



28 September 2017

Market Announcements Office
Australian Securities Exchange

ELECTRONIC LODGEMENT

Dear Sir or Madam

MG Unit Trust – Annual Report 2017

In accordance with the Listing Rules, attached is a copy of the MG Unit Trust Annual Report 2017, for release to the market.

Further, given that unitholders have an economic exposure to Murray Goulburn Co-operative Co. Limited (Murray Goulburn), the Murray Goulburn Annual Report 2017 will be released to the market.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Amy Alston'.

Amy Alston
Company Secretary



MG Unit Trust

Annual Report 2017



Contents

Directors' Report	1
Statement of Comprehensive Income	4
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	5
Notes to the Financial Statements	6
Directors' Declaration	13
Auditor's Independence Declaration	14
Independent Auditor's Report to the Unitholders of MG Unit Trust	15
Unitholder Information	19
Corporate Directory	IBC

Directors' Report

The Directors of MG Responsible Entity Limited, the responsible entity of MG Unit Trust (the Scheme), present the following report for the year ended 30 June 2017.

Responsible Entity

The registered office and principal place of business of MG Responsible Entity Limited and the Scheme is Level 15, Freshwater Place, 2 Southbank Boulevard, Southbank, VIC 3006.

Directors

The Directors of the Responsible Entity at any time during or since the financial year up to the date of this report are:

J Spark (Chairman of Parent, appointed on 24 March 2017)

A Mervis (Chief Executive Officer and Managing Director of Parent, appointed on 13 February 2017)

N Akers

WT Bodman

M Clark (appointed on 23 November 2016)

CJ Dwyer (appointed on 28 October 2016)

LM Dwyer (appointed on 28 October 2016)

MF Ihlein (Responsible Manager)

KD Jackson (appointed on 28 October 2016)

KW Jones

GH Kilpatrick (appointed on 28 October 2016)

GN Munzel

PW Tracy (retired 31 March 2017), PJO Hawkins (retired 23 November 2016), JP Pye (retired 28 October 2016), and MJ Van de Wouw (retired 28 October 2016) ceased to be Directors during the period.

Company Secretaries

The Company Secretaries below have acted as Company Secretaries of MG Responsible Entity Limited during or since the end of the financial year:

Amy Alston (appointed 23 November 2016)

Fiona Smith (resigned 23 November 2016)

Natalie McKaig (resigned 6 January 2017)

Principal Activities

The principal activity of the Scheme during the year has been to act as a special purpose, passive funding vehicle holding only an interest in subordinated Notes and Convertible Preference Shares (CPS) issued by Murray Goulburn Co-operative Co. Limited (Murray Goulburn). The Notes and CPS are held by the trustee of the Murray Goulburn Sub Trust on trust for MG Responsible Entity Limited as responsible entity of the Scheme. Murray Goulburn is the ultimate parent of each of MG Responsible Entity Limited and the trustee of the Murray Goulburn Sub Trust.

The Scheme did not have any employees during the year.

Review of Operations

The Scheme reported nil profit after income tax for the year ended 30 June 2017 (2016, \$Nil). The Scheme paid a final distribution in relation to the 2016 financial period of 3.91 cents per unit on 29 September 2016, and an interim distribution in relation to the 2017 financial year of 1.7 cents per unit on 30 March 2017. The value of Scheme assets at 30 June 2017 was \$132,315,558 (2016, \$223,255,622). Scheme assets are valued at fair value through profit or loss. Given that the Scheme provides unitholders with an economic exposure to Murray Goulburn, this financial report should be read in conjunction with the financial report of Murray Goulburn (the parent entity) for the year ended 30 June 2017. That financial report is available on the parent entity's website and has been released to the ASX in conjunction with this report.

Distributions paid or payable

Distributions paid or declared by the Scheme to unitholders during the financial year ended 30 June 2017 are set out in the notes to the Financial Statements. No final distribution has been proposed for the year ended 30 June 2017.

Likely developments and expected results of operations

The Scheme will continue to act as a special purpose, passive funding vehicle within the consolidated group comprising Murray Goulburn Co-operative Co. Limited as the parent entity and its controlled entities. The results of the Scheme's operations will be affected by a number of factors, including the performance of the Australian Securities Exchange (ASX) and specifically the performance of the consolidated group comprising Murray Goulburn Co-operative Co Limited and its controlled entities. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Scheme during the year ended 30 June 2017.

Key Risks

Given its structure and the arrangements in place with Murray Goulburn Co-operative Co. Limited, the Scheme has an exposure to specific and general risks facing Murray Goulburn's business. In particular, the Scheme is considered to have a material economic exposure to the farmgate milk price paid by Murray Goulburn and the level of distributions delivered to unitholders, based on the structure of the Scheme and its arrangements with Murray Goulburn. Returns on units relate to the financial performance of Murray Goulburn and, in particular, decisions made by the Board of Murray Goulburn in relation to dividends paid by Murray Goulburn to its shareholders. Distribution decisions will be made by Murray Goulburn and not MG Responsible Entity Limited and will be positively correlated to movements in the actual weighted average Southern Milk Region farmgate milk price.

Directors' Report 2017 continued

There are also various structural risks of the Scheme and its relationship with Murray Goulburn, including:

- Neither MG Responsible Entity Limited nor unitholders have any voting rights at a general meeting of Murray Goulburn's shareholders and therefore will not have the ability to control or vote on strategic and operational decisions associated with Murray Goulburn's business.
- Given the economic relationship between the Scheme and Murray Goulburn through the Notes and CPS and that control of Murray Goulburn's business and operations is with the Board of Murray Goulburn, it is considered that most of the information that will have a material effect on the price of units will relate to the performance and operations of Murray Goulburn. As Murray Goulburn is best placed to know that information, the companies have entered into the Relationship Deed and Continuous Disclosure Deed Poll to ensure that MG Responsible Entity Limited is in a position to meet its continuous disclosure obligations. While Murray Goulburn has agreed to provide information to MG Responsible Entity Limited for the purposes of continuous disclosure, there is a risk that such information is not provided or is not provided in a timely manner and the market for units is therefore not trading on a properly informed basis.
- If MG Responsible Entity Limited is removed as the responsible entity of the Scheme by unitholders and not replaced by an entity that is a wholly-owned subsidiary of Murray Goulburn, Murray Goulburn may within 12 months of the removal, at its discretion, transfer, buy back or cancel any CPS held for the responsible entity at a 20 percent discount to the market value of units or in exchange for Notes and may redeem or transfer any Notes held for the responsible entity at a 20 percent discount to the market value of units or in exchange for CPS. This will result in a substantial reduction in value of units and may also have an impact on the liquidity of units, and therefore the ability of unitholders to realise their investment by selling their units on the ASX, or the price at which this could occur. If all of the Notes and CPS are redeemed, cancelled or transferred, that would leave the MG Unit Trust with no continuing economic exposure to the business of Murray Goulburn. While it would be a decision for the new responsible entity, at that point the MG Unit Trust may be wound up. These dealings with the Notes and CPS and any winding up may result in a tax liability for the MG Unit Trust and its Unitholders.
- Consistent with unitholders having equivalent economic exposure to Murray Goulburn as the holders of Murray Goulburn shares, the Notes are subordinated to the claims of all of the creditors of Murray Goulburn and rank equally with the claims of the holders of equal ranking obligations of Murray Goulburn. If Murray Goulburn were wound up or liquidated, the amount payable to the Scheme for its Notes and CPS will only be paid after the debts owing to all creditors have been paid in full and will be paid at the same time and in the same proportion as payments are made to holders of equal ranking obligations.

Litigation (involving Murray Goulburn or the Scheme) also has the potential to materially impact upon the Scheme's operating and financial performance and results. Regardless of the ultimate outcome of litigation (which may be subject to appeal), and whether involving regulatory action or civil claims, litigation may have a material impact on the Scheme as a result of the costs associated with litigation and the management time associated with defending litigation. The Notes to the Financial Statements provide details regarding current and potential litigation relevant to the Scheme.

Matters subsequent to the end of the financial year

There have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in financial years subsequent to the year ended 30 June 2017.*

Fees paid to and investments held by the Responsible Entity or its associates

There were no fees paid to MG Responsible Entity Limited, its Directors or Key Management Personnel by the Scheme and no investments were held by MG Responsible Entity Limited in the Scheme during the year (2016, \$Nil).

Indemnity and insurance of officers

During the financial year, MG Responsible Entity Limited insured its Directors and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or Officers of that entity. This excludes a liability that arises out of wilful breach of duty or improper use of inside information. The premium also insures MG Responsible Entity Limited for any indemnity payments it may make to its Directors and Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy. The cost of the premium was borne by Murray Goulburn (the ultimate parent of MG Responsible Entity Limited).

Non-audit services

During the year, PwC, the Scheme's auditor, did not perform any other services for MG Unit Trust in addition to their statutory duties. Details of amounts paid to PwC during the financial year are set out in Note 11 of the Financial Statements.

Indemnity of auditors

The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

* For information regarding Murray Goulburn's events subsequent to balance date, please refer to note 26 of that entity's annual financial report for the year ended 30 June 2017, available on Murray Goulburn's website.

Interests in the Scheme

The movement in units on issue in the Scheme during the year is disclosed in note 8 to the Financial Statements. The value of the Scheme's assets and liabilities are disclosed on the statement of financial position and derived using the basis set out in note 2 to the Financial Statements.

Directors' interests in the Scheme

Holdings of Directors of the Responsible Entity:

	Balance at 1 July 2016	Increases during the year	Balance at date of this report
Director			
J Spark (Chairman of Parent)	(i)	—	—
A Mervis (Chief Executive Officer and Managing Director of Parent)	(i)	107,000	107,000
N Akers	30,884	—	30,884
WT Bodman	—	—	—
M Clark	(i)	—	—
CJ Dwyer	(i)	—	—
LM Dwyer	193,758 ⁽ⁱⁱ⁾	—	193,758
PJO Hawkins	—	(iii)	—
MF Ihlein	—	—	—
KD Jackson	(i)	—	—
KW Jones	28,571	1,434	30,005
GH Kilpatrick	(i)	74,763	74,763
GN Munzel	27,619	—	27,619
JP Pye	15,000	(iii)	—
PW Tracy	47,619	(iii)	—
MJ Van de Wouw	47,619	(iii)	—

(i) Appointed as Director during year ended 30 June 2017.

(ii) Appointed as Director during year ended 30 June 2017, balance held at 1 July 2016 prior to appointment as Director.

(iii) Ceased as Director during the year ended 30 June 2017, accordingly their interests at 30 June 2017 are not disclosed.

Rounding of amounts to the nearest thousand dollars

The Scheme is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded to the nearest thousand dollars in accordance with the Instrument, unless otherwise indicated.

Auditor's Independence Declaration

Our auditors have provided the Board of Directors of MG Responsible Entity Limited with a signed Independence Declaration in accordance with section 307C of the *Corporations Act 2001*. This declaration is included at page 14 of this financial report.

Signed in accordance with a resolution of the Board of Directors.



J Spark
Chairman of Parent



A Mervis
Chief Executive Officer and
Managing Director of Parent

Melbourne
22 August 2017

Statement of Comprehensive Income

for the financial year ended 30 June 2017

	Note	2017 \$000	2016 \$000
Finance income			
Net change in fair value of liability to unitholders	4	88,538	206,826
Distributions to unitholders	4	(11,453)	(7,216)
Investment expense			
Net fair value loss on revaluation of loan to MG Sub Trust	5	(88,538)	(206,826)
Distribution income	5	11,453	7,216
Profit (loss) before income tax		–	–
Income tax expense		–	–
Profit (loss) for the year		–	–
Other comprehensive income		–	–
Total comprehensive income for the year		–	–

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2017

	Note	2017 \$000	2016 \$000
Assets			
Financial asset held at fair value through profit or loss – loan to MG Sub Trust	6	132,316	223,256
Total assets		132,316	223,256
Total liabilities (excluding net assets attributable to unitholders)		–	–
Net assets attributable to unitholders – liability	8	132,316	223,256

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the financial year ended 30 June 2017

	Equity attributable to unitholders \$000
Profit for the year	
Other comprehensive income for the year	–
Balance at 30 June 2016	–
Profit for the year	
Other comprehensive income for the year	–
Balance at 30 June 2017	–

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the financial year ended 30 June 2017

	2017 \$000	2016 \$000
Cash flows from operating activities		
Net cash inflow (outflow) from operating activities	–	–
Cash flows from investing activities		
Net cash inflow (outflow) from investing activities	–	–
Cash flows from financing activities		
Net cash outflow from financing activities	–	–
Net increase (decrease) in cash	–	–
Cash at the end of the year	–	–
Reconciliation to cash		
Cash at bank and cash on hand	–	–
Cash at the end of the year	–	–

In its role as responsible entity of MG Unit Trust, MG Responsible Entity receipts distributions on behalf of MG Unit Trust, and distributes them to unitholders. There is nil impact to the Scheme's cash position when a distribution is received and paid.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2017

1: General Information

These financial statements cover MG Unit Trust (the Scheme) as an individual entity. The Scheme was registered as a Managed Investment Scheme on 28 May 2015. The Scheme is a wholly owned and controlled subsidiary of its ultimate parent entity, Murray Goulburn Co-Operative Co. Limited (Murray Goulburn).

In 2015, Murray Goulburn undertook a capital restructure that involved the establishment of the Scheme, a special purpose funding vehicle listed on the ASX. The responsible entity of the Scheme is MG Responsible Entity Limited (Responsible Entity), a wholly owned subsidiary of Murray Goulburn. The Board of the Responsible Entity is the same as the Board of Murray Goulburn.

The funds raised by the Scheme from external investors in an initial public offering of units undertaken in July 2015 were invested into Murray Goulburn through Notes issued by Murray Goulburn. Subsequent to the Scheme listing on the ASX, the Scheme has acquired Convertible Preference Shares (CPS) issued by Murray Goulburn as a consequence of the operation of Murray Goulburn's Shareholder Trading Platform. The Notes and CPS each, as far as possible, carry the same economic rights as Murray Goulburn ordinary shares.

Unitholders are entitled to receive distributions equivalent to any dividends paid to shareholders in Murray Goulburn. Dividends on shares, and therefore distributions on units, are determined by the Board of Murray Goulburn in accordance with the Profit Sharing Mechanism outlined in Section 6 of the Product Disclosure Statement (PDS) dated 29 May 2015.

The Responsible Entity's registered office is Level 15, Freshwater Place, 2 Southbank Boulevard, Southbank, VIC 3006.

2: Summary of Significant Accounting Policies

A) Basis of preparation

MG Unit Trust is a for-profit unit trust for the purpose of preparing these general purpose financial statements and is domiciled in Australia. These financial statements for the year ended 30 June 2017 were authorised for issue by the Directors of the Responsible Entity on 22 August 2017. The financial statements:

- have been prepared in accordance with Australian Accounting Standards (AASBs), including Australian Accounting Interpretations issued by the AASB, and the *Corporations Act 2001*;
- are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated;
- are presented in Australian dollars with values rounded to the nearest 1,000 unless otherwise stated, in accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- to the extent applicable adopt the accounting policies of Murray Goulburn, the Scheme's ultimate parent. Murray Goulburn's accounting policies are set out in Murray Goulburn's annual financial report for the year ended 30 June 2017, which is available at www.mgc.com.au; and
- include the adoption of all new and amended Australian Accounting Standards and Interpretations that became mandatory as at 1 July 2016. The adoption of the amending standards has not resulted in a change to the financial performance or position of the Scheme, and has not resulted in any additional disclosures upon adoption.

The comparative reporting period is from 28 May 2015 (date of registration as Managed Investment Scheme) to 30 June 2016.

B) Financial assets

The Notes and CPS are measured at fair value through profit or loss as they do not meet the requirements to be classified at amortised cost as the contractual terms of the Notes do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Notes and CPS are not listed and there is no active market for these. The notes and CPS are valued using the quoted price of units (which are considered to be a materially comparable instrument) in the Scheme listed on the ASX. Gains and losses arising on the revaluation of financial assets to fair value are recorded as investment income or expense in the Statement of Comprehensive Income.

C) Net assets attributable to unitholders

The Scheme is contractually obligated to pay out distributions to unitholders equal to the distributions the Scheme receives from Murray Goulburn on the Notes and Convertible Preference Shares held via MG Sub Trust. The Scheme is required to redeem the units upon a change of control of Murray Goulburn. Additionally, neither the distributions nor the redemption are within the Scheme's control. Based on these facts, the units are classified as financial liabilities for the Scheme.

D) Investment income

Distributions received by the Scheme from Murray Goulburn on the Notes and CPS held by MG Sub Trust are recognised in the profit or loss as distribution income.

E) Distributions

The Scheme is contractually obligated to distribute to unitholders any distribution it receives from Murray Goulburn on the Notes and CPS held by MG Sub Trust. The distributions are recognised in profit or loss as finance costs attributable to unitholders.

F) Segment information

The Scheme is a special purpose funding vehicle and it operates as a single segment entity. As a special purpose funding vehicle it has raised funds on the ASX and all funds raised have been lent by the Scheme's responsible entity to MG Sub Trust, an entity which, like the Scheme, is a wholly owned subsidiary of Murray Goulburn. The relationship between these entities and nature of the transactions which are likely to occur between them is more fully set out in the Scheme's Product Disclosure Statement, dated 29 May 2015, which is available on Murray Goulburn's website. The Scheme's financial performance is evaluated on an overall basis. Upon the revaluation of the loan receivable from MG Sub Trust and amounts due to unitholders to fair value, resultant gains or losses are reflected in the Statement of Comprehensive Income and in the ordinary course each fair value adjustment offsets the other such that the result of the Scheme's operations is expected to be nil. The Scheme's financial performance is assessed on this basis. The chief operating decision-makers monitor the operating results of the Scheme on an overall basis. Therefore the Scheme is a single-segment entity.

G) Adoption of new and revised Standards

AASB 9 Financial Instruments

AASB 9 is the new principal standard that consolidates requirements for the classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets. The standard becomes applicable for the financial year ending 30 June 2019 and is available for early adoption. The Directors have elected to early adopt AASB 9, however, this decision does not impact on the recognition and measurement of the Scheme's financial instruments as they are carried at fair value through profit or loss.

AASB 9 also introduces a new impairment model, however, as the Scheme's investments are all held at fair value through profit or loss, the change in impairment rules does not impact the Scheme.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts and Interpretation 13 Customer Loyalty Programs*. The core principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer at the transaction price. The standard becomes applicable for the financial year ending 30 June 2019. The Scheme has not early adopted this standard, however, there is not expected to be a material impact on the Scheme's financial performance and position.

Notes to the Financial Statements continued

for the financial year ended 30 June 2017

3: Earnings per Unit

	2017	2016
Basic and diluted earnings per unit attributable to unitholders of the Scheme (\$)	–	–
Earnings attributable to unitholders of the Scheme (\$ million)	–	–
Weighted average number of units (thousands of units)	204,287	207,957

Basic earnings per unit is calculated by dividing the profit or loss attributable to unitholders of the Scheme by the weighted average number of units outstanding during the year.

Diluted earnings per unit is determined by adjusting the profit or loss attributable to unitholders of the Scheme and the weighted average number of Scheme units outstanding for the effects of all Scheme units with dilutive potential. There were no Scheme units with dilutive potential for the year presented.

4: Finance Income

	2017 \$000	2016 \$000
Net change in fair value of liability to unitholders	88,538	206,826
Distribution expense ⁽ⁱ⁾	(11,453)	(7,216)
Total finance income	77,085	199,610

(i) Distribution expense: for further information regarding distributions, refer to note 8 of Murray Goulburn's annual financial report for the year ended 30 June 2017 which is available on that entity's website.

5: Investment Expense

	2017 \$000	2016 \$000
Net fair value loss on revaluation of loan to MG Sub Trust	(88,538)	(206,826)
Distribution income	11,453	7,216
Total investment expense	(77,085)	(199,610)

Net fair value loss on revaluation of loan to MG Sub Trust

The related party loan receivable is recorded at fair value through profit or loss. An unrealised loss was recognised when the amount receivable was fair valued as at balance date.

6: Financial Asset Held at Fair Value Through Profit or Loss – Loan to MG Sub Trust

	2017 \$000	2016 \$000
Financial asset held at fair value through profit or loss – loan to MG Sub Trust	132,316	223,256

The related party loan is receivable from the MG Sub Trust. The ultimate parent of both the Scheme and MG Sub Trust is Murray Goulburn.

7: Fair Value Measurement of Financial Instruments

AASB 13 requires disclosure of the fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices in active markets for identical assets and liabilities (Level 1).
- inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- inputs for the asset or liability that are not based on observable market data (Level 3).

The following table presents financial assets and liabilities at fair value:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
At 30 June 2017				
Financial asset held at fair value through profit or loss:				
– loan to MG Sub Trust	–	132,316	–	132,316
Financial liabilities at fair value through profit or loss:				
– amounts due to unitholders	–	132,316	–	132,316
At 30 June 2016				
Financial asset held at fair value through profit or loss:				
– loan to MG Sub Trust	–	223,256	–	223,256
Financial liabilities at fair value through profit or loss:				
– amounts due to unitholders	–	223,256	–	223,256

There were no transfers between Levels 1, 2 and 3 during the year ended 30 June 2017.

The fair value of the loan receivable represents the cash flows that MG Unit Trust expects to receive in principal and dividend streams from the MG Sub Trust. This fair value that has been used is the value of the MG Unit Trust quoted on the ASX at 30 June 2017. In turn, the value of the liability due to unitholders is driven by the value of the loan receivable as this represents the value that the unitholders are entitled to. Given that both asset and liability reference quoted prices, they have both been classified as level 2.

8: Net Assets Attributable to Unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	2017 Number	2017 \$000	2016 Number	2016 \$000
Opening balance	204,821,672	223,256	–	–
Number of units issued ⁽ⁱ⁾	10,670,864	11,132	214,931,875	451,137
Number of units redeemed	(10,352,136)	(13,534)	(10,110,203)	(21,055)
Decrease in net assets attributable to unitholders	–	(88,538)	–	(206,826)
Closing balance	205,140,400	132,316	204,821,672	223,256

Net assets attributable to unit holders is measured at fair value, calculated as the number of units on issue multiplied by the unit market price.

- The period ended 30 June 2016 includes units issued of 209,198,581 when the Scheme was listed. There were 302,644 units (2016: 68,490) issued with a total value of \$343,508 (2016: \$150,733) under the Distribution Reinvestment Plan.

Notes to the Financial Statements continued

for the financial year ended 30 June 2017

9: Distributions to Unitholders

The distributions for the year were as follows:

	2017 \$000	2017 CPU
Distributions paid		
– Final distribution in relation to the 2016 financial period (fully franked)	8,013	3.91
– Interim distribution in relation to the 2017 financial year (fully franked)	3,440	1.70
Distributions payable	–	–
	11,453	
	2016 \$000	2016 CPU
Distributions paid		
– Interim distribution in relation to the 2016 financial period (fully franked)	7,216	3.50
Distributions payable	–	–
	7,216	

10: Financial Risk Management

The Scheme is a special purpose, passive funding vehicle holding only an interest in subordinated Notes and CPS issued by Murray Goulburn, where the Notes and CPS are held by MG Sub Trust on trust for the Scheme. The ultimate parent of both the Scheme and MG Responsible Entity Limited is Murray Goulburn. The Scheme's costs are borne by MG Responsible Entity Limited; MG Responsible Entity Limited is reimbursed for expenses incurred by the ultimate parent Murray Goulburn. The Scheme has limited net exposure to market price risk and liquidity risk. The Scheme has no direct exposure to interest rate, foreign exchange or credit risk. The risk management policies employed by the Scheme are discussed in the notes below.

Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual instrument, its issuer or all factors affecting all instruments traded in the market. The Scheme's financial instruments comprise a loan receivable from MG Sub Trust and liabilities to unitholders which are both carried at fair value with fair value changes recognised in the Income Statement. Both of these instruments are exposed to market price risk. Any change in the market price of the units will result in an equal and opposite change in the market price of the loan receivable. Hence, no impact on the Income Statement is expected due to changes in market prices.

Liquidity risk

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's costs are borne by MG Responsible Entity Limited; MG Responsible Entity Limited is reimbursed for expenses incurred by the ultimate parent Murray Goulburn. Hence, the Scheme is not exposed to any significant liquidity risk.

11: Remuneration of Auditors

During the year the following fees were paid or payable for services provided by the auditor of the Scheme (all amounts were paid by the Responsible Entity of the Scheme):

	2017 \$000	2016 \$000
PricewaterhouseCoopers Australian firm		
<i>Audit and other assurance services</i>		
– Audit and review of financial statements	50	50
– Audit of compliance plan	40	40
Total remuneration for audit and other assurance services	90	90

12: Related Party Transactions

a) Responsible entity

The responsible entity of MG Unit Trust is MG Responsible Entity Limited.

b) Directors

Key Management Personnel includes persons who were Directors of MG Responsible Entity Limited during the financial year.

c) Other Key Management Personnel

KMP comprise selected members of MG Responsible Entity Limited's parent's Executive Leadership Team (ELT) having authority and responsibility for planning, directing and controlling the activities of MG Responsible Entity Limited.

d) Transactions with Key Management Personnel

Key Management Personnel services are provided by MG Responsible Entity Limited; there is no charge for these services. There was no compensation paid directly by the Scheme to any of the Key Management Personnel.

The following transactions occurred with Key Management Personnel during the year:

	2017 Number	2016 Number
Application for units	183,197	253,060
Redemption of units	–	–

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the Key Management Personnel or their personally related entities at any time during the year.

e) Other transactions

Costs of the Scheme are borne by MG Responsible Entity Limited, the Responsible Entity of the Scheme. The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the Responsible Entity at any time during the year.

Units in the MG Unit Trust are acquired by an external broker to satisfy various corporate actions (including share offtake, initial shares and DRPs), with the securities ultimately held through MG Shares Pty Ltd (a wholly owned subsidiary of Murray Goulburn Co-operative Co. Limited), until such time as they are transferred to the relevant investors. All transactions are at the prevailing market price and in accordance with the mechanisms set out in the Product Disclosure Statement (PDS). MG Noteholder Pty Ltd and MG Market Facilitator Pty Ltd (both wholly owned subsidiaries of Murray Goulburn Co-operative Co. Limited) are also involved in the rebalancing process, as described in the PDS, and therefore various transactions are processed through those entities.

f) Related party investments

As at 30 June 2017, the Scheme held no investments in the Responsible Entity, or any other related entities.

Notes to the Financial Statements continued

for the financial year ended 30 June 2017

13: Events Subsequent to Balance Date

There have been no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme in financial years subsequent to the year ended 30 June 2017.

For information regarding Murray Goulburn's events subsequent to balance date, please refer to note 26 of that entity's annual financial report for the year ended 30 June 2017, available on Murray Goulburn's website.

14: Contingent Liabilities

Other than the matters referred to below, there are no other matters giving rise to material contingent liabilities.

Class action

On 17 May 2016, Murray Goulburn Co-operative Co. Limited (Murray Goulburn) and MG Responsible Entity Limited, as Responsible Entity of the MG Unit Trust, were notified that a class action proceeding had been filed against them and a number of current and former Directors in the Supreme Court of Victoria. The class action was transferred to the Federal Court in May 2017.

The statement of claim (Claim) alleges contraventions of the Corporations Act through allegedly misleading or deceptive statements made in a Product Disclosure Statement issued on 29 May 2015 (PDS) and in subsequent market announcements. The proceeding is brought by the lead plaintiff on behalf of unitholders who purchased units pursuant to the PDS and/or in the period "on or after 3 July 2015 and prior to the commencement of trading on 29 February 2016" and who held any of those units at the commencement of trading on 27 April 2016. The lead plaintiff has made an application to amend the statement of claim which amongst other things seeks to expand the Claim to also include unitholders who purchased units during the period from 29 February 2016 to 2 May 2017. The Court has yet to determine this application. The companies are vigorously defending the proceedings.

Regulatory Investigations

Murray Goulburn and MG Responsible Entity Limited are also currently the subject of an investigation which is being undertaken by the Australian Securities and Investments Commission ('ASIC') in relation to potential breaches of the Corporations Act. The companies are fully co-operating with ASIC. In addition, the Australian Competition and Consumer Commission (ACCC) commenced legal proceedings on 28 April 2016 against Murray Goulburn in relation to potential breaches of the Competition and Consumer Act. The ACCC has confirmed that it is not seeking a pecuniary penalty against the company. The proceeding is in the early stages.

The ACCC is also conducting an inquiry into the competitiveness of prices, trading practices and the supply chain of the Australian dairy industry. Murray Goulburn is required to participate in this industry-wide inquiry and will fully co-operate with the information requests of the ACCC. The inquiry is not expected to be completed until November 2017.

Directors' Declaration

MG Responsible Entity Limited presents the Directors' Declaration in respect of MG Unit Trust.

In accordance with a resolution of the Directors of MG Responsible Entity Limited we state that, in the opinion of the Directors:

- a) the financial statements and notes of the MG Unit Trust for the year ended 30 June 2017, as set out on pages 4 to 12, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with applicable accounting standards and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the MG Unit Trust's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- b) there are reasonable grounds to believe that the MG Unit Trust will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

This declaration is made in accordance with a resolution of the Directors of MG Responsible Entity Limited.



J Spark
Chairman of Parent



A Mervis
Chief Executive Officer and
Managing Director of Parent

Melbourne
22 August 2017

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of MG Unit Trust for the year ended 30 June 2017, 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 black ink that reads 'Lisa Harker'.

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
22 August 2017

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au
Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report to the Unitholders of MG Unit Trust



Independent auditor's report to the unit holders of MG Unit Trust

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of MG Unit Trust (the registered scheme) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the registered scheme's financial position as at 30 June 2017 and of its financial performance for the year then ended
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of comprehensive income for the financial year ended 30 June 2017
- the statement of financial position as at 30 June 2017
- the statement of changes in equity for the financial year ended 30 June 2017
- the statement of cash flows for the financial year ended 30 June 2017
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the registered scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report to the Unitholders of MG Unit Trust

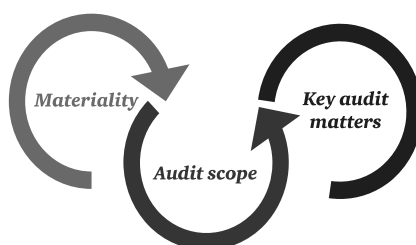
continued



Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole.



Materiality

- For the purpose of our audit we used overall quantitative materiality of \$1.3 million, which represents 1% of MG Unit Trust's assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose assets as the benchmark because, in our view, it is the metric against which the performance of the registered scheme is most commonly measured.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In designing our procedures, we considered the nature of the registered scheme, which is a passive funding vehicle, holding only an interest in subordinated Notes and Convertible Preference Shares (CPS) issued by Murray Goulburn Co-operative Co. Limited, where the Notes and CPS are held by MG Sub Trust on trust for the registered scheme. The ultimate parent company of both the MG Unit Trust and MG Sub Trust is Murray Goulburn Co-operative Co. Limited.



Key audit matter

The key audit matter was the matter that, in our professional judgement, was of most significance in our audit of the financial report for the current period. The key audit matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><u>Fair value measurement of financial instruments</u></p> <p><i>Refer to note 2 Summary of significant accounting policies, note 6 Financial asset held at fair value through profit or loss – loan to MG Sub Trust, note 7 Fair value measurement of financial instruments and note 8 Net assets attributable to unitholders.</i></p> <p>MG Unit Trust recognised a financial asset of \$132.3 million, representing a loan receivable from MG Sub Trust, which is recorded at fair value through profit or loss. The loan receivable is revalued each period to reflect the current fair value of MG Unit Trust's units, given the units are considered to be a materially comparable instrument to the Notes and Convertible Preference Shares held via MG Sub Trust.</p> <p>MG Unit Trust also holds a financial liability of \$132.3 million. The value of the liability due to unitholders is driven by the value of the loan receivable as this represents the value that the unitholders are entitled to.</p> <p>Because of the financial significance of the fair value of the financial asset and liability to MG Unit Trust and given they are recorded at fair value, we determined this to be a key audit matter.</p>	<p>Our audit procedures related to the fair value measurement of financial instruments included the following, amongst others:</p> <ul style="list-style-type: none">• Recalculated the fair value of the financial asset, using the MG Unit Trust's closing price per the Australian Securities Exchange as at 30 June 2017 multiplied by the total units outstanding and checked it was consistent with the recorded financial asset.• Checked that the value of the financial liability was equal to and offset the financial asset.

Other information

The directors of MG Responsible Entity Limited (the responsible entity of the MG Unit Trust) are responsible for the other information. The other information included in the registered scheme's annual report for the year ended 30 June 2017 comprises the Directors' Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. The other information is also expected to include the Unitholder Information and Corporate Directory, which are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Unitholders of MG Unit Trust

continued



When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of MG Responsible Entity Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of MG Responsible Entity Limited are responsible for assessing the ability of the registered scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of MG Responsible Entity Limited either intend to liquidate the registered scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

A handwritten signature in dark ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in dark ink that reads 'Lisa Harker'.

Lisa Harker
Partner

Melbourne
22 August 2017

Unitholder Information

Set out below is additional information for unitholders of the MG Unit Trust (Trust). All information is current as at 23 August 2017 unless stated otherwise.

Corporate Governance Statement

MG Responsible Entity Limited (Company) is the responsible entity of the Trust and is a wholly-owned subsidiary of Murray Goulburn Co-operative Co. Limited (Murray Goulburn).

The Board of the Company is committed to ensuring that its policies and practices reflect a high standard of corporate governance. The Board considers that the Trust's governance framework and adherence to that framework are fundamental in demonstrating that the Directors are accountable to unitholders and are appropriately overseeing the management of risk and the future direction of the Trust.

The Board of the Company has reviewed the Trust's corporate governance practices against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition (ASX Recommendations). The Trust's 2017 Corporate Governance Statement sets out how the Trust has complied with the ASX Recommendations as they apply to externally managed listed trusts for the period ended 30 June 2017.

The Trust's Corporate Governance Statement is available on Murray Goulburn's website at www.mgc.com.au/investor-centre/governance.

Securities

The classes of securities on issue in respect of the Trust, and the number of holders of each class are as follows:

Class	No. of Securities	No. of Holders
Ordinary fully paid units (Units)	204,576,894	8,805
MG Unit	1	1
Non-participating Units	340,821,687	1

The MG Unit and Non-participating Units are unquoted securities. In accordance with the Trust Constitution, the MG Unit is held by Murray Goulburn and all Non-participating Units are held by MG Market Facilitator Pty Ltd.

Voting rights

Units – holders have the right to vote at general meetings of the Trust, however holders have no right to vote at any general meeting of Murray Goulburn.

MG Unit – the holder has the same rights as the holders of Units, together with the following additional rights:

- to require that the Trust invests only in Notes and Convertible Preference Shares (or other agreed securities consistent with the Trust continuing to be a special purpose funding vehicle that provides unitholders with an economic exposure to Murray Goulburn); and
- to require that the responsible entity of the Trust only issues Units and Non-participating Units and not another MG Unit.

Non-participating Units – holders have no rights or obligations other than the right of conversion of a Non-participating Unit into a Unit in accordance with the terms of the Trust Constitution.

Distribution schedule of holders of Units

Range	No. of Units	% of Issued Capital	No. of Holders	% of Holders
1–1,000	1,257,174	0.61	2,274	25.83
1,001–5,000	8,197,090	4.01	2,736	31.07
5,001–10,000	12,281,502	6.00	1,537	17.46
10,001–100,000	56,239,489	27.49	2,104	23.89
100,001 and over	126,601,639	61.89	154	1.75
Total	204,576,894	100.00	8,805	100.00

The number of unitholders holding less than a marketable parcel (\$500) of Units, based on the closing market price at 23 August 2017 of \$0.65 per Unit, is 1,805.

Unitholder Information continued

20 largest holders of Units*

Name	Units held	% of Issued Capital
1. HSBC Custody Nominees (Australia) Limited	19,670,998	9.62
2. Citicorp Nominees Pty Limited	16,088,996	7.86
3. J P Morgan Nominees Australia Limited	13,032,540	6.37
4. Netwealth Investments Limited <Wrap Services A/C>	12,752,249	6.23
5. China Resources Ng Fung Limited	11,992,231	5.86
6. JD Com Inc	8,195,002	4.01
7. XUE Investments Pty Limited <XUE Family A/C>	5,424,066	2.65
8. Pershing Australia Nominees Pty Ltd <Evans and Partners Account>	3,685,431	1.80
9. Corlette Point Road Pty Ltd <Point A/C>	2,055,211	1.01
10. Skyfield Capital Pty Ltd <Skyfield Capital Unit A/C>	1,256,190	0.61
11. Y S Chains Pty Ltd	1,000,000	0.49
12. Bond Street Custodians Limited <EGAO – D06985 A/C>	898,977	0.44
13. Mrs Karen Lee Argento + Mr Leo Mose Argento	813,500	0.40
14. Mr Leo Francis Dooley + Mr Peter John Dooley	800,000	0.39
15. Asipac Group Pty Ltd	741,421	0.36
16. BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	692,461	0.34
17. Gang Shun Investments Pty Ltd <Du Family A/C>	669,320	0.33
18. BNP Paribas Noms Pty Ltd <DRP>	634,816	0.31
19. Zheng Hui Ying Management Pty Ltd <Zheng Hui Ying Family A/C>	622,337	0.30
20. Woodross Nominees Pty Ltd	606,837	0.30
Total	101,632,583	49.68
Balance of Register	102,944,311	50.32
Grand Total	204,576,894	100.00

* Based on registered holders as shown in the register of unitholders.

Substantial holders of Units

The following table shows holdings of Units of five per cent or more as notified in accordance with section 671B of the *Corporations Act 2001* (Cth):

Name	Notice Date	Units held	% of Issued Capital
China Resources Ng Fung Limited	14 July 2016	14,507,657	7.08

Current on-market buy-back

There is no current on-market buy-back relevant to Units.

Restricted securities

The Trust has no restricted securities nor securities subject to voluntary escrow.

Corporate Directory

Responsible Entity

MG Responsible Entity Limited as responsible entity of the MG Unit Trust

ABN 18 147 028 017

ARSN 606 103 637

AFSL 472856

Company Secretary: Amy Alston

Registered office:

Freshwater Place

Level 15

2 Southbank Boulevard

Southbank Victoria 3006

Telephone: +61 (0)3 9040 5000

Facsimile: +61 (0)3 9040 5100

Website: www.mgc.com.au

Email: InvestorRelations@mgc.com.au

Unit Registry

Computershare Investor Services Pty Limited

Yarra Falls 452 Johnston Street

Abbotsford Victoria 3067

Telephone: 1300 477 596 (within Australia)

or +61 3 9415 4293 (international)

Website: www.investorcentre.com/contact

