



27 September 2018

Market Announcements Office
Australian Securities Exchange

ELECTRONIC LODGEMENT

Dear Sir or Madam

Murray Goulburn Co-operative Co. Limited (Murray Goulburn) – Annual Report 2018

In accordance with the Listing Rules, attached is a copy of Murray Goulburn's Annual Report 2018, for release to the market.

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

A handwritten signature in black ink, appearing to read 'Richa Puri', is written over a light blue horizontal line.

Richa Puri
Company Secretary



Murray Goulburn Co-operative Co. Limited

Annual Report 2018

Financial statements and reports for the year ended 30 June 2018

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Directors' Report 2018

The Directors of Murray Goulburn Co-operative Co. Limited (Murray Goulburn or the Company) present their report together with the financial report of the Company and its controlled entities (the Group) for the financial year ended 30 June 2018 and the accompanying auditor's report.

DIRECTORS

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

DIRECTOR	DIRECTORSHIP PERIOD
J Spark (Chairman)	Director since 24 March 2017
LM Dwyer	Director since 28 October 2016
I Goodin	Appointed on 27 October 2017
DC Grant	Appointed on 27 October 2017
BA Williams	Appointed on 27 October 2017
WT Bodman	Resigned on 1 May 2018
M Clark	Resigned on 1 May 2018
CJ Dwyer	Resigned on 1 May 2018
KD Jackson	Resigned on 1 May 2018
GH Kilpatrick	Resigned on 1 May 2018
A Mervis	Resigned on 1 May 2018
N Akers	Resigned on 27 October 2017
MF Ihlein	Resigned on 27 October 2017
KW Jones	Resigned on 27 October 2017
GN Munzel	Resigned on 27 October 2017

INFORMATION ON DIRECTORS

Particulars of the Directors' qualifications and experience are detailed below:

John Spark
BCom, FCA, MAICD

John was appointed Chairman of the Board in April 2017. He was a member of the Human Resources Committee up to 1 May 2018.

John brings extensive Board and management experience from across a range of large and complex businesses, including the agricultural industry. Previously, he was a non-executive director of Ridley Corporation (2008–2015) and served as Chairman from 2010, and a non-executive director at Newcrest Mining Limited (2007–2017) where he served as Chair of the Audit and Risk Committee. John has also served on the Boards of ANL Limited, Baxter Group Limited and MacArthur Coal Limited.

John holds a Bachelor of Commerce from the University of Melbourne. He is a Chartered Accountant and a member of the Australian Institute of Company Directors.

Lisa Dwyer AdvDip (Agr.),
Grad. Cert. Agribus., GAICD, FARLP

Lisa was elected to the Board in October 2016 and was a member of the Finance, Risk and Audit Committee, Human Resources Committee (Chair from November 2017) and Supplier Relations Committee up to 1 May 2018.

Lisa's career spans 20 years including roles in finance, sales, marketing and business development and she is currently responsible for the operation of a dairy/beef enterprise. She is an experienced non-executive director serving with the Australian Livestock Export Corporation Limited (since October 2013) and previously, Dairy Australia Limited (2014–2016).

Lisa holds a Graduate Certificate in Agribusiness from the University of Melbourne and an Advanced Diploma in Agriculture. She is also a graduate member of the Australian Institute of Company Directors and a fellow of the Australian Rural Leadership Foundation.

Lisa is a dairy farmer milking 300 cows in Hawkesdale, western Victoria.

Ian Goodin
BCA, AdvDip (Agri.), CA

Ian was elected to the Board in October 2017 and was a member of the Finance, Risk & Audit Committee and Supplier Relations Committee up to 1 May 2018.

Ian has extensive experience as an accountant and has held various senior management roles, including with global accounting firms KPMG and BDO. Ian holds a Bachelor of Commerce & Administration from Victoria University Wellington (New Zealand) and an Advanced Diploma in Agriculture. He is also a qualified Chartered Accountant in Australia and New Zealand.

Ian is a dairy farmer milking 400 cows near Yarroweyah in northern Victoria.

Directors' Report 2018

David Grant
BCom, ACA, GAICD

David was appointed to the Board in October 2017 and was a member of the Finance, Risk & Audit Committee (Chair from February 2018) and Human Resources Committee up to 1 May 2018. David will hold the position of Deputy Chairman from 1 September 2018.

David has extensive Board and senior management experience, having held various executive management roles, such as Chief Financial Officer of Iluka Resources Limited and Group M&A Director at Goodman Fielder Limited.

David is currently a non-executive director of Event Hospitality and Entertainment Limited (since 2013) and has previously served on the Boards of iiNet (2006-2015) and Trans-Tasman Resources Limited (2007-2012).

David holds a Bachelor of Commerce Degree from the University of NSW, a member of the Australian Institute of Chartered Accountants and is a graduate of the Australian Institute of Company Directors.

Brock Williams
BCom

Brock was elected to the Board in October 2017 and was a member of the Health, Safety & Compliance Committee and Supplier Relations Committee up to 1 May 2018.

Brock has extensive agribusiness experience and has held various management roles with rural finance organisations such as the Commonwealth Bank of Australia and RaboBank. Brock is currently a consultant to Circle T Industries. Brock holds a Bachelor of Commerce from La Trobe University in Bendigo.

Brock is a dairy farmer milking 240 cows in Torrumbarry in northern Victoria.

Former Directors

N Akers, WT Bodman, M Clark, CJ Dwyer, MF Ihlein, KD Jackson, KW Jones, GH Kilpatrick, A Mervis and GN Munzel served as Directors of the Company during the financial year. For information on the particulars of their qualifications and experience, refer to Murray Goulburn's 2017 Annual Report (which is available on the company's website).

DIRECTORS' INTERESTS

The relevant interests of each current Director in the shares of Murray Goulburn and units of MG Unit Trust at the date of this report, are set out below:

DIRECTOR	FULLY PAID ORDINARY SHARES IN MURRAY GOULBURN	UNITS IN MG UNIT TRUST
	NUMBER	NUMBER
J Spark	-	-
LM Dwyer	299,971	193,758
DC Grant	-	-
I Goodin	352,009	-
BA Williams	72,528	476

COMPANY SECRETARIES

Richa Puri (LLB/BCom (Hons), Grad Dip Applied Corporate Governance (FGIA), FCIS) commenced with Murray Goulburn in January 2017 and was appointed as Company Secretary on 1 May 2018. She remains in this role up to the date of this report.

Amy Alston (LLB/BCom (Hons), Grad Dip Applied Finance and Investment (FINSIA), GAICD) resigned as Company Secretary of Murray Goulburn on 1 May 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period 1 July 2017 to 1 May 2018, involved the processing of milk from shareholder suppliers and the manufacture, marketing and distribution of dairy products and the operation of retail stores as a service to the suppliers.

On 27 October 2017, Murray Goulburn announced the whole of business sale of its operating assets and operating liabilities to Saputo Dairy Australia Pty Ltd (Saputo) for \$1.31 billion (referred to herein as "the Saputo transaction"). Further to announcements that all conditions under the Sale and Purchase Agreement (SPA) between Murray Goulburn and Saputo had been satisfied, on 1 May 2018 the Company announced that the completion of the sale had occurred. Details of the sale are contained in Note 2 to the financial statements.

From 1 May 2018, Murray Goulburn has limited operations which involves managing Retained Litigation (as defined in 'Future Developments' below) and meeting the Group's corporate and reporting obligations. After the conclusion of the Retained Litigation it is anticipated that the Group will be wound up.

Directors' Report 2018

DIVIDENDS PAID OR RECOMMENDED

Following the suspension of dividend payments announced on 2 May 2017, no dividends have been paid or declared by the Company. The Company's Dividend Reinvestment Plan was terminated effective 1 May 2018.

Upon the completion of the Saputo transaction, the Group returned capital to shareholders and unitholders of \$0.80 per share or unit resulting in a \$443.7 million return of capital to shareholders and unitholders.

REVIEW OF OPERATIONS

The Group reported a net loss after income tax of \$45.9 million for the financial year ended 30 June 2018 (2017: \$370.8 million). The net loss after tax comprises a loss from discontinued operations of \$72.6 million; a gain on sale of operations to Saputo of \$35.9 million; and a loss on the remaining operations of \$9.2 million, which includes the costs of Retained Litigation.

The going concern status of the Group is addressed in Note 1(A) of the consolidated financial statements and the auditor has noted an Emphasis of Matter in respect to the going concern basis of preparation in their Independent Audit Report.

FUTURE DEVELOPMENTS

As part of the Saputo transaction, Murray Goulburn agreed to retain liabilities associated with the current Australian Competition and Consumer Commission (ACCC) proceeding and Webster unitholder class action (and any claim or dispute which is based on the same or substantially similar facts or circumstances) together, the 'Retained Litigation'. Murray Goulburn has retained part of the sale proceeds to appropriately manage any potential exposure it has under the Retained Litigation. After the conclusion of the Retained Litigation it is anticipated that the Group will be wound up and a final distribution of the balance of the Saputo transaction proceeds (if any) will be made to all shareholders and unitholders. The timing and amount of subsequent distributions (if any) is not certain given the outcome of the Retained Litigation is uncertain.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the Saputo transaction, there has been no other significant changes in the state of affairs of the Group during the financial year.

As announced on 15 December 2017, Murray Goulburn and the Responsible Entity agreed a settlement with the Australian Securities and Investments Commission (ASIC) in relation to ASIC's investigation into Murray Goulburn's conduct over the period from 22 March 2016 to 27 April 2016. The settlement was approved by the Federal Court and an agreed penalty of \$650,000 was imposed on Murray Goulburn.

On 1 May 2018, the board of Murray Goulburn was reduced to five directors, including a reduced management team.

EVENTS SUBSEQUENT TO BALANCE DATE

On 17 August 2018, a second unitholder class action proceeding was commenced against Murray Goulburn and MG Responsible Entity Limited (MGRE), as responsible entity of the MG Unit Trust in the Federal Court of Australia, Victoria Registry. The proceeding was filed on behalf of the applicant by Slater and Gordon Lawyers and was served on Murray Goulburn and MGRE on 20 August 2018. The named applicant is Endeavour River Pty Ltd (ACN 062 184 981). The proceeding is brought on behalf of the applicant and on behalf of all persons who acquired an interest in fully paid units in the MG Unit Trust during the period between 29 May 2015 to 26 April 2016 (inclusive) and have entered into a litigation funding agreement with IMF Bentham Limited (ASX:IMF) in relation to this proceeding on or before 16 August 2018 and which had not been terminated as at 16 August 2018. Murray Goulburn and MGRE intend to defend the proceeding. This proceeding falls within the meaning of Retained Litigation. The timing and conclusion of this proceeding is uncertain.

Except for the above, there have been no other matters or circumstances which have arisen between 30 June 2018 and the date of this report that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

ENVIRONMENTAL REGULATIONS

During the period 1 July 2017 to 1 May 2018, the Company continued to actively track proposed changes to environmental legislation and regulation and incorporated compliance with these changes within its internal processes. In line with environmental legislation, the Company reported on its annual energy use and greenhouse gas emissions under the National Greenhouse and Energy Reporting Act 2007. The Company also reported on the annual environmental performance at its licensed sites through requirements outlined by the various state-based environment regulations.

During the financial year, the Victorian Environment Protection Authority (EPA) served an Official Warning on the Company related to a wastewater spill at the Cobram site. Furthermore, the Department of Planning and Environment (NSW) issued an Official Caution, Penalty Notice (with associated \$15,000 fine) and Warning Letter related to the Company's non-compliances against the Development Consent of the Erskine Park site. The Company enacted processes to promptly rectify all instances of non-compliance.

Since completion of the Saputo transaction on 1 May 2018, the Company is now governed by limited environmental regulation.

STATUS OF THE RETAINED LITIGATION

First unitholder class action - Webster

On 17 May 2016, a class action proceeding was commenced against Murray Goulburn, MG Responsible Entity Limited (Responsible Entity) and a number of former directors. The statement of 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 and through continuous disclosure contraventions. It is also claimed that the Responsible Entity breached fiduciary and statutory duties to unitholders.

Directors' Report 2018

The Webster proceeding is brought by the lead plaintiff on behalf of the unitholders who purchased units pursuant to the PDS and/or in the period from 3 July 2015 to 2 May 2017. Murray Goulburn and the Responsible Entity filed a defence to the proceeding on 22 December 2017.

The Webster proceeding has not been set down for trial. The next case management hearing is listed for 21 September 2018. The timing and conclusion of this proceeding is uncertain.

ACCC proceeding

On 28 April 2017, the ACCC commenced legal proceedings against Murray Goulburn and two former officers in the Federal Court in relation to potential breaches of the Competition and Consumer Act 2010 (Cth). The ACCC is not seeking a pecuniary penalty against Murray Goulburn. Murray Goulburn filed a defence to the proceeding on 5 September 2017.

Murray Goulburn and the ACCC are seeking to progress a resolution of the proceeding, and orders have been made in relation to this process. This process is currently ongoing. Any settlement, if reached, would be subject to Federal Court approval.

The ACCC has settled its claim against former chief financial officer (Mr Hingle), and that claim has been dismissed with no adjudication on the merits by order of the Court dated 10 August 2018.

Second unitholder class action – Endeavour River

As mentioned above in the Events Subsequent to Balance Date section, on 17 August 2018, a second unitholder class action proceeding was commenced against Murray Goulburn Co-operative Co. Limited (MG) and MG Responsible Entity Limited (MGRE). The first case management hearing for the matter is listed for 21 September 2018.

NON-EXECUTIVE DIRECTORS REMUNERATION

Following completion of the Asset Sale on 1 May 2018 the Company reduced the size of the Board to five members and also reduced the fees payable to Non-Executive Directors.

The Murray Goulburn Board and Committee fee structure (inclusive of superannuation) during FY18 was:

	1 July 2017 – 30 April 2018 Fees per annum	From 1 May – 30 June 2018 Fees per annum
Chairman fee	\$325,000	\$130,500
Director base fee	\$130,000	\$87,000
<i>Plus, additional fees for:</i>		
Deputy Chairman fee	N/A	N/A
Finance, Risk & Audit Chair fee	\$30,000	N/A
Other Committee Chair fee	\$20,000	N/A
>1 Committee membership fee	\$10,000	N/A

The total fees for Non-executive Directors for FY18 was \$1,564,885. Details of the remuneration paid to the Directors are disclosed in the Notes to the Financial Statements.

INSURANCE OF OFFICERS

During the financial year, the Company insured its current and former 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 the Company. This excludes a liability that arises out of wilful breach of duty or improper use of inside information. The premium also insures the Company for relevant 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.

AUDITOR'S INDEPENDENCE DECLARATION

Our auditors have provided the Board of Directors with a signed Independence Declaration in accordance with section 307C of the Corporations Act 2001. This declaration is included at page 36 of this financial report.

Directors' Report 2018

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000), unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

DIRECTORS' MEETINGS

Each Directors' attendance at meetings held during the year is set out in the table below.

	BOARD		FINANCE, RISK & AUDIT		HEALTH, SAFETY & COMPLIANCE		HUMAN RESOURCES		SUPPLIER RELATIONS	
Scheduled meetings	28		4		3		4		4	
	A	B	A	B	A	B	A	B	A	B
J Spark (Chairman)	28	28	-	-	-	-	4	4	-	-
LM Dwyer	26	28	4	4	-	-	4	4	4	4
I Goodin	18	18	1	1	-	-	-	-	2	2
DC Grant	18	18	1	1	-	-	2	2	-	-
BA Williams	18	18	-	-	1	1	-	-	2	2
WT Bodman	24	24	-	-	3	3	4	4	4	4
M Clark	20	24	-	-	3	3	4	4	-	-
CJ Dwyer	24	24	-	-	3	3	-	-	4	4
KD Jackson	23	24	1	1	3	3	-	-	4	4
GH Kilpatrick	24	24	3	3	-	-	2	2	4	4
A Mervis (MD & CEO)	24	24	-	-	-	-	-	-	-	-
N Akers	10	10	-	-	2	2	-	-	2	2
MF Ihlein	9	10	3	3	-	-	2	2	-	-
KW Jones	10	10	3	3	-	-	2	2	2	2
GN Munzel	10	10	3	3	-	-	-	-	2	2

A: Number of meetings attended

B: Number of meetings held during the time the Director held office or was a member of the committee during the year

The MD & CEO had a standing invitation to attend all Board Committee meetings.

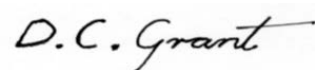
The standing Board Committees were dissolved on 1 May 2018.

This report is made on 24 August 2018 in accordance with a resolution of the Directors.



J Spark
Chairman

Melbourne
24 August 2018



DC Grant
Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the financial year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Profit/(loss) for the year			
Discontinued operations			
Sales revenue	4	1,803,412	2,491,053
Cost of sales		(1,554,625)	(2,169,224)
Gross profit		248,787	321,829
Other income	4	4,355	9,413
Share of associates losses	13	(101)	(642)
Distribution expenses		(101,566)	(167,357)
Selling and marketing expenses		(46,332)	(83,792)
Administration expenses		(85,544)	(115,423)
Finance costs	5	(31,284)	(24,882)
Other income/(expenses)		1,795	(351,946)
Profit/(loss) before income tax - discontinued operations		(9,890)	(412,800)
Income tax (expense)/benefit - discontinued operations	6	(62,669)	49,788
Profit/(Loss) after income tax of discontinued operations		(72,559)	(363,012)
Gain on sale of discontinued operations after tax	2	35,888	-
Profit/(Loss) from discontinued operations including gain on sale		(36,671)	(363,012)
Continuing operations			
Other income	4	1,655	-
Administration expenses		(4,116)	(3,887)
Other expenses		(6,789)	(3,901)
Profit/(loss) before income tax - continuing operations		(9,250)	(7,788)
Income tax (expense)/benefit - continuing operations		-	-
Profit/(Loss) from continuing operations		(9,250)	(7,788)
Profit/(Loss) attributable to equity holders of the parent		(45,921)	(370,800)
Other comprehensive income			
Discontinued operations			
<i>Items that will not be classified subsequently to profit or loss:</i>			
Net decrement on revaluation of land and buildings	22	(4,517)	(67,157)
Net change in fair value of equity instruments measured at fair value through other comprehensive income	22	-	26
Derecognition of deferred tax related balances	22	41,934	-
Income tax relating to items that will not be reclassified subsequently	6	-	20,139
		37,417	(46,992)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Transfer to income statement on cash flow hedges	22	12,041	3,706
Gain on cash flow hedges taken to equity	22	-	10,859
Translation of foreign operations	22	-	(1,588)
Net foreign exchange gains previously recognised in other comprehensive income, reclassified to profit or loss	22	(3,720)	-
Income tax relating to items that may be reclassified subsequently	22	(3,612)	(4,370)
		4,709	8,607
Other comprehensive income/(loss), net of tax - discontinued operations	22	42,126	(38,385)
Continuing operations			
Other comprehensive income/(loss), net of tax - continuing operations		-	-
Other comprehensive income/(loss) for the year attributable to owners of the Parent		42,126	(38,385)
Total comprehensive income			
Discontinued operations		5,455	(401,397)
Continuing operations		(9,250)	(7,788)
Total comprehensive (loss)/income for the year attributable to owners of the Parent		(3,795)	(409,185)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2018

	Note	2018 \$000	2017 \$000
Current assets			
Cash	27(a)	222,066	19,368
Receivables	9	8,839	281,824
Inventories	10	-	464,532
Other assets	11	60,654	13,969
Derivative financial instruments	18	-	3,147
Total current assets		291,559	782,840
Non-current assets			
Investments accounted for using the equity method	13	50	4,511
Property, plant and equipment	14	-	759,060
Intangible assets	15	-	100,148
Deferred tax assets	6	-	24,225
Other assets	11	-	4,825
Total non-current assets		50	892,769
Total assets		291,609	1,675,609
Current liabilities			
Payables	16	2,683	375,483
Borrowings	17	-	-
Provisions	19	10	80,777
Derivative financial instruments	18	-	45
Total current liabilities		2,693	456,305
Non-current liabilities			
Payables	16	-	783
Borrowings	17	-	463,910
Provisions	19	-	19,220
Total non-current liabilities		-	483,913
Total liabilities		2,693	940,218
Net assets		288,916	735,391
Equity			
Issued capital	21	287,436	730,116
Reserves	22	-	139,592
Retained earnings	23	1,480	(134,317)
Total equity		288,916	735,391

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the financial year ended 30 June 2018

	Note	2018 \$000	2017 \$000
Cash flows from operating activities			
Receipts from customers		1,860,492	2,612,319
Payments to suppliers and employees		(1,870,647)	(2,427,256)
		(10,155)	185,063
Dividends received		250	2,075
Interest received		2,325	1,281
Interest paid		(31,284)	(24,585)
Income taxes paid		-	(4,912)
Net cash (outflow) inflow from operating activities	27(b)	(38,864)	158,922
Net cash (outflow) inflow from operating activities attributable to discontinued operations		(29,829)	166,965
Net cash (outflow) from operating activities attributable to continuing operations		(9,035)	(8,043)
Cash flows from investing activities			
Payments for property, plant and equipment		(29,419)	(96,209)
Payments to acquire intangible software assets		(1,864)	(11,687)
Proceeds from the sale of property, plant and equipment		23,089	873
Payments for short term deposits		(60,144)	-
Milk supplier support amounts repaid (advanced)		-	315
Proceeds from sale of investment in associate		300	-
Proceeds from sale of operating assets and liabilities	27(c)	687,014	-
Transaction costs on sale of operating assets and liabilities	2	(11,534)	-
Net cash inflow (outflow) from investing activities		607,442	(106,708)
Net cash inflow (outflow) from investing activities attributable to discontinued operations		667,586	(106,708)
Net cash (outflow) from investing activities attributable to continuing operations		(60,144)	-
Cash flows from financing activities			
Dividends paid	8	-	(31,118)
Receipt of GST in relation to prior year capital raising cost		1,053	-
Payment of return of capital to shareholders and unitholders	21	(443,733)	-
Proceeds from borrowings	17	415,852	345,000
Repayment of borrowings	17	(339,052)	(374,658)
Net cash (outflow) from financing activities		(365,880)	(60,776)
Net cash inflow (outflow) from financing activities attributable to discontinued operations		77,853	(60,776)
Net cash (outflow) from financing activities attributable to continuing operations		(443,733)	-
Net increase (decrease) in cash		202,698	(8,562)
Cash at the beginning of the year		19,368	27,276
Effect of exchange rate fluctuations on cash held		-	654
Cash at the end of the year	27(a)	222,066	19,368

The accompanying notes form part of these financial statements.

For an analysis of borrowings and the movement in borrowings for current financial year, see Note 17.

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2018

Attributable to the owners of the Parent

	Issued Capital \$000	Capital Reserve \$000	Asset Revaluation Reserve \$000	General Reserve \$000	Hedge Reserve \$000	Investment Revaluation Reserve \$000	Foreign Currency Translation Reserve \$000	Retained Earnings \$000	TOTAL \$000
Balance as at 30 June 2016	Note 21 730,116	Note 22 36,916	Note 22 144,856	Note 22 5,257	Note 22 (18,624)	Note 22 51	Note 22 9,590	Note 23 267,532	1,175,694
Loss for the year	-	-	-	-	-	-	-	(370,800)	(370,800)
Other comprehensive income	-	-	(47,010)	-	10,195	18	(1,588)	-	(38,385)
Total comprehensive income	-	-	(47,010)	-	10,195	18	(1,588)	(370,800)	(409,185)
Payment of dividends	-	-	-	-	-	-	-	(31,118)	(31,118)
Transferred to retained earnings (net of tax)	-	-	-	-	-	(69)	-	69	-
Balance as at 30 June 2017	730,116	36,916	97,846	5,257	(8,429)	-	8,002	(134,317)	735,391
Loss for the year	-	-	-	-	-	-	-	(45,921)	(45,921)
Other comprehensive income	-	-	37,417	-	8,429	-	(3,720)	-	42,126
Total comprehensive income	-	-	37,417	-	8,429	-	(3,720)	(45,921)	(3,795)
Recovery of GST on capital raising costs incurred on IPO	1,053	-	-	-	-	-	-	-	1,053
Return of capital to shareholders and unitholders	(443,733)	-	-	-	-	-	-	-	(443,733)
Transferred to retained earnings (net of tax)	-	(36,916)	(135,263)	(5,257)	-	-	(4,282)	181,718	-
Balance as at 30 June 2018	287,436	-	-	-	-	-	-	1,480	288,916

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2018

NOTE 1: Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'), which ensure that the consolidated financial statements and accompanying notes comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 24 August 2018. The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. The Group is a for-profit entity.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000), unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

In applying the Group's accounting policies, below, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

Certain comparative information has been reclassified to align with current year expense classification. This amendment has no effect on the profit before income tax or the total comprehensive income for the year attributable to equity holders of the parent or the non-controlling interests.

A) GOING CONCERN BASIS OF PREPARATION

On 1 May 2018, the sale of the Group's operating assets and liabilities to Saputo (the Saputo transaction) was completed. As previously announced by the Board, the proceeds from that transaction have been and will be used to repay the Group's debt obligations, return capital to shareholders and unitholders, and to fund any potential obligations arising from the Retained Litigation (see Note 20).

As at 30 June 2018, the Group has limited operations with a reduced Board and has retained staff only to manage Retained Litigation and meet the Group's corporate and reporting obligations. At the conclusion of the litigation it is anticipated that the Group will be wound up and a final distribution (if any) made to all shareholders and unitholders.

As at the date of approval of these financial statements, the Board is of the view that the Group can and will be able to pay its remaining debts as and when they fall due however as the winding up of the group is intended to occur at an as yet undetermined point in the future, these financial statements are not prepared on a going concern basis.

The basis of preparation of these financial statements is that of an orderly realisation of the assets and liabilities of the Group. To the extent this affects the remaining assets and liabilities of the group, the presentation and valuation thereof has been adjusted accordingly and disclosed as such in the applicable note to the financial statements.

B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Murray Goulburn Co-operative Co. Limited ('Company') as at 30 June 2018 and the results of all controlled entities for the year then ended from the date on which the Company obtained control. The effects of all transactions between entities in the Group are eliminated

in full. The Company and its controlled entities together are referred to in this financial report as the Group.

C) INCOME TAX

Current tax

Current tax represents income taxes payable or recoverable in respect of the taxable profit or loss for the period. Current tax is recognised in the income statement, except when it relates to items credited or debited directly to equity and is calculated based on tax rates and tax laws current as at reporting date.

Deferred tax

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. Deferred tax is recognised in the income statement except (i) when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or (ii) where it relates to items arising from the initial recognition of assets and liabilities, other than as a result of business combinations, which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets relating to deductible temporary differences and unused tax losses are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the rate of income tax expected to apply in the period in which the benefit will be received or the liability will become payable based on applicable tax rates and tax laws.

Tax consolidation

The Company and certain of its wholly owned Australian entities are part of a tax consolidated group. Murray Goulburn Co-operative Co. Limited, (head entity in the tax consolidated group) and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. Each entity in the tax consolidated group measures these tax amounts using the group allocation approach. Under the group allocation approach, the tax effect of intercompany transactions is recognised within each wholly owned and controlled entity.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company (as head entity).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of

Notes to the Financial Statements (continued)

for the financial year ended 30 June 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

that period the difference is recognised as a contribution from (or distribution to) equity participants.

D) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value at the time of entering a derivative contract and are subsequently remeasured to fair value at each reporting date. The fair value calculation of derivative financial instruments is measured by using valuation techniques based on observable market prices or rates. The resulting gain or loss is recognised in the Consolidated Statement of Profit or Loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either fair value hedges when they hedge the exposure to changes in the fair value of recognised assets, liabilities or firm commitments or cash flow hedges when they hedge exposure to variability in cash flows of highly probable forecast transactions.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised in the Consolidated Statement of Profit or Loss. Amounts deferred in equity are transferred to profit or loss in the period when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, no longer qualifies for hedge accounting or the Group revokes the hedge relationship. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the Consolidated Statement of Profit or Loss.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Consolidated Statement of Profit or Loss.

E) FOREIGN CURRENCIES

Foreign currency transactions during the year are converted to Australian currency at the exchange rate ruling at the date of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate ruling at that date. Exchange differences are recognised in the income statement in the period in which they arise except for differences on transactions entered into to hedge certain foreign currency risks – refer Note 1(c) above.

F) PROPERTY, PLANT AND EQUIPMENT

Land and buildings are measured at fair value. Plant and equipment are included at cost being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition less impairment. The cost of fixed assets constructed within the Group includes the cost of materials and direct labour. All fixed assets including buildings and capitalised leasehold assets, but excluding freehold land, are depreciated over their estimated useful lives commencing from the time the asset is held ready for use.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in the Consolidated Statement of Profit or Loss, in which case the increase is credited to the Consolidated Statement of Profit or Loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged

as an expense in the Consolidated Statement of Profit or Loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

When an item of land and buildings is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount.

The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the income statement of the group in the year of disposal. Any realised revaluation increment relating to the disposed asset that is included in the asset revaluation reserve is transferred to retained earnings.

G) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Depreciation is calculated using the straight line method (2017: straight line method) to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Group.

The expected useful lives are as follows:

- Buildings – 25 to 50 years
- Plant and equipment – 5 to 25 years
- Vehicles – 3 to 8 years
- Tankers – 10 to 20 years
- Software – 3 to 10 years

H) IMPAIRMENT OF ASSETS

The carrying amount of assets is reviewed each balance date to identify any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are recognised in the income statement unless the asset is carried at valuation, in which case the impairment loss is recognised as a revaluation decrease to the extent of any previous increase.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an

Notes to the Financial Statements (continued)

for the financial year ended 30 June 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

impairment loss is recognised in the Consolidated Statement of Profit or Loss immediately.

I) FINANCIAL ASSETS

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment through the allowance account.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including fees and transaction costs) through the expected life of the financial asset or, where appropriate, a shorter period.

Listed shares held by the Group that are traded in an active market are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the investment is disposed of the cumulative gain or loss previously accumulated in the investments revaluation reserve is transferred to retained earnings. Dividends are recognised in the Consolidated Statement of Profit or Loss when the Group's right to receive the dividends is established.

J) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority. In this case the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

K) INTANGIBLE ASSETS

Intangible assets are recorded at cost less impairment. All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

L) LEASES

Leased assets classified as finance leases are capitalised as fixed assets. A finance lease effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased asset. The amount initially brought to account is the fair value or, if lower, the present value of minimum lease payments.

Capitalised leased assets are amortised on a reducing balance basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases (net of any incentives received

from the lessor) are charged to the Consolidated Statement of Profit or Loss on a straight line basis over the term of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term.

M) INVENTORIES

Dairy produce stocks are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour, maturation costs and an allocation of manufacturing overheads. Cost of direct materials include a fresh milk component, which is based on the final outcome for the actual weighted Southern Milk Region farmgate milk price under the PSM, which is based on the final, full year audited financial results of the Group. Stores, packing materials and Murray Goulburn Trading stocks have been valued at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price less selling, marketing and distribution costs.

N) INVESTMENT IN ASSOCIATES

The Group's investment in its associates (investees) is initially recorded at cost and subsequently accounted for using the equity method. The carrying amount of the investment is adjusted to recognise changes in the Group's interest in the net assets of the investees. Dividends received from the investees are recognised as a reduction in the carrying amount of the investment. Goodwill relating to the investees is included in the carrying amount of the investment and is assessed for impairment as part of that investment.

The Group's share of the results of the investees is reported in the Consolidated Statement of Profit or Loss and its share of movements in other comprehensive income is recognised in other comprehensive income. Changes in the Group's share of the net assets of the investees, due to dilution caused by an issue of equity by the investees, are recognised in the Consolidated Statement of Profit or Loss as a gain or loss.

Investments in investees are reviewed for impairment at least annually or whenever events or circumstances indicate that the carrying amount may not be recoverable. The impairment review compares the net carrying value with the recoverable amount, where the recoverable amount is the higher of the value in use calculated as the present value of the Group's share of the associate's future cash flows and its fair value less costs of disposal.

O) GOODWILL

Goodwill, representing the excess of the cost of acquisition over the fair value of the assets and liabilities acquired, is recognised as an asset and, for the purpose of impairment testing, is allocated to the cash generating unit to which it relates. Goodwill is tested for impairment annually or where an indicator of impairment is identified. Goodwill is not amortised, however, any impairment is recognised immediately in the Consolidated Statement of Profit or Loss.

P) ACCOUNTS PAYABLE

Trade payables and other accounts payable are all classified as financial liabilities held at amortised cost. Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which were unpaid at the end of the financial year and these amounts are unsecured. The carrying value of

Notes to the Financial Statements (continued)

for the financial year ended 30 June 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

trade and other payables is considered to approximate fair value due to the short-term nature of the payables.

Q) PROVISIONS

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

The Group also recognises provisions under the following circumstances:

- Redundancy and restructuring – When the Group has a detailed formal restructuring plan and the restructuring has either commenced or has been publicly announced, including discussions with affected personnel, with employee-related costs recognised over the period of any required further service. Future operating costs in relation to the restructuring are not provided for.
- Decommissioning and environmental remediation – When the Group has a legal or constructive obligation to restore a site on which an asset is located, including taking into account environmental laws and regulations. The provision is measured based on the present value of the estimated costs of restoring the site.
- Onerous contracts – When the Group no longer expects to receive economic benefit from contractual arrangements. The provision is measured based on the unavoidable cost of meeting the contractual obligations where economic benefits are no longer expected to be received.

R) EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions are measured at their nominal values using the remuneration rate expected to apply at the time of settlement where they are expected to be settled within 12 months. Provisions not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows in respect of services provided up to balance date.

S) BORROWINGS

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Consolidated Statement of Profit or Loss over the period of the borrowing using the effective interest method.

T) BORROWING COSTS

Interest expense is recognised using the effective interest method. Borrowing costs attributable to qualifying assets are capitalised as part of the cost of those assets.

U) REVENUE RECOGNITION

The Group recognises revenue relating to sales of goods across its core segments being Ingredients and Nutritionals, Dairy Foods and Other (principally Farming Supplies). Sales are made under a variety of different customer terms and conditions and there are a number of factors which impact the timing and value of revenue recognised, including:

- A range of shipping terms;
- Various pricing mechanisms, including rise and fall arrangements, commodity price true-ups, cost plus and discounts and rebates; and
- Contract packaging, consignment and other arrangements that require determination of which party is the primary seller and who is acting as agent.

Revenue from the sale of goods and disposal of assets is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue is disclosed net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Interest revenue is recognised on a time proportion basis using the effective interest method. Dividend revenue is recognised when the Group's right to receive the dividends is established.

V) PARENT ENTITY DISCLOSURES

The financial information for the parent entity, Murray Goulburn Co-Operative Co. Limited, as disclosed in Note 28, has been prepared on the same basis as the consolidated financial statements except for investments in subsidiaries and associates which are accounted for at cost in the financial statements of Murray Goulburn Co-Operative Co. Limited. Dividends received from associates are recognised in the parent entity's Statement of Profit or Loss when the right to receive the dividend is established.

W) CAPITAL STRUCTURE

The Group established the MG Unit Trust, a special purpose funding vehicle, which is listed on the Australian Stock Exchange. The exposure of the MG Unit Trust, and therefore Unitholders, to Murray Goulburn is only economic.

The MG Unit Trust is a managed investment scheme registered under the Corporations Act 2001. It is managed by MG Responsible Entity Limited which is a wholly-owned subsidiary of Murray Goulburn Co-Operative Co. Limited. MG Responsible Entity Limited's powers, rights and liabilities in relation to MG Unit Trust are governed by the Corporations Act 2001, the Trust Constitution dated 1 May 2015, the Continuous Disclosure Deed Poll, the Relationship Deed dated 18 May 2015, the Profit Sharing Mechanism Deed dated 25 May 2015, the Note Terms per Appendix B of the MG Unit Trust Product Disclosure Statement dated 29 May 2015 and the Convertible Preference Share Terms per Appendix C of the MG Unit Trust Product Disclosure Statement dated 29 May 2015. MG Responsible Entity Limited is required to act in the interest of unit holders and does not receive any fees for its role as the Responsible Entity of the MG Unit Trust. The Issued Capital in these financial statements include the parent entity shares and the units on issue by MG Unit Trust.

X) PROFIT SHARING MECHANISM

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 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. The administration of

Notes to the Financial Statements (continued)

for the financial year ended 30 June 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

the PSM is overseen by the Board of Murray Goulburn, who ultimately determine the final allocation of the milk pool to milk payments, income tax and NPAT each financial year, with reference to the PSM. The Board has discretion to set the level of allocation of the milk pool to NPAT within the allocation bands. The PSM was discontinued during 2018 with the sale of the operating assets and liabilities to Saputo Australia (Saputo transaction).

Y) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical estimates and judgements made by the Group in the process of applying the accounting policies for 2018 are discussed below:

Retained Litigation

Certain litigation liabilities associated with the current Australian Competition and Consumer Commission proceeding, the Unitholder class actions (including the new Endeavour River class action details of which are set out in the Events Subsequent to Balance Date section of the Directors' report) and any claim or dispute which is based on the same or substantially similar facts or circumstances were excluded from the sale of Murray Goulburn Co-Operative Co. Limited's operating assets and liabilities to Saputo Dairy Australia Pty Ltd on 1 May 2018 (Retained Litigation). Assessing the status of these matters requires significant judgement and the Group has concluded that the amount of any present obligation cannot be measured with sufficient reliability and thus the matters have been disclosed as contingent liabilities. Refer to Note 20(a) for further detail on the latest status of each Retained Litigation matter.

Gain on Sale

The estimated gain on the sale of the Group's operating assets and liabilities to Saputo Dairy Australia Pty Ltd on 1 May 2018 of \$35.9 million is disclosed in Note 2. The gain remains provisional as at 30 June 2018 given the carrying value ascribed to working capital is still being finalised between the Company and Saputo. It is customary for transaction related completion adjustments to take time to finalise and Murray Goulburn and Saputo have been undergoing a process to determine the final adjustments in accordance with the terms of the Sale and Purchase Agreement.

Z) ADOPTION OF NEW AND REVISED STANDARDS

The Group has adopted all new and revised accounting standards issued by the AASB that are relevant to its operations and are effective for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position or disclosures of the Group as they did not result in any changes to the Group's existing accounting policies. The new and revised accounting standards are as follows:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107: The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses: The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The revision has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle: The amendments clarify that the disclosure requirements in AASB 12 but had no effect on the Group.

The following are new or amended accounting standards and interpretations issued by the AASB:

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 no further operating revenues and does not expect AASB 15 to have any impact on the financial statements.

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. As the Group has no leases there is no impact expected in relation to AASB 16.

AASB 9 Financial Instruments

The Group early adopted the classification, measurement and hedge accounting components in previous financial years. The impairment component introduces a new expected-loss impairment model that will require entities to account for expected credit losses at the time of recognising the asset. The Group does not expect any further impact to the financial statements of AASB 9.

NOTE 2: Discontinued Operations

(a) Description

On 1 May 2018, the sale of the Group's operating assets and liabilities to Saputo (the Saputo transaction) was completed. Per Note 1(A), the proceeds from that transaction have been and will be used to repay the Group's debt obligations, return capital to shareholders and unitholders, and to fund any potential obligations arising from the Retained Litigation. The results of the discontinued operation up until the date of disposal are presented on the face of the Consolidated Statement of Profit or Loss. Detail behind the calculation of the gain on sale is presented in Note 2(b).

(b) Gain on sale of discontinued operations

	Note	1 May 2018 \$000
Purchase price		1,310,000
Milk Supply Commitments remaining unpaid and working capital adjustments (i)		(61,058)
Consideration received		1,248,942
Carrying value of net assets sold	2(c)	(1,205,240)
Transaction costs		(11,534)
Gain on sale before income tax and reclassification of reserves		32,168
Net foreign exchange gains previously recognised in other comprehensive income, reclassified to profit and loss	22	3,720
Tax expense, net of tax benefit on unrecognised tax losses recouped (ii)	6	-
Gain on sale of discontinued operations after tax		35,888

(i) In computing the gain on sale, accounting estimates have been made on the working capital sold as part of the transaction. These are subject to ongoing negotiation and the final outcome is not known at the time of release of these financial statements.

(ii) Excluding deferred taxes derecognised.

(c) Carrying value of net assets sold

	Note	1 May 2018 \$000
Assets		
Cash	27	7,587
Receivables		252,445
Inventories		406,063
Other assets		10,725
Investments accounted for using the equity method	13	3,259
Property, plant and equipment	14	733,641
Intangible assets	15	92,555
Other assets		5,147
Total assets		1,511,422
Liabilities		
Payables		251,392
Provisions	19	54,790
Total liabilities		306,182
Net assets		1,205,240

NOTE 3: Profit Sharing Mechanism

Below is a reconciliation of the Profit Sharing Mechanism (PSM) to Net Profit After Tax (NPAT) for 2017. The PSM was discontinued in 2018.

	2018 \$000	2017 \$000
Distributable Milk Pool	-	991,180
Milk Payments (Southern Milk Region)	-	(946,207)
Profit Before Tax - Profit Sharing Mechanism	-	44,973
Income Tax	-	(10,282)
NPAT - Shareholders and Unitholders - PSM	-	34,691
Deviations from PSM net of tax		
MSSP forgiveness	-	(125,852)
Rationalisation of manufacturing facilities	-	(91,505)
Write-down of other assets	-	(46,167)
Write-down of working capital assets	-	(10,443)
Non-recurring costs	-	(18,521)
Additional milk payment	-	(35,000)
Write-down of tax assets	-	(78,003)
NPAT attributable to equity holders of the parent	-	(370,800)

In 2017 there were additional amounts of \$50.0 million pre tax (\$35.0 million net of tax) for debt funded step-ups and \$21.1 million pre-tax (\$14.8 million net of tax) for one-off costs relate to items included in the Distributable Milk Pool to support the \$4.95 per kilogram milk solids payment.

Under the now ceased PSM Deed, in certain circumstances the Board could choose to deviate from the PSM when allocating the Distributable Milk Pool (DMP), including certain circumstances determined by the Board with approval by the majority of the Board and the unanimous consent of the Special Directors supported by an opinion provided by an independent expert, that the deviation is in the overall interests of Supplier Shareholders and Unitholders.

During the financial year ended 30 June 2017, the Board decided that, in the interests of all stakeholders, the PSM should be deviated from when allocating the DMP to milk payments, income tax and NPAT. In October 2016, the Group announced a deviation of \$81.8 million (pre-tax) while a further announcement was made in May 2017 resulting in a further deviation from the PSM of up to \$410 million (pre-tax). The deviations from the PSM were approved by the majority of the Board and by each of the Special Directors. The deviations from the PSM were also supported by opinions, provided by independent expert, Grant Samuel & Associates Pty Limited, that the deviations were in the overall interests of Supplier Shareholders and Unitholders.

NOTE 4: Revenue

	2018 \$000	2017 \$000
Discontinued operations		
Revenue		
Sales revenue	1,803,412	2,491,053
Other income		
Interest income	1,698	6,057
Rent received	2,657	3,353
Dividends received from other corporations	-	3
	4,355	9,413
Sales revenue and other income - discontinued operations	1,807,767	2,500,466
Continuing operations		
Other income		
Interest income	1,376	-
Sundry income	279	-
Other income - continuing operations	1,655	-

NOTE 5: Expenses

Profit/(Loss) before income tax expense/(benefit) has been determined after charging/(crediting) the Consolidated Statement of Profit or Loss as follows:

	2018 \$000	2017 \$000
Discontinued operations		
Finance costs	31,284	24,882
Depreciation or amortisation of:		
• Depreciation - buildings	6,924	9,242
• Depreciation - plant and equipment and vehicles	31,189	39,619
• Amortisation - software intangibles	9,840	10,505
	47,953	59,366
Impairment (reversal) of property, plant and equipment	(8,603)	(17)
Net gain on sale and scrapping of non-current assets	(878)	(288)
Write down of inventories to net realisable value	18,913	15,331
Rental expense on operating leases	49,868	69,196
Research and development expenditure	646	811
Employee benefits including redundancy costs	216,099	271,223
Continuing operations		
Employee benefits	1,168	1,163
Cost of ongoing litigation, net of insurance recoveries	6,789	3,901

NOTE 6: Income Tax Expense

a) Income tax recognised in the consolidated statement of profit or loss

	2018 \$000	2017 \$000
Tax expense/(benefit) comprises:		
Current tax expense/(benefit)	-	95
Deferred tax/(benefit)	62,669	(49,883)
Income tax expense/(benefit)	62,669	(49,788)
Income tax expense/(benefit) is attributable to:		
Profit/(Loss) from discontinued operations	62,669	(49,788)
Profit/(Loss) from continuing operations	-	-
	62,669	(49,788)

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

Profit/(Loss) before income tax expense from discontinued operations	(9,890)	(412,800)
Gain on sale of discontinued operations before tax	35,888	-
Profit/(Loss) before income tax expense from continuing operations	(9,250)	(7,788)
Profit/(Loss) before income tax expense	16,748	(420,588)
Income tax calculated at the Australian statutory tax rate of 30%	5,024	(126,176)
Effect of tax rates in foreign jurisdictions	184	1,397
Equity accounted loss/(profit)	(30)	192
Tax losses for which no deferred tax asset was recognised	-	76,785
Previously unrecognised tax losses now recouped to reduce current tax expense	(3,835)	-
Goodwill impairment	-	1,608
Sundry items	749	(250)
Under (over) provision for income tax in prior year	(2,092)	(3,344)
Net underlying tax expense for the year	-	(49,788)
Derecognition of deferred tax balances:		
Deferred tax assets derecognised	62,669	-
Net underlying tax expense for the year	62,669	(49,788)

Tax impact of the Saputo sale:

The Group has an estimated tax expense of \$38.9 million arising from tax gains from the Saputo transaction. These tax gains have been offset against the Group's unused tax losses and credits brought forward for which no deferred tax asset has been recognised.

NOTE 6: Income Tax Expense continued

b) Deferred income tax at 30 June relates to the following:

	Opening Balance \$000	Charged to Income \$000	Derecognition through income statement \$000	Derecognition through reserves \$000	Charged to Equity \$000	Closing Balance \$000
2018						
Gross deferred tax liabilities						
Property, plant and equipment	(15,521)	-	(26,413)	41,934	-	-
Consumables	(5,677)	-	5,677	-	-	-
Other	-	-	-	-	-	-
	(21,198)	-	(20,736)	41,934	-	-
Gross deferred tax assets						
Provisions	33,710	-	(33,710)	-	-	-
Tax losses	-	-	-	-	-	-
Cash flow hedges	3,612	(3,612)	-	-	-	-
Capital raising costs	4,108	-	(4,108)	-	-	-
Other	3,993	122	(4,115)	-	-	-
	45,423	(3,490)	(41,933)	-	-	-
Net deferred tax asset	24,225	(3,490)	(62,669)	41,934	-	-
2017						
Gross deferred tax liabilities						
Property, plant and equipment	(78,661)	42,993	-	-	20,147	(15,521)
Consumables	(7,634)	1,957	-	-	-	(5,677)
Investments	(22)	-	-	-	22	-
Other	(1,296)	1,296	-	-	-	-
	(87,613)	46,246	-	-	20,169	(21,198)
Gross deferred tax assets						
Provisions	22,329	11,381	-	-	-	33,710
Tax losses	5,029	(5,029)	-	-	-	-
Cash flow hedges	7,982	-	-	(1,112)	(3,258)	3,612
Capital raising costs	6,261	-	-	(2,153)	-	4,108
Other	6,708	(2,715)	-	-	-	3,993
	48,309	3,637	-	(3,265)	(3,258)	45,423
Net deferred tax liability	(39,304)	49,883	-	(3,265)	16,911	24,225

The net deferred tax asset attributable to entities operating in Australia is \$nil (2017: \$24.2 million asset). The net deferred tax asset attributable to entities operating overseas is \$nil (2017: nil). The Group has unused tax losses of \$202.6 million (Australian tax benefit at effective tax rate of 30% of \$60.8 million) available to carry forward at 30 June 2018 for which no deferred tax asset has been recognised (2017: Unused tax losses of \$252.8 million (Australian tax benefit at effective tax rate of 30% of \$75.8 million). A net \$50.2 million of the tax losses (tax benefit at 30% of \$15.1 million) were utilised in 2018.

All operating entities within the Australian tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, each of the entities in the Australian tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the Australian tax consolidated group.

NOTE 7: Remuneration of Auditors

	2018 \$	2017 \$
(a) Auditor of the parent entity - PwC Australia:		
• audit and review of the financial report	1,545,000	1,826,510
• other assurance services	195,000	40,000
• other consulting services	-	-
	1,740,000	1,866,510
(b) Network firms of PwC Australia		
• audit and review of the financial report	66,253	65,990
Total remuneration of auditors	1,806,253	1,932,500
Attributable to discontinued operations	1,506,253	1,632,500
Attributable to continuing operations	300,000	300,000
Total remuneration of auditors	1,806,253	1,932,500

NOTE 8: Dividends Paid or Proposed

	Note	Cents per Share/Unit	2018 \$000	2017 \$000
Declared and paid during the period				
<i>For the year ended 30 June 2018 (i)</i>			-	
<i>For the year ended 30 June 2017</i>				
Final dividend for 2016 (fully franked)		3.91		13,679
Final distribution for 2016 (fully franked)		3.91		8,013
Interim dividend for 2017 (fully franked)		1.70		5,986
Interim distribution for 2017 (fully franked)		1.70		3,440
Total dividends recognised	23		-	31,118

(i) No dividends have been paid or proposed since the announced suspension of dividends by the Group in May 2017.

Franking account balance	3,034	3,034
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There have been no events that impact the franking account during the year ended 30 June 2018.

NOTE 9: Receivables

	2018	2017
	\$000	\$000
Current		
Trade receivables	-	264,310
Less: provision for impairment of trade receivables	-	(10,774)
	-	253,536
GST receivable	140	12,696
Interest receivable	722	-
Insurance recoveries for legal costs incurred	883	1,655
Sales proceeds due from Saputo following true up of working capital	7,067	-
Other receivables	27	13,937
	8,839	281,824

The Group disposed of all trade receivables as part of the Saputo transaction. Refer Note 2 for further information.

	2018	2017
	\$000	\$000
Movements in the provision for impairment of receivables:		
Balance at the beginning of the year	10,774	2,129
Impairment losses recognised on receivables	4,798	11,405
Impairment losses reversed	(7,184)	(2,357)
Amounts written off as uncollectible	(2,277)	(403)
Provision derecognised as part of sale of trade receivables to Saputo	(6,111)	-
Provision for impairment - trade receivables	-	10,774

Trade receivables of customers past due but considered recoverable are not provided for in the provision for impairment of trade receivables. The Group does not hold any collateral over these balances. Ageing of past due but not impaired trade receivables:

0 - 30 days	-	10,357
30 - 60 days	-	2,642
60 - 90 days	-	960
90+ days	-	476
	-	14,435

NOTE 10: Inventories

	2018	2017
	\$000	\$000
Finished goods		
• at cost	-	315,508
• at net realisable value	-	65,324
Packaging and manufacturing materials	-	83,700
	-	464,532

AMOUNTS RECOGNISED IN CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Inventories recognised as expense - discontinued operations	1,554,625	2,169,224
Inventories recognised as expense were included in cost of goods sold.		
Write downs of inventories to net realisable value - discontinued operations	18,913	26,516

The Group disposed of all inventories as part of the Saputo transaction.

NOTE 11: Other assets

	2018	2017
	\$000	\$000
Current		
Prepayments	510	13,969
Short term deposits	60,144	-
	60,654	13,969
Non-current		
Other	-	4,825
	-	4,825

Short term deposits are amounts on deposit with maturities greater than 3 months. Applicable interest rates at 30 June 2018 range between 2.7% and 2.8%.

NOTE 12: Controlled Entities

The Group's principal subsidiaries are set out below.

Entity	% Ownership Interest & Voting Rights		Place of Incorporation	Class of share / unit
	2018	2017		
Parent entity				
Murray Goulburn Co-operative Co. Limited (i)	N/A	N/A	Australia	Ordinary
Controlled entities of Murray Goulburn Co-operative Co. Limited:				
MG Unit Trust	100	100	Australia	Ordinary
MG Responsible Entity Limited (ii)	100	100	Australia	Ordinary
Murray Goulburn Dairy (Qingdao) Co. Ltd (iii)	-	100	China	N/A
Murray Goulburn Trading Pty Ltd (iii)	-	100	Australia	Ordinary
Tasmanian Dairy Products Co Ltd (iii)	-	100	Australia	Ordinary
Proviso Pty Ltd (iii)	-	100	Australia	Ordinary

(i) Murray Goulburn Co-operative Co. Limited is the head entity within the tax consolidated group.

(ii) These wholly owned entities are member of the Australian tax consolidated group.

(iii) These entities were sold as part of the Saputo transaction

NOTE 13: Investments Accounted for Using the Equity Method

	2018 \$000	2017 \$000
Investments in associated companies	50	4,511

Name of Associate	Principal Activity	Ownership 2018	Ownership 2017
		%	%
Intermix Australia Pty Ltd	Food ingredient processing	33	33
Nedfarm	Milk production – dairy cattle	-	40
Danone Murray Goulburn Pty Ltd	Retail of dairy products	-	50

All associates are incorporated in Australia.

The Group disposed of its investments in Nedfarm and Danone Murray Goulburn Pty Ltd as part of the Saputo transaction.

	2018 \$000	2017 \$000
Movement in Investments in Associated Companies		
Equity accounted amount at the beginning of the financial year	4,511	7,649
Disposal of interests in associates during the year	(851)	-
Recognition of (impairment)/reversal of impairment	-	(425)
Share of (loss)/profit after income tax	(101)	(642)
Dividends received from associates	(250)	(2,071)
Disposal of interest in associates to Saputo	(3,259)	-
Equity accounted amount at the end of the financial year	50	4,511

Aggregate amounts with respect to associated entities' are:

Assets of associates	174	56,218
Liabilities of associates	-	55,024
Revenue of associates	62,049	62,174
Profit/(loss) of associates	(208)	(1,250)
Contingent liabilities	-	-

NOTE 14: Property, Plant and Equipment

	2018 \$000	2017 \$000
Land and buildings		
Freehold land at fair value (i)	-	76,603
Buildings at fair value (i)	-	282,145
less accumulated depreciation and impairment losses	-	(53,578)
Total buildings	-	228,567
Total land and buildings	-	305,170
Plant and equipment		
At cost	-	1,148,671
less accumulated depreciation and impairment losses (i)	-	(780,593)
Total plant and equipment	-	368,078
Vehicles		
At cost	-	13,013
less accumulated depreciation	-	(10,858)
Total vehicles	-	2,155
In the course of construction (i)	-	83,657
Total property, plant and equipment	-	759,060

(i) Valuation of property, plant and equipment impacted by the 2017 Asset and Footprint Review.

During the year ended 30 June 2017, the Group announced the planned closure of three operating facilities located at Edith Creek (Tasmania), Rochester and Kiewa (Victoria) as well as the cessation of certain capital investment projects. The total impairment recognised in the Consolidated Statement of Profit or Loss as a result of the closure of these facilities was 2017: \$91.4 million and formed part of the rationalisation of manufacturing facilities category in the deviations from the Profit Sharing Mechanism in 2017 as presented in Note 3.

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below.

	Land and Buildings \$000	Plant and Equipment \$000	Vehicles \$000	In Course of Construction \$000	Total \$000
Consolidated					
Carrying amount at 30 June 2016	382,420	402,009	7,098	140,643	932,170
Additions (including transfers from capital work in progress)	30,658	101,056	150	(41,472)	90,392
Revaluation increments recognised in the asset revaluation reserve	1,300	-	-	-	1,300
Revaluation decrements recognised in the asset revaluation reserve	(68,457)	-	-	-	(68,457)
Impairment loss of non-current assets	(29,439)	(93,846)	(3,414)	(15,505)	(142,204)
Transfers between asset classes	(1,127)	(1,730)	16	(8)	(2,849)
Disposals	(16)	(496)	(578)	-	(1,090)
Depreciation	(9,242)	(38,502)	(1,117)	-	(48,861)
Effect of movement in exchange rates	(927)	(413)	-	(1)	(1,341)
Carrying amount at 30 June 2017	305,170	368,078	2,155	83,657	759,060
Additions (including transfers from capital work in progress)	10,591	72,962	654	(54,237)	29,970
Revaluation decrements recognised in the asset revaluation reserve	(4,517)	-	-	-	(4,517)
Impairment reversal of non-current assets	876	7,727	-	-	8,603
Transfers to intangible assets (Note 15)	-	-	-	(1,912)	(1,912)
Disposals	(2,419)	(17,490)	(773)	-	(20,682)
Depreciation	(6,924)	(30,809)	(380)	-	(38,113)
Effect of movement in exchange rates	1,231	1	-	-	1,232
Saputo sale	(304,008)	(400,469)	(1,656)	(27,508)	(733,641)
Carrying amount at 30 June 2018	-	-	-	-	-

NOTE 15: Intangible Assets

	2018 \$000	2017 \$000
Goodwill (i)	-	6,762
Brand names (i)	-	15,293
Software (ii)	-	75,885
Software under development	-	2,208
Total intangible assets	-	100,148

(i) Goodwill and brand name intangible assets were stated at cost in 2017 and were considered to have an indefinite useful life.

(ii) Software assets were amortised on a straight line basis over a period of up to 10 years.

The Group disposed of all intangible assets as part of the Saputo transaction. Refer Note 2 for further information.

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of intangible asset are set out below.

	Goodwill	Brand names	Software	Software under development	Total
Carrying amount at 30 June 2016	12,121	15,293	12,275	63,812	103,501
Additions	-	-	26	9,699	9,725
Transfers between categories	-	-	74,152	(71,303)	2,849
Amortisation	-	-	(10,505)	-	(10,505)
Impairment	(5,359)	-	(63)	-	(5,422)
Carrying amount at 30 June 2017	6,762	15,293	75,885	2,208	100,148
Additions	-	-	186	1,678	1,864
Transfers from property, plant and equipment (Note 14)	-	-	1,912	-	1,912
Transfers between categories	-	-	3,886	(3,886)	-
Disposals	-	-	(1,529)	-	(1,529)
Saputo Sale	(6,762)	(15,293)	(70,500)	-	(92,555)
Amortisation	-	-	(9,840)	-	(9,840)
Carrying amount at 30 June 2018	-	-	-	-	-

NOTE 16: Payables

	2018 \$000	2017 \$000
Current		
Trade payables	-	96,133
Payable to farmer suppliers	-	147,261
Sundry payables and accrued expenses	2,683	132,089
	2,683	375,483
Non-current		
Other	-	783
	-	783

All payables are recorded at amortised cost.

NOTE 17: Borrowings

	2018 \$000	2017 \$000
Current		
Bank loans	-	-
Private placement senior notes	-	-
	-	-
Non-current		
Bank loans	-	200,000
Private placement senior notes	-	263,910
	-	463,910

	Bank Loans \$000	Private placement senior notes \$000	Total \$000
Changes in borrowings arising from financing activities			
2018			
Balance at the beginning of the financial year	200,000	263,910	463,910
Draw downs	415,852	-	415,852
Repayments	(70,000)	(269,052)	(339,052)
Foreign exchange movements	-	5,142	5,142
Repayments from the Saputo transaction (i)	(545,852)	-	(545,852)

(i) Repayments of borrowings were netted off from the net proceeds received from Saputo.

NOTE 18: Derivative Financial Instruments

	2018 \$000	2017 \$000
Foreign currency derivatives assets	-	3,147
Foreign currency derivatives liabilities	-	45

Foreign currency derivatives represent unrealised gains and losses on foreign exchange contracts that are hedges against sales. Unrealised gains and losses on foreign currency hedge contracts are deferred in equity or recognised in the Consolidated Profit or Loss as appropriate. Foreign currency derivatives are Level 2 financial instruments recorded at fair value using observable market inputs.

NOTE 19: Provisions

	2018 \$000	2017 \$000
Current		
Manufacturing rationalisation provisions (i)	-	31,052
Employee benefits	10	49,725
	10	80,777
Non-current		
Manufacturing rationalisation provisions (i)	-	7,411
Employee benefits	-	11,809
	-	19,220

(i) Manufacturing rationalisation provisions in 2017 related to the Group's planned closure of three operating facilities located at Edith Creek (Tasmania), Rochester and Kiewa (Victoria) and included provision for redundancies, restructuring, decommissioning and environmental remediation, and onerous contracts.

Reconciliation of movements of each class of provision are set out below.

	Employee benefits \$000	Redundancy \$000	Manufacturing rationalisation \$000	Total \$000
Balance at 30 June 2017	61,534	-	38,463	99,997
Provisions made during the year	6,090	12,494	-	18,584
Provisions used during the year	(17,956)	(12,494)	(33,331)	(63,781)
Provisions transferred to Saputo	(49,658)	-	(5,132)	(54,790)
Balance at 30 June 2018	10	-	-	10

NOTE 20 Contingent Matters

Other than the matters referred to below, there are no other matters giving rise to material contingent liabilities or assets in the context of the Group.

(a) Contingent Liabilities

First unitholder class action - Webster

On 17 May 2016, a class action proceeding was commenced against Murray Goulburn, the Responsible Entity and a number of former directors. The statement of 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 and through continuous disclosure contraventions. It is also claimed that the Responsible Entity breached fiduciary and statutory duties to unitholders. The proceeding is brought by the lead plaintiff on behalf of the unitholders who purchased units pursuant to the PDS and/or in the period from 3 July 2015 to 2 May 2017. Murray Goulburn and the Responsible Entity filed a defence to the proceeding on 22 December 2017.

The Webster proceeding has not been set down for trial. The next case management hearing is listed for 21 September 2018. The timing and conclusion of this proceeding is uncertain.

ACCC Proceeding

On 28 April 2017, the Australian Competition and Consumer Commission (ACCC) commenced legal proceedings against Murray Goulburn and two former officers of Murray Goulburn in the Federal Court in relation to potential breaches of the Competition and Consumer Act 2010 (Cth). The ACCC is not seeking a pecuniary penalty against Murray Goulburn. Murray Goulburn filed a defence to the proceeding on 5 September 2017.

Murray Goulburn and the ACCC are seeking to progress a resolution of the proceeding, and orders have been made in relation to this process. This process is currently ongoing. Any settlement, if reached, would be subject to Federal Court approval.

The ACCC has settled its claim against former chief financial officer (Mr Hingle) and that claim has been dismissed with no adjudication on the merits, by order of the Court dated 10 August 2018.

Second unitholder class action – Endeavour River

On 17 August 2018, a second unitholder class action proceeding was commenced against Murray Goulburn and MG Responsible Entity Limited (MGRE), as responsible entity of the MG Unit Trust in the Federal Court of Australia, Victoria Registry. The proceeding was filed on behalf of the applicant by Slater and Gordon Lawyers and was served on Murray Goulburn and MGRE on 20 August 2018. The named applicant is Endeavour River Pty Ltd (ACN 062 184 981). The proceeding is brought on behalf of the applicant and on behalf of all persons who acquired an interest in fully paid units in the MG Unit Trust during the period between 29 May 2015 to 26 April 2016 (inclusive) and have entered into a litigation funding agreement with IMF Bentham Limited (ASX:IMF) in relation to this proceeding on or before 16 August 2018 and which had not been terminated as at 16 August 2018. Murray Goulburn and MGRE intend to defend the proceeding. This proceeding falls within the meaning of Retained Litigation. The timing and conclusion of this proceeding is uncertain.

(b) Contingent Assets

Insurance recoveries of legal costs

The Group has expensed all legal costs incurred in respect of the ongoing legal proceedings in the Consolidated Statement of Profit or Loss. The Group expects to recover an additional portion of these costs from insurers. The value of the insurance recoveries is not quantified.

NOTE 21: Issued Capital and equity instruments

	2018 \$000	2017 \$000
Issued capital and equity instruments	287,436	730,116
a) Movements in issued capital		
Balance at the beginning of the financial year	730,116	730,116
Recovery of GST on capital raising costs incurred on IPO	1,053	-
Return of capital to MG Unit Trust unitholders	(168,215)	-
Return of capital to Murray Goulburn shareholders	(275,518)	-
Balance at the end of the financial year	287,436	730,116

b) Number of equity instruments

Movements in equity instruments on issue	Ordinary Shares ⁽ⁱ⁾	Units ⁽ⁱⁱ⁾	Total
Balance at 30 June 2016	349,843,966	204,821,672	554,665,638
Rebalancing between shares and units for market transactions	2,323,213	(2,323,213)	-
Ordinary shares created using convertible preference shares	(2,641,941)	2,641,941	-
Balance at 30 June 2017	349,525,238	205,140,400	554,665,638
Rebalancing between shares and units for market transactions	(18,328,180)	18,328,180	-
Ordinary shares created using convertible preference shares	6,561,308	(6,561,308)	-
Balance at 30 June 2018	337,758,366	216,907,272	554,665,638

(i) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

(ii) Units

Units on issue by the MG Unit Trust equal the aggregate number of perpetual, redeemable, unsecured, subordinated, non cumulative notes and convertible preference shares issued for the purposes of rebalancing transactions issued by Murray Goulburn Co-operative Co. Limited to the MG Unit Trust. Each unit has the same economic characteristics as a share and receives distributions equivalent to dividends paid to shareholders and do not hold any voting rights.

NOTE 22: Reserves

	2018 \$000	2017 \$000
Capital reserve	-	36,916
Asset revaluation reserve	-	97,846
General reserve	-	5,257
Hedge reserve	-	(8,429)
Investment revaluation reserve	-	-
Foreign currency translation reserve	-	8,002
	-	139,592

As a result of the sale to Saputo, reserve accounts have been transferred to retained earnings.

NATURE AND PURPOSE OF RESERVES

Capital reserve

The capital reserve is used to accumulate realised capital profits.

Asset revaluation reserve

The asset revaluation reserve was used to record increments and decrements on the revaluation of non-current assets. This was eliminated upon the sale of assets to Saputo and transferred to retained earnings.

General reserve

The general reserve is used from time to time to transfer profits from retained earnings.

Hedge reserve

The hedge reserve represented hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the Consolidated Statement of Profit or Loss. This was transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income as part of the sale to Saputo.

Investment revaluation reserve

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of investments that have been recognised through other comprehensive income.

Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences relating to the translation from the functional currencies of the Group's foreign controlled entities into Australian dollars. The portion of the reserve that related to disposed entities was transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income as part of the sale to Saputo.

NOTE 22: Reserves continued

	2018 \$000	2017 \$000
MOVEMENTS IN RESERVES		
Capital reserve		
Balance at the beginning of the financial year	36,916	36,916
Transfer to retained earnings	(36,916)	-
	-	36,916
Asset revaluation reserve		
Balance at the beginning of the financial year	97,846	144,856
Revaluation increments	-	1,300
Related income tax	-	(390)
Revaluation decrements	(4,517)	(68,457)
Related income tax	-	20,537
Derecognition of deferred tax	41,934	-
Transfer to retained earnings	(135,263)	-
	-	97,846
General reserve		
Balance at the beginning of the financial year	5,257	5,257
Transfer to retained earnings	(5,257)	-
	-	5,257
Hedge reserve		
Balance at the beginning of the financial year	(8,429)	(18,624)
Transfer to profit or loss	12,041	3,706
Related income tax	(3,612)	(1,112)
Gains (losses) on cash flow hedges	-	10,859
Related income tax	-	(3,258)
Balance at the end of the financial year	-	(8,429)
Investment revaluation reserve		
Balance at the beginning of the financial year	-	51
Net change in fair value of equity instruments measured at fair value through other comprehensive income	-	26
Related income tax	-	(8)
Transfer to retained earnings	-	(69)
Balance at the end of the financial year	-	-
Foreign currency translation reserve		
Balance at the beginning of the financial year	8,002	9,590
Translation of foreign operations	-	(1,588)
Net foreign exchange gains previously recognised in other comprehensive income, reclassified to profit or loss	(3,720)	-
Transfer to retained earnings	(4,282)	-
Balance at the end of the financial year	-	8,002

NOTE 23: Retained Earnings

	2018 \$000	2017 \$000
Balance at the beginning of the financial year	(134,317)	267,532
Net loss attributable to members of the parent entity	(45,921)	(370,800)
Dividends provided for or paid	-	(31,118)
Transfer from reserves	181,718	69
Balance at the end of the financial year	1,480	(134,317)

NOTE 24: Events Subsequent to Balance Date

On 17 August 2018, a second unitholder class action proceeding was commenced against Murray Goulburn and MG Responsible Entity Limited (MGRE), as responsible entity of the MG Unit Trust in the Federal Court of Australia, Victoria Registry. The proceeding was filed on behalf of the applicant by Slater and Gordon Lawyers and was served on Murray Goulburn and MGRE on 20 August 2018. The named applicant is Endeavour River Pty Ltd (ACN 062 184 981). The proceeding is brought on behalf of the applicant and on behalf of all persons who acquired an interest in fully paid units in the MG Unit Trust during the period between 29 May 2015 to 26 April 2016 (inclusive) and have entered into a litigation funding agreement with IMF Bentham Limited (ASX:IMF) in relation to this proceeding on or before 16 August 2018 and which had not been terminated as at 16 August 2018. Murray Goulburn and MGRE intend to defend the proceeding. This proceeding falls within the meaning of Retained Litigation. The timing and conclusion of this proceeding is uncertain.

Except for the above, there have been no other matters or circumstances which have arisen subsequent to 30 June 2018 and the date of this report that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years (30 June 2017: \$nil).

NOTE 25: Financial Risk Management

Prior to the Saputo transaction, risk management was carried out by the Group's Treasury department under policies approved by the Board for managing each of the risks including principles and procedures with respect to risk tolerance, delegated levels of authority on the type and use of derivative financial instruments and the reporting of these exposures. Subsequent to the sale to Saputo, risk management is carried out by the remaining management group under the same policies. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

a) MARKET RISK

Prior to the sale to Saputo, the Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency and interest rate risk, including forward foreign currency and foreign currency option contracts to hedge the exchange rate risk arising on the sale of exported dairy goods in US\$ (US dollars). Subsequent to the sale to Saputo, the group's main financial risk relates to interest rates applicable to cash held.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of financial instruments are disclosed in Note 1 to the financial statements and below.

Foreign exchange risk

The Group operated internationally and was therefore exposed to currency risk arising from movements in foreign currency rates, primarily with respect to the sale of exported goods in US\$ (US Dollar) and US Dollar denominated Private Placement senior notes. Exchange rate exposures were managed within approved policy parameters which included utilising a variety of derivative financial instruments, such as forward foreign exchange contracts. Since 1 May 2018, the Group is no longer exposed to foreign exchange risk.

Translation risks

To limit translation risk exposure, the Group's borrowings were generally denominated in currencies that match the cash flows generated by the underlying operations, which are primarily Australian and US Dollars.

Loan repayments due under the 2009 and 2014 US Dollar Private Placement were designated as cash flow hedges, hedging highly probable forecast sales denominated in US Dollars which were likely to be invoiced at the time of each loan repayment. The effective portion of changes in the fair value of these cash flow hedges due to foreign currency changes was recognised directly in equity via the hedge reserve. Upon the sale to Saputo, these hedges were closed out.

Transaction risks

The Group maintained a policy of matching anticipated future cash flows in foreign currencies, i.e. highly probable sales, for cash flow hedge accounting purposes, with forward foreign exchange contracts in the same currency and with closely corresponding settlement dates. Since the date of the sale to Saputo, there are no further anticipated cash flows in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the Group is impacted by significant changes in interest rates. Receivables, payables and accruals are non-interest bearing. The cash at bank and short term deposits at 30 June 2018 is on deposit with multiple banking institutions.

Interest rate sensitivity

The Group's sensitivity to a 50 basis point increase or decrease, representing management's assessment of the possible change in interest rates applicable to cash holdings subject to variable rates, holding all other variables constant would be a decrease/increase in net profit of \$1.2 million (2017: \$1.0 million).

b) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's receivables from customers, cash and cash equivalents held with financial institutions and in-the-money derivatives. The Group has a policy of dealing with creditworthy counterparties assessed by reference to their financial position, internal and external credit assessment and historical trading experience. Concentrations of credit risk are minimised by undertaking transactions with a large number of customers and counter-parties in various countries. Since the sale to Saputo, the nature of the credit risk exposure has changed in line with the nature of the remaining operations of the Group and relates mainly to cash holdings with financial institutions. Management mitigates this risk by using multiple high quality financial institutions.

The maximum exposure to credit risk at balance date in relation to financial assets is the carrying amount, net of any allowances, of those assets as presented in the Consolidated Statement of Financial Position.

25: Financial Risk Management continued

c) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The following key risk management strategies are used to manage liquidity risk:

- Maintaining a minimum liquidity reserve and undrawn committed liquidity facilities that can be drawn at short notice
- Regularly performing a comprehensive analysis of all cash inflows and outflows in relation to operational, investing and financial activities
- Managing credit risk relating to financial assets including trade debtors
- Managing the profile of maturing debt
- Only investing cash with major investment grade financial institutions
- Monitoring of current and projected compliance with the Group's debt covenant obligations
- Internal reporting to the Board and senior management on the Group's compliance with Treasury policies on a regular basis

Available financing facilities

At 30 June 2017, the Group had access to the following financing facilities:

- Bank overdraft facility repayable at call
- Various short term working capital facilities
- A \$265 million facility through a syndicate of domestic financial institutions
- US\$ 203 million Private Placement, maturing between 2019 and 2024

During the year ended 30 June 2018, the Group repaid all of its borrowings. The repayment of the borrowings referred to in Note 17(i) were netted off from the net proceeds received from Saputo.

The Group has complied with the financial covenants of its borrowing facilities at all times during both the current and comparative reporting period.

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

	2018 \$000	2017 \$000
Committed credit facilities:		
Committed credit facilities	-	778,911
Amount utilised	-	463,910
Available committed credit facilities at year end	-	315,001
Uncommitted credit facilities:		
Uncommitted credit facilities	-	139,001
Amount utilised	-	-
Available uncommitted credit facilities at year end	-	139,001
Total available committed and uncommitted credit facilities at year-end	-	454,002

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 30 June 2018						
Non-interest bearing	-	-	-	-	-	-
Variable rate	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-
Consolidated	-	-	-	-	-	-
At 30 June 2017						
Non-interest bearing	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	310,388	263,911
Consolidated	388,054	173,003	273,253	67,993	902,303	839,394

d) FAIR VALUE

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.

NOTE 26: Related Parties

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated

a) Directors of Parent Entity

Up to 1 May 2018, Directors of the parent entity who supplied milk to the Group, were able to purchase goods at Murray Goulburn Trading Pty Ltd stores at commercial prices and could obtain loans from the Group in the same manner as all other supplier shareholders.

Total purchases of goods and services from Murray Goulburn Trading Pty Ltd by Directors and their related entities was \$1,880,924 (2017: \$1,718,999). The balance outstanding as at 30 June 2018 was \$nil (2017: \$306,687) following their assignment to Saputo on 1 May 2018. All transactions were on the same terms and conditions available to other supplier shareholders.

Aggregate of loans to no (2017: 3) Directors as at financial year end: \$nil (2017: \$144,615). Total interest paid by Directors to 1 May 2018: \$9,097 (2017 year \$6,832). Prior to their assignment to Saputo on 1 May 2018, there were 2 (2017: nil) loans outstanding to Directors and their related parties, where the individual's aggregate loan balance exceeded \$100,000 during the financial year end.

Following completion of the Saputo transaction, a registered waste water lease agreement relating to the Koroit Plant between former director GH Kilpatrick and the Company is in the process of being transferred under the terms of the Sale and Purchase Agreement with Saputo. A loan from a related entity of GH Kilpatrick was fully repaid by Murray Goulburn on 27 April 2018, amounting to \$25,712.

b) Key management personnel

Key Management Personnel (KMP) consists of the Group's non-executive directors, Chief Executive Officer and the Chief Financial Officer. Key Management Personnel compensation during the year was as follows:

	2018 \$	2017 \$
Total short term employee benefits (excluding annual leave)	6,475,385	5,731,821
Total annual and long service leave benefits (i)	95,772	(56,411)
Total long term employee benefits (ii)	-	(143,455)
Total post employment employee benefits	204,360	186,182
Termination benefits	1,137,403	-
Total remuneration	7,912,920	5,718,137

(i) Negative annual and long service leave benefits reflect the excess of amounts paid on settlement of leave entitlements owing and the reversal of non-vesting entitlements for key management personnel whose employment ceased in 2017.

(ii) Negative long term employee benefits reflect the excess of the reversal of non-vesting long term incentive amounts which will not be paid to key management personnel whose employment ceased in 2017.

NOTE 27: Notes to the Statement of Cash Flows

a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand, deposits on call and investments in money market instruments, net of bank overdrafts.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

	2018 \$000	2017 \$000
Restricted cash (i)	5,000	5,000
Cash on hand and at bank	37,066	14,368
Cash on deposit with maturity of less than 3 months (ii)	180,000	-
Cash per statement of cash flows	222,066	19,368

(i) MG Responsible Entity Limited is required to hold \$5 million in cash and therefore the consolidated group is restricted from utilising this cash for any other purpose.

(ii) Applicable interest rates for short term deposits range between 2.4% and 2.85%

b) Reconciliation of profit/(loss) for the period to net cash flow from operating activities

	Note	2018 \$000	2017 \$000
Profit (loss) attributable to discontinued operations		(36,671)	(363,012)
Profit (loss) attributable to continuing operations		(9,250)	(7,788)
Profit (loss) for the period		(45,921)	(370,800)
Depreciation and amortisation		47,953	59,366
Unrealised foreign exchange losses		3,788	4,409
Loss on cash flow hedge transactions		12,041	-
Movement in provision for impairment of trade receivables		(4,663)	8,645
Impairment recognised (reversed) attributable to current assets		18,913	5,427
Associate entity dividends		250	2,072
Share of (profit) loss of associated company		101	642
Impairment recognised (reversed) on investments in associated companies		-	425
Impairment of goodwill		-	5,359
Finance costs capitalised on acquisition of qualifying assets		-	(1,595)
Impairment recognised (reversed) attributable to non-current assets		(8,603)	143,197
Loss (gain) on disposal of fixed assets		(878)	(288)
Gain on sale of discontinued operations before reclassification of reserves	2	(32,168)	-
Net foreign exchange gains previously recognised in other comprehensive income, reclassified to profit or loss	2	(3,720)	-
Forgiveness of MSSP		-	179,788
Change in operating assets and liabilities			
Decrease (increase) in trade receivables		5,754	53,084
Decrease (increase) in other receivables and other assets		28,928	(9,131)
Decrease (increase) in derivative financial instruments		3,102	-
Decrease (increase) in inventories		39,556	98,701
Decrease (increase) in deferred tax assets		41,933	-
Increase (decrease) in trade payables and amounts due to suppliers		(120,769)	(6,913)
Increase (decrease) in provisions		(45,197)	41,150
Increase (decrease) in current tax payable		-	(6,866)
Increase (decrease) in deferred tax liabilities		20,736	(47,750)
Net cash (outflow) inflow from operating activities		(38,864)	158,922
Operating cashflows attributable to discontinued operations		(29,829)	166,965
Operating cashflows attributable to continuing operations		(9,035)	(8,043)
Net cash (outflow) inflow from operating activities		(9,035)	(8,043)

c) Cash received from the Saputo transaction

	Note	\$000
Consideration received	2	1,248,942
Less proceeds due from Saputo following true up of working capital adjustments	9	(7,067)
		1,241,875
Less cash disposed of to Saputo	2	(7,587)
Less proceeds utilised by Saputo to repay borrowings at the completion date	17(i)	(545,852)
Less proceeds utilised by Saputo to repay interest on borrowings at the completion date		(1,422)
Cash received from the Saputo transaction		687,014

d) Non-cash financing and investing activities

(i) Property, plant and equipment of \$0.551 million was received as non-cash consideration for the disposal of the associate investment in Nedfarm.

(ii) Repayments of borrowings of \$545.9 million, referred to in Note 17(i) were from the sale proceeds received from the Saputo transaction.

NOTE 28: Parent Entity Disclosures

	2018 \$000	2017 \$000
a) Financial Position		
Total current assets	286,515	711,845
Total non-current assets	5,050	897,344
Total assets	291,565	1,609,189
Total current liabilities	2,658	417,946
Total non-current liabilities	-	471,573
Total liabilities	2,658	889,519
Net assets	288,907	719,670
Issued capital	287,436	730,116
Retained earnings/(losses)	(345,127)	(345,127)
Retained earnings profits reserve (i)	346,598	257,569
Reserves		
Capital reserve	-	24,290
Asset revaluation reserve	-	58,604
General reserve	-	2,648
Hedge reserve	-	(8,430)
Total equity	288,907	719,670

(i) Represents an appropriation of amounts from retained earnings for the payment of future dividends. On consolidation, this reserve is included as part of the Group's retained earnings.

b) Financial performance

Profit/(Loss) for the year	(18,731)	(345,127)
Total comprehensive income (loss)	11,917	(36,836)

c) Contingent items

Other than the matters referred to in Note 20, there are no other matters giving rise to material contingent items in the context of the parent entity.

NOTE 29: Additional Information

Murray Goulburn Co-operative Co. Limited is a company limited by shares, incorporated and domiciled in Australia.

Registered office and principal place of business:
 Freshwater Place, Level 15
 2 Southbank Boulevard, Southbank
 Victoria, 3006

Directors' Declaration

In the opinion of the Directors of Murray Goulburn Co-operative Co. Limited (Company):

1. (a) the financial statements and notes are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the year ended on that date; and
- (b) notwithstanding that the financial statements are not prepared on a going concern basis of preparation there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. Within the notes to the financial statements it is confirmed that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



J Spark
Chairman

Melbourne
24 August 2018



DC Grant
Director



Auditor's Independence Declaration

As lead auditor for the audit of Murray Goulburn Co-operative Co. Limited for the year ended 30 June 2018, 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.

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
24 August 2018



Independent auditor's report

To the members of Murray Goulburn Co-operative Co. Limited

Our opinion

In our opinion:

The accompanying financial report of Murray Goulburn Co-operative Co. Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 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 Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2018
- the consolidated statement of profit or loss and other comprehensive income for the financial year then ended
- the consolidated statement of changes in equity for the financial year then ended
- the consolidated statement of cash flows for the financial year then ended
- the notes to the consolidated 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 Group 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.

Emphasis of matter - going concern no longer appropriate

We draw attention to Note 1(a) in the financial report, which discusses the directors' intention to wind up the business upon conclusion of the retained litigation matters. As a result, the financial report has been prepared on a basis of orderly realisation of assets and liabilities and not on a going concern basis. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers, ABN 52 780 433 757

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do 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 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 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.

Responsibilities of the directors for the financial report

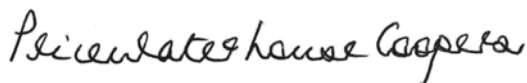
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the 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 are responsible for assessing the ability of the Group 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 either intend to liquidate the Group 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 is 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/ar3.pdf. This description forms part of our auditor's report.



PricewaterhouseCoopers



Lisa Harker
Partner

Melbourne
24 August 2018

Corporate Directory

Murray Goulburn Co-operative Co. Limited

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