



7 February 2018

Market Announcements Office
Australian Securities Exchange

ELECTRONIC LODGEMENT

Dear Sir or Madam

Murray Goulburn Co-operative Co. Limited (Murray Goulburn) – Interim financial statements and reports for the half-year ended 31 December 2017

In accordance with the Listing Rules, attached is a copy of Murray Goulburn's interim financial statements and reports for the half-year ended 31 December 2017, for immediate release to the market.

This information is being released given that unitholders of the MG Unit Trust have an economic exposure to Murray Goulburn.

Yours faithfully

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

Amy Alston
Company Secretary

Murray Goulburn Co-operative Co. Limited
(ACN 004 277 089)

Interim Financial Statements and Reports for the half year ended
31 December 2017

Murray Goulburn Co-operative Co. Limited

(ABN 23 004 277 089)

Directors' Report

The Directors present their report on the Group consisting of Murray Goulburn Co-operative Co. Limited (Murray Goulburn or the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The directors of the Company at any time during or since the half-year up to the date of this report are:

J Spark (Chairman)	I Goodin (appointed on 27 October 2017)
A Mervis (Chief Executive Officer)	DC Grant (appointed on 27 October 2017)
WT Bodman	BA Williams (appointed on 27 October 2017)
M Clark	N Akers (retired on 27 October 2017)
CJ Dwyer	MF Ihlein (retired on 27 October 2017)
LM Dwyer	KW Jones (retired on 27 October 2017)
KD Jackson	GN Munzel (retired on 27 October 2017)
GH Kilpatrick	

Review of Operations

The Group reported a loss after income tax of \$27.5 million (2016: loss \$31.9 million) for the half year ended 31 December 2017. The loss after tax has been determined using a milk price calculated in accordance with the Profit Sharing Mechanism Deed (PSMD) of the MG Unit Trust dated 29 May 2015 and adjusted in accordance with the Deed by the deviation announced on 22 August 2017.

The Group recorded a net profit before tax of \$35.1 million (2016: loss \$47.8 million) for the half year ended 31 December 2017. The current half year has been impacted by a reduction in the milk intake as a result of suppliers retiring or ceasing to supply Murray Goulburn, which was partially offset by benefits delivered from efforts to address the Group's cost base and the implementation of various commercial enhancements.

On 27 October 2017, the Company entered into an agreement for the sale of Murray Goulburn's operating assets and liabilities to Saputo Dairy Australia Pty Ltd (Saputo) for \$1.31 billion (referred to herein as "the Saputo transaction"). The agreement entered into with Saputo is subject to certain conditions, including the approval by an ordinary resolution of Murray Goulburn's voting shareholders as well as approval by the Australian Competition and Consumer Commission (ACCC) and the Foreign Investment Review Board (FIRB). Should the transaction receive all the necessary approvals, the sale transaction is expected to occur by 30 June 2018. At this stage, a Notice of Meeting and Explanatory Memorandum is expected to be released in March / April 2018.

As part of the Saputo transaction qualifying MG Suppliers receive a step up of \$0.40 per kilogram milk solids (kgMS) to \$5.60 per kgMS for the FY18 Farmgate Milk Price for milk supplied from 1 November 2017 and, subject to and on completion of the transaction, for milk supplied from 1 July to 31 October 2017, and an additional \$0.40 per kgMS retention payment for milk supplied in FY18.

If the Saputo transaction occurs, the Group intends to make an estimated initial distribution of the net transaction proceeds of approximately \$0.75 per share and unit, to be paid shortly after completion. As part of the Saputo transaction, the Group has agreed to retain liabilities associated with the current ACCC proceeding, and the Unitholder class action (and any claim or dispute which is based on the same or substantially similar facts or circumstances) (Retained Litigation). The Group will retain part of the sale proceeds to appropriately manage any potential exposure it has under the Retained Litigation. Further cash distributions to shareholders and unitholders are expected upon conclusion of the Retained Litigation, or earlier if the Board considers it appropriate. The timing and exact amount of any subsequent distributions is not certain given the outcome of the Retained Litigation is uncertain.

The loss after tax for the half year includes derecognition of the Group's deferred tax balances relating to temporary differences which resulted in a one-off charge to income tax expense of \$62.7 million. This was a result of the pending Saputo transaction.

The seasonality of the business, which is primarily influenced by the timing of milk intake, results in higher levels of inventory and generally, in the ordinary course, higher debt at the half year. Inventories are then sold down during the second half of the year. The result for the half year is therefore not an accurate indication of the result expected for the second half of the year.

The going concern status of the Group is addressed in Note 1(c) of the consolidated interim financial statements and our auditor has noted an Emphasis of Matter in respect to going concern in their independent review report.

Events subsequent to balance date

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in financial years subsequent to the half year ended 31 December 2017.

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 18.

Rounding of amounts to the nearest thousand dollars

The Company is of the kind referred to in ASIC Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191, and in accordance with that Instrument amounts in the Directors' report and the interim financial report have been rounded to the nearest thousand dollars.

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



J Spark
Chairman



A Mervis
Chief Executive Officer and Managing Director

Melbourne
7 February 2018

Consolidated Statement of Profit or Loss

for the six months ended 31 December 2017

	Note	December 2017 \$'000	December 2016 \$'000
Sales revenue	4	1,115,579	1,175,842
Cost of sales		(917,795)	(1,009,044)
Gross profit		197,784	166,798
Other income	4	2,425	5,498
Share of profit (loss) of associates		75	(195)
Distribution expenses		(71,618)	(71,872)
Selling and marketing expenses		(30,425)	(42,411)
Administration expenses		(49,784)	(44,680)
Finance costs		(12,563)	(12,034)
Other expenses	5	(769)	(48,915)
Profit (loss) before income tax		35,125	(47,811)
Income tax benefit/(expense)	6	(62,660)	15,944
Profit (loss) for the period	3	(27,535)	(31,867)

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2017

	December 2017 \$000	December 2016 \$000
Profit (loss) for the period	(27,535)	(31,867)
Other comprehensive income		
Items that will not be classified subsequently to profit or loss:		
Increment (decrement) on revaluation of land and buildings	(1,208)	-
Net change in fair value of equity instruments measured at fair value through other comprehensive income	-	(46)
Income tax relating to items that will not be reclassified subsequently	-	14
Derecognition of deferred tax liability relating to the asset revaluation reserve	41,934	-
Items that may be reclassified subsequently to profit or loss:		
Transfer to income statement on cash flow hedges	(3,102)	3,706
Loss on cash flow hedges taken to equity	4,915	(16,295)
Exchange differences arising on translation of foreign operations	4	(724)
Income tax relating to items that may be reclassified subsequently	-	3,777
Derecognition of deferred tax asset relating to the cashflow hedge reserve	(3,612)	-
Total comprehensive income for the period attributable to owners of the parent	11,396	(41,435)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2017

	Note	December 2017 \$'000	June 2017 \$'000	December 2016 \$'000
Current assets				
Cash		35,374	19,368	21,083
Receivables		224,621	281,824	336,870
Inventories		482,855	464,532	605,981
Current tax receivable		-	-	8,783
Other assets		19,408	13,969	39,861
Derivative financial instruments		896	3,147	223
Non current assets held for sale	7	19,550	-	-
Total current assets		782,704	782,840	1,012,801
Non-current assets				
Investments accounted for using the equity method		3,480	4,511	6,600
Property, plant and equipment		740,804	759,060	958,033
Intangible assets		96,551	100,148	108,090
Deferred tax assets	6	-	24,225	4,731
Other assets		4,893	4,825	123,006
Total non-current assets		845,728	892,769	1,200,460
Total assets		1,628,432	1,675,609	2,213,261
Current liabilities				
Payables		295,096	375,483	306,122
Borrowings		58,778	-	52,828
Current tax payable		-	-	-
Provisions		62,739	80,777	48,576
Derivative financial instruments		141	45	7,227
Total current liabilities		416,754	456,305	414,753
Non-current liabilities				
Payables		1,505	783	-
Borrowings		450,256	463,910	645,560
Provisions		13,129	19,220	10,996
Deferred tax liabilities	6	-	-	29,381
Total non-current liabilities		464,890	483,913	685,937
Total liabilities		881,644	940,218	1,100,690
Net assets		746,788	735,391	1,112,571
Equity				
Issued capital	9	730,116	730,116	730,116
Reserves		178,524	139,592	168,478
Retained earnings		(161,852)	(134,317)	213,977
Total equity		746,788	735,391	1,112,571

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2017

Attributable to owners of the Parent

	Issued Capital \$000	Capital Reserve \$000	Asset Revaluation Reserve \$000	General Reserve \$000	Cash Flow Hedge Reserve \$000	Investment Revaluation Reserve \$000	Foreign Currency Translation Reserve \$000	Retained Earnings \$000	TOTAL \$000
Balance as at 1 July 2016	730,116	36,916	144,856	5,257	(18,624)	51	9,590	267,532	1,175,694
Profit (loss) for the year	-	-	-	-	-	-	-	(31,867)	(31,867)
Other comprehensive income	-	-	-	-	(8,812)	(32)	(724)	-	(9,568)
Total comprehensive income	-	-	-	-	(8,812)	(32)	(724)	(31,867)	(41,435)
Payment of dividends	-	-	-	-	-	-	-	(21,688)	(21,688)
Balance as at 31 December 2016	730,116	36,916	144,856	5,257	(27,436)	19	8,866	213,977	1,112,570
Balance as at 1 July 2017	730,116	36,916	97,846	5,257	(8,429)	-	8,002	(134,317)	735,391
Profit (loss) for the year	-	-	-	-	-	-	-	(27,535)	(27,535)
Other comprehensive income	-	-	40,727	-	(1,799)	-	4	-	38,932
Total comprehensive income	-	-	40,727	-	(1,799)	-	4	(27,535)	11,397
Payment of dividends	-	-	-	-	-	-	-	-	-
Transferred to retained earnings (net of tax)	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2017	730,116	36,916	138,573	5,257	(10,228)	0	8,006	(161,852)	746,788

Consolidated Statement of Cash Flows

for the six months ended 31 December 2017

	December 2017 \$000	December 2016 \$000
Cash flows from operating activities		
Receipts from customers	1,191,340	1,207,694
Payments to suppliers and employees	(1,194,812)	(1,283,299)
	(3,472)	(75,605)
Dividends received	550	502
Interest received	829	835
Interest paid	(12,324)	(11,483)
Income taxes paid	-	(10,652)
Net cash inflow (outflow) from operating activities	(14,417)	(96,403)
Cash flows from investing activities		
Payments for property, plant and equipment	(17,766)	(65,214)
Payments to acquire intangible software assets	(1,491)	(5,636)
Proceeds from the sale of property, plant and equipment & financial assets	1,901	756
Milk supplier support amounts refunded	-	(5,626)
Milk supplier support amounts recouped	-	6,504
Net cash inflow (outflow) from investing activities	(17,356)	(69,216)
Cash flows from financing activities		
Dividends paid	-	(21,688)
Proceeds from borrowings	260,000	1,208,053
Repayment of borrowings	(220,000)	(1,028,711)
Net cash inflow (outflow) from financing activities	40,000	157,654
Net increase (decrease) in cash	8,227	(7,965)
Cash at the beginning of the half year	19,368	27,276
Effect of exchange rate fluctuations on cash held	(1,000)	(56)
Cash at the end of the half year	26,596	19,255
Reconciliation to cash		
Cash at bank and cash on hand	35,374	21,083
Bank overdraft	(8,778)	(1,828)
Cash at the end of the half year	26,596	19,255

The accompanying notes form part of these financial statements.

A. Basis of preparation

Murray Goulburn Co-operative Co. Limited is a for-profit entity for the purposes of preparing this financial report and is domiciled in Australia. These condensed consolidated interim financial statements ("interim financial report") as at and for the six months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the processing of the whole milk of its shareholder suppliers and the manufacture, marketing and distribution of dairy products and the operation of retail stores as a service to the suppliers.

These interim financial statements for the Group for the six months ended 31 December 2017 were authorised for issue by the Directors on 7 February 2018. The Directors have the power to amend and reissue the interim financial report. The Annual Report of the Group as at and for the year ended 30 June 2017 is available at www.mgc.com.au.

This interim financial report:

- has been prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting;
- does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2017 annual financial report of the Group and any public announcements made by the Group during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001;
- has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets;
- is presented in Australian dollars with values rounded to the nearest thousand dollars (\$000), unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with current period presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2017. The adoption of these Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior half years;
- has applied the Group accounting policies consistently to all periods presented.

B. Critical Accounting Estimates and Judgements

The preparation of the interim financial report requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Except as noted below, the judgements, estimates and assumptions applied in the interim financial report, including the key sources of estimation uncertainty are the same as those applied in the Group's last annual report for the year ended 30 June 2017.

Classification of the business as held for sale

On 27 October 2017, the Group entered into an agreement for the sale of the Group's operating assets and liabilities to Saputo Dairy Australia Pty Ltd (Saputo) for \$1.31 billion (referred to herein as "the Saputo transaction"). The agreement entered into with Saputo is subject to certain conditions, including the approval by an ordinary resolution of Murray Goulburn's voting shareholders as well as approval by the Australian Competition and Consumer Commission (ACCC) and the Foreign Investment Review Board (FIRB).

Given the transaction remained subject to a number of conditions precedent at 31 December 2017, management considered that although the Saputo transaction was likely to occur, it did not meet the criteria required under Australian Accounting Standards to be considered as highly probable of occurring. Therefore the assets and liabilities subject to the sale have not been classified as held for sale or as a discontinued operation as at 31 December 2017. If the Saputo transaction was assessed to be highly probable under accounting standards, the Group would be required to present operating assets being disposed of as "Assets held for sale" under current assets in the balance sheet and liabilities being disposed of as "Liabilities held for sale" under current liabilities in the balance sheet separate from the retained assets and liabilities.

Impairment

At 31 December 2017, the implied market capitalisation of the Group was below the carrying value of the net assets thereby indicating a potential impairment of assets.

Given the Saputo transaction involves the sale of all of the Group's operating assets and liabilities, the Group conducted an impairment test of the carrying value of all assets and liabilities being sold, excluding non-current assets held for sale (refer note 7), compared to the net sale proceeds as per the binding sale and purchase agreement. Based on this test, the sale proceeds are more than sufficient to cover the carrying value of assets and liabilities, repayment of borrowings and transaction costs incurred as part of the transaction and therefore no impairment was required.

An impairment test was also performed at the Murray Goulburn Co-operative Co. Limited cash generating unit (CGU) level on a continuing business basis using a value-in-use cash flow projection. No impairment was recorded for half-year.

C. Going concern

These financial statements reflect the circumstances of the Group as they exist at 31 December 2017, and have been prepared on a going concern basis.

If the Saputo transaction is completed, the Group will have only limited operations including management of any potential exposures to the retained litigation. Once the retained litigation is concluded, the current intention is that any remaining sale proceeds would be distributed to shareholders and unitholders and the Group would be wound up. As a result of the intention to wind up the Group, there is a material uncertainty as to the Group continuing as a going concern. However, the Directors consider that in the period until any winding up the Group will have sufficient retained sale proceeds such that it is able to pay its debts as and when they fall due.

If the Saputo transaction does not proceed and in the absence of an alternate transaction, the Group may not be able to pay a competitive farmgate milk price. Further losses of milk flow may trigger an impairment to the Group's assets that could breach banking covenants and result in potential withdrawal of creditors' support and an increased risk to the Group's ability to refinance its expiring debt facilities. In these circumstances, the Group may not be able to renew facilities due to expire within 2 years and would need to consider the sale of certain assets in order to generate sufficient proceeds to fund debt repayments. The Group would also continue with cost saving initiatives underway and would pursue the refinancing of required maturing facilities. This creates a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Subject to any material change in circumstances, the Directors continue to be of the view that the Group can and will be able to pay its debts as and when they fall due, for at least 12 months from the date of these interim financial statements.

D. Adoption of new and amended Accounting Standards and Interpretations

All new and amended Australian Accounting Standards and Interpretations mandatory from 1 July 2017 to the Group have been adopted, including:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

The adoption of the amending standards has not resulted in a change to the financial performance or position of the Group, and has not resulted in any additional disclosures upon adoption.

The Group early adopted and applied all the classification, measurement and hedge accounting components of AASB 9 Financial Instruments (Dec 2014) including consequential amendment to other standards, from 1 July 2015. The Group elected not to adopt the impairment component, which introduces a new expected-loss impairment model that will require entities to account for expected credit losses at the time or recognising the asset. The Group is currently assessing the potential impact of the new impairment model on the financial results.

Issued but not yet effective

The following new or amended accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) have been identified as those that may have a material impact on the Group in the period of initial application.

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 Group has conducted a high level assessment of the impact of the new standard and while further work is required by management to quantify the specific impacts, there is not expected to be a material impact on the financial performance or position of the Group.

AASB 16 Leases

AASB 16 replaces the current dual operating/finance lease accounting model for lessees under AASB 117 Leases and the guidance contained in Interpretation 4 Determining whether an Arrangement contains a Lease. The new standard introduces a single, on-balance sheet accounting model, similar to the current finance lease accounting. The standard becomes applicable for the financial year ending 30 June 2020.

Under the new standard the Group will be required to recognise a 'right-of-use' asset and a lease liability for all identified leased assets in the Statement of Financial Position. The current operating lease expense will be replaced with a depreciation and finance charge. The Group is currently assessing the impact of the new standard on the income statement and balance sheet. While there is not expected to be a material impact on overall cashflows and net profit or loss, the quantification of such impacts cannot be reliably measured until further work is performed.

NOTE 2: Segment revenues and results

	Ingredients & Nutritional \$000	Dairy Foods \$000	Other \$000	Intersegment Eliminations \$000	Total \$000
Segment Income Statement					
Half year ended 31 December 2017					
External revenue	352,171	616,526	146,882	-	1,115,579
Intersegment revenue	4,410	519	47	(4,976)	-
Revenue from sale of goods	356,581	617,045	146,929	(4,976)	1,115,579
Segment contribution to profit	9,812	56,001	3,277	-	69,090
Other income					2,425
Share of profit (loss) of associates					75
Operating expenses					(23,902)
Finance costs					(12,563)
Profit before tax					35,125

	Ingredients & Nutritional \$000	Dairy Foods \$000	Other \$000	Intersegment Eliminations \$000	Total \$000
Segment Income Statement					
Half year ended 31 December 2016					
External revenue	477,909	556,927	141,006	-	1,175,842
Inter-segment revenue	3,529	710	60	(4,299)	-
Revenue from sale of goods	481,438	557,637	141,066	(4,299)	1,175,842
Segment contribution to profit	(25,484)	40,943	2,144	-	17,603
Other income					5,498
Share of profit (loss) of associates					(195)
Operating expenses					(23,883)
MSSP impairment					(34,800)
Finance costs					(12,034)
Loss before tax					(47,811)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. Reported segment contribution to profit/(loss) represents the profit/(loss) before tax earned by each segment without allocation of central operating expenses, administration costs and directors' salaries, share of profit/(loss) of associates, other income, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	December 2017 \$000	December 2016 \$000
Dairy products and ingredients	1,009,248	1,074,046
Farming supplies	106,331	101,796
Revenue from sale of goods	1,115,579	1,175,842

Information about geographic segments

The Group operates in six principal geographical areas – Australia (country of domicile), North Asia, South East Asia, USA, the Middle East and the Pacific. The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from external customers		Non-current assets	
	December 2017 \$000	December 2016 \$000	December 2017 \$000	December 2016 \$000
Australia	722,721	708,234	826,039	1,171,100
Other countries	392,858	467,608	19,689	29,360
Total	1,115,579	1,175,842	845,728	1,200,460

NOTE 3: Profit Sharing Mechanism

Below is a reconciliation of the Profit Sharing Mechanism (PSM) to Net Profit After Tax (NPAT)

	December 2017 \$000	December 2016 \$000
Allocation of Distributable Milk Pool:		
Distributable Milk Pool	411,406	480,465
Milk Payments (Southern Milk Region)	(376,281)	(458,730)
Profit Before Tax - Profit Sharing Mechanism	35,125	21,736
Income Tax	(20,726)	(4,919)
NPAT - Shareholders and Unitholders - PSM	14,399	16,816
Post Tax Adjustments:		
Milk Payments Deviation	-	(19,009)
Milk Supply Support Package Impairment Deviation	-	(22,260)
Inventory Valuation Adjustment	-	(7,414)
Sale related Deferred Tax Balances derecognition	(41,934)	-
NPAT attributable to equity holders of the parent	(27,535)	(31,867)

The Profit Sharing Mechanism (PSM) determines the percentage of the milk pool to be allocated to net profit after tax (NPAT) each year within specified ranges for the Actual Weighted Average Southern Milk Region FMP, with the remainder being allocated to milk payments and income tax. The final outcomes for actual weighted average Southern Milk Region FMP and NPAT under the PSM for each financial year is based on the final, full year audited financial results of Murray Goulburn.

As at 31 December 2017, the Group has drawn \$41.93 million of the approved \$100 million deviation to maintain a full year milk price of \$5.20 per kilogram milk solids, taking into account various operational items including one-off occurrences.

NOTE 4: Revenue

	December 2017 \$000	December 2016 \$000
Revenue		
Sales revenue	1,115,579	1,175,842
Other income		
Interest income	829	3,712
Rent income	1,596	1,785
Dividends received from other corporations	-	1
	2,425	5,498
Sales revenue and other income	1,118,004	1,181,340

NOTE 5: Other expenses

Operating expenses for the half-year include the following amounts:

	December 2017 \$000	December 2016 \$000
MSSP impairment	-	34,800
Reversal of impairment in relation to Edith Creek assets classified as held for sale	(8,801)	-
All other items (i)	9,570	14,115
Total other expenses	769	48,915

(i) Includes external legal, consulting and advisory expenses. The December 2016 half-year included a number of non-recurring expenses relating to legal fees associated with legal actions and advisory fees associated with special projects.

NOTE 6: Income tax expense

Prima facie income tax expense on the pre-tax accounting profit/(loss) reconciles to the income tax expense in the financial statements as follows:

	December 2017 \$000
Profit/(Loss) before income tax expense	35,125
Income tax calculated at the Australian statutory rate of 30%	10,538
Non-deductible items and effect of tax rates in foreign jurisdictions	3
Under (over) provision for income tax in prior year	(2,092)
Recognition of tax losses to reduce current tax expense	(8,449)
Net underlying tax expense for the half	(0)
<i>Derecognition of the following deferred tax balances due to the pending Saputo transaction:</i>	
Net deferred tax assets derecognised	20,726
Deferred tax assets derecognised and deviated under the PSM	41,934
Income tax expense recognised in the Consolidated Statement of Profit or Loss	62,660

Tax impact of the Saputo transaction

As a result of the Saputo transaction, the Group's expected manner of recovery of its net assets will be through sale. The Group has unused tax losses and credits of \$259.0 million (pre-tax) carried forward for which no deferred tax asset has been recognised. The Group expects to be able to utilise these carried forward losses to offset the estimated taxable gain on sale and therefore no deferred tax liability relating to the sale has been recognised at 31 December 2017. The Group has also derecognised its net deferred tax assets due to the change in how those net deferred tax assets will be realised.

NOTE 7: Non current assets held for sale

Non current assets held for sale relate to assets sold for Edith Creek factory and Leitchville cheese equipment where it is highly probable that the sale will complete. These asset sales are separate from the Saputo transaction.

NOTE 8: Dividends paid

	Cents per Share/Unit	December 2017 \$000	December 2016 \$000
Declared and paid during the period			
<i>For the half-year ending 31 December 2016</i>			
Final dividend for 2016 (fully franked)	3.91		13,679
Final distribution for 2016 (fully franked)	3.91		8,009
<i>For the half-year ending 31 December 2017</i>			
Final dividend for 2017	nil	nil	
Final distribution for 2017	nil	nil	
Total dividends recognised			21,688

The Group has not declared an interim dividend for the half year ended 31 December 2017. Subsequent to the conclusion of the half year ended 31 December 2016 and on 24 February 2017 a dividend of 1.7 cents per share, fully franked, was declared which was paid on 31 March 2017.

NOTE 9: Issued capital and equity instruments

i. Movement in equity instruments on issue	Number of equity instruments		Total
	Ordinary Shares	Units	
Balance at 30 June 2017	349,525,238	205,140,400	554,665,638
Rebalancing between shares and units for market transactions	-	-	-
Ordinary shares created using convertible preference shares	(582,254)	582,254	-
Balance as at 31 December 2017	348,942,984	205,722,654	554,665,638

ii. Movements in issued capital

	Total \$000s
Balance of issued capital as at 30 June 2017	730,116
Issue of ordinary shares to milk suppliers	-
Balance of issued capital as at 31 December 2017	730,116

NOTE 10: Liquidity and funding

Available financing facilities

At 31 December 2017, the Group had access to the following financing facilities:

- Bank overdraft facility repayable at call
- Various short term working capital facilities
- A \$435 million facility through a syndicate of domestic financial institutions
- US\$ 203 million Private Placement, maturing between 2019 and 2024

Total finance facilities available to the Group and the extent to which they are utilised at balance date are set out below:

	December 2017 \$000	June 2017 \$000
Committed credit facilities		
Committed credit facilities	765,256	778,911
Amount utilised	509,035	463,910
Available committed credit facilities at period end	256,222	315,001
Uncommitted credit facilities		
Uncommitted credit facilities	87,821	139,002
Amount utilised	-	-
Available uncommitted credit facilities at period end	87,821	139,002
Total available committed and uncommitted credit facilities at period-end	344,042	454,003

Maturity of financial liabilities

The following table analyses the Group's non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows including future interest payments:

	0-12 months \$000	1-2 years \$000	2-5 years \$000	5+ years \$000	Total Contractual Cash Flows \$000	Carrying Amount \$000
At 31 December 2017						
Non-interest bearing payables	295,096	-	-	-	295,096	295,096
Variable rate	66,220	196,256	-	-	262,476	248,778
Fixed rate	12,397	126,499	100,295	46,599	285,790	260,256
Consolidated	373,712	322,755	100,295	46,599	843,361	804,131
At 30 June 2017						
Non-interest bearing payables	375,483	-	-	-	375,483	375,483
Variable rate	-	160,432	56,000	-	216,432	200,000
Fixed rate	12,571	12,571	217,253	67,993	310,387	263,911
Consolidated	388,054	173,003	273,253	67,993	902,302	839,394

NOTE 11: 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 31 December 2017				
Assets				
Foreign currency derivatives	-	896	-	896
	-	896	-	896
Liabilities				
Foreign currency derivatives	-	141	-	141
	-	141	-	141
At 30 June 2017				
Assets				
Foreign currency derivatives	-	3,147	-	3,147
	-	3,147	-	3,147
Liabilities				
Foreign currency derivatives		45	-	45
	-	45	-	45

Land and buildings at fair value are considered to be level 3 non financial assets.

There were no transfers between Levels 1, 2 and 3 during the half year ended 31 December 2017.

To calculate the fair value of derivative instruments, third party valuations have been obtained which use discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

The fair value of other financial assets and financial liabilities, excluding derivative instruments, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. To calculate the fair value of derivative instruments, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

The carrying amount recorded in the financial statements represents the fair value of all assets and liabilities, determined in accordance with the accounting policies in Note 1 to the financial statements for the financial year ended 30 June 2017 issued on 22 August 2017, except for those mentioned below. The fair value is derived by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The fair value of the private placement at balance date is \$280.6 million (30 June 2017: \$290.8 million).

NOTE 12: Contingent Liabilities

There are no matters giving rise to material contingent liabilities in the context of the Group except for those described below.

Class Action

On 17 May 2016, Murray Goulburn and MG Responsible Entity Limited, as responsible entity of the MG Unit Trust (MG RE), 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, alleged continuous disclosure contraventions and other alleged breaches of duty. The proceeding is brought by the lead plaintiff on behalf of unitholders who purchased units pursuant to the PDS and/or in the period from 3 July 2015 to 2 May 2017 and who held any of those units at the commencement of trading on specified dates. The companies are defending the proceedings.

ACCC Proceeding

The Australian Competition and Consumer Commission (ACCC) commenced legal proceedings on 28 April 2016 against MG 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 Murray Goulburn. The proceeding has been set down for trial on 17 September 2018.

Saputo Transaction

Should the Saputo transaction proceed, the various transaction costs, payable only upon completion of the sale, would be incurred. Additionally, the \$0.40 per kilogram milk solids retention payment will be made to qualifying suppliers during 2018. Should the transaction not proceed, under certain circumstances either party may be entitled to a reimbursement fee as outlined in the Sale and Purchase Agreement.

NOTE 13: Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in financial years subsequent to the half year ended 31 December 2017.

Directors' Declaration

For the half-year ended 31 December 2017, in the opinion of the Directors of Murray Goulburn Co-operative Co. Limited (the Company):

- 1 The financial statements and notes are in accordance with the Corporations Act 2001 including:
 - complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date; and
- 2 There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

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



J Spark
Chairman



A Mervis
Chief Executive Officer and Managing Director

Melbourne
7 February 2018



Auditor's Independence Declaration

As lead auditor for the review of Murray Goulburn Co-operative Co. Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Murray Goulburn Co-operative Co. Limited and the entities it controlled during the period.

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

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
7 February 2018

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

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Independent auditor's review report to the members of Murray Goulburn Co-Operative Co. Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Murray Goulburn Co-operative Co. Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Murray Goulburn Co-operative Co. Limited. The Group comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Murray Goulburn Co-operative Co. Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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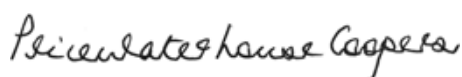
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Murray Goulburn Co-operative Co. Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1C: *Summary of significant accounting policies, Going concern* in the financial report, which explains the Group's use of the going concern basis of preparation. The matters set forth in Note 1C indicate that, should the Group sell its operating assets and liabilities as per the binding sale agreement between Murray Goulburn Co-operative Co. Limited and Saputo Dairy Australia Pty Ltd, the Group intends to manage potential exposure to retained litigation and once concluded, the Group will be wound up. Note 1C also describes the risks to the Group should the sale to Saputo Dairy Australia Pty Ltd not occur. These matters create a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



PricewaterhouseCoopers



Lisa Harker
Partner

Melbourne
7 February 2018