

Bonlac Supply Company Limited

Financial Report

30 June 2015

ACN 095 271 266

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The Directors of Bonlac Supply Company Limited ("Company" or "BSC") submit their Report and Financial Report for the company for the year ended 30 June 2015.

Directors

The following persons were Directors during the whole financial year and up to the date of this report:

Anthony K Marwood (Chairman)
Aubrey O Pellett (Deputy Chairman)
Simon C Finger
Christiaan L Hofing
Gregory J Bourke
Tania S Luckin
Mark A Billing
Leo M Delahunty

Principal Activities

The principal activity of the Company is the acquisition of milk from suppliers as agent for Fonterra Milk Australia Pty Ltd.

Review of Operations

The Company's profit from ordinary activities before tax for the year was \$911,000 (2014: \$1,130,000).

The Company's profit has decreased as a result of its reduced holding of interest bearing investments (loans and receivables) partially offset by lower costs (with the higher costs in the prior year associated with the changes in the ownership structure and associated agreements).

During the year the Company has also adopted a broader, longer term investment strategy, with investments in equities to complement the traditional fixed interest investments.

Dividends

Fully franked dividends of \$959,000 (2014: \$449,000) were paid by the Company during the year.

Significant Changes in State of Affairs

During the year the Company has completed a 100% share buy-back over all 'supplier' share classes, leaving the only remaining share being the 'Z' class share held on trust by the Chairman.

This buy-back was funded by the redemption of the full balance of the unsecured capital noted issued by Fonterra Australia Pty Ltd to BSC.

Matters Subsequent to the End of the Financial Year

Other than matters or circumstances dealt with elsewhere in this report or the financial statements, since the end of the financial year, the Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Company and the expected results of those operations are included in the Chairman's Report which will form part of the Annual Report. In the opinion of the Directors, the disclosure of any additional information could be prejudicial to the interests of the Company.

Environmental Regulation

The Company is not subject to any significant environmental regulation.

Information on Directors

		Particulars of Directors' Interests in Shares of Bonlac Supply Company Limited held as at the date of this report
Director	Qualifications, experience and responsibilities	Supplier Shares in BSC
Anthony K Marwood	Non-executive Director since 2006 and Chairman since 2009. Dairy Farmer.	-
Simon C Finger	Non-executive Director since 2010. Dairy Farmer.	-
Christiaan L Hofing	Non-executive director since 17 November 2011. Dairy Farmer.	-
Gregory J Bourke	Non-executive director since 22 May 2013. Director.	-
Aubrey O Pellett	Non-executive director since 22 May 2013. Dairy Farmer.	-
Mark A Billing	Non-executive director since 22 May 2013. Dairy Farmer.	-
Leo M Delahunty	Non-executive director since 22 May 2013. Director.	-
Tania S Luckin	Non-executive director since 16 April 2014. Dairy Farmer.	-

All BSC Supplier shares were redeemed during 2015.

Company Secretary

Will Kermode was appointed as BSC Company Secretary on 16 June 2014. Prior to joining BSC, Mr Kermode, who is a qualified Chartered Accountant, held senior finance roles with Fonterra, Telstra and KPMG.

Meetings of Directors

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2015 and the number of meetings attended by each director was:

Director	Meetings attended whilst a Director	Meetings held whilst a Director
Anthony K Marwood	12	13
Simon C Finger	13	13
Tania S Luckin	12	13
Christiaan L Hofing	13	13
Gregory J Bourke	11	13
Aubrey O Pellet	10	13
Mark A Billing	13	13
Leo M Delahunty	12	13

Remuneration Report

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements

The information provided in this remuneration report has been audited as required by section 308(3c) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

Remuneration of non-executive directors is comprised of a base salary and superannuation.

The annual fees and superannuation of non-executive directors are determined by the Board within the maximum amount fixed by the shareholders from time to time. The Chairman and Deputy Chairman currently receive annual fees of \$70,000 and \$47,000 per annum respectively and other non-executive directors receive an annual fee of \$32,000 per annum. Directors also receive superannuation contributions calculated at the rate of 10.5 % of their fees. No retirement benefits are provided to Directors by the Company. Directors' remuneration is not tied to the performance of the company.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and key management personnel of the company (as defined in AASB 124 Related Party Disclosure) are set out in the following tables.

All of the directors have the authority and responsibility for planning, directing and controlling the activities of the company.

B Details of remuneration (continued)

Directors of Bonlac Supply Company - 2015	Short-term employee benefits			Post- employment	
Director	Directors' Base Fee \$	Additional Services \$	Other Benefits ** \$	Super- annuation \$	Total \$
Non Executive					
Anthony K Marwood	70,000	-	13,724	7,350	91,074
Aubrey O Pellet	47,000	-	-	4,935	51,935
Simon C Finger	32,000	-	1,987	3,360	37,347
Christiaan L Hofing	32,000	-	5,006	3,360	40,366
Gregory J Bourke	32,000	10,000	373	4,410	46,783
Mark A Billing	32,000	10,000	-	4,410	46,410
Leo M Delahunty	32,000	-	4,819	3,360	40,179
Tania S Luckin	32,000	-	4,295	3,360	39,655
Total	309,000	20,000	30,204	34,545	393,749

Directors of Bonlac Supply Company - 2014	Short-term employee benefits			Post- employment	
Director	Directors' Base Fee \$	Additional Services \$	Other Benefits ** \$	Super- annuation \$	Total \$
Non Executive					
Anthony K Marwood	65,000	-	13,676	6,663	85,339
Aubrey O Pellet	35,000	-	-	3,588	38,588
Adam D Jenkins	20,000	-	2,391	2,050	24,441
Simon C Finger	30,000	-	3,325	3,075	36,400
Christiaan L Hofing	30,000	-	5,845	3,075	38,920
Gregory J Bourke	30,000	3,333	873	3,417	37,623
Mark A Billing	30,000	3,333	4,322	3,417	41,072
Leo M Delahunty	30,000	-	3,813	3,075	36,888
Tania S Luckin	6,364	-	-	652	7,016
Total	276,364	6,666	34,245	29,012	346,287

** Other Benefits include the provision of a vehicle for the Chairman and rates per kilometre reimbursements for other directors.

C Service Agreements

On appointment to the Board, all directors enter into an ongoing service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director. The contracts do not provide for the payment of benefits on termination or retirement. The service agreements do not provide for a specified notice period.

Indemnification and Insurance of Directors and Officers

The Company has entered into agreements to indemnify all of the directors named in this report and current and former executive officers of the Company against all liabilities to persons (other than the Company or a related body corporate), which arise out of the performance of their normal duties as directors or executive officers unless the liability relates to conduct involving a lack of good faith. The Company has agreed to indemnify the Directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

Indemnification and Insurance of Directors and Officers (continued)

During the financial year, the Company paid a premium for an insurance policy for the benefit of the directors, secretaries and executive officers of the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C for the *Corporations Act 2001* is set out on page 6.

Rounding of Amounts

The Company is of the kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report. Amounts in this report have been rounded off to the nearest thousand dollars in accordance with that Class Order, or in certain cases to the nearest dollar.

This report is made in accordance with a resolution of the Directors. The Directors have the power to amend and reissue the financial report.



Anthony K Marwood
Chairman

Dated at Melbourne the 16th September 2015



Auditor's Independence Declaration

As lead auditor for the audit of Bonlac Supply Company Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in blue ink, appearing to read 'Sam Lobley', with a long horizontal flourish extending to the right.

Sam Lobley
Partner
PricewaterhouseCoopers

Melbourne
16 September 2015

Bonlac Supply Company Limited
Statement of Comprehensive Income
For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Other revenue	5	3,111	1,896
Directors and staff costs		(363)	(312)
Distribution of loyalty bonus		(1,508)	-
Corporate support expenses		(518)	(426)
Operating Profit		722	1,158
Dividend income		146	44
Gain / (Loss) on sale of investments		202	(3)
Finance costs		(159)	(69)
Profit before income tax		911	1,130
Income tax expense	6	(317)	(360)
Profit for the year		594	770
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of available-for-sale financial assets		45	66
Total comprehensive income for the year		639	836
Profit attributable to owners of Bonlac Supply Company Limited		594	770
Total comprehensive income for the year attributable to owners of Bonlac Supply Company Limited		639	836

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

Bonlac Supply Company Limited
Statement of Financial Position
As at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	14	185	1,159
Prepayments		5	12
Loans and receivables	7	19	26,253
Total current assets		209	27,424
Non-current assets			
Loans and receivables		-	-
Available-for-sale financial assets	8	2,234	2,983
Total non-current assets		2,234	2,983
Total assets		2,443	30,407
LIABILITIES			
Current liabilities			
Trade payables and accruals		21	2,607
Loyalty bonus payable		-	1,774
Borrowings	9	-	2,932
Current tax liabilities		298	237
Total current liabilities		319	7,550
Non-current liabilities			
Borrowings		-	-
Total non-current liabilities		-	-
Total liabilities		319	7,550
Net assets		2,124	22,857
EQUITY			
Contributed equity	10 (a)	-	20,413
Share buy back reserve	11	79,846	79,846
Asset revaluation reserve	11	111	66
Accumulated losses	11	(77,833)	(77,468)
Total equity		2,124	22,857

The above statement of financial position should be read in conjunction with the accompanying notes.

Bonlac Supply Company Limited
Statement of Changes in Equity
For the year ended 30 June 2015

		Contributed equity	Share buy back reserve	Asset reval- uation reserve	Accum- ulated losses	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013		22,220	79,846	-	(77,789)	24,277
Total comprehensive income for the year		-	-	-	770	770
Asset Revaluation Reserve		-	-	66	-	66
Transactions with equity holders in their capacity as equity holders:						
Redemptions of equity	10 (b)	(1,386)	-	-	-	(1,386)
Conversion to dry shares	10 (b)	(421)	-	-	-	(421)
Dividends paid	10 (f)	-	-	-	(449)	(449)
		<u>(1,807)</u>	<u>-</u>	<u>66</u>	<u>(449)</u>	<u>(2,256)</u>
Balance at 1 July 2014		20,413	79,846	79,912	(77,468)	22,857
Total comprehensive income for the year		-	-	-	594	594
Asset Revaluation Reserve		-	-	45	-	45
Transactions with equity holders in their capacity as equity holders:						
Redemptions of equity	10 (b)	(19,529)	-	-	-	(19,529)
Conversion to dry shares	10 (b)	(884)	-	-	-	(884)
Dividends paid	10 (f)	-	-	-	(959)	(959)
		<u>(20,413)</u>	<u>-</u>	<u>45</u>	<u>(959)</u>	<u>(21,327)</u>
Balance at 30 June 2015		-	79,846	111	(77,833)	2,124

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

Bonlac Supply Company Limited
Cash Flow Statement
For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from debtors (inclusive of goods & services tax)		3,728	823
Payments to suppliers and employees (inclusive of goods & services tax)		(5,018)	(328)
		<u>(1,290)</u>	<u>495</u>
Interest received on unsecured capital notes		1,597	741
Interest received other		101	119
Income tax paid		<u>(217)</u>	<u>(895)</u>
Net cash inflow from operating activities	14	<u>191</u>	<u>460</u>
Cash flows from investing activities			
Proceeds from the sale of financial assets		2,823	207
Payment for financial assets		(2,028)	(3,124)
Gain on sale of investments		202	(3)
Dividends received		116	37
Redemption of unsecured capital notes		<u>22,185</u>	<u>2,476</u>
Net cash inflow from investing activities		<u>23,298</u>	<u>(407)</u>
Cash flows from financing activities			
Redemption of supplier shares		(19,529)	(1,386)
Redemption of investment and dry shares		(3,816)	(946)
Interest paid		(159)	(69)
Dividends paid		<u>(959)</u>	<u>(449)</u>
Net cash outflow from financing activities		<u>(24,463)</u>	<u>(2,850)</u>
Net increase / (decrease) in cash held		<u>(974)</u>	<u>(2,797)</u>
Cash and cash equivalents at the beginning of the financial year		1,159	3,956
Cash and cash equivalents at the end of the financial year	14	<u>185</u>	<u>1,159</u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of taxes paid.

BSC has entered into a milk supply agency agreement with Fonterra Milk Australia Pty Ltd. Under the terms of this agreement, Fonterra Milk Australia Pty Ltd appointed BSC as its agent for the purpose of acquiring and/or arranging for the collection of milk for the benefit solely of Fonterra Milk Australia Pty Ltd and have agreed to pay BSC an agency fee which is payable quarterly in arrears.

Interest on unsecured capital notes is recognised when the amount of interest can be reliably measured and it is probable that future economic benefits will flow to the Company. All capital notes were redeemed during 2015.

c) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

c) Income tax (continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

e) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established where there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

f) Investments and other financial assets

The Company classifies its investments as either 'listed investments' or 'loans and receivables'. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Financial assets (Listed securities) are presented as non-current assets as they are not held for trading and management does not intend to dispose of them within 12 months of the reporting period. All such assets are re-valued to market value at balance date and any gain or loss is recognised through the asset revaluation reserve.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

Purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all the financial assets not carried at fair value through profit and loss.

f) Investments and other financial assets (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

The Company assesses at each balance date whether there is objective evidence that a financial asset is impaired.

g) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

h) Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Dry shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these dry shares are recognised in the statement of comprehensive income as interest expense. All Dry Shares were redeemed in 2015.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

i) Employee benefits

Wages and salaries

Liabilities for wages and salaries recognised as provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Superannuation

Contributions to defined contribution funds are recognised as an expense as they become payable.

Employee benefit on-costs

Employee benefit on-costs are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

j) Contributed equity

Ordinary shares are classified as equity. Mandatorily redeemable dry shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares are included in the cost of acquisition as part of the purchase consideration.

k) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

l) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable, to the taxation authority, is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable, to the taxation authority are presented as operating cash flows.

m) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

n) Reliance on Fonterra

The company is dependent on Fonterra Co-Operative Group Limited's agency fee income from which the majority of the company's operating profits and operating cash flows are earned. This contract expires on 31 December 2019.

2. NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

The Company has considered all new accounting standards and interpretations issued up until the date of signing of these accounts and have assessed that these standards and interpretations will not impact the financial statements of the company.

3. FINANCIAL RISK MANAGEMENT

(a) Market Risk

The Company is not exposed to foreign exchange risk as all receivables and payables are denominated in Australian dollars.

The Company's interest rate risk arises on the Investment and Dry Shares which are issued for a term of 5 years. Investment shares and dry shares issued prior to 1 June 2004 are interest free. Dry shares issued on or after 1 June 2004 are issued at a variable rate.

As at the reporting date the Company had exposure to the following variable rate borrowings:

	2015	2014
	\$'000	\$'000
Investment shares and dry shares - <i>current</i>	-	2,932
	-	2,932

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

All Dry Shares were redeemed in 2015.

(b) Credit Risk

Credit rate risk arises from cash and cash equivalents deposited with banks, as well as credit exposure with the unsecured capital notes. For banks, only independently rated parties with a minimum rating of 'A' are accepted. For the unsecured capital notes on issue by Fonterra Milk Australia Pty Ltd, the board of directors assesses the credit quality of Fonterra Milk Australia Pty Ltd as more than adequate taking into account their financial position, past experience and ongoing relationship with Fonterra Milk Australia Pty Ltd.

The maximum exposure to credit risk at the reporting date is the carrying value of the financial assets.

(c) Liquidity Risk

The Company's liquidity risk is managed by contractual arrangements entered into by the Company with Fonterra Milk Australia Pty Ltd to fund cash requirements of share redemptions and operating expenditure.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 June 2015	Less than 6 months	6-12 Months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cashflows	Carrying amount liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Borrowings</i>						
Nil interest	-	-	-	-	-	-
Variable rate	-	-	-	-	-	-
Total	-	-	-	-	-	-
<i>Trade Payables</i>						
Nil interest	21	-	-	-	21	21
30 June 2014	Less than 6 months	6-12 Months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cashflows	Carrying amount liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Borrowings</i>						
Nil interest	-	-	-	-	-	-
Variable rate	2,932	-	-	-	2,932	2,932
Total	2,932	-	-	-	2,932	2,932
<i>Trade Payables</i>						
Nil interest	1,402	-	-	-	1,402	1,402

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value of receivables and payables are assumed to approximate fair value as there is no open market for the receivables and payables which are payable at call.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Critical judgements in applying the entity's accounting policies

There have been no instances noted where critical judgements have been used in applying the entity's accounting policies.

5. OTHER REVENUE

	2015 \$'000	2014 \$'000
Agency fee income	680	737
Interest income on unsecured capital notes	521	1,076
Loyalty bonus received from Fonterra	1,774	-
Interest income on cash at bank	100	83
Other	36	-
Total other revenue	3,111	1,896

6. INCOME TAX

	2015 \$'000	2014 \$'000
(a) Income tax expense		
Income tax expense comprises:		
Current tax	317	360
Deferred tax	-	-
	317	360
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
	2015 \$'000	2014 \$'000
Profit before income tax	911	1,130
Plus: Non-deductible interest	159	69
Less: Non taxable income	(8)	-
Less: Prior year adjustment (non taxable income)	(5)	-
Taxable profit before income tax	1,057	1,199
Income tax expense calculated @ 30%	317	360

7. LOANS AND RECEIVABLES (CURRENT)

	2015 \$'000	2014 \$'000
Current		
Unsecured capital notes	-	22,184
Loyalty bonus receivable	-	1,774
Sundry receivables	19	2,295
	19	26,253

On 1 September 2005, Fonterra Australia Pty Ltd issued BSC 84,680,527 \$1 unsecured capital notes which are progressively redeemed over time to fund the buy-back of BSC Supplier, Investment and Dry Shares. During the financial year ended 30 June 2015, all remaining unsecured capital notes totalling \$22,184,444 (2014: \$2,476,266) have been redeemed.

Following re-negotiations between the Company and Fonterra Milk Australia Pty Ltd in 2012, with the signing of the new Milk Supply Agreement, BSC received a payment of \$1,773,954 in January 2015.

The Board has distributed these monies in the form of a loyalty payment during the year ending 30 June 2015 to;

- A Class shareholders as at 31 December 2014 who were still supplying milk to Fonterra as at 31 December 2014,
- A Class shareholders as at 1 January 2014 who had retired and redeemed their shares in the 12 months to 31 December 2014, and
- Shareholders who participated in the 2012 Trading Amongst Farmers 'TAF' opportunity to purchase Fonterra Shareholder Fund 'FSF' Units, who have held those shares continuously up until 31 December 2014 and who were still supplying milk to Fonterra as at 31 December 2014 (or had retired in the 12 months to 31 December 2014).

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
Non-current assets	\$'000	\$'000
Listed securities		
Equity securities	2,234	2,713
Preference shares	-	270
	<u>2,234</u>	<u>2,983</u>

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed determinable payments, and management intends to hold them for the medium to long term.

9. BORROWINGS

	2015	2014
(a) Current and non-current borrowings	\$'000	\$'000
Current		
Investment shares and dry shares (i)	-	2,932
	<u>-</u>	<u>2,932</u>
Total	<u>-</u>	<u>2,932</u>

(i) Investment shares and dry shares

These shares were used as a transitional investment vehicle for former suppliers of milk to the Company. Investment Shares and Dry Shares in BSC were issued for terms of 5 years. Dry Shares were issued at a variable interest rate. All Investment and Dry Shares have been redeemed during the year ending 30 June 2015.

The investments in dry shares were classified as current liabilities in 2014 as the shares were all repaid when the unsecured capital notes were redeemed during 2015 (in line with section 6 of Schedule 1 of the Unsecured capital note deed).

(b) Movements in investment and dry shares	Number of shares	Issue Price	\$'000
2014			
Opening balance 1 July 2013	1,728,540	\$2.00	3,457
Conversion from supplier shares	210,584		421
Shares bought back	(473,070)		(946)
Closing balance 30 June 2014	<u>1,466,054</u>		<u>2,932</u>
2015			
Opening balance 1 July 2014	1,466,054	\$2.00	2,932
Conversion from supplier shares	442,159		884
Shares bought back	<u>(1,908,213)</u>		<u>(3,816)</u>
Closing balance 30 June 2015	<u>-</u>		<u>-</u>

10. CONTRIBUTED EQUITY AND DIVIDENDS

(a) Paid capital	2015 Shares	2014 Shares	2015 \$'000	2014 \$'000
Supplier shares	-	20,412,925	-	20,413
Z class share (\$1 paid up capital)	1	1	-	-
	1	20,412,926	-	20,413

(b) Movements in Shares Supplier Shares	Number of shares	Issue Price	\$'000
2014			
Opening balance 1 July 2013	22,220,461		22,220
Shares bought back	(1,386,368)	\$1.00	(1,386)
Conversions to dry shares	(421,168)		(421)
Closing balance 30 June 2014	20,412,925		20,413

(c) Movements in Shares Supplier Shares	Number of shares	Issue Price	\$'000
Opening balance 1 July 2014	20,412,925		20,413
Shares bought back	(19,528,599)	\$1.00	(19,529)
Conversions to dry shares	(884,326)		(884)
Closing balance 30 June 2015	-		-

(d) Z Class Shares

The Z Class Share is an ordinary share.

(e) Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

(f) Dividends

	2015 \$'000	2014 \$'000
Ordinary Shares		
Fully franked dividend of 2.04 cents per fully paid supplier share paid on 15 October 2013	-	449
Fully franked dividend of 4.65 cents per fully paid supplier share paid on 13 October 2014	658	-
Fully franked dividend of 2.35 cents per fully paid supplier share paid on 13 February 2015	301	-
	959	449

(g) Franking Credits

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date;
- (d) franking credits that may be prevented from being distributed in subsequent years.

	2015	2014
	\$'000	\$'000
Franking credits available for future financial years	1,674	1,935

11. RESERVES, RETAINED PROFITS AND EQUITY

	2015	2014
	\$'000	\$'000
Accumulated losses		
Movements in accumulated losses		
Accumulated loss at 1 July 2014	(77,468)	(77,789)
Net Profit	594	770
Dividend paid	(959)	(449)
Accumulated loss as at 30 June 2015	(77,833)	(77,468)
Movements in share buy back reserve **		
Share buy back reserve at 1 July 2014	79,846	798,46
Movement in share buy back reserve	-	-
Share buy back reserve as at 30 June 2015	79,846	79,846
Movements in asset revaluation reserve		
Asset revaluation reserve at 1 July 2014	66	66
Revaluation of available-for-sale financial assets	45	-
Asset revaluation reserve as at 30 June 2015	111	66

** The share buy back reserve records the portion of share buy back payments not funded from retained earnings.

12. DIRECTOR & KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel remuneration

Details of remuneration of directors and the key management personnel of BSC are set out in the following table.

	2015	2014
	\$	\$
Short-term employee benefits	359,204	318,721
Post employment benefits	34,545	29,012
	393,749	347,733

Detailed remuneration disclosures have been provided in section A to C of the remuneration report.

Directors' Shareholdings

The numbers of Supplier shareholdings in the Company held during the financial year by each director of BSC, including their personally related entities are set out below. These issues and redemptions were made on terms and conditions no more favourable than those offered to other shareholders. Directors and their director-related entities received dividends on these shares on normal commercial terms and conditions.

All shares, including those owned by Directors, were redeemed in 2015.

Directors of Bonlac Supply	Number held at 30 June 2014	Net Change	Number held at 30 June 2015
Supplier Shares			
Simon C Finger	1	-1	-
Anthony K Marwood *	13	-13	-
Christiaan L Hofing	954	-954	-
Gregory J Bourke	-	-	-
Aubrey O Pellet	1	-1	-
Mark A Billing	48	-48	-
Leo M Delahunty	-	-	-
Tania S Luckin	1	-1	-
Total	1,018	-1,018	-

* The remaining share, the 'Z' class share is held on trust by the Chairman.

Other Transactions with Directors

As agent for Fonterra Milk Australia Pty Ltd, the Company acquires milk from shareholders. The directors, who are suppliers, are paid for their milk on the same commercial terms and conditions as all other suppliers. The level of individual supply from directors is immaterial in relation to the total milk purchases with their combined supply being in the region of less than 1%.

13. AUDITOR'S REMUNERATION

	2015	2014
	\$	\$
During the year the following services were paid or payable to the auditor of the Company :		
Audit Services		
Fees paid to PricewaterhouseCoopers Australian firm		
Audit and review of financial reports and other work under the Corporations Act	36,658	34,170
Taxation Services		
Fees paid to PricewaterhouseCoopers Australian firm		
Tax compliance services including review of company income tax returns	8,000	5,500
Other Services		
Fees paid to PricewaterhouseCoopers Australian firm		
Accounting & tax advice	7,140	-
Total remuneration paid to PricewaterhouseCoopers Australian firm	51,798	39,670

14. CASH FLOW INFORMATION

	2015	2014
	\$'000	\$'000
Reconciliation of cash		
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents	185	1,159
Profit from ordinary activities after tax	594	770
Changes in assets and liabilities:		
Dividend income & interest paid	36	32
Net (Gain) / Loss on sale of financial assets	(202)	3
(Decrease) / Increase in income taxes payable	61	(614)
Decrease / (Increase) in prepayments	6	-
Decrease / (Increase) in receivables	4,057	(258)
Increase / (Decrease) in payables	(4,361)	527
Net cash inflow from operating activities	191	460

15. COMPANY DETAILS

The financial report covers Bonlac Supply Company Limited as an individual entity. The financial report is presented in the Australian currency.

A description of the nature of the entity's operations and its principal activities is included in the Directors' Report. Bonlac Supply Company Limited was incorporated on 11 December 2000. Bonlac Supply Company Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is 327 Ferntree Gully Road, Mount Waverley, VIC 3149.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Anthony K Marwood
Director



Melbourne
16 September 2015



Independent auditor's report to the members of Bonlac Supply Company Limited

Report on the financial report

We have audited the accompanying financial report of Bonlac Supply Company Limited (the company), which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of Bonlac Supply Company Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 3 to 4 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion


In our opinion, the remuneration report of Bonlac Supply Company Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Bonlac Supply Company Limited (the company) for the year ended 30 June 2015 included on Bonlac Supply Company Limited's web site. The company's directors are responsible for the integrity of Bonlac Supply Company Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.



PricewaterhouseCoopers



Sam Loble
Partner

Melbourne
16 September 2015