20 August 2019

Market Announcements Office
Australian Securities Exchange

ELECTRONIC LODGEMENT

Dear Sir or Madam

Murray Goulburn Co-operative Co. Limited (Murray Goulburn) – Financial statements and reports for the year ended 30 June 2019

In accordance with the Listing Rules, attached is a copy of Murray Goulburn's financial statements and reports for the year ended 30 June 2019, for immediate release to the market.

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

Yours faithfully

Joseph Phillipos
Company Secretary

Murray Goulburn Co-operative Co. Limited

ACN 004 277 089

Financial Statements and Reports

for the year ended 30 June 2019

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Directors' report

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 2019 and the accompanying auditor's report.

Murray Goulburn

The registered office and principal place of business of Murray Goulburn is Level 15, Freshwater Place, 2 Southbank Boulevard, Southbank, VIC 3006.

Directors

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

Name	Directorship period
J Spark (Chairman)	Director since 24 March 2017
LM Dwyer	Director since 28 October 2016
I Goodin	Director since 27 October 2017
DC Grant (Deputy Chairman)	Director since 27 October 2017
BA Williams	Director since 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.

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'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 370 cows in Purnim in western Victoria.

Ian Goodin
BCA, AdvDip (Agri.), CA

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

David Grant
BCom, CA, GAICD

David was appointed as Deputy Chairman on 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 Retail Food Group Limited (since 2018) and Event Hospitality and Entertainment Limited (since 2013) and has previously served on the Board of iiNet (2006-2015).

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

Brock Williams
BCom

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.

Director’s 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
I Goodin	352,009	-
DC Grant	-	-
BA Williams	72,528	476

Company Secretaries

Joseph Phillipos FCA (India), CGMA (London), CPA, GDipTax University of Melbourne, CTA, was appointed as Company Secretary of Murray Goulburn on 25 July 2019.

Richa Puri LLB/BCom (Hons), Grad Dip Applied Corporate Governance (FGIA), (FCIS), resigned as Company Secretary of Murray Goulburn on 25 July 2019.

Principal activities

On 1 May 2018 the operating assets of Murray Goulburn and its subsidiaries (the Group) were sold to Saputo Dairy Australia Pty Ltd (the Saputo transaction). As part of the Saputo transaction, Murray Goulburn agreed to retain liabilities associated with the 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’. On 20 August 2018, a second unitholder class action, Endeavour River, was commenced. This proceeding falls within the meaning of Retained Litigation.

Murray Goulburn has retained part of the sale proceeds to appropriately manage any potential exposure it has under the Retained Litigation.

The principal activities of the Group during the year have been the finalisation and settlement of the Saputo transaction price, the management of funds retained from the Saputo transaction, the management of Retained Litigation and meeting the Group’s corporate and reporting obligations. See below under the section titled ‘Status of the Retained Litigation’ for developments during the financial year.

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.

Directors' report

Review of operations

The Group reported a net loss after income tax of $24.4 million for the year ended 30 June 2019 (2018: $45.9 million). The net loss after tax includes a loss of $17.0 million from discontinued operations (see Note 2 of the financial statements) and a loss from ongoing operations of $7.4 million which include the costs of Retained Litigation and the settlement of the Endeavour River class action, subject to Federal Court approval.

The going concern status of the Group is addressed in Note 1.2 of the financial statements and the auditor has noted an Emphasis of Matter in respect to the basis of preparation in their Independent Audit Report.

Future developments

After the conclusion of the Retained Litigation it is anticipated that the Group will be wound up and a distribution of the balance of the funds (if any) will be made to Shareholders and Unitholders. The certainty and amount of another interim or a final distribution is not clear due to the existing status of the Retained Litigation. The Board of Murray Goulburn does not consider it appropriate at this point to make a further distribution but this will be reassessed by the Board on a periodic basis.

Significant changes in the state of affairs

During the financial year, the Group finalised the Saputo transaction price, a portion of which had remained contingent as at 30 June 2018. In addition, the ACCC proceeding concluded and a second unitholder class action, Endeavour River, commenced and was settled, subject to Federal Court approval, as detailed in 'Status of the Retained Litigation'.

Other than the above, there was no significant change in the state of affairs of the Group during the financial year.

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.

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 is ongoing and a trial date has been set for February 2020 with an estimated trial time of four weeks.

Second unitholder class action – Endeavour River

On 20 August 2018, a second unitholder class action proceeding was commenced against Murray Goulburn and the Responsible Entity. The allegations in the Endeavour River class action, whilst pleaded differently to the Webster class action, also arose from substantially the same series of events.

On 24 June 2019, Murray Goulburn and the Responsible Entity agreed with the plaintiff to settle the Endeavour River class action. The settlement of the Endeavour River class action, which is without admission of liability, is subject to Federal Court approval. The Federal Court has allocated 16 October 2019 to hear the application for approval of the settlement.

The settlement amount is $42 million inclusive of interest and costs, approximately 80% of which is funded by insurance. Murray Goulburn is contributing the remaining portion of the settlement amount and intends to recover this amount from an insurer third party.

The Boards of Murray Goulburn and the Responsible Entity determined that the agreement to settle the Endeavour River class action was a commercial decision made in the best interests of Shareholders in Murray Goulburn and Unitholders in the MG Unit Trust.

ACCC proceeding

As announced on 9 November 2018, Murray Goulburn and former managing director Mr Gary Helou agreed a settlement in principle with the Australian Competition and Consumer Commission in relation to the ACCC proceeding. The settlement was approved by the Federal Court on 6 December 2018, bringing an end to the proceeding.

The Federal Court made declarations of contravention of the Australian Consumer Law in the period 29 February 2016 to 27 April 2016 in relation to representations regarding the FY16 farmgate milk price. The ACCC did not seek a pecuniary penalty against Murray Goulburn. The Court made orders that Murray Goulburn contribute $200,000 to the ACCC's costs of the proceeding.

Directors' report

Directors' remuneration

The Murray Goulburn Board fee structure (inclusive of superannuation) for FY19 and FY18 was:

	2019	2018	
	From 1 July 2018 to 30 June 2019 Fees per annum $	From 1 May 2018 to 30 June 2018 Fees per annum $	From 1 July 2017 to 30 April 2018 Fees per annum $
Chairman base fee	130,500	130,500	325,000
Fee for additional duties by Chairman	170,000	N/A	N/A
Deputy Chairman base fee	87,000	N/A	N/A
Fee for additional duties by Deputy Chairman	25,000	N/A	N/A
Director base fee	87,000	87,000	130,000
Finance, Risk & Audit Committee Chairman fee	N/A	N/A	30,000
Other Committee Chairman fee	N/A	N/A	20,000
>1 Committee Membership fee	N/A	N/A	10,000

The Chairman and the Deputy Chairman have taken on additional duties as a result of the reduction in the management team.

The total fees for Directors for FY19 was $669,333 (FY18: $1,564,885). Details of the remuneration paid to the Directors are disclosed in the Notes to the Financial Statements.

Events subsequent to balance date

On 6 August 2019, a payment was made to fund a portion of the Endeavour River settlement as noted in Note 14.1.2. Except for the above, no other matters or circumstances have arisen between the end of the financial year 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 regulation

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

Directors' meetings

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

	Number of meetings attended	Number of meetings held during the time the Director held office
J Spark	21	21
LM Dwyer	20	21
DC Grant	21	21
I Goodin	18	21
BA Williams	21	21

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 25 of this financial report.

Directors' report

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.

This report is made on 20 August 2019 in accordance with a resolution of the Directors.

J Spark	DC Grant
Chairman	Director

Melbourne

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

Loss for the year	Note	June 2019 $'000	June 2018 $'000
Continuing operations			
Interest income		6,918	1,376
Other income		-	279
Revenue		**6,918**	**1,655**
Administrative expenses	3	(4,966)	(4,116)
Cost of ongoing litigation, net of insurance recoveries	3	(1,136)	(6,789)
Retained litigation settlement expense, net of insurance recoveries	3	(8,241)	-
Loss from continuing operations before tax		**(7,425)**	**(9,250)**
Income tax expense	4	-	-
Loss from continuing operations		**(7,425)**	**(9,250)**
Discontinued operations			
Loss from discontinued operations, net of tax	2.2	(16,973)	(36,671)
Loss for the year		**(24,398)**	**(45,921)**
Other comprehensive income			
Continuing operations			
Other comprehensive income from continuing operations, net of tax		-	-
Discontinued operations			
Other comprehensive income from discontinued operations, net of tax	2.2	-	42,126
Total comprehensive (loss)/income		**(24,398)**	**3,795**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of financial position

as at 30 June 2019

	Note	June 2019 $'000	June 2018 $'000
Current assets			
Cash and cash equivalents	12	32,986	222,066
Receivables	5	35,329	8,839
Bank deposits		237,500	60,144
Other assets	6	2,041	510
Total current assets		**307,856**	**291,559**
Non-current assets			
Investments accounted for using the equity method		-	50
Total non-current assets		**-**	**50**
Total assets		**307,856**	**291,609**
Current liabilities			
Payables	8	43,314	2,683
Provisions		24	10
Total current liabilities		**43,338**	**2,693**
Total non-current liabilities		**-**	**-**
Total liabilities		**43,338**	**2,693**
Net assets		**264,518**	**288,916**
Equity			
Issued capital	9	287,436	287,436
(Accumulated losses)/Retained Earnings	10	(22,918)	1,480
Total equity		**264,518**	**288,916**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2019

	Issued capital	Capital reserve	Asset revaluation reserve	General reserve	Cash flow hedging reserve	Foreign currency translation reserve	Retained earnings	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 July 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**
Balance as at 1 July 2018	287,436	-	-	-	-	-	1,480	**288,916**
Loss for the year	-	-	-	-	-	-	(24,398)	(24,398)
Other comprehensive income	-	-	-	-	-	-	-	-
Balance as at 30 June 2019	**287,436**	**-**	**-**	**-**	**-**	**-**	**(22,918)**	**264,518**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2019

	Note	June 2019 $'000	June 2018 $'000
Cash flow from operating activities			
Receipts from customers		-	1,860,492
Payments to suppliers and employees		(8,259)	(1,870,647)
Interest received		6,193	2,325
Interest paid		-	(31,284)
Dividends received		58	250
Net cash used in operating activities	12(b)	**(2,008)**	**(38,864)**
Cash flow from investing activities			
Payments for bank deposits		(177,356)	(60,144)
(Payments for) proceeds from sale of operating assets and liabilities to Saputo	2.2	(9,702)	687,014
Payments for transaction costs on sale of operating assets and liabilities		-	(11,534)
Payments for property, plant and equipment		-	(29,419)
Payments for intangible software assets		-	(1,864)
Proceeds from sale of property, plant and equipment		-	23,089
Proceeds from sale of investment in associate		-	300
Payments for other assets		(14)	-
Net cash used in investing activities		**(187,072)**	**607,442**
Cash flow from financing activities			
Receipt of GST in relation to prior year capital raising costs		-	1,053
Payment of return of capital to shareholders and unitholders		-	(443,733)
Proceeds from borrowings		-	415,852
Repayment of borrowings		-	(339,052)
Net cash provided by financing activities		**-**	**(365,880)**
Net (decrease) increase in cash held		**(189,080)**	**202,698**
Cash and cash equivalents at beginning of year		222,066	19,368
Cash and cash equivalents at end of year	12(a)	**32,986**	**222,066**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1: Significant accounting policies and corporate information

The consolidated financial statements as at and for the year ended 30 June 2019 comprise the financial statements of Murray Goulburn and its subsidiaries (together referred to in this financial report as the "Group"). This note provides a list of the significant accounting policies adopted by the Group in the preparation of the consolidated financial statements. The policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These general purpose financial statements have been prepared in accordance with Accounting Standards and Interpretations as issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 and comply 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 comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Murray Goulburn is a for-profit entity for the purposes of preparing these financial statements and is domiciled in Australia.

The financial statements were authorised for issue by the Directors on 20 August 2019. The Directors have the power to amend and reissue the financial report. The Annual Report of the Group as at and for the year ended 30 June 2019 is available at www.mgcl.com.au.

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments if applicable. Cost is based on the fair values of the consideration given in exchange for assets.

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.

The financial statements present reclassified comparative information where required for consistency with current period presentation.

1.2 Non-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 and the transaction was disclosed as a discontinued operation in the 30 June 2018 financial statements. As previously announced by the Board, the proceeds from that transaction have been and will be used to repay the Group's debt obligations, to fund the ongoing operating costs of the Group, to fund any potential obligations arising from the Retained Litigation, return capital (if any) to Shareholders and Unitholders, and to wind up the Group companies.

As at 30 June 2019, 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 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.

1.3 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 2019 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.

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

1.5 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.

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

1.7 Financial assets

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment for expected credit loss 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.

1.8 Goods and services tax

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

- 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
- 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.

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

1.10 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.

1.11 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.

1.12 Interest income

Interest revenue is recognised on a time proportion basis using the effective interest method.

1.13 Parent entity disclosures

The financial information for the parent entity, Murray Goulburn Co-Operative Co. Limited, as disclosed in Note 13, 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.

1.14 Capital structure

The Group established the MG Unit Trust, a special purpose funding vehicle, which is listed on the Australian Securities 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.

1.15 Critical accounting estimates and judgements

The critical estimates and judgements made by the Group in the process of applying the accounting policies for 2019 are discussed below:

Retained Litigation

Certain litigation liabilities associated with the ACCC proceeding, the unitholder class actions and any claim or dispute which is based on the same or substantially similar facts or circumstances, were excluded from the sale of the Group's operating assets and liabilities to Saputo on 1 May 2018. These are referred to as 'Retained Litigation'.

As stated in Note 14 Contingent liabilities, assessing the status of these matters, including insurance recoveries, requires significant judgement and the Group has concluded that the amount of any obligation for the Webster proceeding cannot be measured with sufficient reliability and thus this matter has been disclosed as a contingent liability. Refer to Note 14 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 was disclosed in Note 2.2. This gain was provisional as at 30 June 2018 given the carrying value ascribed to working capital was still being finalised between the Company and Saputo. The working capital at sale date was finalised during the year, in accordance with the terms of the Sale and Purchase Agreement, resulting in a final adjustment of $16.8 million to loss from discontinued operations.

1.16 Adoption of new and revised standards

The Group has adopted all new and revised Accounting Standards and Interpretations 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.

New and revised standards adopted by the Group

There are two new accounting standards that became effective 1 July 2018 – AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers.

AASB 9 Financial Instruments

The Group early adopted the classification, measurement and hedge accounting components of AASB 9 in previous financial years. In this financial year, the Group has updated its accounting policies to include the impairment component of AASB 9, which introduced an expected-loss impairment model that requires the Group to account for expected credit losses at the time of recognising financial assets. There was no impact on the Group's financial assets upon adoption.

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. There was no impact on the Group's financial statements upon adoption.

Other elements of these standards have been considered with reference to the continuing operations of the Group and have been found to have no impact on the continuing operations. The revised standards may have had an impact on the prior year comparative financial results of the discontinued operations. As the Group is not preparing these financial statements on a going concern basis, as referred to in Note 1.2 above, the impact of AASB 9 and AASB 15 on the prior period comparative results for the discontinued operations has not been assessed and previously reported financial results for the discontinued operations have not been revised.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

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 from 1 July 2019 for the financial year ending 30 June 2020. The Group expects to apply an accounting policy election under the standard that provides exemption for short term leases under one year in duration. As the Group has no leases that are in excess of twelve months there is no material impact expected in relation to AASB 16.

1.16 Adoption of new and revised standards (Continued)

Standards not yet effective

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Note 2: Discontinued operations

2.1 Description

On 1 May 2018, the sale of the Group's operating assets and liabilities to Saputo (the Saputo transaction) was completed. As described in the 30 June 2018 full year financial statements, the proceeds from that transaction were used and will be used to repay the Group's debt obligations, to fund the ongoing operating costs of the Group, to fund any potential obligations arising from the Retained Litigation, to return capital (if any) to Shareholders and Unitholders, and to wind up the Group companies. The results of the discontinued operation for the year to 30 June 2019 and 30 June 2018, including the calculation of the gain on sale of discontinued operations on 1 May 2018, are presented below.

Included in the June 2019 results is the finalisation of the value of the working capital sold as part of the Saputo transaction. In the 30 June 2018 financial report, this amount remained subject to negotiation and the final result of the sale remained provisional. The negotiations have now concluded and the final adjustment in accordance with the terms of the Sale and Purchase Agreement is included below.

2.2 Financial performance and cash flow information

	June 2019 $'000	June 2018 $'000
Profit/(Loss) of discontinued operations		
Revenue	-	1,803,412
Other income	58	4,355
Share of profit (loss) of associate(s)	-	(101)
Expenses	(262)	(1,817,556)
Finalisation of working capital at sale date (previously contingent)	(16,769)	-
(Loss)/profit before income tax	(16,973)	(9,890)
Income tax benefit/(expense)	-	(62,669)
Loss after income tax of discontinued operation	(16,973)	(72,559)
Gain on sale of discontinued operations after tax	-	35,888
Profit/(Loss) from discontinued operations including gain on sale	(16,973)	(36,671)
Other comprehensive income of discontinued operations		
Items that may be reclassified to profit or loss		
Cash flow hedges transferred to statement of profit or loss	-	12,041
Net foreign exchange gains previously recognised in other comprehensive income, reclassified to profit or loss	-	(3,720)
De-recognition of deferred tax asset relating to cash flow hedge reserve	-	(3,612)
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings	-	(4,517)
De-recognition of deferred tax liability relating to asset revaluation reserve	-	41,934
Other comprehensive income for the year of discontinued operations	-	42,126
Total comprehensive income for the year of discontinued operations	(16,673)	5,455
Cash flows of discontinued operations		
Net cash outflow from operating activities	(154)	(29,829)
Net cash (outflow) inflow from investing activities	(9,702)	667,586
Net cash inflow from financing activities	-	77,853
Net decrease in cash generated by discontinued operations	(9,856)	715,610

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3: Profit and loss information

	Note	June 2019 $'000	June 2018 $'000
Continuing operations			
Employee benefits		1,850	1,168
Insurance expenses		2,051	1,409
Other administrative expenses		1,065	1,539
Total administrative expenses		4,966	4,116
Cost of ongoing litigation, net of insurance recoveries	14.3.1	1,136	6,789
Retained litigation settlement expense, net of insurance recoveries	14.1.2	8,241	-

Note 4: Income tax expense

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

	June 2019 $'000	June 2018 $'000
Loss from continuing operations before tax	(7,425)	(9,250)
(Loss)/Profit from discontinued operations before tax	(16,973)	(9,890)
Gain on sale of discontinued operations before tax	-	35,888
(Loss)/Profit before income tax expense	(24,398)	16,748
Income tax calculated at the Australian statutory rate of 30%	(7,319)	5,024
Non-deductible items and effect of tax rates in foreign jurisdictions	-	184
Equity accounted profit/(loss)	-	(30)
Under provision for income tax in prior year	-	(2,092)
Recognition of tax losses now recouped to reduce current tax expense	-	(3,835)
Sundry items	-	749
Deferred tax asset on losses not recognised	7,319	-
Net underlying tax expense for the year	-	-
De-recognition of tax balances due to the Saputo transaction		
Deferred tax assets derecognised	-	62,669
Income tax expense	-	62,669

As at 30 June 2019, the Group has retained unused tax losses of $227.0 million (Australian tax benefit at effective tax rate of 30% of $68.1 million) for which no deferred tax asset had been recognised (2018: Unused tax losses of 202.6 million (Australian tax benefit at effective rate of 30% of $60.8 million).

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 5: Receivables

	Note	June 2019 $'000	June 2018 $'000
GST receivable		81	140
Interest receivable		1,447	722
Insurance recoverable in relation to Endeavour River settlement	14.1.2	33,759	-
Insurance recoveries for legal costs incurred		-	883
Sales proceeds due from Saputo following true up of working capital		-	7,067
Other receivables		42	27
		35,329	8,839

Note 6: Other assets

Computer equipment		6	-
Prepayments		2,035	510
		2,041	510

Note 7: Controlled entities

Entity	% Ownership Interest & Voting Rights		Place of Incorporation	Class of share/unit
	2019	2018		
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 Nutritional (Qingdao) Co., Ltd (iii)	100	100	China	Ordinary

(i) Murray Goulburn is the head entity within the tax consolidated group.
(ii) Member of the Australian tax consolidated group.
(iii) In process of being liquidated.

Note 8: Payables

	Note	June 2019 $'000	June 2018 $'000
Current			
Sundry payables and accrued expenses		1,314	2,683
Retained litigation settlement payable	14.1.2	42,000	-
		43,314	2,683

All payables are recorded at amortised cost

Note 9: Issued capital and equity instruments

	June 2019 $'000	June 2018 $'000
Issued capital and equity instruments	287,436	287,436

(a) Movements in issued capital

	June 2019 $'000	June 2018 $'000
Balance at the beginning of the financial year	287,436	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	287,436

(b) Number of equity instruments

Movements in equity instruments	Number of Ordinary Shares	Number of Units	Total
Balance as 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 as at 30 June 2018	337,758,366	216,907,272	554,665,638
Balance as at 30 June 2018	337,758,366	216,907,272	554,665,638
Ordinary shares created using convertible preference shares	-	-	-
Balance as at 30 June 2019	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 10: Retained earnings

	June 2019 $'000	June 2018 $'000
Balance at the beginning of the financial year	1,480	(134,317)
Net loss attributable to members of the parent entity	(24,398)	(45,921)
Transfer from reserves	-	181,718
Balance at the end of the financial year	(22,918)	1,480

Note 11: Reserves

All reserve accounts were transferred to retained earnings as a result of the sale to Saputo in 2018.

Note12: Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

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:

	2019 $'000	2018 $'000
Restricted cash at bank (i)	5,000	5,000
Cash on hand and at bank	27,986	37,066
Cash on deposit with maturities of less than 3 months (ii)	-	180,000
Cash per statement of cash flows	**32,986**	**222,066**

(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) In 2018, applicable interest rates for bank deposits ranged between 2.40% and 2.85%.

(b) Reconciliation of loss for the year to net cash flow from operating activities

	Note	2019 $'000	2018 $'000
Loss attributable to continuing operations		(7,425)	(9,250)
Loss attributable to discontinued operations		(16,973)	(36,671)
Loss for the year		(24,398)	(45,921)
Depreciation and amortisation		-	47,953
Unrealised foreign exchange losses		-	3,788
Loss on cash flow hedge transactions		-	12,041
Movement in provision for impairment of trade receivables		-	(4,663)
Impairment recognised (reversed) attributable to current assets		-	18,913
Associate entity dividends		-	250
Share of profit/(loss) of associated company		-	101
Impairment (reversed) attributable to non-current assets		50	(8,603)
Loss (gain) on disposal of fixed assets		-	(878)
Loss on finalisation of working capital at sale date	2.2	16,769	-
Gain on sale of discontinued operations before reclassification of reserves		-	(32,168)
Net foreign exchange gains previously recognised in other comprehensive income, reclassified to profit or loss		-	(3,720)
Change in operating assets and liabilities			
Decrease (increase) in trade receivables		-	5,754
Decrease (increase) in other receivables		(33,557)	26,516
Decrease (increase) in other assets		(1,517)	2,412
Decrease (increase) in derivative financial instruments		-	3,102
Decrease (increase) in inventories		-	39,556
Decrease (increase) in deferred tax assets		-	41,933
Increase (decrease) in payables		40,631	(120,769)
Increase (decrease) in provisions		14	(45,197)
Increase (decrease) in deferred tax liabilities		-	20,736
Net cash (outflow) inflow from operating activities		(2,008)	(38,864)
Operating cash flows attributable to continuing operations		(1,854)	(9,035)
Operating cash flows attributable to discontinued operations		(154)	(29,829)
Net cash (outflow) inflow from operating activities		(2,008)	(38,864)

Note 13: Parent entity disclosures

	June 2019 $'000	June 2018 $'000
(a) Financial position		
Assets		
Total current assets	307,845	286,515
Total non-current assets	-	5,050
Total assets	307,845	291,565
Liabilities		
Total current liabilities	43,337	2,658
Total non-current liabilities	-	-
Total liabilities	43,337	2,658
Net assets	264,508	288,907
Equity		
Issued capital	287,436	287,436
Accumulated losses	(369,526)	(345,127)
Retained earnings profits reserve (i)	346,598	346,598
Total equity	264,508	288,907

(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/(losses).

(b) Financial performance

	June 2019 $'000	June 2018 $'000
(Loss) for the year	(24,399)	(18,731)
Total comprehensive income/(loss)	-	11,917

(c) Contingent items

Other than the matters referred to in Note 14, there are no other matters giving rise to material contingent items in the context of the parent entity.

Note 14: Contingent matters

14.1 Contingent liabilities

14.1.1 First unit holder 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 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 is ongoing and a trial date has been set for February 2020 with an estimated trial time of four weeks.

As stated in Note 1.15 Critical accounting estimates and judgements, the Group has concluded that the amount of any obligation cannot be measured with sufficient reliability.

Note 14: Contingent matters (Continued)

14.1.2 Second unit holder class action – Endeavour River

On 20 August 2018, a second unitholder class action proceeding was commenced against Murray Goulburn and the Responsible Entity. The allegations in the Endeavour River class action, whilst pleaded differently to the Webster class action, also arose from substantially the same series of events.

On 24 June 2019, Murray Goulburn and the Responsible Entity agreed with the plaintiff to settle the Endeavour River class action. The settlement of the Endeavour River class action, which is without admission of liability, is subject to Federal Court approval. The Federal Court has allocated 16 October 2019 to hear the application for approval of the settlement.

The settlement amount is $42 million inclusive of interest and costs, approximately 80% of which is funded by insurance. Murray Goulburn is contributing the remaining portion of the settlement amount and intends to recover this amount from an insurer third party.

The Boards of Murray Goulburn and the Responsible Entity determined that the agreement to settle the Endeavour River class action was a commercial decision made in the best interests of Shareholders in Murray Goulburn and Unitholders in the MG Unit Trust.

Financial impact of Endeavour River class action settlement

The following disclosures within the Murray Goulburn financial statements are applicable to the Endeavour River class action settlement as at 30 June 2019:

	Note	June 2019 $'000
Retained litigation settlement payable	8	42,000
Insurance recoverable in relation to Endeavour River settlement	5	33,759
Retained litigation settlement expense, net (i)	3	8,241

(i) The net amount represents the Murray Goulburn funded portion of the Endeavour River settlement.

14.2 Future insurance costs

As disclosed in Note 1.2 Non-Going concern basis of preparation, at the conclusion of the Retained Litigation, it is anticipated that the Group will be wound up. In accordance with normal business practices, the insurance policies of the Group will be placed into run off at this time. Insurance premiums arising from these policies represent a future expense of the Group. The Group expects the cost of commencing the run off insurance policies to be material however is not presently able to quantify the amount.

14.3 Contingent assets

14.3.1 Insurance recoveries of ongoing legal costs

The Group has expensed all legal costs incurred in respect of the Retained Litigation in the Consolidated Statement of Profit or Loss. The Group expects to recover an additional portion of these legal costs from insurers. The value of insurance recoveries is not quantified as it remains uncertain. Given the uncertainty, insurance recoveries are recorded in the profit or loss when received. No insurance recoveries were received since balance date and up to the date the financial statements were authorised for issue by Directors.

14.3.2 Insurance recoverable in relation to Endeavour River settlement

As noted above, in Note 14.1.2, Murray Goulburn intends to recover the Murray Goulburn funded portion of the Endeavour River settlement from an insurer third party.

Note 15: Financial risk management

(a) Market risk

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 bank deposits at 30 June 2019 are on deposit with multiple banking institutions. Applicable interest rates for bank deposits at 30 June 2019 ranged between 2.22% and 2.58%.

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 and bank deposits subject to variable rates, holding all other variables constant would be an increase/decrease in net profit of $1.4 million (2018: $1.2 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. Since the sale to Saputo, the nature of the Group's credit risk exposure has changed and principally arises from cash and cash equivalents held 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 of those assets as presented in the Consolidated Statement of Financial Position.

(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 minimum liquidity reserves in relation to operational activities;
- Managing credit risk relating to financial assets; and
- Only investing cash with major investment grade financial institutions.

(d) Fair value

The fair value of other financial assets and financial liabilities, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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 16: Remuneration of auditors

	June 2019 $	June 2018 $
(a) Auditor of the parent entity – PwC Australia:		
• audit and review of the financial report	195,000	1,545,000
• other assurance services	40,000	195,000
	235,000	1,740,000
(b) Network firms of PwC Australia:		
• audit and review of the financial report	14,400	66,253
• other assurance services	16,450	-
	30,850	66,253
Total remuneration of auditors	266,150	1,806,253

Note 17: Dividends paid or proposed

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

The Group has a franking account balance of $3 million (2018: $3 million). No events impacted the franking account during the year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18: Related Parties

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

(a) Directors of Parent Entity

There were no related party transactions with Directors during the year ended 30 June 2019.

During the year ended 30 June 2018:

- 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. The balance outstanding as at 30 June 2018 was $nil following their assignment to Saputo on 1 May 2018 and all transactions were on the same terms and conditions available to other supplier shareholders;
- Prior to their assignment to Saputo on 1 May 2018, there were 2 loans outstanding to Directors and their related parties, where the individual's aggregate loan balance exceeded $100,000 during the financial year end and $9,097 of interest was paid by Directors to 1 May 2018; and
- 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) compensation during the year was as follows:

	June 2019 $	June 2018 $
Total short term employee benefits (excluding annual leave)	1,521,410	7,817,148
Annual and long service leave benefits	68,642	95,772
Total remuneration	1,590,052	7,912,920

Note 19: Events subsequent to balance date

On 6 August 2019, a payment was made to fund a portion of the Endeavour River settlement as noted in Note 14.1.2. Except for the above, no other matters or circumstances have arisen between the end of the financial year 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.

Note 20: 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

The Directors of Murray Goulburn Co-operative Co. Limited declare that in the opinion of the Directors:

1. (a) the financial statements and notes for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position of the Group as at 30 June 2019 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (a) notwithstanding that the financial statements are not prepared on a going concern basis, 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	DC Grant
Chairman	Director

Melbourne

20 August 2019

Auditor's Independence Declaration

As lead auditor for the audit of Murray Goulburn Co-operative Co. Limited for the year ended 30 June 2019, 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.

Lisa Harker

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
20 August 2019

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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 2019 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's financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the 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.

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Emphasis of matter - going concern no longer appropriate

We draw attention to Note 1.2: *Significant accounting policies and corporate information, Non-going concern basis of preparation* in the financial report, which discusses the directors' intention to wind up the business upon the conclusion of the Retained Litigation. As a result, the financial report has been prepared on an orderly realisation of assets and liabilities basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

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 2019, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report.

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 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 the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors 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

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Lisa Harker

Lisa Harker
Partner

Melbourne
20 August 2019