMI NZ Limited; and of BBD Industrial Properties Limited.
Ian Farrelly	Director of Tower Peak Station Limited; and of Hinewai Holdings Limited.
Leonie Guiney	Director and shareholder of Shamrock Fern Dairies Limited, Hillcrest Dairy Limited, Wimborne Dairy Farm Limited and Greenburn Dairy Farm Limited.
David Jackson	Ceased to be Chairman and a Director of the New Zealand Refining Company.
John Monaghan	Director of Waitohi Dairy 2 Limited, Waitonui Holdings GP Limited, Sunset Holdings 2 Limited and Elderslie Holdings 2 Limited.
Sir Ralph Norris	Notified intention to resign as Director of Fonterra Co-operative Group Ltd and as Director of the Manager of the Fonterra Shareholders' Fund. Chairman and shareholder of RANQX Holdings Limited. Director of RANQX Global Limited and RANQX Limited. Resigned as a Director of Origin Energy Limited.
Blue Read	Director of Wairere Dairies Limited; Director and shareholder of Calma Holdings Limited; Director of Cooperative Business New Zealand; Member of governance group of Waitara Alive!
Michael Spaans	Shareholder in Canterbury Grasslands; Director of ASB Bank Limited; Ceased to be a Director of Waikato Innovation Park, Innovate Waikato Limited and New Zealand Food Innovation (Waikato) Limited; Ceased to be a Director of Manuka SA, Trebol Investments, Trebol Nominees, Rimu SA and Toromiro SA.
Jim van der Poel	Ceased to be a Director of and shareholder of Cloverdale Holdings Limited, Lacmor Dairies Limited, Quintag Holdings Limited, Spectrum Dairies Limited, Burmont Holdings Limited, Singletree Dairies Limited, Dairy Desk Limited, Spectrum Land Company Limited, Spectrum Management Services Limited; Ceased to be a Director of Dexcel Holdings Limited, Mitcham Dairies Limited; Ceased to be a Director of Island Glen Dairies Limited, and ceased to be a Director and Shareholder of Mitcham Holdings Limited, Chertsey Dairies Limited, as a Shareholder of Te Awa Enterprises Limited, Jamieson Dairies Limited and as an Officer of Netherbrook Dairies Limited. Ceased to be a Director of Fonterra Co-operative Group Limited and the Manager of the Fonterra Shareholders' Fund.
John Waller	Ceased to be a Director of Alliance Group Limited; Ceased to be a Director of the Bank of New Zealand and National Australia Bank; Ceased to be a Director of National Equities Limited and BNZ Investments Limited.
John Wilson	Director of Winterburg GP Limited and Bendigo Terrace GP Limited. Ceased to be a Director of Rangiattack Farming Company Limited.

During the financial year there were no notices from Directors requesting to disclose or use information received in their capacity as Directors which would not otherwise have been available to them.

Securities dealings of Directors

The following entries were made in the Interests Register during the year.

New disclosures

Directors disclosed the following holdings of Co-operative shares during the year:

	RELEVANT INTERESTS IN CO-OPERATIVE SHARES
Leonie Guiney (on appointment 12 November 2014)	878,824

STATUTORY INFORMATION CONTINUED

FOR THE YEAR ENDED 31 JULY 2015

During the year, Directors disclosed in respect of section 148(2) of the Companies Act 1993 and/or section 297 of the Financial Markets Conduct Act 2013 that they (or their associated persons) acquired or disposed of a relevant interest in financial products as follows:

Co-operative share transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED	NUMBER OF SECURITIES DISPOSED	CONSIDERATION $	DATE
John Wilson	6,975	–	44,222	29 September 2014
John Wilson	74,374	–	471,905	29 September 2014
John Wilson[1]	53,370	53,370	–	9 October 2014
Jim van der Poel	395,000	–	–	7 November 2014
Jim van der Poel[1]	521,037	521,037	–	28 November 2014
John Monaghan	30,000	–	184,200	2 December 2014
John Monaghan	2,500	–	15,125	3 December 2014
Jim van der Poel	130,000	–	–	12 December 2014
John Monaghan	124	–	744	30 December 2014
Ian Farrelly	3,735	–	19,657	20 April 2015
Nicola Shadbolt	5,607	–	30,278	23 April 2015
Nicola Shadbolt	2,048	–	11,059	23 April 2015
Ian Farrelly	17,177	–	91,725	24 April 2015
Nicola Shadbolt	9,853	–	–	28 April 2015
Nicola Shadbolt	66	–	358	28 April 2015
John Wilson	54,289	–	264,075	2 June 2015
John Wilson	128,386	–	623,117	2 June 2015
Ian Farrelly	–	1,235,441	–	3 June 2015
Ian Farrelly	–	200,000	980,000	3 June 2015
John Monaghan	–	737,186	–	3 June 2015
John Wilson	486	–	2,280	11 June 2015
John Wilson	103,190	–	484,789	11 June 2015

1 Transfers between related entities.

Unit transactions[1]

DIRECTOR	NUMBER OF SECURITIES ACQUIRED	NUMBER OF SECURITIES DISPOSED	CONSIDERATION $	DATE
Jim van der Poel[2]	60,860	60,860	–	7 November 2014
Jim van der Poel	–	395,000	–	7 November 2014
Jim van der Poel	–	130,000	–	12 December 2014
Nicola Shadbolt	5,410	–	29,971	7 April 2015
Nicola Shadbolt	–	9,853	–	28 April 2015

1 Securities acquired and/or disposed of are units issued by the Fonterra Shareholders' Fund which can be converted to Co-operative Group shares.

2 Transfers between related entities.

Retail Bond transactions

DIRECTOR	NUMBER OF SECURITIES ACQUIRED	NUMBER OF SECURITIES DISPOSED	CONSIDERATION $	DATE
John Waller	–	10,000	10,970	10 September 2014
David Jackson[1]	–	100,000	100,000	10 March 2015
John Waller[1]	–	200,000	200,000	10 March 2015

1 Redemption of Retail Bonds on 10 March 2015.

Capital Note transactions

There were no transactions by Directors (or their associated persons) in Capital Notes reported during the period from 1 August 2014 to 31 July 2015. No current holdings of Capital Notes have been advised by Directors (or their associated persons).

Directors' remuneration

The Directors' Remuneration Committee, comprising six shareholders elected in accordance with the Constitution, makes recommendations for shareholder approval as to the level of Directors' fees.

At the Annual Meeting of shareholders held on 12 November 2014, shareholders approved, on the recommendation of the Directors' Remuneration Committee, the following amounts of remuneration to apply to Elected Directors from the date of that Annual Meeting of shareholders.

Chairman	$405,000 p.a.
Directors	$165,000 p.a.
Discretionary additional payments to the Chairmen of permanent Board Committees (except if the Chairman is the Fonterra Chairman)	$31,000 p.a.

The Board has approved payment of the discretionary additional payment, at the prevailing approved rate, to the Chairmen of permanent Board Committees.

The Board has discretion to set the fees for Directors appointed under clause 12.4 of the Constitution (Appointed Directors). In the period to 31 July 2015 the Board applied the same remuneration levels as above to the Appointed Directors.

The Board has approved the payment to Mr Israel of a travel allowance of $10,000 per meeting for travel to and from New Zealand to attend Board meetings.

Fees paid by subsidiary or associate companies in respect of Fonterra Directors or employees appointed by Fonterra as Directors of those companies are payable directly to Fonterra.

Directors' indemnity and insurance

Fonterra has given indemnities to, and has effected insurance for, Directors and executives of the Company and its related companies, in accordance with section 162 of the Companies Act 1993, and clause 35 of Fonterra's Constitution, which, except for specific matters that are expressly excluded, indemnify and insure Directors and executives against monetary losses as a result of actions undertaken by them in the course of their duties. Among the matters specifically excluded are penalties and fines that may be imposed for breaches of law.

FIVE YEAR SUMMARY

FOR THE YEAR ENDED 31 JULY 2015

	JULY 2015	JULY 2014	JULY 2013	JULY 2012	JULY 2011
SHAREHOLDER SUPPLIER RETURNS					
Payout					
Farmgate Milk Price (per kgMS)[1]	**4.40**	8.40	5.84	6.08	7.60
Dividend (per share)	**0.25**	0.10	0.32	0.32	0.30
Cash payout[2]	**4.65**	8.50	6.16	6.40	7.90
Retentions (per share)[3]	**0.04**	–	0.14	0.10	0.25
OPERATING PERFORMANCE					
Average commodity prices (US$ per MT FOB)					
Whole Milk Powder[4]	**2,639**	4,824	3,394	3,359	3,606
Skim Milk Powder[4]	**2,552**	4,504	3,625	3,285	3,321
Butter[4]	**3,027**	3,920	3,550	3,546	4,344
Cheese[5]	**3,477**	4,706	4,124	3,498	4,285
Average NZD/USD spot exchange rate applying throughout the year[6]	**0.76**	0.84	0.82	0.80	0.77
Fonterra's average NZD/USD conversion rate[7]	**0.79**	0.81	0.80	0.77	0.72
Revenue ($ million)					
Ingredients and other revenue	**12,144**	17,748	13,926	14,824	14,623
Consumer revenue	**6,701**	4,527	4,717	4,945	5,248
Total revenue	**18,845**	22,275	18,643	19,769	19,871
Dairy ingredients manufactured in New Zealand (000s MT)	**2,753**	2,519	2,312	2,353	2,143
Total ingredients sales volume (000s MT)[8]	**2,982**	3,052	2,765	2,660	2,486
Segment earnings ($ million)[9]					
Global Ingredients and Operations	**662**	280	480	477	419
Oceania	**(143)**	31	93	218	278
Asia	**192**	50	207	182	193
Greater China	**(5)**	30	–	–	–
Latin America	**256**	111	137	124	121
Eliminations	**(20)**	1	20	(14)	17
Segment earnings	**942**	503	937	987	1,028
Normalisation adjustments	**32**	–	65	41	(23)
Normalised segment earnings	**974**	503	1,002	1,028	1,005
Profit after tax attributable to shareholders ($ million)	**466**	157	718	609	754
Earnings per share[10]	**0.29**	0.10	0.44	0.41	0.53

1 From the beginning of the 2009 season the Farmgate Milk Price has been determined by the Board. In making that determination, the Board takes into account the Farmgate Milk Price calculated in accordance with the principles set out in the Farmgate Milk Price Manual which is independently audited.

2 Average Payout for a 100 per cent share-backed supplier.

3 Retentions are calculated as net profit after tax attributable to Co-operative shareholders at 31 July divided by the number of shares at 31 May, less dividend per share.

4 Source: Fonterra Farmgate Milk Price Statement representing the weighted-average United States Dollars (USD) contract prices of Reference Commodity Products.

5 Source: Oceania Export Series, Agricultural Marketing Service, US Department of Agriculture.

6 Average spot exchange rate is the average of the daily spot rates for the financial period.

7 Fonterra's average conversion rate is the rate that Fonterra has converted net United States dollar receipts into New Zealand dollars based on the hedge cover in place.

8 For the year ended 31 July 2014, the total ingredients sales volume has been restated to reflect Fonterra's strategic platforms. Figures for the years ended 31 July 2013 and earlier have not been restated.

9 Represents segment earnings before unallocated finance income, finance costs and tax. For the years ended 31 July 2015 and 2014, Greater China has been disclosed separately in alignment with the disclosures in the segment note. For the years ended 31 July 2013 and earlier, Greater China was part of Asia. The year ended 31 July 2014 has been restated to reflect changes to the organisation of business units that occurred in the year ended 31 July 2015. The year ended 31 July 2012 has been restated to reflect changes to the organisation of business units within reported segments which occurred in the year ended 31 July 2013. The year ended 31 July 2011 has been restated to reflect changes to the organisation of business units within reported segments which occurred in the year ended 31 July 2012.

10 On 27 February 2013, Fonterra announced a non-cash bonus issue of one share for every 40 shares held. The bonus issue increased the number of shares on issue by 40.4 million. The record date for the bonus issue was 12 April 2013 and the issue date was 24 April 2013. Earnings per share for the years ended 31 July 2012 and 31 July 2011 have been restated as if the bonus issue was effective at the beginning of the periods presented.

	JULY 2015	JULY 2014	JULY 2013	JULY 2012	JULY 2011
CAPITAL EMPLOYED ($ million)					
Total assets employed	**18,315**	15,529	14,373	15,117	15,530
Average net assets[11]	**12,918**	10,860	11,135	10,900	10,772
Total equity	**6,659**	6,534	6,748	6,655	6,541
Equity excluding cash flow hedge reserve	**7,196**	6,452	6,830	6,592	6,025
Net interest bearing debt	**7,192**	4,498	4,227	3,833	3,766
Economic net interest bearing debt[12]	**7,120**	4,732	4,467	4,229	4,331
Return on net assets[11]	**7.5%**	4.6%	9.0%	9.4%	9.3%
Headline debt to debt plus equity ratio[13]	**50.0%**	41.1%	38.2%	36.8%	38.5%
Economic debt to debt plus equity ratio[13]	**49.7%**	42.3%	39.6%	39.1%	41.8%

	JULY 2015	JULY 2014	JULY 2013	JULY 2012	JULY 2011
STAFF EMPLOYED					
Total staff employed (000s, permanent full time equivalents)	**22.0**	18.2	17.5	17.3	16.8
New Zealand	**11.9**	11.4	11.2	11.0	10.8
Overseas	**10.1**	6.8	6.3	6.3	6.0

	JULY 2015	JULY 2014	JULY 2013	JULY 2012	JULY 2011
SEASON STATISTICS[14]					
Total NZ milk collected (million litres)	**18,143**	17,932	16,673	16,951	15,427
Highest daily volume collected (million litres)	**89.7**	87.1	84.8	81.2	76.8
NZ shareholder supply milk solids collected (million kgMS)	**1,520**	1,533	1,424	1,463	1,320
NZ contract supply milk solids collected (million kgMS)	**94**	51	39	30	26
NZ milk solids collected (million kgMS)	**1,614**	1,584	1,463	1,493	1,346
Total number of shareholders at 31 May	**10,753**	10,721	10,668	10,578	10,485
Total number of sharemilkers at 31 May	**3,379**	3,398	3,449	3,595	3,928
Total number of shares at 31 May (million)	**1,599**	1,598	1,598	1,433	1,377

11 Return on net assets (RONA) is derived by dividing normalised EBIT (as reported in financial statements) by 13 month average net assets (excluding net debt and deferred tax).

12 Economic net interest bearing debt reflects the effect of debt hedging in place at balance date.

13 Headline debt to debt plus equity ratio is before taking account of the effect of debt hedging. Economic debt to debt plus equity includes the effect of debt hedging.

14 All season statistics are based on the 12 month milk season of 1 June–31 May.

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