



1 October 2015

Market Announcements Office
Australian Securities Exchange
Level 4
North Tower, Rialto
525 Collins Street
Melbourne VIC 3000

ELECTRONIC LODGEMENT

Dear Sir or Madam

Murray Goulburn Co-operative Co. Limited (Murray Goulburn) – Annual Report 2015

In accordance with the Listing Rules, I attach a copy of Murray Goulburn's Annual Report for the year ended 30 June 2015 for release to the market.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Fiona Smith'.


Fiona Smith
Company Secretary



Growing a 'first choice dairy foods company'

Devondale Murray Goulburn
Annual Report 2015





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Devondale Murray Goulburn* (MG) is Australia's largest dairy foods company. In 2014/15, the Company received approximately 3.6 billion litres** or 37 percent*** of Australia's milk and generated sales revenue in excess of \$2.87 billion. MG was formed in 1950 and remains 100 percent dairy farmer controlled, with more than 2,600 farmer/shareholders and more than 2,400 employees. MG is also Australia's largest dairy food exporter to the major markets of Asia, the Middle East and North Africa, and the Americas. MG produces a full range of dairy foods, including drinking milk, milk powder, cheese, butter and dairy beverages, as well as a range of ingredient and nutritional products, such as infant formula. The Company supplies the retail and food service industries globally with its flagship Devondale, Liddells and Murray Goulburn Ingredients brands.



* Devondale Murray Goulburn (also MG, the Company or the Co-operative) includes Murray Goulburn Co-operative Co. Limited ABN 23 004 277 089 and subsidiaries. Devondale Murray Goulburn's Annual Report can be viewed or downloaded from the Company's website www.mgc.com.au.

** Includes the southern milk pool, NSW/Sydney region and MG's majority owned subsidiary Tasmanian Dairy Products Co Pty Ltd.

*** Source: Revised Dairy Australia milk collection data released on 10 September 2015.

Our key achievements

Farmgate Milk Price (FMP)

Delivered Farmgate Milk Price (FMP) of \$6.02 per kilogram milk solids (kgms), the third highest FMP paid to MG suppliers and the second successive year of +\$6.00 per kgms FMP

NPAT

Net Profit After Tax (NPAT) of \$21.2 million, within MG's targeted NPAT range of \$20–\$30 million

Revenue

Revenue of \$2.87 billion, down 1.5 percent compared to last year, reflecting product mix optimisation in the face of declining commodity prices

Growth

Strong growth in the strategic 'ready-to-consume' Dairy Foods business with revenues of \$1.13 billion, up 29 percent on the prior year

Milk intake

Milk intake up 5.5 percent to 3.58 billion litres. MG now represents 37 percent* of Australia's total milk supply

Dividend

Final dividend of nine cents per share fully franked declared for shareholders, an increase on the eight cents per share unfranked on ordinary shares declared in 2014

* Source: Revised Dairy Australia milk collection data released on 10 September 2015.

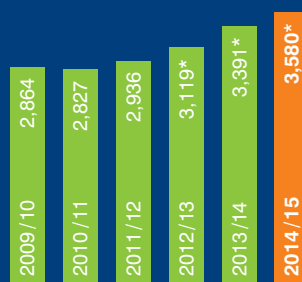
Performance overview

	Year ended 30 June 2015	Year ended 30 June 2014	Change (%)
Sales revenue (\$ million)	2,872	2,917	(1.5)
Reported statutory net profit after tax (\$ million)	21.2	29.3	(27.6)
Final available milk price (\$/kgms)	6.02	6.81	(11.6)
Ordinary dividend declared or paid – per share (cents)	9	8	12.5
Ordinary dividend declared or paid – total value (\$ million)	25.3	22.1	14.5

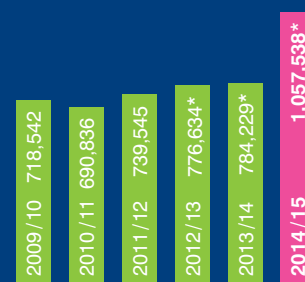
Sales revenue
(A\$ 000)



Milk intake
(million litres)



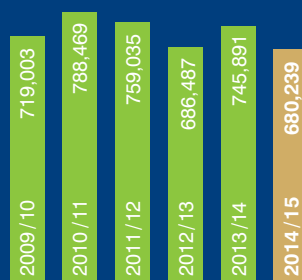
Production
(tonnes)



Total assets
(A\$ 000)



Equity
(A\$ 000)



2014/15 Sales revenue

FY15 \$2.9 billion
(including MG Trading stores)



● International 43% ● Domestic 57%

2014/15 Export volume

Total volume
FY15 317,800 tonnes



● Asia 79% ● Middle East/Africa 6%
● The Americas 6% ● Other 9%

* Includes MG's majority owned subsidiary, Tasmanian Dairy Products Co Pty Ltd.

From the Chairman

With the journey to restructure Devondale Murray Goulburn's (MG's) capital base complete, the co-operative is well placed to manage market volatility, pursue growth and deliver sustainably higher farmgate returns in the years ahead.



A strong performance in a volatile market

In a volatile trading year, your co-operative delivered a strong performance, despite facing a challenging global dairy market. Importantly for suppliers, MG delivered a final milk price of \$6.02 per kilogram of milk solids (kgms) on an available weighted average basis, the second successive year of a \$6.00 plus farmgate milk price (FMP).

The Board declared a fully franked final dividend of nine percent on ordinary shares.

Total payments to supplier/shareholders⁽¹⁾ for the year were more than \$1.6 billion, representing 58 percent of MG's sales, compared to 61 percent of sales last year. When combining the final milk price of \$6.02 with the dividend of nine cents per share, total payments to an eligible, shared-up supplier were on average \$6.11 per kgms⁽²⁾.

Revenue was \$2.87 billion, a 1.5 percent decrease compared to the prior financial year, a solid result in the face of declining commodity prices.

Net profit after tax was \$21.2 million, down from \$29.3 million in the previous year, but within our targeted range of \$20–\$30 million.

Pleasingly, MG's milk intake continued to grow strongly and was up by more than five percent to almost 3.6 billion litres. MG's share of Australia's milk pool is now 37 percent⁽³⁾, up from 36 percent⁽³⁾ a year ago with milk supply growing across all regions, except western Victoria/South Australia, which was down slightly due to seasonal conditions.

A new era for MG

During the financial year, MG completed the capital restructure, marking a new era for the business. After two years of discussion and consultation with suppliers, the capital structure proposal was put to the vote at an Extraordinary General Meeting (EGM) held in May and received overwhelming support from supplier/shareholders. More than 92 percent of votes were in favour of the capital structure, which was a remarkable result and demonstrates the strength of suppliers' support for the new structure and MG's growth and value creation strategy to deliver higher FMP and future returns.

I am enormously proud of the process undertaken to develop the capital structure and I thank all supplier/shareholders for their involvement and commitment. Supplier/shareholder input throughout has been critical to ensuring that the capital structure we now have is the right structure to serve MG. It gives the co-operative an efficient and effective capital structure and at the same time maintains 100 percent farmer control of the co-operative. It allows external investors to invest in MG via the MG Unit Trust, but achieves alignment and balance between supplier/shareholders' and unitholders' interests.

With the EGM completed, MG then moved forward with the various offers to eligible suppliers and external investors to invest in MG. The Supplier Share Offer (SSO) was the first offer to take place – giving eligible shareholders a one-off opportunity to acquire shares up to their share standard, before MG listed the MG Unit Trust on the Australian Securities Exchange (ASX). The SSO was well supported with more than half of eligible suppliers taking up the opportunity to buy shares and raising around \$50 million. Together with the Supplier Priority Offer, which was open to all MG suppliers to buy shares at the same price as units in the MG Unit Trust, \$62 million was raised from MG suppliers. This is without doubt the biggest one off contribution of equity from MG supplier/shareholders to the co-operative in our 65-year history, and I believe a very strong vote of confidence in MG's future.

On the back of this success, MG then raised \$438 million from external investors and via the Friends of Murray Goulburn Offer, which was open to residents of MG's dairy regions, existing and former suppliers as well as MG employees.

The subsequent Initial Public Offer (IPO) to buy units in the MG Unit Trust was fully subscribed, albeit at the low end of the indicative price range. The Board was very pleased to successfully complete the IPO particularly in light of the prevailing market sentiment at the time. Global events leading up to the IPO weighed heavily on financial markets across the world and MG's capital raising was not immune from this sentiment. In this market, we believe the strength of demand for units in the MG Unit Trust is testament to the quality of our business and a further endorsement of MG's growth and value creation strategy to maximise FMPs and future earnings.

(1) Includes the southern milk pool, NSW/Sydney region and MG's majority owned subsidiary Tasmanian Dairy Products Co Pty Ltd.

(2) Southern milk region supplier.

(3) Source: Revised Dairy Australia milk collection data released on 10 September 2015.

Most importantly, MG now has the capital it needs to deliver its plans to grow the business domestically and internationally. MG will now progress the key capital projects for dairy beverages, consumer cheese and nutritional powders, which will further increase MG's weighting towards higher value-add premium dairy foods and away from volatile bulk commodity markets and prices.

B and C Class Preference Shareholders

In preparation for the capital structure, the Board looked to further simplify MG's share structure, announcing a selective voluntary buy-back of B and C class preference shares and, following that, the consolidation and conversion of all remaining preference shares into non-voting shares.

In announcing the buy-back offers, the Board sought to find a path to recognise and acknowledge the connection many B and C class preference shareholders have to MG, but also to provide the opportunity for preference shareholders to realise the value of their shares, if they wished to do so.

The buy-backs were well supported with approximately 28 million preference shares bought back at a cost of \$34.9 million. MG funded the buy-back offers through a combination of available cash flow and financing facilities.

In determining the buy-back price of \$1.25 per share, the Board referenced the rights attached to B and C class preference shares, particularly with regard to dividends historically paid, and also took into account the amount received by A class preference shareholders as part of the selective capital reduction, which was announced in the prior financial year.

At the EGM in May, ordinary shareholders and remaining B and C class preference shareholders were subsequently asked to approve the consolidation and conversion of all remaining preference shares into non-voting shares based on a value of \$1.25 per preference share and at a conversion ratio based on the initial price of units in the MG Unit Trust.

In setting the price of \$1.25, the Board considered the rights attached to B and C class preference shares and also commissioned an Independent Expert's report, which concluded that the conversion of B and C class preference shares into non-voting shares was fair and reasonable to preference shareholders.

Ordinary shareholders and remaining B and C class preference shareholders voted strongly in favour of the conversion and all remaining preference shares on issue were converted into non-voting shares on 3 July 2015.

Community support

As in past years, MG has continued to support its dairying communities through a combination of donations and gifts in kind. We also continued our partnership with Foodbank to support its work to match the food industry's surplus food with the welfare sector's need, donating quality, nutritious dairy foods to supplement more than eight million meals for vulnerable Australians.

The MG team

Finally I would like to acknowledge and thank the team behind MG. To our Managing Director, Gary Helou, the executive leadership team and MG employees, thank you for delivering on the considerable agenda the Board set for 2014/15. To my fellow Directors, thank you also for your support and counsel throughout the year. I am indebted to you for your commitment and service to the business, particularly as we progressed the capital structure. I also want to extend my thanks to MG suppliers for your overwhelming support throughout the year.

Outlook

In looking to the future, we continue to believe in the solid fundamentals and prospects of the dairy industry. While commodity markets are notoriously difficult to predict, we expect the volatility we have seen over the past year in dairy commodity markets to continue to play out in the short term. In this environment, we believe MG has the right focus as it continues to execute its growth and value creation strategy to increase its exposure to value-added dairy foods and away from the volatility of dairy commodity markets and prices.



Philip Tracy
Chairman

Managing Director's Message

This past year has demonstrated more than ever that staying true to our ambition to become a 'first choice dairy foods company' and consistently executing our growth and value creation strategy is the path to delivering profitable growth and higher returns.



2014/15 was certainly a dynamic year for the co-operative as we completed the implementation of a capital structure that provides \$500 million in new capital to invest as we continue our journey to build a world-leading premium dairy foods company. We faced difficult market conditions affecting global dairy trade and managed our business to absorb significant falls in dairy commodity prices, and through it all delivered on our goal to maximise farmgate returns with a final milk price of at least \$6.00 per kgms for the second year in a row – a new record for MG.

Building a safe workplace

Safety continued to be a central focus for me and my management team during the year. Our safety performance has continued to improve year on year with Total Recordable Injury Frequency Rate (TRIFR) reduced by a further 33.8 percent to 14 per million hours worked. While I welcome this positive trend, achievement of 'GoalZero' remains ahead of us as we continue to focus on eliminating injuries from our workplace.

A solid performance in a volatile market

In reflecting on the year, it's difficult not to think in extremes. After finishing last year with a new record high FMP, we began 2014/15 with commodity prices trending down as international dairy commodity markets began what was to become a sharp and sustained decline, initiated by slowing demand in China, the world's largest dairy import market. This was further exacerbated when Russia, the world's second biggest dairy import market, placed a ban on dairy trade with the EU, USA and Australia.

In the face of these challenges, MG consistently monitored the situation and updated supplier/shareholders monthly regarding the opening weighted average available milk price of \$6.00 per kgms and the full year forecast. We did this to ensure suppliers were always up to date and could continue to plan for the season.

In this environment, it was very pleasing to be able to hold to a final price of \$6.02 per kgms, the third highest MG farmgate price on record. While the final price was lower than the 2013/14 record closing price, it was delivered in challenging circumstances and is further evidence that our growth and value creation strategy is supporting our efforts to maximise milk price in a variety of market conditions. During the second half of the year we also benefited from the moderating Australian dollar, which was welcome and supported our export business, particularly in the value added dairy foods segment.

Net profit after tax (NPAT) was \$21.2 million, down from \$29.3 million last year, but within our targeted NPAT range of \$20–\$30 million.

MG's revenue was \$2.87 billion, down 1.5 percent compared to last year, reflecting the challenges in international dairy commodity markets. Importantly, MG delivered strong growth in the strategic ready-to-consume Dairy Foods business, with revenues of \$1.13 billion up 29 percent on last year.

Farmers are investing to grow

MG's milk supply enjoyed another year of good growth and was 5.5 percent higher in 2014/15 to almost 3.6 billion litres. Milk collections grew across all regions, except the west (where dry conditions affected production). MG's milk intake continues to grow at a faster rate than the Australian milk pool, which grew by 3.8 percent during the year.

The continued trend of MG growing its milk intake is an encouraging sign for our business and shows that farmers are not only joining us, but are also growing organically through new investment on-farm, which is very pleasing to see.

Establishing a stable capital base for future growth

Perhaps the most significant milestone achievement for the year was the successful implementation of a new capital structure, which gives MG access to \$500 million in new funding to support our plans to drive growth and deliver higher farmgate prices and returns in the years ahead.

I am humbled by the strength of support supplier/shareholders showed for the capital structure. To have more than 92 percent of shareholders who voted, to vote in favour of the new structure at the Extraordinary General Meeting (EGM) held in May showed that MG's supplier/shareholders overwhelmingly share our enthusiasm for creating value by furthering MG's strategic shift towards value-add dairy foods and reducing our exposure to the volatility of the dairy commodity price cycle.

While implementation of the capital structure was the end of a comprehensive process of consultation and engagement for the co-operative over a two-year period, its completion also represented the dawn of a new phase for the business. We are now moving to invest and bring online the key projects in dairy beverages, consumer cheese and nutritional powders, which will help us to better connect with and serve domestic and international customers.

These investments will help further MG's shift away from the volatility of the commodity price cycle to more stable dairy foods. MG has already made significant progress in actioning this shift with more than \$1.13 billion of our revenue now derived from dairy foods as opposed to commodity ingredients. The planned investments will shift the dial further in favour of ready-to-consume dairy foods and in the process help to 'future-proof' MG against the volatility of future dairy commodity price swings.

MG continues to transform

While the capital structure took centre stage across most of the year, behind the scenes great progress was made to deliver previously announced investments, programs and initiatives.

We began the financial year with the official opening of MG's two new, state-of-the-art chilled milk processing plants at Laverton in Melbourne and Erskine Park in Western Sydney.

MG has invested \$160 million to build both plants. They are now fully operational and producing Devondale branded daily pasteurised milk, as well as supplying Coles supermarkets with private label milk in Victoria and NSW.

Both sites have set a new benchmark for use of world-leading technology and quality standards and have helped to position MG as the nation's most efficient producer of daily pasteurised milk.

MG also completed the first phase of its \$38 million investment announced last year to increase capacity for production of nutritional powders, such as infant and follow-on formula, to meet growing international demand for nutritional products.

The \$14 million investment at Edith Creek to build a small format cup and bottle filling line to support delivery of a range of dairy beverage products for consumer markets is on track, with completion expected later this year. At Cobram, the \$74 million investment to build the first stage of a world-class cut and wrap consumer cheese facility to serve Australian and Asian retail and food service markets is progressing well.

MG also continued to progress 'Program Evolution', a strategic initiative to integrate and simplify business processes and systems across the business. Program Evolution will bring a holistic approach and global view to MG's technology platforms, systems and processes with the aim of streamlining and standardising business processes by removing complexity and eliminating duplication and manual effort.

Investing in MG's business in Australia and internationally

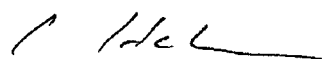
To support brand presence and build awareness, in November MG launched new bilingual metallic packaging and pack sizes for its UHT range in China and Vietnam. The packs were designed based on consumer research and feedback and cover the 200ml and one litre range, as well as associated family gift packs.

In both China and Vietnam, the new premium metallic Devondale packaging has been well received, particularly in China, where it is now helping to secure Devondale's position among the top three imported UHT milk brands.

Towards the close of the year, MG announced it had made the strategic acquisition of Caboolture cheese – the market-leading cheese shred brand in the Australian food service channel. MG has integrated Caboolture into its growing food service business, strengthening our position in that market channel.

In closing, I would like to pay tribute to the MG team who at every level of this great business work with energy and passion to deliver results and drive MG's success. I would also like to acknowledge and thank MG's Board of Directors whose counsel and experience I value greatly.

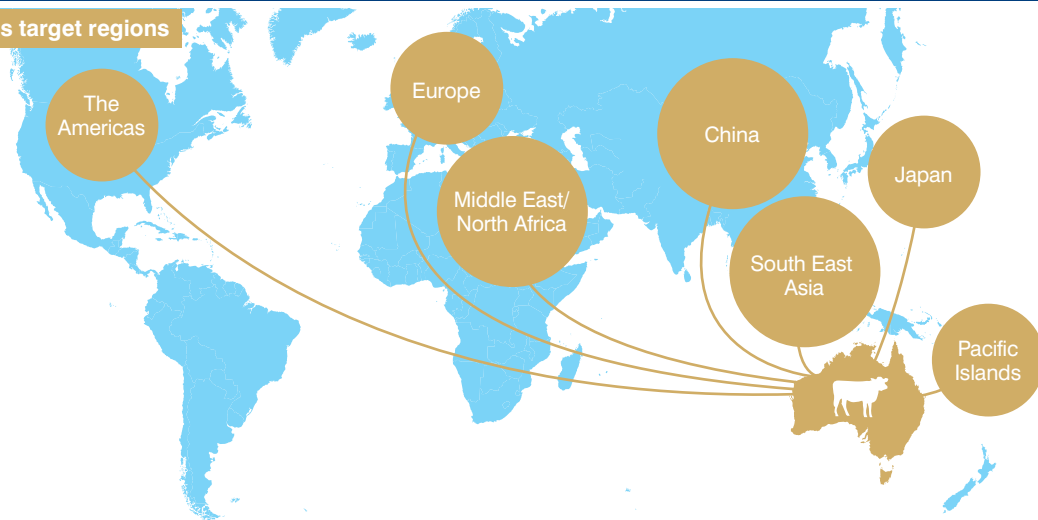
Finally, to the farming families across eastern Australia and Tasmania – who entrust MG with their milk – thank you for your ongoing support, particularly as we worked through the process to develop the right capital structure for the future of this great co-operative.



Gary Helou
Managing Director

Australia's largest dairy foods company

Murray Goulburn's target regions



**FY15
Milk volume**
3.6 billion litres



**Australian milk
in FY15**



**FY15 statutory
Available FMP**
\$6.02 per kgms



**FY15
Domestic revenue**
\$1.6 billion



**FY15
Export revenue**
\$1.3 billion



Australia

- Processing Plant
- Head Office
- Logistics Centre
- Devondale Milk Collection Area
- Murray River
- Goulburn River
- Tasmanian Dairy Products Processing Plant (Joint Venture)
- Major City

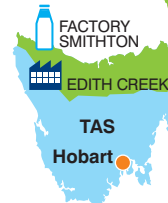


Processing sites
AUSTRALIA
Victoria – 7
New South Wales – 1
Tasmania – 2⁽²⁾
CHINA
Qingdao – 1

Farmers
2,600+



Employees
2,400+



(1) Source: Revised Dairy Australia milk collection data released on 10 September 2015.

(2) Includes Tasmanian Dairy Products Co Pty Ltd's (TDP) Smithton processing facility. TDP is majority owned by MG.





Our diverse product mix

Over its 65-year history, Devondale Murray Goulburn has built an enviable reputation as Australia's leading producer of quality dairy foods, made from farm fresh Australian milk, produced by dairy cows that graze on fresh green pastures every day.

Dairy Foods brands



Murray Goulburn's flagship consumer brand, Devondale, is the only dairy brand sold in Australia that spans the key dairy categories of milk (including daily pasteurised and long life milk), butters and spreads, cream and cheese. Devondale also has a recognised international presence.



The Cobram brand took on a new look and feel in 2015. The bold new look logo coupled with innovative formats and experimental flavours will set it apart from other snacking cheeses.



The Liddells brand is comprised of lactose-free cow's milk products, including long life milk, long life cream, ice-cream, cheese and yoghurt.



Il Migliore is a premium range of Italian style cooking cheeses inspired by delicious, authentic Italian recipes. The range includes a new to market 5 Blend and authentic Italian Grana Padano which is aged for a minimum of 14 months.

Caboolture

Caboolture has been one of Australia's leading producers of mozzarella and pizza cheese for over 20 years and was recently acquired by Devondale Murray Goulburn to add to the food service portfolio.



Table Cove is a specialty UHT milk brand for export markets. Focusing on being 'Naturally from Australia', Table Cove aims to be Murray Goulburn's secondary brand in export markets.



A range of fresh dairy products including milk, flavoured milk and cream sourced locally, produced locally and sold predominantly locally.



The Proform Nutrition and Energy range includes formulated meal replacement and supplement products for people in need of nutritional assistance such as aged-care patients, hospital patients and individuals cared for in-home.



The ASCEND Proven Sports Proteins brand is comprised of products containing unique bioactive proteins, which have been identified by Murray Goulburn Nutritionals in conjunction with independent research partners, for high performance athletes.

Ingredients and Nutritionals brands



Murray Goulburn's flagship dairy commodities and ingredients brand, Murray Goulburn Ingredients, is a leading global supplier of functional and nutritional dairy requirements.

NatraStart™

NatraStart is used for a range of infant nutrition products, which are marketed and distributed through Murray Goulburn's subsidiary Murray Goulburn Qingdao in China. This includes a range of locally blended and packed infant nutrition products.

Our vision

At Devondale Murray Goulburn (MG), our vision is to be the 'first choice dairy foods company' for farmers, customers and consumers. To support our ambition, MG is focused on executing a growth and value creation strategy to increase its weighting towards higher value-add premium dairy foods and away from the volatility of bulk commodity markets and prices. We believe delivery of a \$6.02 per kgms available FMP in 2014/15, despite challenging trading conditions, is evidence of a sound strategy at work.



Our strategy



MG's growth and value creation strategy has two important focal points – operational excellence and innovation – which guide where we focus our efforts to drive improved performance and build value for the benefit of our stakeholders.

Operational excellence

Operational excellence is about delivering and sustaining business efficiency and cost leadership and involves investing in modern, flexible and globally competitive dairy food manufacturing and supply chain infrastructure.

In practice, it ensures that MG is focused on reducing internal business costs through active cost and efficiency management. It has also led to significant investment in world-leading dairy food processing and automation technology to provide enhanced and more efficient processing capability, and has improved MG's flexibility to adapt to changing customer and consumer demand.

Since 2012, MG has invested \$229 million to upgrade existing UHT, butter, cheese and infant nutrition processing facilities and to build state-of-the-art liquid milk processing plants in Melbourne and Sydney. In addition, more than \$100 million in annualised cost savings and improved margins have been delivered to suppliers via higher farmgate returns.

With the capital structure now completed, MG is poised to embark on the next phase of its 'operational excellence' plan, which will see further investment of between \$550 million and \$635 million in three key capital projects (*Information about MG's investment plans can be found on page 15, Investing for Growth.*)

Innovation

The second focal point guiding MG's growth and value creation strategy centres on innovation. At MG, innovation is not only propelling our ongoing shift to value-added products in the key growth categories we are targeting – nutritional powders, consumer cheese and dairy beverages – but is also driving us to innovate to maximise opportunities in new markets, supply channels and food categories.

Innovation from new product development and packaging ideas to expanded distribution channels, is critical to ensuring we optimise our product mix and market reach. MG aspires to be the supplier of choice for consumers, retailers, food service sector and ingredients customers across Australia, Asia and the Middle East.

To date, as part of its focus on innovation, MG has revitalised its Devondale and Liddells brands, as well as developed new brands to meet consumer needs and is building significant capabilities to deliver the products required by current and new customers and consumers in Australia and international markets.

Strategy in action

Since embarking on its growth and value creation strategy in 2012, MG has been increasing its weighting towards retail and food service dairy foods, nutritional powders and value-added products. This increased focus on dairy foods and value-added products is reducing MG's reliance on volatile bulk commodity markets and prices.

In FY12, value-added products represented approximately 39 percent of MG's revenue, while by FY16 they are expected to grow to 61 percent. This is a significant increase in the higher-returning and less volatile dairy foods business, and a key driver of MG's ability to continue to achieve an Available Southern Milk Region FMP of at least \$6.00 per kgms in FY15 despite falls in international dairy commodity prices.



His favourite friend. Their favourite food.

Devondale's stretchy Mozzarella is perfect for cooking and it comes in a convenient shredded format so you can sprinkle it, mix it or stir it.

Investing for growth



MG is investing in world-leading, low-cost manufacturing capability to produce tailored dairy products for customers and consumers across international and domestic markets.

Since embarking on the journey three years ago to transform MG's manufacturing capability and capacity, MG has invested more than \$229 million to upgrade existing dairy processing facilities and to build state-of-the-art liquid milk processing plants in Melbourne and Sydney.

These investments, combined with the successful completion of the capital structure, will continue to drive MG's shift to value-added products in the key growth categories of nutritional powders, consumer cheese and dairy beverages to support growth and deliver higher FMP than would otherwise have been able to be paid.

Capital structure completed

By early July 2015, MG had completed the final phase of the capital structure and successfully raised \$500 million in new capital through the issue of units as part of the IPO and the SSO and the Supplier Priority Offer.

The completion of the capital structure was a milestone achievement for the business and has given MG access to the capital it needs to invest in key projects to deliver world leading manufacturing and supply chain capabilities to help us better connect with and meet the needs of domestic and international customers.

In the year ahead, the focus is on the three strategic capital projects which, once fully operational, are expected to deliver returns that materially exceed MG's cost of capital and deliver an increase in the Company's Actual Weighted Average Southern Milk Region FMP and Milk Pool.

Planned capital projects

Description	Approximate capital cost	Commencement (construction period)
Nutritional powders* Increases capacity and enables production of formulas that are more complex and attract higher margins	\$260 million – \$300 million	2016 (24 months)
Dairy beverages Reduces UHT production costs and improves high volumes capability to meet expected international demand	\$165 million – \$190 million	FY2016 (18 months for stage 1)
Cheese Reduces operating costs and increases output and innovation capability in consumer and food service cheese applications	\$125 million – \$145 million	2015 (18 months – initial investment)

* The nutritionals investment will commence when sufficient off-take commitments are received from major global food customers.

Investing for growth



The commissioning of the two new milk processing plants has helped position MG as the nation's most efficient producer of daily pasteurised milk.

Commissioning new capacity and building capability

MG began the 2014/15 financial year 'switching on' its new state-of-the-art chilled milk processing plants, firstly in Melbourne and then in Sydney. The plants are world-leading and utilise the latest in milk processing and filtering technology. They operate at high speed with minimum labour and energy requirements and have propelled MG to become the nation's most efficient producer of daily pasteurised milk.

MG also completed the first phase of its \$38 million investment announced last year to increase capacity for production of nutritionals to meet growing international demand for nutritional powders such as infant and follow-on formula. This new capability at our Koroit plant led to 30 new nutritional products and formulations being designed to meet customer specifications.

The \$14 million investment at Edith Creek to build a small format cup and bottle filling line to support delivery of a range of dairy beverage products for consumer markets is on track, with completion expected this calendar year.

At Cobram, a \$74 million investment to build the first stage of a world-class cut and wrap consumer cheese facility to serve Australian and Asian retail and food service markets is progressing well.

MG also announced during the year a strategic initiative to integrate and simplify its business processes and systems, end to end. Program Evolution, as it is known across MG, will bring a holistic approach and global view to MG's technology platforms, systems and processes with the aim of streamlining and standardising business processes by removing complexity and eliminating duplication and manual effort.

Key risks

There are a number of general risks that apply to all participants in the dairy industry which are beyond the control of MG, such as climatic and environmental risks.

In addition, principal finance risks associated with MG include adverse exchange rate fluctuations, volatility of commodity prices, failure to grow or a reduction in milk supply and failure to maintain a sustainably competitive FMP.

Further information in relation to general and financial risks is included in the MG Unit Trust Product Disclosure Statement, which can be accessed via the investor centre on MG's website: www.mgc.com.au/investor-centre.

Year in review

MG Dairy Foods



A year of double-digit sales growth for MG Dairy Foods in domestic and international markets as MG continued its strategic shift towards ready-to-consume dairy foods.

Dairy Foods revenue grew

29%

in 2014/15

MG Dairy Foods includes all consumer and food service sales, in both domestic and international markets. MG Dairy Foods main brands are Devondale and Liddells. The business supplies large retail grocery chains and food service distributors with dairy foods such as dairy beverages (chilled and UHT milk), cheese, butter, cream and instant milk powder. It supplies into Australia, China and markets throughout South East Asia, the Middle East and the Pacific.

MG Dairy Foods delivered another strong year of growth with revenue up 29 percent to \$1.13 billion and a segment contribution to profit of \$47.5 million.

Dairy Foods Australia

Dairy Foods Australia delivered double digit net sales and volume growth, despite domestic trading conditions continuing to be very competitive. The strong growth was underpinned by MG's entry into the chilled milk category in July 2014 and excellent growth in the food service channel, driven by organic growth in cheese and supported by the acquisition of Caboolture, the market-leading food service cheese shred brand.

During the year, MG invested in a number of packaging and product formulation innovations to support ongoing growth. MG's consumer cheese presence was expanded into the cooking and snacking categories with the launch of Cobram cheese snacks and Il Migliore premium Italian cooking cheeses. The Liddells cheese range performed well after being launched last year and national ranging across major retail chains of Devondale butter has assisted Devondale to regain share of the butter and butter blends category.

MG's Devondale branded chilled milk was launched to Coles supermarkets nationally during the year and has made good progress establishing a small but growing share of a congested category. Devondale milk powders also performed strongly in the retail channel.

MG's ongoing commitment to product quality and excellence was rewarded during the year with a number of brands winning prestigious awards:

- Devondale 250g Salted Butter was crowned 'Australia's Champion Butter' in the 2015 Australian Grand Dairy Awards as Australia's best tasting butter;
- Devondale Cream won the Best Dairy Packaging Innovation award at the 2015 World Dairy Innovation Awards in Amsterdam for its new 'easy pour and seal' lid; and
- Devondale Colby Cheese 1kg won the best-tasting semi-hard cheese at the National Dairy Awards.

Year in review

MG Dairy Foods



MG continues to expand its international dairy foods product portfolio and presence in key markets across Asia and the Middle East.

Devondale
UHT milk is a

top 3

imported brand
in China

Dairy Foods International

The growth in consumer and food service demand for Devondale branded dairy foods in international markets continued in 2014/15, with double digit growth in net sales revenue. Volumes kept growing despite the business experiencing strong competition and aggressive pricing on the back of the fall in global dairy commodity prices. The competitive landscape was further exacerbated by the bans on European trade in Russia, leading to European dairy products reaching Asian markets in larger volumes than has historically been the case.

In response to the changed trading landscape, MG invested further behind its flagship Devondale brand, expanded its export dairy foods product portfolio and established a presence in a number of new markets with distribution expanded to the Philippines, East Malaysia, Brunei, Egypt and Lebanon to support future growth.

In MG's largest export markets, China and Vietnam, new premium metallic Devondale consumer packaging for UHT milk was launched and well received, particularly in China where it is now helping to secure Devondale's position among the top three imported milk brands.

MG also invested behind a social media and in-store sampling campaign in Vietnam, which drove strong sales growth in the general trade channel, and in China, promotional activity drove sales across both e-commerce and retail channels.

Additionally, a range of new consumer and food service products were launched into key export markets, including Devondale cream cheese, UHT cream and butter, significantly helping to expand our presence and widen distribution, especially in the food service channel.



Their Saturday morning stack. Their accompaniment.

Devondale cream is a great addition to any meal and is now easier to use than ever before thanks to its new award winning 'easy pour and seal' lid.





She's discovering
the world. Her mum's
discovered NatraStart.

MG's NatraStart range of infant formulas and growing up milk powders are specially designed by MG Nutritionals to deliver the essential nutrients babies, toddlers and young children need to grow and develop.



Year in review

Ingredients and Nutritionals



Strong growth in MG's value-add nutritionals business has played a pivotal role in helping to offset the impact of the volatility in core commodities.

30

new nutritional
products were
designed and
formulated

MG's Ingredients and Nutritionals business is a globally recognised supplier of bulk and customised dairy ingredients and infant nutrition products to the key markets of North Asia, South East Asia, Australia, Sri Lanka and USA. With a long established presence as Australia's leading dairy supplier, MG's Ingredients and Nutritionals products are well known and trusted in the global market.

In contrast to the prior financial year, which had seen dairy commodities trade at record highs, in 2014/15 the Ingredients and Nutritionals business faced a rapidly deteriorating trading environment, with global dairy commodity prices significantly lower.

As a result, revenue for the Ingredients and Nutritionals business segment was down 18 percent to \$1.34 billion compared to the prior year, and segment contribution to profit was 74 percent lower at \$30.6 million.

The decline in revenue and segment contribution was driven overwhelmingly by weaker global commodity prices, partially offset by a more favourable foreign exchange rate in the second half of the year and growth in MG's value-add Nutritionals business which delivered double-digit sales growth for the year.

MG's Nutritionals business is focused on the manufacture of value-add nutritional base powders as well as fully formulated nutritional powders packed in cans under the MG brand 'Natrastart'.

The development of value-add nutritional products and the completion of the first phase of our latest investment in MG's nutritional and infant formula business played a pivotal role in offsetting the impact of the volatility of core commodities, with 30 new nutritional products and formulations designed to meet customer specifications.

MG has been Australia's largest exporter of dairy products for more than 50 years and many of our customers have been with MG for decades. Reflecting the maturity of these long-standing customer relationships, MG is also partnering with customers to design dairy products to meet individual customer specifications and increase our presence in the specialised ingredient categories, where we can leverage our dairy foods knowledge and capability to drive growth in the Ingredients business.

A number of optimised, specialised ingredient products were developed during the year, including the development of cream cheese and mineral whey products destined for Japan, and a number of nutritional products, including base powders for use in growing up milks and fully formulated canned product for customers in Australia, New Zealand and Asia.

Additionally, MG has also focused on securing long term supply contracts with ingredient customers and actively allocated milk to the best returning products to further mitigate downside commodity price risk and reduce exposure to market volatility. During the year, MG signed new long term supply agreements with leading nutritional manufacturers for the manufacture of nutritional base powders for delivery through to 2017 and beyond.

Year in review

Other business segment



MG Trading plays an important role in rural communities stocking a wide range of rural inputs and providing access to agronomic, nutritional and dairy services advice.

MG Trading:

25

stores and
6 fertiliser
depots

In addition to its Dairy Foods and Ingredients and Nutritionals business segments, MG also operates a number of wholly owned businesses and subsidiaries. These include MG Trading, a commercial milk broking business, ProviCo and a number of joint ventures.

MG's wholly-owned Other Businesses and Subsidiaries contributed revenue of \$538.5 million for the year, down 2.6 percent versus the prior period and segment contribution to profit of \$9.6 million. Segment contribution growth was driven primarily by a continued focus on cost management across MG's network of trading stores and improved margins in commercial milk sales.

MG Trading

MG Trading operates a network of 25 stores and six fertiliser depots across Australia's south-east dairy regions, including Tasmania. The stores stock a wide range of rural inputs, including general merchandise, fertiliser, feed, fuel and dairy equipment, as well as providing access to agronomic, nutritional and dairy services advice.

In addition to the supplier discount offered on a selected range of products, MG Trading also offers MG suppliers access to a competitively priced fuel delivery service in partnership with Reliance/BP, tailored dairy farm insurance in conjunction with Marsh Advantage Insurance and discounted energy, via a continued partnership with Momentum Energy.

During the year, MG Trading expanded its store network to Tasmania for the first time, acquiring two rural merchandise stores in Deloraine and Smithton from Agricorp Pacific. The stores have been rebadged MG Trading and are now offering a wider range of merchandise and specialist dairy equipment and advice.

Revenue from MG Trading stores grew steadily during the year as a result of a strong focus on improving customer service, margin and cost management, the addition of two new stores and the relaunch of the 'Blue Tag' catalogue campaign offering specials during the months of June and July, which drove increased store traffic and sales.

ProviCo

ProviCo animal nutrition products are formulated to cater for the special dietary and nutritional requirements of young animals. Quality ingredients are selected to support their performance orientated and cost effective range of nutritional and healthcare products to rear strong and healthy animals.

In June 2015, MG acquired 100 percent of ProviCo to support its plans to grow the animal nutrition and healthcare offering across the dairy and broader livestock industry.



Secretly aspiring chefs. Their secret ingredient.

Whether you're baking or spreading, there is a premium quality Australian Devondale butter to suit everyone.



Year in review

Other business segment



MG has an ownership interest in a number of joint venture partnerships, including with French food company, Danone and Japanese multinational, Mitsubishi Corporation.

Commercial milk sales

MG's milk collection operation manages and operates a commercial milk broking business that buys and sells milk from other dairy processors in Victoria, SA and NSW. As Australia's largest dairy foods company, MG has the geographic processing footprint across key dairy regions to provide a commercial milk broking service to the Australian dairy industry.

The volume of milk traded varies from year to year and is influenced largely by seasonal conditions. In 2014/15, the volumes of milk traded were lower than the prior year reflecting drier conditions in northern and western Victoria.

Joint venture partnerships

MG also has an ownership interest in a number of joint ventures. These include joint venture partnerships with French food company Danone, to manufacture and market yoghurt and other fresh dairy products in Australia; Dairy Technical Services Food Laboratories (DTS), which is owned by members of the food industry, including MG, and provides independent, analytical services to meet food safety needs; and Tasmanian Dairy Products (TDP) – a dairy processing joint venture with Mitsubishi Corporation in north-west Tasmania, with MG owning a 76 percent interest.

Historically, TDP has been supplied milk directly by its own suppliers. From 1 July 2015, MG and Mitsubishi Corporation have agreed that MG will supply milk to TDP. In light of the new arrangement, TDP suppliers were invited to join MG and enter into new milk supply agreements, with effect from 1 July 2015. Ninety-nine percent of TDP suppliers took up this option and are now MG supplier/shareholders.

Year in review

Safety



Underpinning our GoalZero vision are five safety principles that set the tone for our approach to safety and guide our safety programs.

These make it clear that at MG:

- Everyone is responsible for leading safety.
- All injuries are preventable.
- Working safely is a condition of employment.
- Employee involvement in safety is a must.
- Training all employees to work safely is essential.



At MG, there is nothing more important than the safety and wellbeing of our people, suppliers, contractors and visitors. Our safety vision is GoalZero, which aims to eliminate injury from our workplaces through building a robust safety culture, setting clear expectations around safety and backing this up with investment to build safer workplaces and provide our people with the training, tools and information they need to work safely.

As we enter the third year of our GoalZero journey we have made considerable progress, reducing our TRIFR from 50.2 to 14.5. Despite this progress, we continue to prioritise and focus on improving our safety record until we achieve our goal of zero injuries.

From the Board through to our operating sites, everyone at MG has a vested interest in improving MG's safety performance because we know that workplace injuries not only have a significant impact on our business, they also have a major impact on the lives of our people, families and communities.

During 2014/15, MG continued to implement a number of key safety initiatives, including the annual GoalZero Safety Leadership training program for all employees and the Company-wide one-hour 'Stop for Safety' program, which requires everyone, everywhere at MG to stop work and focus on safety. These initiatives have been invaluable in focusing business leaders and employees attention on the importance of safety at MG and the role everyone must play to reach GoalZero.

In addition to these annual safety events, each year, MG commits to a program of safety investment, training and process improvements to support our commitment to GoalZero. During the year, this program included:

- Achieving certification at Leongatha and MG's head office at Freshwater Place in Melbourne to AS4801 (Safety) certified management system, bringing MG into line with industry best practice.
- Implementation of a new intranet hub so that employees across MG can readily access up to date and important health and safety related data, procedures, policy and information.
- Development and implementation of a new Company-wide incident management system to log incidents and track investigations and actions.
- Development and distribution of injury management and return to work information packs for site-based leaders.
- Completion of a Company-wide confined space identification and labelling assessment and development of an information storage database.
- Completion of a range of compliance safety training programs covering more than 25 key safety areas, including ammonia awareness, working with chemicals, working at heights, managing spills management, first aid and management of underground and above ground storage tanks.



Spending the afternoon together. Their afternoon snack.

Devondale's Smooth Tasty All-Rounder is the perfect cheese – strong enough for mum and dad, but also smooth and mild for the kids.



Year in review

Our people



Attracting and retaining skilled and motivated people is an ongoing focus for MG, particularly in rural and regional Australia where our processing sites, trading stores and the majority of our people are located.

More than
2,400
people support
MG's business
in Australia and
internationally

MG employs more than 2,400 people across 11 sites in south eastern Australia, at our processing plant in Qingdao, China, and via our sales offices located throughout Asia and the Middle East.

MG's People and Culture function is responsible for supporting MG's people and the broader business to become an 'employer of choice' and is accountable for delivering human resources practices that support MG's vision and strategy and for creating an environment within MG where leaders are confident in attracting, developing and retaining staff; employees are engaged and performing; and highly capable people want to work with MG.

Each year, a number of strategic people initiatives and plans are implemented to support MG's vision to become a 'first choice dairy foods company' and are an integral part of the Company's efforts to align people's contribution to MG with our overall goals and objectives.

During the year, implementation of MG's performance management process and system was completed to align personal work goals to company objectives. It enforces a standardised methodology for performance management across the business and includes a comprehensive calibration process.

To further support people performance and attract highly capable people, a new Remuneration Framework was approved by the MG Board of Directors. The Framework is designed to ensure that MG has a competitive remuneration offering to attract and retain skilled and experienced people to our business.

An online Employee and Manager Self-Service system was also implemented, which eliminates a number of previously paper-based processes. Functionality includes electronic leave requests and payslips, access to online pay history and the ability to electronically implement changes to personal and employee information, saving time and administrative burden. An insourced/outourced model for grievance and performance-related case management was also developed during the year to ensure employees with concerns receive timely, professional support.

MG conducted the first Company-wide Employee Engagement Survey to establish a baseline of people sentiment. The voluntary engagement survey had an excellent participation rate of 77 percent – a strong indication that MG people want to share their experiences and ideas with MG management. The survey results will provide an opportunity for management to understand engagement levels and determine improvement actions based on the feedback.

Significant work was also done to build relationships and successfully negotiate new agreements with union representatives. Agreements for 2014 National Union of Workers (NUW) Production, 2014 Edith Creek Enterprise Agreements and 2014 Reliability (Electrical Trades Union (ETU) and Australian Manufacturers Workers Union (AMWU)), were negotiated and supported by employees via the formal voting process. The latter agreement followed a sustained period of bargaining during 2014, including industrial action that MG reported to its supplier/shareholders at the time. The satisfactory completion of these agreements is a welcome outcome, particularly as MG embarks on its next phase of investment in key capital projects.

Year in review

Our farmer/suppliers



At MG, supporting our suppliers to be profitable and sustainable is a key objective, not only through delivering a high FMP, but by providing unique and tailored support services that meet the needs and challenges of the industry.

Field services made

9,400

farm visits in
2014/15

Growing milk supply

During 2014/15, through a combination of existing suppliers growing production and new suppliers joining MG, milk supply received ex-farm increased by 5.5 percent to almost 3.6 billion litres, including the southern milk pool, the NSW/Sydney region and Tasmania⁽¹⁾. This represented strong growth when compared to Australia's national milk pool which grew by 3.8 percent. MG now represents 37 percent⁽²⁾ of Australia's total milk supply.

Importantly, milk supply grew across all supply regions, with the exception of the western region. In northern Victoria and southern Riverina milk intake was up 0.5 percent and Gippsland was 6.6 percent higher. The western region, which includes western Victorian and South Australia, was down 1.8 percent due to the early finish to spring combined with a late autumn break, which negatively impacted on milk production.

MG's entry into the NSW/Sydney region in mid-calendar 2013 continues to be very positive with almost 200 million litres per annum now collected from 180 suppliers in this important market. Milk supplied via MG's joint venture with Tasmanian Dairy Products was also higher growing by nearly 24 percent on the year prior.

Field Services providing one-to-one farm care

MG's highly skilled and passionate Field Service Officers provide personalised on-the-ground technical support to over 2,600 MG suppliers throughout Victoria, Tasmania, New South Wales and South Australia. Support includes working with suppliers to maintain a high-quality milk supply, assist them with on-farm financial planning and human resources, and share knowledge and understanding of opportunities and options available to them.

During 2014/15, the Field Services team made more than 9,400 visits to suppliers to provide advice and support with the aim of enhancing the profitability of their farm businesses and facilitating various loans.

Next Generation supporting a strong dairy industry

MG's Next Generation package of initiatives is designed to assist new and established MG suppliers tackle key challenges and make the most of business opportunities – from getting established as a dairy operator and developing a workforce, through to managing a sustainable business and succession of the family farm.

Workforce Support

MG's Workforce Support provides suppliers with access to employment and immigration resources to address labour market shortages, including immigration advice to assist MG suppliers recruit farm employees. During the year, MG Workforce Support recruited 27 migrant employees for MG farms and assisted suppliers in 57 applications being made to the Department of Immigration to enable employment of overseas skilled labour.

(1) Includes MG's majority owned subsidiary, Tasmanian Dairy Products Co Pty Ltd.

(2) Source: Revised Dairy Australia milk collection data released on 10 September 2015.



Aussie dairy farmers are an innovative bunch.

Liddells has been creating delicious lactose free products since 1996. Made from the goodness of farm fresh Australian milk, Liddells offers a wide lactose free range, including fresh milk, cream, cheese, custard and yoghurt.





Sustainable pastures. Better quality products.

Devondale chilled milk is produced with care, love and attention because the farmers who make the milk control the company that sells it...so it's in their interest to give Australians the best tasting milk possible.



Year in review

Environment and sustainability



At MG, we are committed to building a sustainable business and continually look for opportunities to minimise environmental impact and reduce waste.

MG has reduced greenhouse gas emissions by

12.4%

since 2009

A sustainable business into the future

At MG, we operate using an Environmental Management System (EMS) to ensure effective monitoring, measurement and control of key environmental focus areas: environmental noise, air emissions, odour, surface water, land and groundwater, waste, energy use, water use, flora and fauna, and greenhouse gas. In 2014/15, significant progress was made in further developing our EMS, including achieving certification of our EMS at head office and our Leongatha milk processing site to the international standard ISO 14001. Following this success, a staged roll-out for the certification of our other sites is planned.

MG has also decreased its energy use and greenhouse gas emissions. From 2009 (the year MG commenced reporting under the National Greenhouse and Energy Reporting Scheme) to 2014, MG's annual greenhouse gas emissions decreased by 12.4 percent, from 649,461 to 568,797 tCO₂-e⁽¹⁾. During 2014/15, this trend continued through implementation of several energy efficiency projects, including the conversion of four steam boilers from brown coal to natural gas across our Leongatha and Cobram sites, completion of a lighting upgrade at Leongatha and a range of steam fuel efficiency improvements at Koroit.

Collaboration with stakeholders

In 2014/15, as part of our commitment to sustainable performance, MG continued to work with a range of stakeholders to drive awareness and build shared commitments to sustainability.

At an industry level, MG is a key participant in the Australian dairy industry's Sustainability Framework. The Framework takes a whole-of-chain approach; aiming to enhance livelihoods, improve community and animal wellbeing, and reduce the industry's environmental impact. MG serves on the industry Steering Committee and was active in the development of the goals, objectives and targets.

Through the Supplier Ethical Data Exchange (SEDEX), MG collaborates with several of its major customers. SEDEX is dedicated to driving improvements in responsible and ethical business practices in global supply chains. MG reports using SEDEX to demonstrate performance in the areas of labour, health and safety, business ethics and the environment.

MG supports the Forest Stewardship Council (FSC®) through the procurement of its Tetra Pak® paperboard packaging for our UHT products. The FSC's mission is to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests. MG's support for FSC certified packaging has grown significantly from 44 million FSC labelled packs in 2013/14, to around 218 million packs in 2014/15.⁽²⁾

Since 2007, MG has been a signatory to the Australian Packaging Covenant (APC). The APC is a sustainable packaging initiative that aims to change the culture of business to design more sustainable packaging, increase recycling rates and reduce packaging litter. During 2015, MG was recognised for its efforts to achieve the goals of the APC by winning an APC award for 'Innovation and Collaboration'; this followed on from receiving APC's 'Most Improved' award in 2014.

(1) Source: MG's Annual National Greenhouse and Energy Reports, 2009 and 2014 (verified by Deloitte).

(2) Source: Tetra Pak.

Board of Directors

Philip W. Tracy

BEc/BComm, CA, SIA, GAICD

Chairman, Supplier Director



Philip W. Tracy was elected to the Board of Murray Goulburn in 2009 and elected Chairman in 2011. He is also Chairman of the Remuneration and Nominations Committee and a member of the Supplier Relations Committee.

Philip is a dairy farmer, milking over 2,000 cows in South Gippsland, Victoria.

He is a chartered accountant and has a Bachelor of Economics and Commerce and is a Graduate Member of the Australian Institute of Company Directors.

Gary Helou

BE (Hons), MComm, FAICD, FAIM

*Managing Director,
Executive Director*



Gary Helou was appointed Managing Director in October 2011.

Gary brings experience from a broad range of roles encompassing the international and domestic food and agricultural industries.

Prior to joining Murray Goulburn, he was Chief Executive Officer of SunRice for 11 years. Gary held senior leadership roles in Hong Kong, Singapore and Indonesia with Pacific Brands Food Group and Indofood.

He has a Chemical Engineering Degree and a Master of Commerce (Marketing) from the University of New South Wales.

Kenneth W. Jones

Adv. Dip. Ag., MAICD

Supplier Director



Kenneth W. Jones was elected to the Board of Murray Goulburn in 2008 and elected Deputy Chairman in 2011. He is a member of the Compliance Committee, Supplier Relations Committee and Remuneration and Nominations Committee.

Kenneth (Ken) is a dairy farmer, milking 430 cows at Kergunyah in north east Victoria.

He has an Advanced Diploma in Agriculture and is a Member of the Australian Institute of Company Directors. Ken was formerly a director of Murray Dairy and was a member of Murray Goulburn's Executive Leadership Team 1988-1998.

Natalie Akers

BPPM (Hons), BA, GAICD

Supplier Director



Natalie Akers was elected to the Board of Murray Goulburn in 2011. She is a member of the Finance, Risk and Audit Committee and Supplier Relations Committee.

Natalie is a dairy farmer, milking 700 cows at Tallygaroopna, in northern Victoria.

She has a Bachelor of Public Policy and Management with Honours, a Bachelor of Arts and has completed the Fairley Leadership Program. Natalie has pursued a professional career in agriculture, including water policy and dairy research and development. Natalie is also a Graduate Member of the Australian Institute of Company Directors.

William T. Bodman

BSc (Ag), GAICD

Supplier Director



William T. Bodman was elected to the Board of Murray Goulburn in 2009 and joint Deputy Chairman from 2011 to November 2012. He is a member of the Finance, Risk and Audit Committee and Supplier Relations Committee.

William (Bill) is a dairy farmer, milking 420 cows on two farms at Won Wron in Gippsland, Victoria.

He has a Bachelor of Agricultural Science degree from La Trobe University and is a Graduate Member of the Australian Institute of Company Directors.

Peter J.O. Hawkins

BCA (Hons), FAICD, SF Fin, FAIM, ACA (NZ)

Special Director



Peter J.O. Hawkins was elected to the Board of Murray Goulburn in 2009 as a Special Director. He is Chairman of the Finance, Risk and Audit Committee and a member of the Remuneration and Nominations Committee.

Peter has had a 41-year career in the banking and financial services industry in Australia and overseas. He held various senior management and directorship positions with Australia and New Zealand Banking Group Limited from 1971 to 2005 and directorships with BHP (NZ) Steel Limited, ING Australia Limited and Esanda Finance Corporation.

He is currently a director of Westpac Banking Corporation, Mirvac Limited Group, Liberty Financial Pty Limited, Clayton Utz and Minerva Financial Group Pty Ltd.

Peter has a Bachelor of Commerce and Administration (Honours), is a Fellow of the Australian Institute of Company Directors, a Senior Fellow with the Financial Services Institute of Australasia, a Fellow of the Australian Institute of Management and a member of the Associated Chartered Accountant College (New Zealand).

Michael F. Ihlein

BBus (Acc), FCPA, FAICD, F Fin

Special Director



Michael F. Ihlein was elected to the Board of Murray Goulburn in 2012 as a Special Director. He is Chairman of the Compliance Committee and a member of the Remuneration and Nominations Committee.

Michael (Mike) is a highly experienced international business and finance executive. He was Executive Director and Chief Executive Officer (2007 to 2009) and Executive Director and Chief Financial Officer (2004 to 2007) of Brambles Limited. He also held various senior management and directorship positions with Coca-Cola Amatil Limited including Executive Director and Chief Financial Officer (1997 to 2004) and Managing Director, Poland (1995 to 1997).

He is currently a director of Scentre Group, CSR Limited and Snowy Hydro Limited and Chair of Australian Theatre for Young People.

Mike has a Bachelor of Business (University of Technology) and is a Fellow of CPA Australia, the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Maxwell L. Jelbart

Supplier Director



Maxwell L. Jelbart was elected to the Board of Murray Goulburn in 2012. He is a member of the Compliance Committee and Supplier Relations Committee.

Maxwell (Max) is a dairy farmer, milking 1,000 cows at Leongatha South and 350 cows at Caldermeade in Gippsland, Victoria.

He is a Nuffield Farming Scholar, a member of the Nuffield Australia Investment Committee and a board member of Marcus Oldham College.

**Edwin Duncan Morris
(Duncan Morris)**

Dip. Bus. Studies (Accounting),
CPA, GAICD

Supplier Director



Duncan Morris was elected to the Board of Murray Goulburn in 2013. He is a member of the Finance, Risk and Audit Committee and Supplier Relations Committee.

Duncan is an accountant and dairy farmer, milking 260 cows at Cobden in western Victoria. He has spent most of his accounting career in public practice, primarily attending to the accounting and taxation needs of dairy farmers.

Duncan is a Certified Practising Accountant, a Graduate Member of the Australian Institute of Company Directors and has had significant board experience with local community organisations.

Graham N. Munzel

GAICD

Supplier Director



Graham N. Munzel was elected to the Board of Murray Goulburn in 2008. He is a member of the Compliance Committee and Supplier Relations Committee.

Graham is a dairy farmer, milking 290 cows at Gunbower in northern Victoria.

He is a Graduate Member of the Australian Institute of Company Directors.

John P. Pye

Adv. Dip. Ag., MAICD

Supplier Director



John P. Pye was elected to the Board of Murray Goulburn in 2005. He is Chairman of the Supplier Relations Committee and a member of the Finance, Risk and Audit Committee and Remuneration and Nominations Committee. He is also the Board sponsor of Murray Goulburn's Supplier Development Program.

John is a dairy farmer, milking 500 cows at Bessie Belle in western Victoria. He is a member of Powercor's customer consultative committee and a former director of Southern Rural Water Authority (2002 to 2010).

He has an Advanced Diploma in Agriculture and is a Member of the Australian Institute of Company Directors.

Martin J. Van de Wouw

MAICD

Supplier Director



Martin J. Van de Wouw was elected to the Board of Murray Goulburn in 2010. He is a member of the Compliance Committee and Supplier Relations Committee.

Martin is a dairy farmer, milking 280 cows at Princetown in western Victoria. He has supplied Murray Goulburn for 38 years. Martin has completed numerous farm management courses and is involved with the West Vic Dairy Board and the United Dairy Farmers of Victoria.

He is a Member of the Australian Institute of Company Directors.

Executive Leadership Team

Gary Helou

BE (Hons), MComm, FAICD, FAIM

*Managing Director,
Executive Director*



Gary Helou was appointed Managing Director in October 2011.

Gary brings experience from a broad range of roles encompassing the international and domestic food and agricultural industries.

Prior to joining Murray Goulburn, he was Chief Executive Officer of SunRice for 11 years. Gary held senior leadership roles in Hong Kong, Singapore and Indonesia with Pacific Brands Food Group and Indofood.

He has a Chemical Engineering Degree and a Master of Commerce (Marketing) from the University of New South Wales.

Betsy Harrington

BSc, MCIPS, CPIM

*Executive General Manager –
Business Transformation
and People*



Betsy Harrington was appointed Executive General Manager – Business Transformation and People in November 2014.

Betsy has extensive experience in procurement, supply chain, mergers and acquisitions, sales and marketing, manufacturing systems and human resources across a broad range of industries.

Prior to joining the Company, Betsy was Executive General Manager Supply at NBN Co. Betsy's other recent roles include CEO of The Faculty, a procurement consultancy and various executive positions with BHP Billiton, the Victorian Bushfire Reconstruction and Recovery Authority, Alcoa and Honeywell.

Betsy holds a Bachelor of Science degree from Miami University in Oxford, Ohio, has completed the Executive Development Program at The Wharton School, University of Pennsylvania and holds professional certifications in supply chain, operations and procurement.

Brad Hingle

Chief Financial Officer



Brad Hingle was appointed Chief Financial Officer in January 2014.

Prior to joining Murray Goulburn, Brad was the Chief Financial Officer of SunRice, where he spent 14 years and held a number of senior roles. Brad has also held senior roles at Deloitte Consulting in Australia as well as at Dunlop Tyres and Mondi Limited in South Africa. He has studied Cost and Management Accounting.

David Mallinson

Dip Bus, PG Cert Finance, MBA,
CPA, FNIA, GAICD

*Executive General Manager –
Business Operations*



David Mallinson was appointed Executive General Manager – Business Operations in April 2014. David was previously General Manager Project Management Office and Capital Projects from October 2013.

Prior to joining Murray Goulburn David was Fonterra Australia/New Zealand's Chief Financial Officer for six years, having held various senior roles within the merged business and senior roles in Bonlac Foods Ltd and United Milk Tasmania. David has also previously worked for ANZ and Cadbury Schweppes.

David holds various qualifications including a Master of Business Administration from Monash University and he completed the Executive Development Program at Stanford University (USA) in 2004.

Albert Moncau

BBA, MIM

*Executive General Manager –
Dairy Foods*



Albert Moncau was appointed as Executive General Manager – Dairy Foods in April 2015.

Albert brings extensive commercial and leadership experience from a broad range of industries and from different regions of the world.

Prior to joining the Company, Albert spent eight years as Managing Director of HJ Heinz in Southern Europe, China, and most recently Australia and New Zealand. During his time with HJ Heinz, Albert oversaw significant growth, managed change and led business transformation initiatives while developing talent across the organisation. Prior to joining HJ Heinz, Albert worked for Mattel Inc. where he led the successful development of new businesses in Eastern Europe, Middle East and Africa.

Albert holds a Degree in Business Administration and International Management from ESADE Business School of Barcelona, Spain.

Robert Poole

BAGSci, MBL

*Executive General Manager –
Shareholder Relations*



Robert Poole was appointed Executive General Manager – Shareholder Relations in November 2011. Prior to this appointment Robert was Murray Goulburn's General Manager Industry and Government Affairs for three years. Robert has held a number of senior roles throughout his career including Deputy Chief Executive Officer of Australian Dairy Farmers' Federation, General Manager of the Australian Dairy Herd Improvement Scheme and a Regional Manager with Rural Finance Corporation.

Robert currently holds leadership roles within the dairy industry including President of the Australian Dairy Products Federation and Deputy Chairman of the Australian Dairy Industry Council.

Robert studied science (Agriculture) at Melbourne University and was inducted as a Master of Business Leadership at RMIT University in 2004.

Fiona Smith

BSc, LLB, GDipGov, FGIA

*Company Secretary
and General Counsel*



Fiona Smith was appointed Company Secretary and General Counsel in January 2012.

Prior to joining Murray Goulburn, Fiona was Deputy Company Secretary at BHP Billiton Limited for four years. She has also been employed as General Counsel/Company Secretary of Gasnet Australia, an ASX-listed company for seven years and has held a number of senior legal positions including principal solicitor with the Australian Government Solicitor. She has over 25 years' legal experience.

Fiona has a Bachelor of Science and a Bachelor of Laws from the Australian National University and a Graduate Diploma in Applied Corporate Governance. Fiona is also a Fellow of the Governance Institute of Australia.

Aditya Swarup

BA (Hons) / Economics, MBA

*Executive General Manager –
Strategy*



Aditya Swarup was appointed Executive General Manager – Strategy in April 2014. Prior to this appointment, Aditya was General Manager Strategy and Corporate Development from November 2011.

Aditya has broad experience in strategy consulting and corporate roles within a broad range of industries including food, agribusiness, manufacturing and resources across Australia and Asia.

Prior to joining Murray Goulburn, Aditya spent six years at SunRice as General Manager of Corporate Strategy. Before SunRice, Aditya spent over eight years in strategy consulting roles, including Monitor Group and Accenture, advising several large Australian corporates.

Aditya has an MBA from Melbourne Business School, University of Melbourne (1997) and a Bachelor of Arts (with Honours) and Economics from the University of Delhi (1991).

Corporate Governance Statement

1. Introduction

This section of the Annual Report outlines the governance framework of Murray Goulburn Co-operative Co. Limited and its controlled entities (Murray Goulburn or Company) for the year ended 30 June 2015.

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

As an unlisted company, Murray Goulburn is not required to comply with the ASX Corporate Governance Principles and Recommendations; however, the Board voluntarily issues a Corporate Governance Statement to enhance transparency and communication with stakeholders in relation to Murray Goulburn's corporate governance practices. In light of the recent ASX listing of the MG Unit Trust (a special purpose funding vehicle which provides its unitholders with an economic exposure to Murray Goulburn Co-operative Co. Limited), the Board understands that Murray Goulburn's corporate governance practices will be of particular interest to unitholders of the MG Unit Trust.

Murray Goulburn's key governance documents, including the Constitution, Board and Board Committee Charters and key policies are available on the Company's website at www.mgc.com.au/investor-centre/governance.

2. Role and Responsibilities of the Board

Board

The role of the Board is to represent shareholders, as a whole, and to promote and protect the interests of Murray Goulburn. Its principal objective is to create and enhance shareholder and investor value. The Murray Goulburn Board is accountable to the shareholders for the Company's performance and governance.

The Board has adopted a Board Charter, which sets out its key responsibilities, the matters it has reserved for its own consideration and decision-making and the authority it has delegated to the Managing Director. The Board's responsibilities, as set out in the Board Charter, include:

- the appointment, remuneration and succession planning of the Managing Director and the Managing Director's direct reports;
- approval of the corporate strategy, including setting corporate objectives, performance objectives and approving the annual operating budget;
- overseeing risk management, internal controls and ethical and legal compliance, which includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of corporate objectives, strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;

- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing and reviewing the Company's corporate governance principles and policies; and
- performing such other functions as are prescribed by law.

In addition, the Board has specifically reserved certain matters for its decision, including those set out in the approved delegations of authority.

Delegation to management

The Board has delegated to the Managing Director and, through the Managing Director, to other senior executives, responsibility for the day-to-day management of the Company's affairs and implementation of the corporate objectives, strategy and policy initiatives. The Managing Director and the broader management team are required to operate in accordance with Board approved policies and delegations of authority.

The Managing Director remains accountable to the Board for the exercise of authority that is delegated. The Board monitors the decisions and actions of the Managing Director, and the performance of the Company, to gain assurance that progress is being made towards the approved corporate objectives and the delegations of authority are being complied with. The Managing Director, with the support of management, provides regular reports to the Board and its Committees to enable them to discharge their duties effectively. Senior executives also attend all scheduled Board meetings, by invitation, where they present, discuss and provide input on their respective areas of responsibility.

Independent professional advice

The Board and its Committees may access independent experts and professional counsel for advice where appropriate and may invite any person from time to time to attend meetings.

Activities during the year

A key activity of the Board during the year has been continuing to govern the Company through the execution of its growth and value creation strategy to sustainably maximise farmgate milk prices and future earnings.

Within this context, the Board spent a considerable amount of time developing and implementing the capital structure to enable Murray Goulburn to fund its growth and value creation strategy with a view to becoming the first choice dairy foods company for its suppliers, customers and consumers. In particular, Murray Goulburn sought to raise \$500 million to fund investment in planned capital projects in the areas of nutritionals, dairy beverages and cheese products. Ultimately, the capital structure was implemented on 3 July 2015, with the listing of the MG Unit Trust on the ASX. Approximately \$438 million was raised through the issue of units and more than \$62 million was raised through the issue of shares to suppliers under the Supplier Share Offer and Supplier Priority Offer.

The Board also approved various other matters which were not directly related to the capital structure, including:

- the investment of \$57 million to implement a transformational business-wide information technology systems upgrade;
- the proposal to undertake voluntary selective buy-backs of B and C class preference shares, which were ultimately approved by ordinary shareholders at the Annual General Meeting held on 27 November 2014, with approximately 50 percent of B class preference shares and 60 percent of C class preference shares bought back on 28 January 2015;
- acquisition of the Caboolture cheese brand and processing equipment from United Dairy Power;
- the implementation of a new voluntary candidate assessment process as part of the annual Supplier Director elections;
- the Securities Dealing Policy; and
- the opening milk price for financial year 2016.

The Board also spent a significant amount of time reviewing the available milk price for its suppliers throughout the year.

3. Structure of the Board

Membership and meetings

The Board currently has 12 Directors. Of these, nine, including the Chairman, are elected from the shareholder base (Supplier Directors), one is the Managing Director and two are Special Directors.

The Supplier Directors must be current suppliers to the Company and each must hold at least 10,000 ordinary shares to be eligible for election.

The Special Directors are selected by taking into account the skills and competencies that the Board considers are necessary to augment the direct industry knowledge and other expertise provided by the Supplier Directors.

The annual Supplier Director election process was undertaken during the year in accordance with the Company's Constitution, with all three incumbent northern region Supplier Directors (Natalie Akers, Ken Jones and Graham Munzel) re-elected to the Board. Each of the three northern region Supplier Directors confirmed their acceptance of the re-appointment on the standard terms, which are available on the Company's website at www.mgc.com.au/investor-centre/governance.

During the year, the Remuneration and Nominations Committee (with the assistance of an external recruitment consultant) continued to identify potential candidates for the third Special Director position having regard to the skills and experience that would best complement those held by existing Directors. While the Board is committed to appointing a third Special Director, with the significant focus on the development and implementation of the capital structure during the year it is now expected that the appointment of the third Special Director will be made during financial year 2016.

Murray Goulburn's Chairman is Philip Tracy and the Deputy Chairman is Ken Jones. The Chairman and Deputy Chairman are both Supplier Directors who the Board consider to be independent, having regard to the guidelines adopted by the Board to assist in considering independence (as described in Section 4 of this Corporate Governance Statement).

The Company Secretary, Fiona Smith, is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The Directors of the Company, their length of service and their biographical details are set out on pages 32 to 33.

The Board met 23 times during the year, with 10 scheduled monthly meetings and 13 ad hoc meetings (predominantly to consider matters relating to the capital structure). During each scheduled monthly meeting, the Board holds a closed session (attended by Non-executive Directors only), which provides Non-executive Directors with an opportunity to raise issues in the absence of management. Details of the number of meetings attended by each Director are set out in the Directors' Report on page 48.

Directors also participated in six training sessions during the year, which were designed to develop and maintain the skills and knowledge needed to perform their role as directors of the Company effectively.

Committees

To assist the Board to carry out its responsibilities, the Board has established a Finance, Risk and Audit Committee, a Remuneration and Nominations Committee, a Compliance Committee and a Supplier Relations Committee. Other committees are established from time to time to deal with specific matters.

Each of the four permanent Committees has a Charter, which sets out the membership structure, roles and responsibilities and meeting procedures.

Generally, these Committees review matters on behalf of the Board and, as determined by the relevant Charter:

- refer matters to the Board for decision, with a recommendation from the Committee; or
- determine matters (where the Committee acts with delegated authority), which the Committee then reports to the Board.

The Company Secretary provides secretarial support for each Committee.

There were a number of changes made to the membership of each Committee during the year in line with the Board's usual practice of reviewing the composition of each Committee on an annual basis.

Corporate Governance Statement continued

Finance, Risk and Audit Committee

Role and responsibilities

The role of the Finance, Risk and Audit Committee is to assist the Board in fulfilling its responsibilities in respect of the Company's external audit functions, internal audit functions, risk management and identification, preparation of financial statements and reporting systems, and internal accounting and control systems.

The Committee's key responsibilities and functions are:

- the appointment, independence and remuneration of the External Auditor;
- to review the scope of the annual external audit plan before it is submitted to the Board for approval;
- the appointment and objectivity of the Internal Auditor;
- to oversee the internal audit function generally and approve the annual internal audit plan;
- to assist the Board in relation to the reporting of financial information;
- to assist the Board in relation to the approval, application and amendment of accounting policies;
- to manage the process of identification and management of material risk;
- to review the draft annual budget before it is submitted to the Board for approval; and
- to oversee any other financial review matters delegated to the Committee by the Board from time to time.

Membership and meetings

The Committee consists of:

- a minimum of three members of the Board, all of whom are Non-executive Directors;
- a majority of independent directors (as defined in the Board Charter); and
- an independent chair, who is not chair of the Board.

The members of the Finance, Risk and Audit Committee during the year were:

Name	Membership status for FY15
Peter Hawkins (Chairman)	Member for the entire period
Natalie Akers	Member since 17 December 2014
Bill Bodman	Member for the entire period
Duncan Morris	Member for the entire period
Graham Munzel	Member until 17 December 2014
John Pye	Member for the entire period

Two members of the Committee have formal accounting qualifications and experience, with the Chairman having significant experience in the banking and financial services industry in Australia and overseas at both the highest levels of management and directorship of major organisations, including Australia and New Zealand Banking Group entities, BHP (NZ) Steel Limited, ING Australia Limited and Esanda Finance Corporation.

Non-committee members, including members of management and the External Auditor may attend meetings of the Committee at the invitation of the Committee chair.

All Board members are expected to attend the Finance, Risk and Audit Committee meetings at which the half-year and annual financial statements and reports are considered.

The Finance, Risk and Audit Committee met six times during the period. Information on meeting attendance by Committee members is included in the Directors' Report on page 48.

Activities during the year

The key activities undertaken by the Finance, Risk and Audit Committee during the year include:

- reviewing the scope of the annual internal and external audit plans for the period and overseeing the work performed by the auditors;
- reviewing significant accounting, financial reporting and related issues raised by management, the Internal Auditor and the External Auditor;
- regularly reviewing the Company's key risks and risk management program;
- reviewing and monitoring improvements to the Company's internal control and accounting practices;
- reviewing and recommending to the Board the approval of the Company's annual and half-year financial statements;
- considering and recommending to the Board the move from a co-operative tax status to a corporate tax status from 1 July 2015;
- reviewing the performance, tenure and independence of the External Auditor, together with their assurances that all applicable independence requirements were met; and
- reviewing the performance, tenure and objectivity of the Internal Auditor and approving the move to a co-sourced model for internal audit services for financial year 2016.

External audit

The Finance, Risk and Audit Committee reviews the External Auditor's scope of work, including the external audit plan, to ensure it is appropriate, having regard to the Company's key risks. The External Auditor reports to the Committee at each meeting and is given an opportunity to raise issues with the Committee in the absence of management. The Committee also reviews the performance and independence of the External Auditor on an annual basis.

The Committee has also adopted a policy on the provision of non-audit related services by the External Auditor, which sets out Murray Goulburn's approach to engaging the External Auditor for the performance of non-audit related services with a view to ensuring their independence is maintained.

The External Auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders relevant to the audit.

Internal audit

Consistent with the arrangement for the previous two financial years, Ernst and Young (EY) was engaged to carry out the Company's internal audit function for financial year 2015. EY's role as the Company's Internal Auditor was to determine, independently of the External Auditor, whether adequate and effective systems of risk management and internal control are in place. The Internal Auditor prepared its scope of work (including the annual internal audit plan) having regard to the Company's strategic imperatives, key risks, key processes and reasonable site coverage, and the Finance, Risk and Audit Committee reviewed the internal audit plan to ensure it was appropriate.

The relationship with the Internal Auditor has been managed by the Company Secretary and General Counsel; however, the Internal Auditor (represented by the Internal Audit Partner and Internal Audit Director) reported directly to the Committee at each meeting on the progress against the internal audit plan, as well as detailed findings and corresponding management actions in relation to reviews undertaken in accordance with that plan. The Internal Auditor was also given an opportunity to raise issues with the Committee in the absence of management.

During the second half of the year, the Committee approved a change in internal audit arrangements with effect from financial year 2016, with the Company moving from a fully outsourced model to a co-sourced model to be managed by Murray Goulburn's Risk and Assurance Manager. Following completion of a tender process undertaken in accordance with Murray Goulburn's procurement procedures, the Committee approved the engagement of KPMG LLP to provide internal audit services under the co-sourced model.

Risk management

The Board has adopted the Risk Management Policy, which sets out the objectives regarding risk management and outlines the approach to managing risks.

The Policy recognises that the effective identification and management of risk reduces the uncertainty associated in executing the Company's business strategies. The Board plays a key role in the oversight of key risks by providing strategic guidance on all aspects of risk management across the Company, reviewing and approving annually (including in financial year 2015) the Company risk profile, reviewing, ratifying and monitoring systems of risk management, and setting the risk management tone and expectations across the Company.

The Board is supported in its role of overseeing risk by the Finance, Risk and Audit Committee which reviews the ongoing risk management program, procedures, auditing and operational risk management, as well as evaluating the adequacy and effectiveness of the management reporting and control systems associated with financial and operational risk management.

To facilitate the Finance, Risk and Audit Committee's oversight of the Company's risk management program, management reports to the Committee in an open and transparent manner, including the provision of quarterly business risk reports, which set out new and emerging risks, an overview of incidents and events, and an update on key risks. These reports comprise information prepared in accordance with:

- company-wide mandatory requirements for risk identification, assessment (in accordance with the risk rating matrix), response, monitoring and reporting; and
- company-wide mandatory requirements for incident management, which include classification in accordance with the incident rating matrix (aligned with the risk rating matrix) and timely notification of incidents to appropriate internal stakeholders.

During the year, the Finance, Risk and Audit Committee oversaw the continued development of the internal controls framework, which is based on leading internal control practices.

The Managing Director and the Chief Financial Officer make representations to the Board in respect of the Company's half-year and annual financial statements that, in their opinion, the financial records of the Company have been properly maintained, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that the opinion has been formed on the basis of an adequate system of risk management and internal control, which is operating effectively.

The Company is considered to have a material environmental risk exposure in that each of its sites requires an Environment Protection Authority licence and must comply with the conditions of that licence in its operations. In order to manage this risk, the Company has in place a monitoring program to ensure each site complies with its licence.

Remuneration and Nominations Committee

Role and responsibilities

The primary role of the Remuneration and Nominations Committee is to assist the Board to perform its functions in relation to all key management personnel remuneration issues and the Company's human resources strategy generally.

The Committee also has a secondary role in relation to the process for identifying and selecting Special Directors, as well as the director induction and training programs.

Corporate Governance Statement continued

The Committee's key responsibilities and functions are to:

- oversee the Company's remuneration, recruitment, retention and termination policy and procedures and its application to the Managing Director and the Managing Director's direct reports, and its general application to all Company employees;
- assess the performance of the Managing Director and assist the chair with reviews of the Managing Director's performance;
- review and recommend arrangements for the executive directors and the Managing Director's direct reports, including contract terms, annual remuneration and participation in the Company's short term and long term incentive plans;
- review and recommend to the Board executive succession plans, including the succession of the Managing Director;
- oversee the Company's human resources strategy with a view to confirming to the Board that appropriately talented and trained people are available to achieve the corporate objectives;
- make recommendations to the Board regarding the appointment of Special Directors from time to time, including the identification and selection of potential candidates; and
- oversee the director induction and training programs.

Membership and meetings

The Committee must consist of:

- a minimum of three members of the Board, all of whom are Non-executive Directors;
- a majority of independent directors (as defined in the Board Charter); and
- an independent director as chair.

The members of the Committee during this period were:

Name	Membership status for FY15
Philip Tracy (Chairman)	Member for the entire period
Peter Hawkins	Member for the entire period
Michael Ihlein	Member for the entire period
Ken Jones	Member for the entire period
John Pye	Member for the entire period

Non-committee members, including members of management may attend meetings of the Committee at the invitation of the Committee chair.

The Remuneration and Nominations Committee met eight times during the period. Information on meeting attendance by Committee members is included in the Directors' Report on page 48.

Activities during the year

The key activities undertaken by the Committee during the period in relation to the Company's remuneration framework, the policies and practices regarding the remuneration of Directors, as well as the contractual arrangements, remuneration and performance evaluation of other members of Key Management Personnel, are reflected in the Remuneration Report on pages 49 to 62.

During the year, the Committee also:

- reviewed the Long Term Incentive Plan in light of the implementation of the capital structure, including the MG Unit Trust, with a view to aligning interests of senior executives with those of shareholders and unitholders;
- considered and recommended to the Board the implementation of the candidate assessment process for annual Director elections;
- considered and recommended to the Board the employee unit offer in connection with the capital structure; and
- continued to identify (with assistance from an external recruitment consultant) potential candidates for the third Special Director, with the Committee expecting to make a recommendation to the Board in relation to that appointment during financial year 2016.

Compliance Committee

Role and responsibilities

The role of the Compliance Committee is to assist the Board to oversee and monitor the performance of the procedures and processes implemented by management to ensure the Company's compliance with key legislative and regulatory requirements relevant to the Company's operations and business.

The Committee's key responsibilities and functions include:

- reviewing, assessing and monitoring the Company's activities and overall performance having regard to the Company's compliance with key legislative and regulatory requirements;
- overseeing and monitoring management's implementation of procedures and processes to ensure the Company's compliance with key legislative and regulatory requirements relevant to the Company's operations and business; and
- advising the Board on the overall compliance performance of the Company having regard to the Company's compliance with key legislative and regulatory requirements.

Membership and meetings

The Committee must consist of:

- a minimum of three members of the Board, all of whom are Non-executive Directors;
- a majority of independent directors (as defined in the Board Charter); and
- an independent chair, who is not chair of the Board.

The members of the Committee during this period were:

Name	Membership status for FY15
Michael Ihlein (Chairman)	Member for the entire period
Natalie Akers	Member until 17 December 2014
Max Jelbart	Member for the entire period
Ken Jones	Member for the entire period
Graham Munzel	Member since 17 December 2014
Martin Van de Wouw	Member for the entire period

Non-committee members, including members of management may attend meetings of the Committee at the invitation of the Committee chair.

The Compliance Committee met five times during the period. Information on meeting attendance by Committee members is included in the Directors' Report on page 48.

Activities during the year

The key activities undertaken by the Compliance Committee during the year include:

- reviewing the procedures, policies, systems and processes in place to ensure compliance with applicable laws and regulations, through regular detailed reports from management, with a particular focus on the areas of quality and food safety, occupational health and safety and environment;
- receiving reports on significant quality and food safety, occupational health and safety and environment incidents, including outcomes of investigations and remedial and preventative actions taken by management; and
- overseeing the matters considered and discussed by management's Executive Safety Leadership Committee and Executive Quality Leadership Committee by reviewing minutes of meetings.

Supplier Relations Committee

Role and responsibilities

The primary role of the Supplier Relations Committee is to review and monitor the Company's effectiveness in engaging with suppliers and its relationship with suppliers generally, and to provide advice and guidance for management with regard to the Company's communication strategy with suppliers, including the Company's provision of regular updates of major Company developments.

The Committee's key responsibilities include:

- approving the overall strategy for communication with suppliers developed by management;
- reviewing and monitoring the interface between the Company and suppliers and reviewing matters that are likely to affect that interface;
- reviewing the standard terms and conditions for the supply of milk to the Company and making recommendations to management or the Board as appropriate;
- reviewing parameters for the variation by management of the standard terms and conditions for the supply of milk to the Company and making recommendations to the Board;
- where information relating to suppliers or milk supply is to be materially relied upon by the Board, considering and advising the Board on the reasonableness of this information;
- receiving and considering reports from the Field Services Group in relation to their interactions with and services provided to suppliers;
- receiving and considering reports relating to the MG Trading Stores in relation to their interactions with and services provided to suppliers;
- reviewing any proposed amendments to Company policies or procedures that could affect the Company's relationship with its suppliers, and making recommendations to the Board;

- providing advice and guidance for management with regard to management's processes for managing questions and complaints lodged with the Company by suppliers; and
- providing advice and guidance for management in relation to any complaints lodged by suppliers.

Membership and meetings

All Supplier Directors are members of the Committee, as follows:

Name	Membership status for FY15
John Pye (Chairman)	Member for the entire period
Natalie Akers	Member for the entire period
Bill Bodman	Member for the entire period
Max Jelbart	Member for the entire period
Ken Jones	Member for the entire period
Duncan Morris	Member for the entire period
Graham Munzel	Member for the entire period
Philip Tracy	Member for the entire period
Martin Van de Wouw	Member for the entire period

The Special Directors and Managing Director have a standing invitation to join each meeting of the Committee. Members of management and the External Auditor may also attend meetings at the invitation of the Committee chair.

The Supplier Relations Committee met six times during the period. Information on meeting attendance by Committee members is included in the Directors' Report on page 48.

Activities during the year

The key activities undertaken by the Supplier Relations Committee during the year include:

- receiving and considering regular reports from management on the activities undertaken by the Field Services team, including in relation to milk supply and the various services and programs available to suppliers;
- receiving and considering regular reports from management in relation to the activities undertaken by the MG Trading team, including in relation to Trading Stores and related projects and initiatives;
- considering significant industry issues including the Company's position and updates in relation to unconventional gas exploration and genetic modification;
- receiving reports on progress with the implementation of the recommendations arising from the farm milk quality review undertaken in the previous year;
- considering the milk payment system for financial year 2016;
- considering updates in relation to progress against the supplier communications strategy; and
- receiving reports on the Supplier Development Program.

Corporate Governance Statement continued

4. Independence, Performance Evaluation, Remuneration and Unit Ownership

Independence and conflicts of interest

As all Supplier Directors have a supply relationship with the Company, they will generally not be classified as independent if the usual best practice definitions are applied. The Board has, however, adopted guidelines, similar to an ASX listed company to assist in considering independence. The Board only considers Directors to be independent of management where they are free from any business or other relationship that can materially interfere with, or could reasonably be perceived to interfere with, the exercise of unfettered and independent judgement. A copy of the guidelines can be found at Attachment 1 to the Board Charter at www.mgc.com.au/investor-centre/governance. On this basis, all Directors except for the Managing Director are considered to be independent.

Under the *Corporations Act 2001* and general law, Directors must avoid situations where their interests and those of the Company conflict. The Board has adopted the Related Party and Conflicts of Interest Policy to provide guidelines to Directors in complying with their obligations.

As Supplier Directors are constitutionally required to be suppliers of the Company, there is an acknowledged inherent conflict of interest when the Board is required to consider setting the milk price. To manage this particular conflict, the Board has adopted a set of protocols, which include:

- each Director acknowledging that the interests of the Company as a whole must take priority over any personal interest they have and they must not favour one group of suppliers over another group unless to do so is fair and in the best interests of the Company as a whole;
- proposals for both the opening milk price and changes to that milk price are to be initiated and developed by management who then submit the proposals to the full Board for approval;
- such proposals are only submitted to the Board if management is of the opinion that the proposal is in the best interests of the Company as a whole (recognising the co-operative objectives of the Company) and management must include the rationale for supporting the proposal;
- Board discussion of a proposal to change the milk price will be chaired by a Special Director, and if there is an equality of votes on whether the change to the milk price should be adopted, that Special Director will have a casting vote; and
- to avoid perceived or actual interference by Directors in management's initiation and development of milk price proposals:
 - Directors refrain from discussing the milk price with management outside formal Board processes;
 - all queries from suppliers in relation to milk price are directed to management; and
 - Directors refrain from discussing with suppliers any proposals to change the milk price.

Performance evaluation

The Board conducts periodic evaluations of its performance, the performance of Board Committees, the Chairman, individual Directors and the governance processes that support the Board's work. This includes analysis of how the Board and its Directors are functioning, the time spent by the Board considering matters and whether the Charters of the Board and its Committees have been met. The Board assesses its performance through a combination of internal reviews and externally facilitated evaluation.

During the year, an internal review of the Board and its Committees was undertaken. Overall, the review indicated that the Board and its Committees are continuing to function effectively and in accordance with the respective Charters.

Remuneration

Details of the Company's remuneration policy and practices and the remuneration paid to Directors and key management personnel are set out in the Remuneration Report on pages 49 to 62 of this Annual Report.

Directors' unit ownership

During the year, the Board adopted the following policy in relation to the Directors' ownership of units in the MG Unit Trust:

- Special Directors (as defined in the Company's Constitution) should not acquire units in the MG Unit Trust; and
- Directors other than Special Directors and the Managing Director are expected to acquire units in the MG Unit Trust over a three-year period (at times when they are permitted to trade in accordance with the Securities Dealing Policy) until their unitholding is equivalent to one year's base fee and thereafter to maintain at least that level of unitholding throughout their tenure.

5. Conduct and Ethics

Code of Conduct

Murray Goulburn has in place a Code of Conduct, which applies to all Directors, employees, contractors, agents and representatives of the Company.

The key values underpinning the Code of Conduct are:

- actions must be governed by the highest standards of integrity and fairness;
- all decisions must be made in accordance with the spirit and letter of applicable law; and
- business must be conducted honestly and ethically, with skill and the best judgement, and for the benefit of customers, employees, shareholders and the Company alike.

The Code of Conduct provides clear direction and advice on general workplace behaviour and how to conduct business, both domestically and internationally, interacting with shareholders, business partners and the communities in which Murray Goulburn operates.

Insider trading

During the year, the Board adopted a Securities Dealing Policy that covers dealings by Directors and employees and complies with the ASX Listing Rule requirements for a trading policy. The Securities Dealing Policy, which is available at www.mgc.com.au/investor-centre/governance, restricts dealings by Directors and employees in Murray Goulburn securities (including units in the MG Unit Trust) during designated prohibited periods and at any time they are in possession of unpublished price sensitive information.

6. Continuous Disclosure and Communications with Shareholders

Murray Goulburn is committed to making timely and balanced disclosure of all material matters and effective communication with its key stakeholders so as to give them ready access to clear and relevant information to assist them in making informed decisions.

As an unlisted public company and disclosing entity, Murray Goulburn Co-operative Co. Limited has significant continuous disclosure obligations under the *Corporations Act 2001*. Following the listing of the MG Unit Trust on the ASX on 3 July 2015, MG Responsible Entity Limited (a wholly owned subsidiary of Murray Goulburn Co-operative Co. Limited and responsible entity of the MG Unit Trust) also has significant continuous disclosure obligations under the *Corporations Act 2001* and the ASX Listing Rules. It is expected that most of the information that will have a material effect on the price of units in the MG Unit Trust will relate to the performance and operation of Murray Goulburn. Therefore, Murray Goulburn has entered into a Continuous Disclosure Deed Poll undertaking:

- that once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of units in the MG Unit Trust, Murray Goulburn will immediately notify its shareholders and MG Responsible Entity Limited; and
- to ensure that, while MG Responsible Entity Limited is a subsidiary of Murray Goulburn, MG Responsible Entity Limited complies with its continuous disclosure obligations.

Murray Goulburn has established a Disclosure Committee, which manages compliance with market disclosure obligations. In order to ensure the timely flow of potentially disclosable information, disclosure officers have been appointed for each of the Company's key business units and functions. Disclosure officers are responsible for ensuring all material information relevant to their respective area is reported internally and, where necessary, the information will be referred to the Disclosure Committee for consideration from a continuous disclosure perspective. Further information regarding the mechanism in place in relation to market disclosure and stakeholder communication is set out in the Market Disclosure and Communications Policy, which is available at www.mgc.com.au/investor-centre/governance.

One of the key communication tools is Murray Goulburn's website. The website contains the key governance documents, market announcements, the Annual Report and half-yearly financial statements and other communications to key stakeholders.

Shareholders are provided with an update on Murray Goulburn's performance at the Annual General Meeting, as well as an opportunity to vote on important matters affecting Murray Goulburn and ask questions of the Board and key members of management. Copies of the Chairman's speech and the meeting presentation are posted to Murray Goulburn's website as the meeting commences. A summary of proceedings and outcome of voting on the items of business are also posted to the website as soon as they are available after the meeting. For convenience and environmental purposes, shareholders are given the option to receive communications from, and send communications to, the Company (including its share registry) electronically.

In addition to the Annual General Meeting, the Company regularly communicates with its shareholders through supplier meetings that are held throughout Victoria, South Australia and New South Wales at least twice a year.

Shareholders are encouraged to make their views known and raise any issues directly with management.

7. Diversity

The Company submitted its annual public report on gender equality to the Workplace Gender Equality Agency (WGEA) in June 2015. The gender make-up of Murray Goulburn's Board, senior executives and employees as at 30 June 2015 is set out below:

	Male	Female	Female (percentage of total)
Board (Non-executive Directors)	10	1	9%
Senior executives*	6	2	25%
Employees	1,887	608	24%

* Members of the Executive Leadership Team.

The Company has adopted a formal diversity statement that sets out the Company's commitment to an inclusive workplace that embraces and promotes diversity, where high performing people choose to work. It also outlines the underpinning principles, accountabilities and objectives in enhancing diversity at Murray Goulburn.

The Board sets measurable objectives to monitor progress in addressing any diversity imbalance issues. The Board has endorsed the following objectives in building diversity awareness at Murray Goulburn:

1. Supplier Development Program – to increase the rate of female participation each year.
2. Candidacy Attraction Rates (including external hires and internal promotions) – to increase females identified on long and short lists for all key leadership roles, including directorship positions.
3. Employee Turnover/Retention Profiling – to assess rates and reasons by age, tenure and gender.

Assessment of these objectives and review of progress is carried out on an annual basis.

This Corporate Governance Statement has been approved by the Board of Directors.



Financial Statements

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Directors' Report

Your Directors present the following report for the financial year ended 30 June 2015.

Directors

The Directors listed on page 48 each held office as a Director of the Company at all times during or since the end of the financial year.

Company Secretaries

Fiona Smith (BSc/LLB, Grad Dip Applied Governance, FGIA) joined the Company and was appointed as a Company Secretary in January 2012. She has experience in company secretarial roles arising from time spent in such roles in listed companies.

Natalie McKaig (LLB, Grad Dip Company Secretarial Practice, AGIA) joined the Company in January 2013 and was appointed as a Company Secretary in August 2014.

Damon Page (B. Bus., CA) joined the Company in 2003 and was a Company Secretary from December 2011 until August 2014. Mr Page left the Company in November 2014.

Principal Activities

The principal activities of the consolidated entity constituted by the Company and the entities it controlled during the year have been:

- the processing of the whole milk of its shareholder suppliers and the manufacture, marketing and distribution of dairy products; and
- the operation of retail stores as a service to the suppliers.

No significant change in the nature of these activities occurred during the year.

Dividends Paid or Recommended

The following dividends were paid or recommended in respect to:

	\$000
a) Dividends paid during 2014/15 in relation to the financial year ended 30 June 2014:	
Final dividend paid in September 2014	
On Ordinary Shares at \$0.08 per share unfranked	22,208
On B Class Preference Shares at \$0.05 per share unfranked	554
On C Class Preference Shares at \$0.08 per share unfranked	1,844
	24,606
b) Dividends paid during 2014/15 in relation to the financial year ended 30 June 2015:	
On B Class Preference Shares, special dividend of \$0.25 per share unfranked	1,482
On C Class Preference Shares, special dividend of \$0.25 per share unfranked	5,490
Total dividends paid during the financial year ended 30 June 2015	31,578
c) Dividends proposed, but not yet paid, in relation to the financial year ended 30 June 2015:	
Final dividend recommended for payment during September 2015 (Dividends declared subsequent to 30 June 2015 and therefore not recognised)	
On Ordinary Shares, with a dividend record date of 27 April 2015, at \$0.09 per share fully franked	25,286
	25,286

Review of Operations

The consolidated entity reported profit after income tax of \$21.2 million (2014: \$29.3 million) for the financial year ended 30 June 2015.

Consolidated sales revenue was \$2,872 million (2014: \$2,916 million) for the financial year ended 30 June 2015, a decrease of 1.5 percent on the prior year. Consolidated profit after income tax of \$21.2 million (2014: \$29.3 million) for the financial year ended 30 June 2015 was 27.6 percent lower than the prior year. Both consolidated sales revenue and profit after income tax were adversely impacted by a deterioration in commodity prices during the year, with the full impact partly reduced by a lower Australian dollar exchange rate, the business increasing volumes and revenues in its Dairy Foods segment and lower administration and other expenses.

Future Developments

On 1 May 2015, the Company issued a prospectus to its eligible suppliers inviting them to subscribe for shares pursuant to the terms of the Murray Goulburn Supplier Share Offer (SSO). Further, on 29 May 2015, MG Responsible Entity Limited, a wholly owned subsidiary of the Company, issued a Product Disclosure Statement (PDS) inviting interested parties to subscribe for units in the MG Unit Trust.

Following the successful completion of the capital raising activities contemplated under both the SSO and the PDS, gross proceeds of \$500 million were raised and the MG Unit Trust listed on the Australian Securities Exchange on 3 July 2015. Both the PDS and SSO are available on the Company's website and set out the terms and conditions applicable to the subscription activity together with detail pertaining to the application of the funds raised.

The proceeds raised from the capital raising will enable Murray Goulburn to invest in three key projects: nutritional powders; dairy beverages; and cheese, which will enable the group to pursue its key strategic objectives.

Other than the information set out in the PDS and SSO and as summarised above, disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations are likely to result in unreasonable prejudice to the consolidated entity. Accordingly, further information has not been disclosed in this Report.

Significant Changes in the State of Affairs

No significant change in the state of affairs of the consolidated entity occurred during the financial year.

Events Subsequent to Balance Date

As set out above, the MG Unit Trust raised gross proceeds of \$500 million following a successful listing on the Australian Securities Exchange on 3 July 2015.

With the exception of the capital raising activity noted above and the declaration of dividends post 30 June 2015 detailed in Note 8 'Unrecognised Amounts', no other matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in financial years subsequent to the financial year ended 30 June 2015.

Environmental Regulations

Murray Goulburn maintains a strong focus on doing the right thing by the environment and the community.

We continue to report in line with federal environmental reporting requirements including our annual energy use and greenhouse gas emissions under the *National Greenhouse and Energy Reporting Act 2007*, as well as our annual environmental performance at our licensed sites through requirements outlined by the various state based environment related Acts and Authorities.

During the financial year ended 30 June 2015, the Victorian Environment Protection Authority (EPA) served two statutory notices in relation to our milk processing sites. Both were related to legacy contamination issues identified by Murray Goulburn, with the EPA proactively notified. The Rochester site was issued with a clean up notice relating to asbestos, which notice has been complied with by Murray Goulburn and subsequently revoked by the EPA. The Kiewa site was issued with a pollution abatement notice and plans are in place to ensure compliance with this notice within the required timeframe.

The EPA has also revoked the pollution abatement notice issued to the Cobram site in a previous reporting period, following the submission of Murray Goulburn's final report setting out compliance with that notice.

Remuneration

The Remuneration Report containing the remuneration of key management personnel (KMP) is provided on pages 49 to 62.

Insurance of Officers

During the financial year the Company paid a premium to insure the Directors and senior managers of the Company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the consolidated entity. The policy prohibits the disclosure of the premium paid to insure the Company's officers.

Directors' Report continued

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 104 of this financial report.

Rounding of Amounts to the Nearest Thousand Dollars

The Company is of the kind referred to in ASIC Class Order 98/0100 dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the financial report have been rounded off to the nearest thousand dollars.

Meeting Attendance by Directors

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

Director and Location	Qualifications and Experience	Board of Directors 23 held	Committees			
			Finance, Risk & Audit 6 held	Compliance 5 held	Remuneration & Nominations 8 held	Supplier Relations 6 held
PW Tracy Chairman Foster	Dairy Farmer BEc/BComm, CA, SIA, GAICD Director since 2009	23	*	*	8	6
G Helou Managing Director Melbourne	BE (Hons), MComm, FAICD, FAIM Director since 2011	22 (23)	*	*	*	*
KW Jones Deputy Chairman Gundowring	Dairy Farmer Adv. Dip. Ag., MAICD Director since 2008	23	*	5	8	6
N Akers Tallygaroopna	Dairy Farmer BPPM (Hons), BA, GAICD Director since 2011	23	3(3)	3(3)	*	6
WT Bodman Won Wron	Dairy Farmer BSc (Ag), GAICD Director since 2009	23	6	*	*	6
PJO Hawkins Melbourne	BCA (Hons), FAICD, SF Fin, FAIM, ACA (NZ) Special Director since 2009	22 (23)	6	*	8	*
MF Ihlein Sydney	BBus (Acc), FCPA, FAICD, F Fin Special Director since 2012	23	*	5	8	*
ML Jelbart Leongatha	Dairy Farmer Director since 2012	23	*	5	*	6
ED Morris Cobden	Accountant and Dairy Farmer Dip. Bus. Studies (Accounting), CPA, GAICD Director since 2013	23	6	*	*	6
GN Munzel Gunbower	Dairy Farmer GAICD Director since 2008	23	3(3)	2(2)	*	6
JP Pye Bessiebelle	Dairy Farmer Adv. Dip. Ag., MAICD Director since 2005	23	6	*	8	6
MJ Van de Wouw Timboon	Dairy Farmer MAICD Director since 2010	23	*	5	*	6

* Not a member of the relevant committee.

The Managing Director has a standing invitation to attend all Board Committee meetings.

Remuneration Report 2015

This report sets out the remuneration arrangements for Directors and other key management personnel (KMP) of Murray Goulburn for the year ended 30 June 2015 (FY15). The remuneration reporting requirements under section 300A of the Corporations Act have been changed so that companies that are disclosing entities by virtue of having a wide base of shareholders, but which are not listed, are no longer required to report on the remuneration of their KMP. The Board of Murray Goulburn is issuing this Remuneration Report as a voluntary disclosure to enhance transparency and communication with stakeholders in relation to the Company's remuneration practices.

The report covers the following:

Section	What it covers	Page
1. Remuneration snapshot		
1.1. Key points	Provides a summary of the remuneration outcomes for FY15.	50
1.2. Changes during FY15	Details the key remuneration changes in FY15.	50
1.3. Key Management Personnel	Lists the names and roles of the KMP whose remuneration details are disclosed in this report.	50
1.4. Looking forward	Provides an overview of remuneration changes proposed for FY16.	50
2. Setting senior executive remuneration		
2.1. Remuneration governance and strategy	Explains Murray Goulburn's remuneration policy and strategy, and how the Board and Remuneration Committee make decisions, including the use of external consultants.	51
2.2. Remuneration components	Shows how executive remuneration is structured to support business objectives and explains the executive remuneration mix.	51
2.3. FY15 Short Term Incentive Plan (STIP)	Provides details of the FY15 STIP.	53
2.4. FY15 Long Term Incentive Plan (LTIP)	Provides details of the FY15 LTIP.	54
3. Executive remuneration outcomes		
3.1. Financial performance	Provides a breakdown of Murray Goulburn's performance over the past five years.	57
3.2. Short Term Incentive Plan outcomes	Details the STIP outcomes for FY15.	57
3.3. Long Term Incentive outcomes	Details the LTIP outcomes for the plan with a performance test at 30 June 2015.	58
3.4. KMP contract details	Lists the key contract terms governing the employment of KMP (including termination entitlements where relevant).	58
4. Non-Executive Director remuneration outcomes		
4.1. Remuneration structure	Provides details of the fee structure for Board and Committee roles.	59
5. Remuneration tables		
5.1. KMP remuneration	Provides the remuneration tables for KMP.	59
5.2. Non-executive Director remuneration	Provides the remuneration tables for the non-executive Directors.	60
5.3. Shareholdings	Outlines the shareholdings of Directors.	61
5.4. Securities acquired in the capital structure	Outlines the securities acquired by Directors in the capital structure.	61

Remuneration Report 2015 continued

1. Remuneration Snapshot

1.1. Key points

Sales revenue for FY15 was \$2.87 billion (this was 1.5 percent lower than the prior year). Murray Goulburn was able to minimise the impact of the significant reduction in dairy commodity prices experienced in FY15 by growing its Dairy Foods business, which generated sales revenue of \$1.1 billion, a growth of 29 percent over FY14. The Ingredients and Nutritionals segment revenue was lower by 18 percent. The combination of growth in Dairy Foods, flexibility within the business to optimise the milk stream and the ongoing focus by management in reducing internal costs delivered another strong Available Milk Price. The Company was also able to increase its milk supply by approximately 5.5 percent over FY14 volumes. Remuneration outcomes in FY15 were consistent with the Company performance against financial objectives.

Highlights for the FY15 year include:

Short Term Incentive Plan Outcomes	The STIP outcome for KMP was an average of 121 percent of the 'at target' opportunity based on the assessment of Company and individual performance. This outcome reflects Murray Goulburn's strong financial performance.
Long Term Incentive Plan Outcomes	For the Managing Director's FY13 LTIP, 65.5 percent of the total LTIP Cash Award vested, measured over the three year performance period from 1 July 2012 to 30 June 2015.
Non-executive Director Remuneration	Shareholders voted for an overall increase in Annual Directors' fees, effective from 1 July 2015.

1.2. Changes during FY15

The Board approved a remuneration framework, which was designed to be directly aligned with the Remuneration Policy approved by the Board in June 2014. The framework is intended to provide a mechanism for grouping roles into a relevant hierarchy based on responsibility and role complexity; provides the basis for ensuring market competitive remuneration to support both recruitment and retention, and standardises the process for role evaluation and development of employment offers.

The Board also aligned the FY15 STIP to broader market practice and introduced a threshold, target and stretch level of performance for each Company performance measure.

1.3. Key Management Personnel

KMP comprise the Directors of the Company and selected members of the Executive Leadership Team (ELT) having authority and responsibility for planning, directing and controlling the activities of the Company.

The KMP disclosed in this report are:

Name	Position
Non-executive Director	
PW Tracy	Chairman
KW Jones	Deputy Chairman
N Akers	Non-executive Director
W T Bodman	Non-executive Director
PJO Hawkins	Special Director (Non-executive)
MF Ihlein	Special Director (Non-executive)
ML Jelbart	Non-executive Director
D Morris	Non-executive Director
GN Munzel	Non-executive Director
JP Pye	Non-executive Director
M Van de Wouw	Non-executive Director
Executive Director	
G Helou	Managing Director
Executive	
D Mallinson	Executive General Manager, Business Operations
F Smith	Company Secretary and General Counsel
B Hingle	Chief Financial Officer

The report incorporates the disclosure requirements of Australian Accounting Standard AASB 124 Related Party Disclosures, as well as those prescribed by the *Corporations Act 2001*. The information provided in this Remuneration Report has been audited as required by the *Corporations Act 2001*. The remuneration reported is for the period that the individual served in the relevant capacity during the year.

1.4. Looking forward

The listing of the MG Unit Trust on the Australian Securities Exchange (ASX) in July 2015 provides the opportunity to review the composition of existing remuneration arrangements, in particular, incentive plans. Prior to the listing of the MG Unit Trust, the Company had limited options to provide incentives beyond a cash reward.

The Board of Murray Goulburn intends to review the Short Term Incentive Plan structure during FY16 with a view to potentially introducing an award of a combination of cash and units, or cash payments tied to unit prices, to further improve alignment of executive remuneration with shareholders and unitholders.

During FY15 Murray Goulburn reviewed the Long Term Incentive Plan structure and performance measures and agreed that the FY16 LTIP will include an exposure to unit price movements of the MG Unit Trust, providing additional alignment between key management personnel and shareholders and unitholders.

2. Setting Senior Executive Remuneration

2.1. Remuneration governance and strategy

The Board has the overall responsibility for approving the remuneration policy of the Company and ensuring that the Company's remuneration arrangements are appropriate and align with the interests of shareholders and unitholders. To assist it in its role, the Board's Remuneration and Nominations Committee oversees the Company's remuneration policy and framework with particular reference to its application to the Managing Director and his direct reports. The remuneration arrangements for all other executives are determined by the Managing Director or relevant managers within the Remuneration Framework approved by the Board.

The Board, through the Remuneration and Nominations Committee, seeks and considers advice from remuneration consultants who are independent of management. In FY15, Ernst and Young (EY) were engaged by the Board and reported directly to the Committee.

As part of its role with regard to the LTIP, EY provided remuneration recommendations to the Committee during the year. EY has provided a declaration that its work on the LTIP was free from undue influence from KMP. On the basis of the processes put in place to engage EY and the protocols put in place for EY to report directly to the Committee, the Board is satisfied that the remuneration recommendations received from EY were made free from any undue influence by any members of KMP to whom the recommendations related. The fee associated with this advice was \$21,000. In addition, during the period, EY also provided advice on other aspects of remuneration and various internal audit services, for which it was paid \$3.0 million.

The Board recognises that to deliver transformational change the Company needs to be able to attract, motivate and retain high quality employees and executives. The objective of the executive remuneration strategy is to motivate and reward outstanding performance and align executives' with shareholders' and unitholders' interests. The overall objective of the remuneration policy is to provide remuneration that:

- Creates and enhances sustainable long term value by maximising returns for all shareholders and unitholders.
- Provides market competitive and equitable remuneration.
- Recognises and rewards high performing individuals.
- Encourages behaviours that support a high-performing organisation.

2.2. Remuneration components

KMP covered by this report are rewarded based on the following remuneration components:

Remuneration Component	Purpose
Total Fixed Remuneration (TFR)	Fixed remuneration rewards the day-to-day accountabilities of the position and is made up of base salary (including salary sacrifice benefits and applicable fringe benefits), fixed allowances and Company contributions to superannuation (paid at the legislative minimum).
Total Short Term Incentive Plan (STIP)	The STIP is an annual at-risk cash component of remuneration and is performance based. Performance is assessed on the achievement of approved key performance indicators (KPIs).
Long Term Incentive Plan (LTIP)	The LTIP is an at-risk cash component of remuneration and is based on superior performance over a three-year period. Performance is rewarded depending on the Company's achievement of approved three-year performance targets in implied milk price growth and return on capital employed. Performance is measured and any payment made within five months of the end of the three-year period.

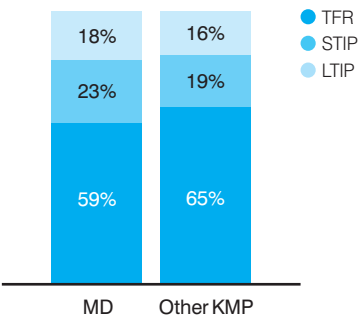
Remuneration Report 2015 continued

2. Setting Senior Executive Remuneration continued

Our remuneration structure (detailed below) is designed to support our remuneration strategy and is consistent between the Managing Director and other executives in the KMP group.

Objective	Attract and retain top executive talent	Motivate and reward outstanding performance	Align executive with shareholder and unitholder wealth
Remuneration	Fixed remuneration	At-risk Remuneration	
Remuneration Components	Base salary (including salary sacrifice benefits and applicable fringe benefits), fixed allowances and company contributions to superannuation (paid at the legislative minimum).	Short Term Incentive Annual cash bonus	Long Term Incentive Three year cash plan
Remuneration Focus	Pay for role size, responsibility and competence	Pay for superior annual performance against company and individual plans	Pay for superior longer term performance against Implied Milk Price Growth and Return on Capital Employed

The graph below shows the FY15 remuneration mix (STIP & LTIP at-target) for executives in the KMP group as at 30 June 2015. The remuneration structure of the Managing Director and other KMP comprises both fixed and at-risk remuneration.



2. Setting Senior Executive Remuneration continued

2.3. FY15 Short Term Incentive Plan (STIP)

The STIP is an annual, cash based plan aimed at rewarding participants for the achievement of Company and individual performance goals.

The size of the annual Company STIP pool available for distribution to eligible participants is determined by the Board. The pool is based on performance relative to financial and non-financial outcomes.

Participants in the FY15 STIP were the Managing Director, ELT members, senior managers and selected employees in sales, field service and quality roles.

Any payment under the FY15 STIP is subject to achievement of a gateway requirement. For FY15, milk price was set as a gateway requirement for any payment under the FY15 STIP.

The Board has overriding discretion in relation to all STIP payments.

Payments under the FY15 STIP vary for different roles, with different target STI percentage opportunities and weightings applied for the achievement of Company goals and individual performance. These are outlined in the table below:

Role	At Target Opportunity of Fixed Remuneration	Weighting	
		Company Goals	Individual Performance
Managing Director	40%	80%	20%
Executive Leadership Team	30%	60%	40%

The Board selected four Company goals based on their strategic importance.

Performance Measure	Description
Financial – milk price performance	Milk price budget is set by the Board at the beginning of the financial year. The performance measure includes both the attainment of a Board set milk price and the payment of a dividend out of profit, not retained earnings
Safety	The reduction in the Total Recordable Injury Frequency Rate (TRIFR) is a key measure of success for the Company. Each year, the Board sets a percentage reduction that is challenging to achieve.
Quality	To meet the Quality performance condition, the Company as a whole must achieve savings against budgeted write-offs resulting from milk solid losses (yield), downgrades and finished product losses of an amount set by the Board at the start of each financial year.
Risk	To meet the Risk performance condition, the Company as a whole must resolve any 'critical' or 'high risk' recommendations made by the Internal Auditor, in an agreed time frame.
Individual KPIs	Individual KPIs are set for all participants in the STIP and all KMP covered by this Report, in addition to all other members of the Executive Leadership Team, whom have their KPIs approved by the Board. All individual KPIs are linked to the delivery of the business strategy of the Company.

Under the FY15 STIP, each Company performance measure has a threshold, target and stretch level of performance. Where threshold performance is not achieved, there is no payment for that component of the incentive.

Performance against Company goals is assessed by the Remuneration and Nominations Committee. With the exception of the Managing Director and Executive Leadership Team, individual performance is assessed by the employee's manager and confirmed by the Executive Leadership Team. The individual performance of the Managing Director and Executive Leadership Team is determined by the Board.

Remuneration Report 2015 continued

2. Setting Senior Executive Remuneration continued

2.4. FY15 Long Term Incentive Plan (LTIP)

The LTIP is a three-year cash based plan aimed at rewarding the Managing Director and ELT members for delivering sustained increases in the underlying milk price and at the same time ensuring that capital employed in achieving this increase is used in the most efficient form.

The LTIP is made up of the following elements:

Element	Description
Award	<p>Conditional rights to receive cash payment subject to meeting pre-determined performance hurdles. The LTIP is based on two independent performance hurdles being:</p> <ul style="list-style-type: none"> • Implied Milk Price Growth (IMPG) (50 percent weighting). • Return on Capital Employed (ROCE) (50 percent weighting).
Quantum opportunity	<p>Quantum is based on a percentage of fixed remuneration as determined by the Board. The quantum opportunities are based on achieving varying levels of performance with opportunities also available for achieving performance between levels:</p> <p>Managing Director</p> <p>Threshold performance: 15 percent of fixed remuneration Target performance: 30 percent of fixed remuneration Stretch performance: 60 percent of fixed remuneration</p> <p>Executive Leadership Team</p> <p>Threshold performance: 12.5 percent of fixed remuneration Target performance: 25 percent of fixed remuneration Stretch performance: 50 percent of fixed remuneration</p>
Performance period	Three-year performance period from 1 July 2014 to 30 June 2017 with no retesting opportunity available at the end of the performance period.
IMPG hurdle	<ul style="list-style-type: none"> • The purpose of the IMPG hurdle is to focus LTIP participants on delivering an optimal return to suppliers/shareholders through an increase in underlying milk price, while also making sure that there are sufficient funds available for reinvestment back into the business. • In order to measure an increase in underlying milk price, rather than using the available milk price paid to suppliers each year, an implied milk price is used which is based on forecasted available milk price targets plus the value of annual dividends. The available milk price targets are normalised for the movements in dairy commodity prices, foreign exchange and impacts of inflation as well as other one off items such as opening inventory. • In order to ensure there are sufficient funds available for reinvestment back into the business, increases or decreases in retained earnings are translated into adjustments to the implied milk price.
IMPG target setting	<ul style="list-style-type: none"> • Targets are set by determining a performance hurdle to be achieved by the end of the three-year period, using the year prior to the grant year as the base year. For example, the current grant performance will be assessed on the IMPG from FY14 over a three-year period by comparing the actual result in FY17 to the FY14 amount. • The performance hurdle is formed on the basis of three annual notional targets that in aggregate, equal the three-year performance hurdle. • The hurdles and related components within the hurdle are based on forecasted levels of financial performance, including forecasted inflation (wage, energy/utilities, and transport) and Company initiatives. This is then normalised to remove the impact of commodity prices and exchange rates. • Three levels of growth targets are set – threshold (80 percent of target), target (100 percent of target) and stretch (110 percent of target). In order for any amount to be payable, at least 80 percent of the forecast increase in implied milk price needs to be achieved over the three-year period.

2. Setting Senior Executive Remuneration continued

Element	Description																												
ROCE hurdle	<ul style="list-style-type: none"> The purpose of the ROCE hurdle is to focus the KMP on achieving the maximum return to suppliers/shareholders by incentivising the most cost efficient use of capital. In order to achieve the growth in milk price, significant capital will need to be employed. The Board considers that it is important to focus management attention on the most efficient use of this capital. The ROCE hurdle is measured by calculating the total return to shareholders (based on total payments for milk plus dividends paid in that financial year) as a percentage of the three-year rolling average of annual capital employed. 																												
ROCE target setting	<ul style="list-style-type: none"> ROCE hurdle is determined by the Board based on the anticipated levels of capital employed to deliver the significant increase in milk price. In setting the ROCE hurdle, the Board looks at the forecasted levels of financial performance, including forecasted inflation performance, which is then normalised for currency movements and commodity price fluctuations. Three levels of ROCE targets are set – threshold (96 percent of target), target (100 percent of target) and stretch (104 percent of target). In order for any amount to be payable, at least 96 percent of the ROCE hurdle needs to be achieved over the three-year period. 																												
Vesting schedule	<p>Vesting (or entitlement to payment) occurs according to the following schedule for proportion of the LTIP award (subject to each performance measure).</p> <p>Implied Milk Price Growth</p> <table> <tr> <th>Achievement of hurdle</th><th>Proportion of LTIP award (for the 50 percent related to the IMPG hurdle) that is made available</th></tr> <tr> <td>Below threshold</td><td>0 percent</td></tr> <tr> <td>Threshold (80 percent of target)</td><td>50 percent</td></tr> <tr> <td>Between threshold and target</td><td>Straight line correlation between 50 percent and 100 percent of LTIP award opportunity</td></tr> <tr> <td>Target (100 percent of target)</td><td>100 percent</td></tr> <tr> <td>Between target and stretch</td><td>Straight line correlation between 100 percent and 200 percent of LTIP award opportunity</td></tr> <tr> <td>Stretch (110 percent of target)</td><td>200 percent</td></tr> </table> <p>Return on Capital Employed</p> <table> <tr> <th>Achievement of hurdle</th><th>Proportion of LTIP award (for the 50 percent related to the ROCE hurdle) that is made available</th></tr> <tr> <td>Below threshold</td><td>0 percent</td></tr> <tr> <td>Threshold (96 percent of target)</td><td>50 percent</td></tr> <tr> <td>Between threshold and target</td><td>Straight line correlation between 50 percent and 100 percent of LTIP award opportunity</td></tr> <tr> <td>Target (100 percent of target)</td><td>100 percent</td></tr> <tr> <td>Between target and stretch</td><td>Straight line correlation between 100 percent and 200 percent of LTIP award opportunity</td></tr> <tr> <td>Stretch (104 percent of target)</td><td>200 percent</td></tr> </table>	Achievement of hurdle	Proportion of LTIP award (for the 50 percent related to the IMPG hurdle) that is made available	Below threshold	0 percent	Threshold (80 percent of target)	50 percent	Between threshold and target	Straight line correlation between 50 percent and 100 percent of LTIP award opportunity	Target (100 percent of target)	100 percent	Between target and stretch	Straight line correlation between 100 percent and 200 percent of LTIP award opportunity	Stretch (110 percent of target)	200 percent	Achievement of hurdle	Proportion of LTIP award (for the 50 percent related to the ROCE hurdle) that is made available	Below threshold	0 percent	Threshold (96 percent of target)	50 percent	Between threshold and target	Straight line correlation between 50 percent and 100 percent of LTIP award opportunity	Target (100 percent of target)	100 percent	Between target and stretch	Straight line correlation between 100 percent and 200 percent of LTIP award opportunity	Stretch (104 percent of target)	200 percent
Achievement of hurdle	Proportion of LTIP award (for the 50 percent related to the IMPG hurdle) that is made available																												
Below threshold	0 percent																												
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Below threshold	0 percent																												
Threshold (96 percent of target)	50 percent																												
Between threshold and target	Straight line correlation between 50 percent and 100 percent of LTIP award opportunity																												
Target (100 percent of target)	100 percent																												
Between target and stretch	Straight line correlation between 100 percent and 200 percent of LTIP award opportunity																												
Stretch (104 percent of target)	200 percent																												

Remuneration Report 2015 continued

2. Setting Senior Executive Remuneration continued

Element	Description
Adjustments to performance hurdles	Performance hurdles can be amended at the discretion of the Board during the performance period but only following a change to the target setting approach and/or assessment methodology as agreed by the Board or to prevent the participant from receiving an inappropriate benefit in certain circumstances.
Adjustments to LTIP award outcomes	Following the end of a performance period, the Board may take into account certain items or factors that may have assisted or hindered the participant in achieving the performance hurdles (beyond those already factored into the forecasted targets e.g. adjustments for retained earnings in the implied milk price). The Board has the discretion to adjust the outcome either upwards or downwards to account for such items or factors or to prevent the participants receiving an inappropriate benefit in certain circumstances. The Board will also give consideration to the Company's performance against that of its competitors.
Cessation of employment	On leaving the Company, rights awarded under the plan vest as follows: <ul style="list-style-type: none"> • Resignation/termination with cause – all rights are forfeited, subject to Board discretion. • Resignation for any other reason – rights will remain on foot and vest subject to performance against existing hurdles, subject to Board discretion.

Summary of FY15 LTIP grant

Element	Description
Grant date	18 November 2014
Performance hurdle	IMPG and ROCE
IMPG assessment	The hurdle will not be assessed for vesting until the three-year performance period is completed (30 June 2017)
ROCE assessment	The hurdle will not be assessed for vesting until the three-year performance period is completed (30 June 2017)
Payment date	Any payment will be made by 30 November 2017

3. Executive Remuneration Outcomes

3.1. Financial performance

Details of Murray Goulburn's past five-year earnings and dividends are summarised in the table below:

Performance Measure	FY15 \$/kgms	FY14 \$/kgms	FY13 \$/kgms	FY12 \$/kgms	FY11 \$/kgms
Milk Price Achieved	\$6.0012	\$6.7468	\$4.8634	\$5.3335	\$5.5212
	\$m	\$m	\$m	\$m	\$m
Net Sales Revenue	2,872	2,917	2,385	2,367	2,287
Profit After Tax	21.2	29.3	34.9	14.5	36.3
Dividends	28.9	31.6	25.1	31.5	29.9

3.2. Short Term Incentive Plan (STIP) outcomes

At the end of FY15, the Board reviewed Murray Goulburn's audited financial results and the results of other performance measures. The Board has assessed performance against each measure and determined the percentage of STIP that was payable. In line with 2.3 the Board has overriding discretion in relation to all STIP payments.

The table below summarises the outcomes of the performance measures for 2015:

Area of Focus	Typical Achievements Required	Company Performance
Financial	Achievement of milk price performance	Above target
Safety	Percentage reduction in TRIFR on previous year	Above target
Quality	Reduce operational cost of quality	Between threshold and target
Internal Audit	Reduce any 'critical' or 'high risk' recommendations in agreed time frame	Between threshold and target

Further details of the achievements during the year are as follows:

Financial

Despite the challenging conditions of significantly lower Dairy Commodity prices, the Company was able to achieve an Available Southern Milk Region milk price of \$6.02 per kilogram milk solids. This was through a number of initiatives, including growth of the Dairy Foods segment, optimising the milk streams and ongoing cost control.

Safety

This year had a continued focus on safety and the executives showed strong leadership in driving a step change in safety throughout the business with a number of key initiatives, including:

- The annual GoalZero Safety Leadership training program for all employees and the Company-wide one-hour 'Stop for Safety'.
- Achieving certification at Leongatha and MG's head office at Freshwater Place in Melbourne to AS4801 (Safety) certified management system bringing MG into line with industry best practice.
- Development and implementation of a new Company-wide incident management system (QUEST) to log incidents and track investigations and actions.
- Completion of a Company-wide confined space identification and labelling assessment and development of information storage database.
- Completion of a range of compliance safety training programs covering more than 25 key safety areas including ammonia awareness, working with chemicals, working at heights, managing spills management, first aid and management of tanks.
- A systematic approach to hazardous manual handling elimination across the business.

Quality

The Company had a major focus on quality across the business and in particular milk yields. As a result operational cost of quality reduced by 17 percent compared with the prior year.

Internal audit

The internal audit program continued with EY as the Internal Auditor with an increased focus on finalising all high risk findings. At the end of the financial year, the Internal Auditor undertook a review of all outstanding high-risk finding recommendations and management actions taken to close out these findings.

- The Internal Auditor concluded that the majority of 'critical' or 'high risk' recommendations were met.

Remuneration Report 2015 continued

3. Executive Remuneration Outcomes continued

The table below shows the percentage of STI payments awarded and forfeited for each KMP.

Name	Short Term Incentive	
	Percentage of Available STI Awarded	Percentage of Available STI Forfeited
Managing Director		
G Helou	74%	26%
Executive		
D Mallinson	75%	25%
F Smith	98%	2%
B Hingle	75%	25%

3.3. Long Term Incentive Plan (LTIP) outcomes

The performance period for the FY13 LTIP concluded on 30 June 2015. The Managing Director is the only participant in the FY13 LTIP.

The Board has determined that the vesting outcomes are in accordance with the results and the LTIP rules. Vesting outcomes for both Implied Milk Price Growth and Return on Capital Employed are detailed below:

Test Date	Long Term Incentive	
	Performance Measure	% of Total Plan Vested (Max)
30 June 2015	Implied Milk Price Growth	33% of max
	Return on Capital Employed	98% of max

3.4. KMP contract details

The Company has entered into employment contracts with executives in the KMP group. The employment contracts have no fixed term and outline the components of remuneration to be paid. All employment contracts are capable of termination by the Company or the KMP on either six months written notice (for the Managing Director) or three months notice (for other KMP). The Company may terminate employment immediately by providing payment in lieu of notice. Any termination payment is calculated on fixed remuneration as at the date of termination. The details of those contracts with the relevant KMP can be seen in the table below:

Name	Title	Date of Contract
G Helou	Managing Director	3 October 2011
D Mallinson	Executive General Manager, Business Operations	3 April 2014
B Hingle	Chief Financial Officer	13 January 2014
F Smith	Company Secretary/General Counsel	9 January 2012

4. Non-Executive Director Remuneration Outcomes

4.1. Remuneration structure

Non-executive director remuneration is dealt with separately from executive remuneration and is determined with regard for the need of the Company to have appropriately experienced and qualified Board members. It also takes into account the considerable amount of time that the Directors are required to devote.

The Murray Goulburn Board and Committee fee structure (inclusive of superannuation) during FY15 was:

Chairman's remuneration	\$240,000
Other Non-executive director remuneration	
Base annual fee	\$85,000
Plus additional fees for:	
Deputy Chairman fee	\$40,000
Committee Chair	
Finance, Risk and Audit	\$15,000
Compliance Committee	\$15,000
Supplier Relations Committee	\$15,000
Total fees	\$1,175,000

Table 5.2 provides full details of non-executive Director Remuneration for FY15.

5. Remuneration Tables

5.1. KMP remuneration

Executive Officers	Short Term Benefits				Leave Benefits			Long Term Benefits	Post Employment Benefits	Total	Proportion of Remuneration Performance Related %
	Salary and Allowances \$	STI Cash Bonus \$	Non monetary ⁽ⁱ⁾ \$	Subtotal \$	Annual Leave Accrued (taken) \$	Long Service Leave Accrued \$	Subtotal of Leave Benefits \$	LTI Cash Incentives ^{(ii) (iii)} \$	Super-annuation \$		
2015											
G Helou	1,690,350	751,442	219,946	2,661,738	102,667	34,737	137,404	157,522	18,783	2,975,447	30.5
B Hingle	547,717	190,548	—	738,265	15,268	9,231	24,499	47,208	19,301	829,273	28.7
D Mallinson	639,267	223,007	—	862,274	552	10,884	11,436	55,250	18,783	947,742	29.4
F Smith	556,967	254,553	—	811,520	(16,576)	10,368	(6,208)	48,125	18,783	872,220	34.7
Total	3,434,301	1,419,549	219,946	5,073,796	101,911	65,220	167,131	308,105	75,650	5,624,682	
2014											
G Helou	1,612,955	552,500	222,124	2,387,579	7,997	26,506	34,503	640,000	17,775	3,079,857	38.7
B Hingle	270,856	45,261	—	316,117	18,954	4,105	23,059	91,667	7,406	438,249	31.2
D Mallinson	153,693	70,313	908	224,914	11,860	2,566	14,426	108,333	4,444	352,117	50.7
D Noonan ^(iv)	236,932	37,419	—	274,351	(8,350)	4,278	(4,072)	—	9,403	279,682	13.4
F Smith	532,224	137,500	—	669,724	24,630	9,681	34,311	91,667	17,775	813,477	28.2
Total	2,806,660	842,993	223,032	3,872,685	55,091	47,136	102,227	931,667	56,803	4,963,382	

Remuneration disclosed relates to the period during which each executive officer qualifies as KMP.

- (i) Non-monetary compensation included the provision of motor vehicle and travel benefits.
- (ii) This table has been prepared in accordance with the requirements of the Corporations Act and the relevant Australian Accounting Standards. The figures provided under the long term benefits column are based on accounting values and do not reflect actual payments received by the Managing Director in FY15.
- (iii) FY14 LTI expense for the Managing Director has been updated to reflect the accrual for the FY13 LTI Plan. The 2015 accrual for the other participating KMP reflect one-third of the at-target potential entitlement for the FY14 and FY15 LTI Plans. The 2014 disclosure reflects one-third of the maximum potential entitlement for the 2014 LTI Plan.
- (iv) D Noonan ceased to qualify as KMP on 13 January 2014.

Remuneration Report 2015 continued

5. Remuneration Tables continued

5.2. Non-executive Director remuneration

	Short Term Benefits		Post Employment	
	Fees & Salary \$	Non Monetary ⁽ⁱⁱⁱ⁾ \$	Super-annuation \$	Total \$
Non-executive Directors				
2015				
PW Tracy	221,217	27,352	18,783	267,352
N Akers	77,626	–	7,425	85,051
WT Bodman	77,625	–	7,372	84,997
PJO Hawkins	91,324	–	8,746	100,070
MF Ihlein	91,324	–	8,676	100,000
ML Jelbart	77,626	–	7,374	85,000
KW Jones	114,155	–	10,967	125,122
ED Morris ⁽ⁱ⁾	77,625	–	7,374	84,999
GN Munzel	77,625	–	7,425	85,050
JP Pye	91,324	–	8,746	100,070
M Van de Wouw	77,625	–	7,425	85,050
Total	1,075,095	27,352	100,315	1,202,762
2014				
PW Tracy	222,225	27,232	17,775	267,232
N Akers	77,803	–	7,197	85,000
WT Bodman	77,803	–	7,197	85,000
PJO Hawkins	91,533	–	8,467	100,000
DF Howard ⁽ⁱ⁾	30,874	–	2,856	33,730
MF Ihlein	91,533	–	8,467	100,000
ML Jelbart	77,803	–	7,197	85,000
KW Jones	114,416	–	10,584	125,000
ED Morris ⁽ⁱⁱ⁾	47,237	–	4,369	51,606
GN Munzel	77,803	–	7,197	85,000
JP Pye	91,533	–	8,467	100,000
M Van de Wouw	77,803	–	7,197	85,000
Total	1,078,366	27,232	96,970	1,202,568

(i) DF Howard resigned from the Board of Directors on 22 November 2013.

(ii) ED Morris was appointed to the Board of Directors on 22 November 2013.

(iii) Non-monetary compensation includes provision of a motor vehicle to the Chairman and travel related costs.

5. Remuneration Tables continued

5.3. Shareholdings

	Ordinary Shares held at 1 July 2013 No.	Ordinary Shares Acquired No. ⁽ⁱⁱ⁾	Ordinary Shares held at 30 June 2014 No.	Ordinary Shares Acquired No. ⁽ⁱⁱ⁾	Ordinary Shares held at 30 June 2015 No.
PW Tracy	1,345,275	139,714	1,484,989	67,782	1,552,771
N Akers	252,688	34,209	286,897	20,163	307,060
WT Bodman	165,435	18,644	184,079	12,356	196,435
DF Howard	617,070	3,128	(i)	–	–
ML Jelbart	1,340,878	115,100	1,455,978	48,597	1,504,575
KW Jones	250,651	23,995	274,646	823	275,469
ED Morris	28,671	3,721	32,392	5,084	37,476
GN Munzel	229,354	17,434	246,788	9,952	256,740
JP Pye	268,344	19,993	288,337	14,889	303,226
MJ Van de Wouw	408,320	5,476	413,796	3,824	417,620
	4,906,686	381,414	4,667,902	183,470	4,851,372

- (i) DF Howard resigned from the office of Director during the previous financial year and accordingly his shareholdings at 30 June 2014 are not disclosed.
- (ii) All shares were issued for a value of \$1, and accordingly the value of the issued shares equals \$183,470 (2014: \$381,414).

No other KMP holds shares in the Company as at 30 June 2015. Shares are not awarded as part of KMP remuneration, nor does the value of the Company's shares enter into the determination of any part of KMP remuneration.

5.4. Securities acquired in the capital structure (post 30 June 2015)

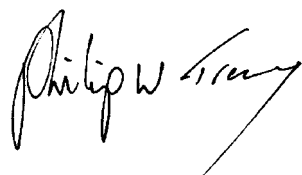
Direct and indirect interests of Directors in the parent entity and the MG Unit Trust, which were acquired after 30 June 2015 as part of the capital structure and included in the Initial Director's Interest Notices (Appendix 3X) disclosed on 10 July 2015:

	Ordinary Shares Acquired No. ⁽ⁱ⁾	Units in the MG Unit Trust Acquired No. ⁽ⁱⁱ⁾
PW Tracy	–	47,619
N Akers	53,165	–
WT Bodman	7,794	–
PJO Hawkins	–	–
G Helou	–	94,761
MF Ihlein	–	–
ML Jelbart	–	–
KW Jones	–	28,571
ED Morris	71,856	61,904
GN Munzel	–	27,619
JP Pye	–	–
MJ Van de Wouw	–	47,619
	132,815	308,093

- (i) Ordinary Shares were acquired pursuant to one or both of the Supplier Share Offer and Supplier Priority Offer as set out in the Prospectus dated 1 May 2015 and the Supplementary Prospectus dated 29 May 2015.
- (ii) Units were acquired pursuant to the offer set out in the Product Disclosure Statement issued by MG Responsible Entity Limited on 29 May 2015. The MG Unit Trust is a special purpose funding vehicle which provides its unitholders with an economic exposure to Murray Goulburn Co-operative Co. Limited.

Remuneration Report 2015 continued

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in black ink, appearing to read 'Philip W. Tracy', with a long, sweeping horizontal stroke at the end.

PW Tracy
Director

Melbourne,
31 August 2015

Consolidated Statement of Profit or Loss

for the financial year ended 30 June 2015

	Note	2015 \$000	2014 \$000
Sales revenue	3	2,871,884	2,916,521
Cost of sales		(2,508,387)	(2,570,209)
Gross profit		363,497	346,312
Other income	3	2,246	30,761
Share of profit (loss) of associates	14	(1,038)	(9,732)
Distribution expenses		(172,993)	(153,942)
Selling and marketing expenses		(80,713)	(87,306)
Administration expenses		(51,445)	(47,136)
Finance costs	4	(28,530)	(27,156)
Other expenses		(8,040)	(19,554)
Profit before income tax		22,984	32,247
Income tax expense	5	(1,738)	(2,950)
Profit for the year		21,246	29,297
Attributable to:			
Equity holders of the parent	25	25,166	27,936
Non-controlling interest		(3,920)	1,361
Profit for the year		21,246	29,297

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2015

	Note	2015 \$000	2014 \$000
Profit for the year		21,246	29,297
Other comprehensive income			
Items that will not be classified subsequently to profit or loss:			
Increment (decrement) on revaluation of land and buildings	24	(7,500)	–
Net change in fair value of equity instruments measured at fair value through other comprehensive income	24	(17)	54,434
Income tax relating to items that will not be reclassified subsequently	5	2,255	(15,320)
Items that may be reclassified subsequently to profit or loss:			
Transfer to income statement on cash flow hedges	24	(1,598)	31,410
Gain (loss) on cash flow hedges taken to equity	24	(21,688)	3,258
Exchange differences arising on translation of foreign operations	24	6,341	(984)
Income tax relating to items that may be reclassified subsequently	5	8,174	(10,092)
Total comprehensive income for the year		7,213	92,003
Attributable to:			
Equity holders of the parent		11,133	90,642
Non-controlling interest		(3,920)	1,361
Total comprehensive income for the year		7,213	92,003

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

for the financial year ended 30 June 2015

	Note	2015 \$000	2014 \$000
Current assets			
Cash	31(a)	14,473	13,858
Receivables	9	404,114	536,252
Inventories	10	507,775	366,512
Current tax receivable		–	1,700
Other	11	6,113	8,652
Derivative financial instruments	19	790	1,736
Total current assets		933,265	928,710
Non-current assets			
Investments accounted for using the equity method	14	13,105	16,994
Other financial assets	12	143	161
Property, plant and equipment	15	829,016	796,044
Intangible assets	16	59,578	16,121
Other	11	5,477	5,406
Total non-current assets		907,319	834,726
Total assets		1,840,584	1,763,436
Current liabilities			
Payables	17	415,977	371,196
Borrowings	18	195,321	149,886
Current tax payable		673	363
Provisions	20	46,359	46,415
Derivative financial instruments	19	1,028	36
Total current liabilities		659,358	567,896
Non-current liabilities			
Payables	17	1,000	1,921
Borrowings	18	454,058	380,893
Provisions	20	8,908	7,933
Deferred tax liabilities	21	37,021	58,902
Total non-current liabilities		500,987	449,649
Total liabilities		1,160,345	1,017,545
Net assets		680,239	745,891
Equity			
Issued capital	23	229,059	268,741
Reserves	24	168,463	183,215
Retained earnings	25	280,780	287,089
Parent entity interest		678,302	739,045
Non-controlling interest	26	1,937	6,846
Total equity		680,239	745,891

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2015

	Issued Capital \$000	Capital Reserve \$000	Asset Revaluation Reserve \$000	General Reserve \$000
	Note 23	Note 24	Note 24	Note 24
Balance as at 1 July 2013	262,677	36,916	153,883	5,257
Profit (loss) for the year	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	–
Payment of dividends	–	–	–	–
Issue of ordinary shares to milk suppliers	16,799	–	–	–
Dividend reinvestment plan issues	3,752	–	–	–
Transferred to retained earnings (net of tax)	–	–	(18,432)	–
Allotment of shares to suppliers	–	–	–	–
Shares bought back and cancelled	(14,487)	–	–	–
Difference of acquisition of interest in subsidiary	–	–	–	–
Balance as at 30 June 2014	268,741	36,916	135,451	5,257
Profit (loss) for the year	–	–	–	–
Other comprehensive income	–	–	(5,250)	–
Total comprehensive income	–	–	(5,250)	–
Payment of dividends	–	–	–	–
Issue of ordinary shares to milk suppliers	13,463	–	–	–
Dividend reinvestment plan issues	–	–	–	–
Transferred to retained earnings (net of tax)	–	–	(101)	–
Allotment of shares to suppliers	–	–	–	–
Capital raising costs	(25,255)	–	–	–
Shares bought back and cancelled	(27,890)	–	–	–
Difference on acquisition of interest in subsidiary	–	–	–	–
Balance as at 30 June 2015	229,059	36,916	130,100	5,257

Hedge Reserve \$000	Investment Revaluation Reserve \$000	Share Allotment Reserve \$000	Transactions with Non-controlling Interests Reserve \$000	Foreign Currency Translation Reserve \$000	Retained Earnings \$000	Attributable to Owners of the Parent \$000	Non-controlling Interests \$000	Total \$000
Note 24	Note 24	Note 24	Note 24	Note 24	Note 25		Note 26	
(20,739)	(3,369)	1,957	2,101	3,490	233,915	676,088	10,399	686,487
–	–	–	–	–	27,936	27,936	1,361	29,297
24,268	39,114	–	–	(676)	–	62,706	–	62,706
24,268	39,114	–	–	(676)	27,936	90,642	1,361	92,003
–	–	–	–	–	(28,906)	(28,906)	–	(28,906)
–	–	–	–	–	–	16,799	–	16,799
–	–	–	–	–	–	3,752	–	3,752
–	(35,712)	–	–	–	54,144	–	–	–
–	–	(1,957)	–	–	–	(1,957)	–	(1,957)
–	–	–	–	–	–	(14,487)	–	(14,487)
–	–	–	(2,886)	–	–	(2,886)	(4,914)	(7,800)
3,529	33	–	(785)	2,814	287,089	739,045	6,846	745,891
–	–	–	–	–	25,166	25,166	(3,920)	21,246
(16,300)	(12)	–	–	7,529	–	(14,033)	–	(14,033)
(16,300)	(12)	–	–	7,529	25,166	11,133	(3,920)	7,213
–	–	–	–	–	(31,578)	(31,578)	–	(31,578)
–	–	–	–	–	–	13,463	–	13,463
–	–	–	–	–	–	–	–	–
–	–	–	–	–	103	2	–	2
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	(25,255)	–	(25,255)
–	–	–	–	–	–	(27,890)	–	(27,890)
–	–	–	(618)	–	–	(618)	(989)	(1,607)
(12,771)	21	–	(1,403)	10,343	280,780	678,302	1,937	680,239

Consolidated Statement of Cash Flows

for the financial year ended 30 June 2015

	Note	2015 \$000	2014 \$000
Cash flows from operating activities			
Receipts from customers		3,086,394	2,892,570
Payments to suppliers and employees		(2,955,014)	(2,923,113)
		131,380	(30,543)
Dividends received		458	1,761
Interest received		2,243	3,196
Interest paid		(30,170)	(27,617)
Income taxes refund (paid)		(63)	(2,518)
Net cash inflow (outflow) from operating activities	31	103,848	(55,721)
Cash flows from investing activities			
Payments for property, plant and equipment		(93,560)	(85,125)
Payments to acquire intangible software assets		(27,780)	–
Investment in associated companies	14	–	(8,000)
Payments to acquire intangible brandname assets		(10,293)	–
Payments to acquire financial assets		–	(2,788)
Proceeds from the sale of property, plant and equipment		18,247	96,362
Proceeds from sale of financial assets		844	92,937
Payments for investments in subsidiaries		–	(7,800)
Net cash inflow (outflow) from investing activities		(112,542)	85,586
Cash flows from financing activities			
Dividends paid		(31,578)	(25,154)
Dividends paid to non-controlling interests		(989)	–
Proceeds from the issue of ordinary shares		25,941	16,799
Payment of capital raising costs		(11,606)	(3,446)
Payment for shares bought back		(27,890)	(14,487)
Proceeds from borrowings		406,803	209,073
Repayment of borrowings		(362,489)	(210,521)
Net cash outflow from financing activities		(1,808)	(27,736)
Net increase (decrease) in cash		(10,502)	2,129
Cash at the beginning of the year		13,858	11,809
Effect of exchange rate fluctuations on cash held		446	(80)
Cash at the end of the year	31(a)	3,802	13,858

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 26 August 2015. 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 consolidated entity 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 Class Order 98/0100, which does apply to the consolidated entity.

In applying the consolidated entity'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 consolidated entity. 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) 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 2015 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 consolidated entity are eliminated in full. The Company and its controlled entities together are referred to in this financial report as the consolidated entity.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of non-controlling shareholders in the equity of controlled entities is shown separately in the consolidated balance sheet.

The Group recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

B) Income 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 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 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 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.

Deferred tax assets and liabilities are offset as the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

The Company and certain of its wholly owned Australian entities are part of a tax consolidated group. Murray Goulburn Co-operative Co. Limited is the head entity in the tax consolidated group. Tax expense/income, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using a 'group allocation' approach. Under this approach each entity prepares a notional taxable income or loss as if it were a taxpayer in its own right except that distributions made and received, capital gains and losses, gains or losses from intra-group debt forgiveness and similar items arising on transactions within the tax consolidated group are treated as having no tax consequence. The tax expense/income, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group is allocated to each entity with reference to the individual entities notional tax calculation.

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 in the tax consolidated group).

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 1: Summary of Significant Accounting Policies continued

B) Income tax continued

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. Further information about the tax funding arrangement is detailed in Note 5 to the financial statements.

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.

C) Derivative financial instruments

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to foreign exchange and interest rate risk, including forward exchange contracts, currency options and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 29.

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 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 consolidated entity 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.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, no longer qualifies for hedge accounting or the consolidated entity revokes the hedge relationship. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedge

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 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 consolidated entity 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 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 profit or loss.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

D) 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.

E) 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 consolidated entity 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 profit or loss, in which case the increase is credited to the income statement 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 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.

Note 1: Summary of Significant Accounting Policies continued

E) Property, plant and equipment continued

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.

F) Depreciation of property, plant and equipment

Depreciation is calculated using the straight line method (2013: 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 consolidated entity.

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

G) 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 consolidated entity 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 profit or loss immediately.

H) Financial assets

Investments in associated companies are accounted for under the equity method in the consolidated financial statements.

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 consolidated entity 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 profit or loss when the consolidated entity's right to receive the dividends is established.

I) 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.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 1: Summary of Significant Accounting Policies continued

J) 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.

K) 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 consolidated entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight line basis over the term of the lease.

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

L) 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.

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.

M) Investment in associates

An associate is an entity over which the consolidated entity has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but to not control or have joint control over those policies. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the consolidated entity's share of the net assets of the associate, less any impairment in the value of individual investments. Any excess of the cost of acquisition over the consolidated

entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the consolidated entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

N) 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 profit or loss.

O) Accounts payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Payables are initially measured at fair value and subsequent to initial recognition are measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

P) Provisions

Provisions are recognised when the consolidated entity 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.

Q) 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.

Note 1: Summary of Significant Accounting Policies continued

R) 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 profit and loss over the period of the borrowing using the effective interest method.

S) 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.

T) Revenue recognition

Revenue from the sale of goods and disposal of assets is recognised when the consolidated entity 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 consolidated entity's right to receive the dividends is established.

U) Parent entity disclosures

The financial information for the parent entity, Murray Goulburn Co-operative Co. Limited, as disclosed in Note 32, has been prepared on the same basis as the consolidated financial statements except as outlined below:

Investments in subsidiaries and associates – investments in subsidiaries and associates 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 profit or loss when the right to receive the dividend is established.

V) Critical accounting estimates and judgements

The following are critical estimates and judgements made by management in the process of applying the consolidated entity's accounting policies:

Inventories – the net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. Key assumptions, including the expected selling price, require the use of management judgement and are reviewed semi-annually.

Taxation – the consolidated entity is subject to taxation in several different tax jurisdictions, but most particularly Australia, Singapore and China. Significant judgement is required in determining the provision for income taxes payable in each jurisdiction. There are some transactions and calculations for which the ultimate tax determination is uncertain. Entities within the consolidated entity may be subject to audit from the various taxation authorities from time to time. The consolidated entity recognises a receivable or liability for any tax that may, as a result of such audit, become refundable by or payable to a tax

authority as a result of audit issues when the cash flow associated with the refund or payable becomes probable. Where the final tax outcome of such matters is different from the amounts that were initially recorded as either receivable or payable, the differences will generally impact the calculation of deferred tax balances and tax expense.

Fixed assets at fair value – from time to time, the consolidated entity engages independent advisers to ascertain the fair value of land and building assets. Key assumptions made by these experts in the determination of fair value include: the likely selling price of assets for which a market is likely to exist, the likely replacement value of other assets where a market for sale may not exist, and the net present value of cash flows which the assets may generate over their useful lives. In determining net present values, judgement is required in respect to adopting a discount rate and in the estimation of gross cash flows over periods of time.

W) Segment information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided and the class of customer to which they are delivered or provided. The directors of the Company have chosen to organise the Group around differences in products and services. The Dairy Foods reportable segment was arrived at by aggregating two operating segments that supply the same types of products, manufactured in the same plants using identical manufacturing processes, to the same class of customers in two geographical regions.

Specifically, the Group's reportable segments under AASB 8 are as follows:

- Ingredients and Nutritionals
- Dairy Foods
- Other

The Ingredients & Nutritionals segment manufactures and supplies bulk and customised dairy ingredients and nutritional milk powders, primarily in the key markets of North Asia, South East Asia, Australia, Sri Lanka, China and USA.

The Dairy Foods segment manufactures and supplies dairy products such as fresh milk, UHT milk, cheese, and butter in markets throughout Australia, China, South East Asia, the Middle East and the Pacific.

Other operations include trading stores that sell farm supplies and services to farmers, milk broking services and the manufacture of bulk dairy ingredients in Tasmania.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 1: Summary of Significant Accounting Policies continued

X) Adoption of new and revised standards

Except for the changes below, the consolidated entity has consistently applied the accounting policies set out within this financial report to all periods presented in these consolidated financial statements.

The consolidated entity has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014:

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities which provides guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132. The amendment did not have any impact upon the consolidated entity on adoption.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets amends the disclosure requirements in AASB 136 Impairment of Assets and requires the disclosure of financial information about the fair value measurement when recoverable amount of impaired assets is based on fair value less costs to dispose. The additional disclosure requirements have not impacted the consolidated entity upon adoption.
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting permits the continuation of hedge accounting where a derivative designated as a hedging instrument is novated from one counterparty to a central counterparty as a result of laws or regulations. The amendment did not impact any of the hedging contracts held by the consolidated entity on adoption.
- AASB 2014-1 Amendments to Australian Accounting Standards – Part: A Annual Improvements 2010-2012 and 2011-2013 Cycle amend a number of accounting standards including: clarification of the definitions in AASB 2 Share-based Payment and AASB 124 Related Party Disclosures; additional disclosures requirements in AASB 8 Operating Segments; clarification of the portfolio exception in AASB 13 Fair Value Measurement; clarification of items in AASB 140 Investment Property and other editorial corrections. The amendments did not have any impact upon the consolidated entity on adoption.

Although the adoption of these standards has resulted in some changes to the accounting policies of the consolidated entity, they have not resulted in any adjustment to the amounts recognised in the financial statements, nor resulted in any additional disclosures upon adoption. The following new or amended accounting standards and interpretations issued by the AASB have been identified as those that may have a material impact on the Group in the period of initial application.

AASB 9 Financial Instruments

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial instruments.

The requirements of this standard aim to improve and simplify the approach for classification and measurement of financial assets and the accounting of financial liabilities. It also includes a forward looking 'expected loss' impairment model and substantially changes the approach to hedge accounting. The standard is not applicable until 1 January 2018 but early adoption is available.

The consolidated entity early adopted the classification and measurement components of AASB 9 in a previous financial period, and it adopted the hedge accounting components during the current financial year and the consequential amendments introduced to other numerous Australian Accounting Standards by AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014). The key change for the consolidated entity associated with adopting AASB 9 is that it allows the consolidated entity to align its hedge accounting more closely with its risk management practices.

Adoption of AASB 9 has not impacted the classification and measurement or hedge accounting of those financial instruments held by the consolidated entity as at 30 June 2014, therefore no restatement of comparative information has been required on the transition to AASB 9 on 1 July 2014.

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 Programmes. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The notion of control under AASB 15 replaces the existing notion of risks and rewards under current accounting standards. The standard is applicable from 1 January 2018 with early adoption permitted.

The consolidated entity is currently assessing the potential impact of the new standard upon the consolidated entity's revenue recognition policy and at this stage are unable to estimate the financial impact on adopting the standard.

Note 2: Segment Revenues and Results

	Ingredients and Nutritionals \$000	Dairy Foods \$000	Other \$000	Intersegment Eliminations \$000	Total \$000
Segment income statement					
2015					
External revenue	1,330,637	1,130,050	411,197	–	2,871,884
Inter-segment revenue	9,201	1,297	127,326	(137,824)	–
Revenue from sale of goods	1,339,838	1,131,347	538,523	(137,824)	2,871,884
Segment contribution to profit	30,630	47,497	9,624	–	87,751
Other income					2,246
Net gain on sale of non-current assets					–
Share of profit (loss) of associates					(1,038)
Operating expenses					(37,445)
Finance costs					(28,530)
Profit before tax					22,984
Segment income statement					
2014					
External revenue	1,616,604	876,048	423,869	–	2,916,521
Inter-segment revenue	10,041	1,377	128,873	(140,291)	–
Revenue from sale of goods	1,626,645	877,425	552,742	(140,291)	2,916,521
Segment contribution to profit	115,974	(27,738)	2,040	–	90,276
Other income					4,239
Net gain on sale of non-current assets					26,522
Share of profit (loss) of associates					(9,732)
Operating expenses					(51,902)
Finance costs					(27,156)
Profit before tax					32,247

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

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 2: Segment Revenues and Results continued

Revenue from major products

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

	2015 \$000	2014 \$000
Dairy products and ingredients	2,625,406	2,679,085
Farming supplies	246,478	237,436
Revenue from sale of goods	2,871,884	2,916,521

Information about geographic segments

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

	Revenue from external customers		Non-current assets	
	2015 \$000	2014 \$000	2015 \$000	2014 \$000
Australia	1,628,902	1,429,988	873,042	809,252
Other countries	1,242,982	1,486,533	34,277	25,474
Total	2,871,884	2,916,521	907,319	834,726

Information about major customers

Included in revenues arising from direct sales of Dairy Foods of \$1,130 million (2014: \$876 million) are revenues of approximately \$310 million (2014: \$257 million) which arose from sales to the Group's largest customer. No other single customer contributed 10 percent or more to the Group's revenue for both 2015 and 2014.

Note 3: Revenue

	2015 \$000	2014 \$000
Revenue		
Sales revenue	2,871,884	2,916,521
Other income		
Interest received or receivable from:		
• other persons	2,243	3,202
Dividends received from other corporations	3	1,037
Net gain on sale of Integrated Logistics Centre	–	26,522
	2,246	30,761
Sales and other income	2,874,130	2,947,282

Note 4: Profit Before Income Tax Expense Has Been Determined After:

	2015 \$000	2014 \$000
Charging/(crediting) as losses and gains:		
Finance costs		
Interest paid or payable to:		
• other persons	28,530	27,156
	28,530	27,156
Depreciation or amortisation of:		
• Depreciation – buildings	9,961	8,870
• Depreciation – plant and equipment and vehicles	42,010	44,367
• Amortisation – software intangibles	880	–
	52,851	53,237
Impairment (reversal) of non-current property, plant and equipment	(1,406)	(1,402)
Impairment of investments in associated companies	1,730	1,157
Net (gain) on sale and scrapping of non-current assets	(7,044)	(1,195)
Loss (gain) on sale of investment in associated entity	(115)	–
Write down of inventories to net realisable value	16,052	10,669
Rental expense on operating leases	41,004	22,620
Research and development expenditure	7,000	5,800
Employee benefits (including restructuring costs)	256,821	242,129

Note 5: Income Tax Expense

A) Income tax recognised in profit or loss

	2015 \$000	2014 \$000
Tax expense comprises:		
Current tax expense	2,367	139
Deferred tax expense (benefit)	(629)	2,811
Income tax expense	1,738	2,950
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit before income tax expense	22,984	32,247
Income tax calculated at the Australian statutory tax rate of 30%	6,895	9,674
Dividends as a co-operative ⁽ⁱ⁾	(9,473)	(8,672)
Effect of tax rates in foreign jurisdictions	479	(24)
Equity accounted loss/(profit)	90	3,471
Current year losses for which no deferred tax asset was recognised	4,983	–
Previously unrecognised tax losses now recouped to reduce current tax expense	–	(877)
Sundry items	(949)	(251)
Under (over) provision for income tax in prior year	(287)	(371)
Income tax expense	1,738	2,950

- (i) As a co-operative, the head entity in the Australian tax consolidated group is able to claim a tax deduction for unfranked dividends paid to shareholders. Dividends are claimed as a deduction in the financial year in which they are paid unless they are paid within three months subsequent to the conclusion of the prior financial year, in which case they are deductible in the calculation of that earlier year's taxable income. Dividends declared post year end have been held to be deductible on this basis. It is the parent entity's intention to pay franked dividends in the future. In contrast to the treatment of unfranked dividends, future franked dividend payments would not be available as a deduction in the determination of the consolidated group's tax expense and tax liability.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 5: Income Tax Expense continued

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

	Opening Balance \$000	Charged to Income \$000	Transfer from Equity to Income \$000	Charged to Equity \$000	Closing Balance \$000
2015					
Gross deferred tax liabilities					
Property, plant and equipment	(70,660)	(3,626)	–	2,250	(72,036)
Consumables	(6,552)	(290)	–	–	(6,842)
Investments	(15)	–	–	6	(9)
Cash flow hedges	(1,513)	–	480	1,033	–
Other	(8,862)	7,340	–	1,187	(335)
	(87,602)	3,424	480	4,476	(79,222)
Gross deferred tax assets					
Provisions	16,200	115	–	–	16,315
Tax losses	60	4,267	–	–	4,327
Cash flow hedges	–	–	–	5,473	5,473
Capital raising costs	–	–	–	10,823	10,823
Other	12,440	(7,177)	–	–	5,263
	28,700	(2,795)	–	16,296	42,201
Net deferred tax liability	(58,902)	629	480	20,772	(37,021)
2014					
Gross deferred tax liabilities					
Property, plant and equipment	(78,643)	7,983	–	–	(70,660)
Consumables	(7,415)	863	–	–	(6,552)
Investments	–	–	15,305	(15,320)	(15)
Cash flow hedges	(1,519)	–	983	(977)	(1,513)
Other	(1,502)	(7,668)	–	308	(8,862)
	(89,079)	1,178	16,288	(15,989)	(87,602)
Gross deferred tax assets					
Provisions	15,573	627	–	–	16,200
Tax losses	26,778	(11,413)	(15,305)	–	60
Cash flow hedges	10,406	–	(10,406)	–	–
Other	5,643	6,797	–	–	12,440
	58,400	(3,989)	(25,711)	–	28,700
Net deferred tax liability	(30,679)	(2,811)	(9,423)	(15,989)	(58,902)

All available tax losses have been brought to account and are included in the net deferred tax liability, except for:

- carried forward losses of non-wholly owned controlled entities where future recoverability is uncertain.

The Company and its wholly owned entities are part of a tax consolidated group. The head entity within the tax consolidated group is Murray Goulburn Co-operative Co. Limited. The members of the tax consolidated group are identified in Note 13.

All operating entities within the 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 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 tax consolidated group.

Note 6: Compensation of Key Management Personnel

Compensation of key management personnel is included in the Remuneration Report within the Directors' Report. Total amounts paid as remuneration to key management personnel of the consolidated entity include:

	2015 \$	2014 \$
Total short term employee benefits (excluding annual leave)	6,176,243	4,978,284
Total annual and long service leave benefits	167,131	102,227
Total long term employee benefits	308,105	931,667
Total post employment employee benefits	175,965	153,773
Total remuneration	6,827,444	6,165,951

Note 7: Remuneration of Auditors

	2015 \$	2014 \$
(a) Auditor of the parent entity:		
• audit and review the financial report	457,400	365,000
• assurance related services	1,881,920	17,850
• other consulting services	370,029	100,471
	2,709,349	483,321
(b) Related practice of the parent entity auditor		
• audit and review the financial report	71,700	45,000
• corporate finance services	–	–
	71,700	45,000
(c) Non-PricewaterhouseCoopers audit firms		
• audit and review the financial report	37,000	36,050
• assurance related services	4,750	9,000
• other consulting services	4,800	10,000
	46,550	55,050

The auditor of the parent entity is PricewaterhouseCoopers (2014: PricewaterhouseCoopers).

Fees paid to the parent entity's auditor for assurance related services in 2015 reflect amounts paid in respect to the auditor's role in the preparation of capital raising documents.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 8: Dividends Paid or Proposed

	Note	2015 \$000	2014 \$000
Recognised amounts			
Dividends in relation to the 2014 financial year (2013 financial year)			
<i>Fully Paid Ordinary Shares</i>			
Final dividend of 8 cents (2014: 8 cents) per share unfranked		22,208	21,027
<i>Fully Paid A Class Non-cumulative Non-redeemable Preference Shares</i>			
Final dividend of 8 cents (2014: 8 cents) per share unfranked		–	1,179
<i>Fully Paid B Class Non-cumulative Non-redeemable Preference Shares</i>			
Final dividend of 5 cents (2014: 5 cents) per share unfranked		554	485
<i>Fully Paid C Class Non-cumulative Non-redeemable Preference Shares</i>			
Final dividend of 8 cents (2014: 8 cents) per share unfranked		1,844	2,592
Dividends in relation to the 2015 financial year (2014 financial year)			
Special dividend of 25 cents per 'A' class share unfranked (as part of share buy-back and cancellation)		–	3,623
Special dividend of 25 cents per 'B' class share unfranked		1,482	–
Special dividend of 25 cents per 'C' class share unfranked		5,490	–
Total dividends recognised	25	31,578	28,906
Dividends recognised during the current year differ to unrecognised amounts in the prior year below due to movements in issued capital during the period between 30 June 2014 and the actual payment of the dividend.			
Unrecognised amounts			
Dividends in relation to the 2015 financial year (2014 financial year)			
<i>Fully Paid Ordinary Shares</i>			
Final dividend of 9 cents per share fully franked (2014: 8 cents per share unfranked)		25,286	22,104
<i>Fully Paid B Class Non-cumulative Non-redeemable Preference Shares</i>			
Final dividend of 5 cents per share unfranked (2014: 5 cents per share unfranked)		–	493
<i>Fully Paid C Class Non-cumulative Non-redeemable Preference Shares</i>			
Final dividend of 5 cents per share unfranked (2014: 5 cents per share unfranked)		–	1,754
		25,286	24,351
Franking account balance at 30 June		2,056	12,390

Final dividends in respect to the current and prior financial years were not been recognised in the balance sheet at the respective year end as they were declared subsequent to the conclusion of the financial year.

The values of the unrecognised dividends disclosed above are based on the respective dividend rates declared and the total of shares outstanding as at 27 April 2015 (2014: as at 30 June 2014). The franking account balance has been calculated after taking into account franking credits that arise from the settlement post 30 June of tax liabilities referable to the Australian tax group and, in respect to the 2015 disclosures only, for franking debits that will arise upon payment of the fully franked final dividend in respect to the year ended 30 June 2015.

Note 9: Receivables

	2015 \$000	2014 \$000
Current		
Trade receivables	359,026	463,484
Less: provision for impairment of receivables	(1,373)	(1,934)
	357,653	461,550
Other receivables	46,461	74,702
	404,114	536,252

All receivables are recorded at amortised cost less provision for impairment.

Credit risk associated with these receivables is addressed in Note 29(C). The fair value of receivables is documented in Note 29(D). The consolidated entity reviews the recoverability of receivables by reference to internal credit assessment and historical and ongoing customer payment trends. Trade receivables of \$1,373,000 (2014: \$1,934,000) in the consolidated entity have been assessed as impaired and provided for in the provision for impairment of receivables.

	2015 \$000	2014 \$000
Movements in the provision for impairment of receivables:		
Balance at the beginning of the year	1,934	1,762
Impairment losses recognised on receivables	3,863	264
Impairment losses reversed	–	–
Amounts written off as uncollectible	(4,424)	(92)
	1,373	1,934

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

	2015 \$000	2014 \$000
0 – 30 days	25,057	31,073
30 – 60 days	4,457	2,033
60 – 90 days	5,763	7,061
90+ days	55	374
	35,332	40,541

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 10: Inventories

	2015 \$000	2014 \$000
Finished goods		
• at cost	340,374	227,410
• at net realisable value	111,666	91,299
Packaging and manufacturing materials	55,735	47,803
	507,775	366,512
Amounts recognised in profit or loss		
Inventories recognised as expense	2,508,387	2,570,209
Inventories recognised as expense were included in cost of goods sold.		
Write downs of inventories to net realisable value	16,052	10,669

These write downs were recognised as an expense during the year ended 30 June 2015 and are also included in cost of sales.

Note 11: Other Assets

	2015 \$000	2014 \$000
Current		
Prepayments	6,113	5,206
Deferred capital raising costs	–	3,446
	6,113	8,652
Non-current		
Other	5,477	5,406
	5,477	5,406

Note 12: Other Non-current Financial Assets

	2015 \$000	2014 \$000
Investments		
Shares in quoted corporations at fair value	143	161
	143	161

Shares in quoted corporations are Level 1 financial instruments recorded at fair value using quoted prices.

Note 13: Controlled Entities

The group's principal subsidiaries at 30 June 2015 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

	% Ownership Interest		Place of Incorporation	Class of share/unit
	2015	2014		
Parent entity				
Murray Goulburn Co-operative Co. Limited ^(a)	N/A	N/A	Australia	Ordinary
Controlled entities of Murray Goulburn Co-operative Co. Limited:				
Murray Goulburn Trading Pty Ltd ^(b)	100	100	Australia	Ordinary
Murray Goulburn Dairy (Qingdao) Co. Ltd	100	100	China	N/A
Tasmanian Dairy Products Co Pty Ltd ^(c)	76	76	Australia	Ordinary
Provico Pty Ltd ^(d)	100	51	Australia	Ordinary
MG Unit Trust ^(e)	100	–	Australia	Ordinary
MG Responsible Entity Limited ^(f)	100	–	Australia	Ordinary

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

(b) This wholly owned entity is a member of the tax consolidated group.

(c) During the 2014 financial year, the parent entity acquired a further 19.9 percent interest in Tasmanian Dairy Products Co Pty Ltd for \$7.8 million in cash consideration.

(d) During the 2015 financial year, the parent entity acquired a further 49 percent interest in Provico Pty Ltd for \$49. At that time, Provico Pty Ltd became a wholly owned subsidiary.

(e) MG Unit Trust was formed on 1 May 2015.

(f) MG Responsible Entity Limited was incorporated on 29 August 2014.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 13: Controlled Entities continued

Murray Goulburn Co-operative Co. Limited and Murray Goulburn Trading Pty Ltd are entities that are party to a deed of cross guarantee.

The Consolidated Statement of Profit and Loss of entities which are party to the deed of cross guarantee is set out below:

	2015 \$000	2014 \$000
Statement of profit and loss		
Sales revenue	2,858,327	2,913,168
Cost of sales	(2,500,410)	(2,571,348)
Gross profit	357,917	341,820
Other income	3,691	31,222
Impairment of associates	(1,730)	(1,157)
Distribution expenses	(165,191)	(149,678)
Selling and marketing expenses	(75,563)	(65,856)
Administration expenses	(51,445)	(60,010)
Finance costs	(25,327)	(23,514)
Other expenses	(5,232)	(19,419)
Profit before income tax	37,120	53,408
Income tax expense	(328)	(7,555)
Profit for the year	36,792	45,853
Statement of comprehensive income		
Profit for the year	36,792	45,853
Other comprehensive income		
Items that will not be classified subsequently in profit and loss		
Increment (decrement) on revaluation of land and buildings	(7,500)	–
Net change in fair value of equity instruments measured at fair value	(17)	54,434
Income tax relating to items that will not be reclassified subsequently	2,255	(15,320)
Items that may be reclassified subsequently through profit or loss		
Transfer to income statement on cash flow hedges	(1,598)	31,410
Gain (loss) on cash flow hedges taken to equity	(21,688)	3,258
Income tax relating to items that may be reclassified subsequently	6,986	(10,401)
Total comprehensive income for the year	15,230	109,234

The Consolidated Statement of Financial Position of entities which are party to the deed of cross guarantee is set out below:

	2015 \$000	2014 \$000
Statement of financial position		
Current assets		
Cash	8,946	2,889
Receivables	426,487	571,963
Inventories	490,520	336,288
Derivative financial instruments	790	1,736
Other	5,818	8,288
Total current assets	932,561	921,164
Non-current assets		
Receivables	4,076	5,016
Investment in subsidiaries	55,613	54,844
Investment in associates	29,288	31,839
Other financial assets	143	161
Property, plant and equipment	757,160	691,354
Intangible assets	15,448	4,155
Total non-current assets	861,728	787,369
Total assets	1,794,289	1,708,533
Current liabilities		
Payables	399,372	348,702
Borrowings	181,750	148,386
Current tax payable	756	363
Derivative financial instruments	1,028	36
Provisions	46,100	46,208
Total current liabilities	629,006	543,695
Non-current liabilities		
Payables	1,000	1,000
Borrowings	419,374	343,309
Provisions	8,908	7,933
Deferred tax liabilities	43,299	63,710
Total non-current liabilities	472,581	415,952
Total liabilities	1,101,587	959,647
Net assets	692,702	748,886
Equity		
Issued capital	229,059	268,741
Reserves	112,681	134,499
Retained earnings	350,962	345,646
Total equity	692,702	748,886
Movement in retained earnings		
Balance at the beginning of the financial year	345,646	274,555
Net profit	36,792	45,853
Dividends provided for or paid	(31,578)	(28,906)
Transfer from reserves	102	54,144
Balance at the end of the financial year	350,962	345,646

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 14: Investments Accounted for Using the Equity Method

		2015 \$000	2014 \$000
Investments in associated companies		13,105	16,994

Name of Associate	Principal Activity	Ownership 2015 %	Ownership 2014 %
Intermix Australia Pty Ltd	Food ingredient processing	33	33
Dairy Technical Services Ltd	Dairy analytical and technical services	25	25
Australian Milk Products Pty Ltd	Exporter of dairy products	–	50
Nedfarm	Milk production – dairy cattle	40	40
Danone Murray Goulburn Pty Ltd	Retail of dairy products	50	50

All associates are incorporated in Australia.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting.

During the year ended 30 June 2015, the consolidated entity sold its investment in Australian Milk Products Pty Ltd for \$0.8 million.

Movement in Investments in Associated Companies	2015 \$000	2014 \$000
Equity accounted amount at the beginning of the financial year	16,994	20,607
Acquisition/(disposal) of interests in associates	(666)	8,000
Impairment loss	(1,730)	(1,157)
Share of (loss)/profit after income tax	(1,038)	(9,732)
Dividends received from associates	(455)	(724)
Equity accounted amount at the end of the financial year	13,105	16,994

Aggregate amounts with respect to associate entities' are:

Assets of associates	99,631	119,630
Liabilities of associates	65,962	73,152
Revenue of associates	143,264	164,420
Profit/(loss) of associates	(1,790)	(15,671)
Contingent liabilities	–	–

Note 15: Property, Plant and Equipment

	2015 \$000	2014 \$000
Land and buildings		
Freehold land at fair value ⁽ⁱ⁾	62,183	57,311
Buildings at fair value ⁽ⁱ⁾	312,915	305,274
less accumulated depreciation and impairment losses	(17,648)	(9,333)
	295,267	295,941
Total land and buildings	357,450	353,252
Plant and equipment		
At cost	1,194,544	1,165,894
less accumulated depreciation and impairment losses	(818,402)	(806,367)
Total plant and equipment	376,142	359,527
Vehicles		
At cost	24,214	46,781
less accumulated depreciation	(19,366)	(30,090)
Total vehicles	4,848	16,691
In the course of construction	90,576	66,574
Total property, plant and equipment⁽ⁱⁱ⁾	829,016	796,044

(i) Valuations of land and buildings

The basis of the valuation of land and buildings is fair value being market value for existing use of all freehold land and buildings. Land and building assets at fair value are considered to be Level 3 non-financial assets.

The fair value of those assets was determined by an independent registered valuer. In respect to Level 3 land, fair value was derived using the sales comparison approach. For land, sales prices of comparable unimproved land in close proximity to the consolidated entity's land assets were used as a basis for the valuation and were adjusted for differences in key attributes such as property size and property improvements. For certain Level 3 building assets, most particularly largely generic warehousing facilities, valuations were determined by reference to a capitalisation of market based rental yields for comparable premises adjusted for key attributes such as available storage space measured in square metres. In respect to certain other Level 3 building assets, fair value was determined using a depreciated replacement cost methodology.

The revaluation to fair value of land and building assets was last undertaken as at 30 June 2013. During the year ended 30 June 2015, Directors undertook to assess whether any asset's carrying value was materially less than its fair value. With the exception of one asset, Directors considered the carrying values of land and building assets as at 30 June 2015 to be materially consistent with their fair value. An impairment loss of \$7.5 million was recognised in respect to the one asset found to be stated in excess of its recoverable amount, with a corresponding reduction recognised in the asset revaluation reserve. The group adheres to a policy of revaluing property progressively to ensure that the carrying value of land and buildings assets does not differ materially from their fair value.

(ii) Capitalisation of interest

Interest of \$2.3 million (2014: \$nil) was capitalised in respect to the acquisition of qualifying assets.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 15: Property, Plant and Equipment continued

Reconciliations

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

Consolidated	Land and Buildings \$000	Plant and Equipment \$000	Vehicles \$000	Capital Work in Progress \$000	Total \$000
Carrying amount at 30 June 2013	405,465	355,140	25,617	45,783	832,005
Additions (including transfers from capital work in progress)	22,322	40,791	1,002	21,010	85,125
Net revaluations through asset revaluation reserve	–	–	–	–	–
Reversal of impairment loss of non-current assets	–	1,402	–	–	1,402
Disposals	(65,413)	(1,208)	(2,024)	–	(68,645)
Depreciation	(8,870)	(36,463)	(7,904)	–	(53,237)
Effect of movement in exchange rates	(252)	(135)	–	(219)	(606)
Carrying amount at 30 June 2014	353,252	359,527	16,691	66,574	796,044
Additions (including transfers from capital work in progress)	20,211	56,358	368	23,962	100,899
Impairment recognised in asset revaluation reserve	(7,500)	–	–	–	(7,500)
Reversal of impairment loss of non-current assets	–	1,406	–	–	1,406
Transfers to software intangibles assets (Note 16)	–	(4,268)	–	–	(4,268)
Disposals	(2,225)	(359)	(8,619)	–	(11,203)
Depreciation	(9,961)	(38,418)	(3,592)	–	(51,971)
Effect of movement in exchange rates	3,673	1,896	–	40	5,609
Carrying amount at 30 June 2015	357,450	376,142	4,848	90,576	829,016

Note 16: Intangible Assets

	2015 \$000	2014 \$000
Goodwill ⁽ⁱ⁾	12,121	12,121
Brand names ⁽ⁱ⁾	15,293	4,000
Software ⁽ⁱⁱ⁾	6,102	–
Software under development ⁽ⁱⁱⁱ⁾	26,062	–
Total intangible assets	59,578	16,121

(i) Goodwill and brand name intangible assets recognised by the consolidated entity are stated at cost and have an indefinite useful life. They were assessed for possible impairment during the year ended 30 June 2015 and no impairment was evident. In considering impairment, management has considered relevant cash flow forecasts.

(ii) Software assets have limited useful lives and are amortised on a straight line basis over three to five years.

(iii) Software under development is transferred to software once the asset is ready for use in its intended form.

Reconciliations

A reconciliation of the carrying amount of each class of intangible asset is set out below.

2015	Goodwill	Brand Names	Software	Software Under Development	Total
At 1 July 2014	12,121	4,000	–	–	16,121
Additions – Caboolture brand name	–	9,327	–	–	9,327
Additions – other	–	1,966	2,714	26,062	30,742
Transfers in from property plant and equipment (Note 15)	–	–	4,268	–	4,268
Amortisation	–	–	(880)	–	(880)
Carrying amount at 30 June 2015	12,121	15,293	6,102	26,062	59,578

There was no movement in intangible balances in the prior year.

Note 17: Payables

	2015 \$000	2014 \$000
Current		
Trade payables	102,165	56,391
Payable to farmer suppliers	165,011	175,279
Sundry payables and accrued expenses	148,801	139,526
	415,977	371,196
Non-current		
Other	1,000	1,921
	1,000	1,921

All payables are recorded at amortised cost. The fair value of payables is documented in Note 29(D).

Note 18: Borrowings

	2015 \$000	2014 \$000
Current		
Bank overdraft – Tasmanian Dairy Products Co Ltd	10,671	–
Bank loans	184,650	118,039
Private placement senior notes	–	31,847
	195,321	149,886
Non-current		
Bank loans	167,600	253,504
Private placement senior notes	286,458	127,389
	454,058	380,893

The bank loans and private placement senior notes are covered by negative pledge agreements between the parent entity and its financiers. All borrowings are recorded at amortised cost. Private placement notes are designated as effective cash flow hedges with the exception of \$130,208,333 (2014: \$53,078,556). The fair value of borrowings is documented in Note 29(D).

Note 19: Derivative Financial Instruments

	2015 \$000	2014 \$000
Foreign currency derivatives assets	790	1,736
Foreign currency derivatives liabilities	1,028	36

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 profit or loss as appropriate. Foreign currency derivatives are Level 2 financial instruments recorded at fair value using observable market inputs.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 20: Provisions

	2015 \$000	2014 \$000
Current		
Employee benefits ⁽ⁱ⁾	46,359	46,415
Non-current		
Employee benefits	8,908	7,933
<p>The current provision for employee benefits includes annual and long service leave referable to unconditional, vested entitlements. The entitlements are presented as current liabilities albeit the consolidated entity does not expect to settle the full amount of accrued leave within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.</p>		
(i) Current leave obligations expected to be settled after 12 months	24,910	29,067

Note 21: Deferred Tax Liabilities

	Note	2015 \$000	2014 \$000
Deferred tax liability	5	37,021	58,902

Note 22: Contingent Liabilities

The consolidated entity has no material contingent liabilities.

Note 23: Issued Capital

	2015 \$000	2014 \$000
Issued capital	229,059	268,741
Movements in issued capital		
Balance at the beginning of the financial year	268,741	262,677
Issue of ordinary shares to milk suppliers	13,463	16,799
Dividend reinvestment plan issues	–	3,752
Shares bought back and cancelled	(27,890)	(14,487)
Capital raising costs net of tax	(25,255)	–
Balance at the end of the financial year	229,059	268,741

Note 23: Issued Capital continued

Movements in shares on issue	Number of Shares				Total
	Ordinary Shares ^(a)	A Class Preference Shares ^(b)	B Class Preference Shares ^(c)	C Class Preference Shares ^(d)	
Balance at 30 June 2013	261,553,811	14,788,449	9,089,124	29,726,108	315,157,492
Shares issued	16,818,948	–	–	–	16,818,948
Dividend reinvestment plan issues	3,731,734	20,287	359	50	3,752,430
Transfers	(5,805,836)	(321,470)	773,424	5,353,882	–
Share buy-back and cancellations	–	(14,487,266)	–	–	(14,487,266)
Balance at 30 June 2014	276,298,657	–	9,862,907	35,080,040	321,241,604
Shares issued	13,463,018	–	–	–	13,463,018
Dividend reinvestment plan issues	–	–	–	–	–
Transfers	(8,495,114)	–	3,915,394	4,579,720	–
Share buy-back and cancellations	–	–	(5,931,974)	(21,958,606)	(27,890,580)
Balance at 30 June 2015	281,266,561	–	7,846,327	17,701,154	306,814,042

Changes to the then Corporations Law abolished the par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value. All shares are fully paid. All shares movements during the years ended 30 June 2015 and 2014 were issued and bought back, respectively, at a value of \$1 per share.

(a) 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. Upon ceasing supply of milk to the Company, shareholders' ordinary shares are converted into a class of non-cumulative, non-redeemable preference shares as determined by the Board.

(b) A class eight percent non-cumulative non-redeemable Preference Shares

A Class eight percent non-cumulative, non-redeemable Preference Shares entitled holders to receive, out of profits available for dividend, a preferential dividend at a rate of eight percent per annum. All shares were bought back and cancelled during 2013/14.

(c) B class non-cumulative, non-redeemable Preference Shares

B Class non-cumulative, non-redeemable Preference Shares entitle holders to receive, out of profits available for dividend, a preferential dividend at a variable rate. These holders have no voting rights at a general meeting of the Company, but can convert their shares into ordinary shares, by resolution of the Directors, if any holder becomes a supplier to the Company.

(d) C class non-cumulative non-redeemable Preference Shares

C Class non-cumulative, non-redeemable Preference Shares entitle holders to receive, out of profits available for dividend, a preferential dividend at a variable rate. These holders have no voting rights at a general meeting of the Company, but can convert their shares into ordinary shares, by resolution of the Directors, if any holder becomes a supplier to the Company.

Capital risk management

The consolidated entity manages its capital to ensure that entities within the Group will be able to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital and ensure access to adequate capital to sustain future development.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of share equity milk deductions, adjust the level of dividends paid to shareholders, issue new shares or sell assets to reduce debt. Management continually monitor the capital structure by reference to the consolidated entity's gearing ratio. The gearing ratio is calculated as net debt divided by total capital where net debt is borrowings less cash and total capital is equity, including minority interest, plus net debt.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 23: Issued Capital continued

The consolidated entity's strategy is to maintain its gearing ratio within 30 to 60 percent.

	2015 \$000	2014 \$000
Total borrowings	649,379	530,779
less cash	(14,473)	(13,858)
Net debt	634,906	516,921
Total equity	680,239	745,891
Total capital	1,315,145	1,262,812
Gearing ratio	48%	41%

Note 24: Reserves

	2015 \$000	2014 \$000
Capital reserve ⁽ⁱ⁾	36,916	36,916
Asset revaluation reserve	130,100	135,451
General reserve ⁽ⁱ⁾	5,257	5,257
Hedge reserve	(12,771)	3,529
Investment revaluation reserve	21	33
Share allotment reserve	—	—
Transactions with non-controlling interests reserve	(1,403)	(785)
Foreign currency translation reserve	10,343	2,814
	168,463	183,215

(i) There have been no movements in the capital reserve or general reserve in the current or prior years.

Nature and purpose of reserves

Capital reserve

The capital reserve is used to accumulate realised capital profits.

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

General reserve

The general reserve is used from time to time to transfer profits from retained earnings. There is no policy of regular transfer.

Hedge reserve

The hedge reserve represents 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 profit or loss.

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.

Share allotment reserve

The share allotment reserve reflects the value of shares to be allotted to suppliers. The allotments arise from deductions made from milk payments during the year.

Transactions within the non-controlling interests reserve

This reserve is used to account for transactions involving non-controlling interests in accordance with accounting standards.

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.

Note 24: Reserves continued

	Note	2015 \$000	2014 \$000
Movements in reserves			
Asset revaluation reserve			
Balance at the beginning of the financial year		135,451	153,883
Impairment	15	(7,500)	–
Related income tax	5	2,250	–
Transfer to retained earnings		(144)	(26,331)
Related income tax		43	7,899
Balance at the end of the financial year		130,100	135,451
Hedge reserve			
Balance at the beginning of the financial year		3,529	(20,739)
Transferred to income statement		(1,598)	31,410
Related income tax	5	480	(9,423)
Gains (losses) on cash flow hedges		(21,688)	3,258
Related income tax	5	6,506	(977)
Balance at the end of the financial year		(12,771)	3,529
Investment revaluation reserve			
Balance at the beginning of the financial year		33	(3,369)
Net change in fair value of equity instruments measured at fair value through other comprehensive income		(17)	54,434
Related income tax	5	5	(15,320)
Transfer to retained earnings		–	(51,017)
Related income tax		–	15,305
Balance at the end of the financial year		21	33
Share allotment reserve			
Balance at the beginning of the financial year		–	1,957
Allotment of shares to suppliers		–	(1,957)
Shares to be issued in lieu of milk payments		–	–
Balance at the end of the financial year		–	–
Transactions within the non-controlling interests reserve			
Balance at the beginning of the financial year		(785)	2,101
Difference on acquisition of Murray Goulburn Dairy (Qingdao) Co., Ltd		–	–
Difference on acquisition of Tasmanian Dairy Products Co Ltd		(618)	(2,886)
Balance at the end of the financial year		(1,403)	(785)
Foreign currency translation reserve			
Balance at the beginning of the financial year		2,814	3,490
Translation of foreign operations		6,341	(984)
Related income tax	5	–	308
Derecognition of tax balances in reserves		1,188	–
Balance at the end of the financial year		10,343	2,814

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 25: Retained Earnings

	Note	2015 \$000	2014 \$000
Balance at the beginning of the financial year		287,089	233,915
Net profit attributable to members of the parent entity		25,166	27,936
Dividends provided for or paid	8	(31,578)	(28,906)
Transfer from reserves (net of tax)	24	103	54,144
Balance at the end of the financial year		280,780	287,089

Note 26: Non-controlling Interests

	2015 \$000	2014 \$000
Non-controlling interests comprises:		
Ordinary shares in Provico Pty Ltd (2014: 49) ⁽ⁱ⁾	–	935
Ordinary shares in Tasmanian Dairy Products Co Pty Ltd (2015: 121 shares, 2014: 121)	1,937	5,911
	1,937	6,846

(i) During the financial year ended 30 June 2015 the parent entity Murray Goulburn Co-operative acquired a further interest in the ordinary shares of Provico Pty Ltd, taking its total interest to 100 percent of the issued capital of that entity. Following that transaction, there ceased to be a non-controlling interest in Provico Pty Ltd. Refer Note 13.

Note 27: Capital and Leasing Commitments

	2015 \$000	2014 \$000
a) Operating lease commitments		
• Due within 1 year	53,047	42,719
• Due within 1–5 years	159,577	145,451
• Due longer than 5 years	154,273	148,734
	366,897	336,904
Operating leases relate to factories, trading stores, warehousing facilities, office space, and vehicles, with lease terms of between one and 30 years. Some leases have an option to extend the lease term. The consolidated entity does not have an option to purchase the leased assets at expiry of the lease period.		
b) Capital expenditure commitments		
Contracted capital expenditure commitments due within one year	81,898	20,432

Note 28: Events Subsequent to Balance Date

On 1 May 2015, the Company issued a prospectus to its eligible suppliers inviting them to subscribe for shares pursuant to the terms of the Murray Goulburn Supplier Share Offer (SSO). Further, on 29 May 2015, MG Responsible Entity Limited, a wholly owned subsidiary of the Company, issued a Product Disclosure Statement (PDS) inviting interested parties to subscribe for units in the MG Unit Trust.

Subsequent to 30 June 2015, following the successful completion of the capital raising activities contemplated under both the SSO and the PDS, gross proceeds of \$500 million were raised and the MG Unit Trust listed on the Australian Securities Exchange (ASX) on 3 July 2015. Both the PDS and SSO are available on the Company's website and set out the terms and conditions applicable to the subscription activity together with detail pertaining to the application of the funds raised.

The proceeds raised from the capital raising will enable Murray Goulburn to invest in three key projects which will enable the group to pursue its key strategic objectives.

With the exception of the aforementioned ASX listing and the declaration of dividends detailed in Note 8 'Unrecognised Amounts', no matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in financial years subsequent to the financial year ended 30 June 2015.

Note 29: Financial Instruments

Risk management is carried out by the treasury and finance departments under policies approved by the Board of Directors. Financial risks are managed in accordance with written policies overseen by the Board.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's policy approved by the Board of Directors, which provides written principles on the use of financial derivatives. Compliance with policy and exposure limits is reviewed continuously by senior management and by the Board of Directors.

A) Market risk

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The consolidated entity enters 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 dollar), and interest rate swaps to hedge fair value risk associated with rate fluctuations.

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 currency risk management

The Group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and foreign exchange options.

Forward foreign exchange contracts

The consolidated entity maintains a policy of matching anticipated future cash flows in foreign currencies, i.e. highly probable sales, for cash flow hedge accounting purposes, with forward exchange contracts in the same currency and with closely corresponding settlement dates.

At balance date, the entity has US\$135 million (2014: US\$180 million) in outstanding forward exchange contracts, contracts to sell Australian dollars (A\$) in return for US dollars. These contracts have maturity dates not exceeding one year. Of the US\$135 million, US\$nil (2014: US\$53.1 million) relates to receivables at balance date and US\$135 million (2014: US\$126.9 million) to future transactions. In addition, at balance date, the entity has US\$3.8 million and Euro 6.6 million in outstanding forward exchange contracts to sell A\$ as a hedge over future property, plant and equipment purchases. The net fair value of all forward exchange contracts at balance date is a loss of \$0.2 million (2014: gain of \$1.7 million).

Unrealised gains or losses at year end on specific hedges in the form of forward exchange contracts, in respect of unsettled sales transactions, are deferred and recognised in the hedge reserve to match against the underlying hedge transaction. Forward exchange contracts are classified as Level 2 financial instruments, as their fair value measurement is derived from inputs other than quoted prices that are observable for the asset or liability.

Currency options

During the year the consolidated entity entered into a range of US\$ currency options with varying maturities and strike rates. Purchasing 'call' options, the entity effectively capped an exchange rate had the A\$ strengthened whilst maintaining the flexibility to improve the exchange rate if the A\$ was to trade at more favourable levels. At balance date, there were \$nil currency options outstanding (2014: \$nil).

Private placement senior notes

Loan repayments due under the 2009 private placement are designated as cash flow hedges, hedging highly probable forecast sales denominated in US\$ which are 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 is recognised directly in equity via the hedge reserve.

Foreign currency sensitivity

The consolidated entity is exposed to US\$. The following table details the consolidated entity's sensitivity to a one percent increase and decrease in the A\$ against the US\$ as at balance date. The sensitivity includes outstanding foreign currency derivatives and foreign currency denominated monetary items and adjusts their translation at the period end for a one percent change in foreign currency rates.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 29: Financial Instruments continued

		2015 \$000	2014 \$000
Other equity	A\$ strengthens 1% – increase (decrease)	1,187	1,669
	A\$ weakens 1% – increase (decrease)	(1,211)	(1,703)
Profit or loss	A\$ strengthens 1% – increase (decrease)	810	(12)
	A\$ weakens 1% – increase (decrease)	(827)	13

B) Interest rate risk

Trade and other receivables, trade payables and accruals and loans from the State Government of Victoria are non-interest bearing. The A\$ overdraft bears interest at a floating rate based on the bank's corporate overdraft reference rate. The US\$ bank overdraft bears interest at a floating rate based on the Federal Reserve's Target Rate. US\$ cash on hand yields interest at the US Interbank Bid Rate. A\$ cash on hand bears interest at a floating rate based on the targeted cash rate of the Reserve Bank of Australia.

Bank loans consist of short term and long term US\$ and A\$ revolving loan facilities, on which interest is payable at floating rates. Rates on US\$ loans are based on London Interbank Offer Rate (LIBOR). Rates on A\$ loans are based on a Bank Bill Rate (BBR), as defined in the facility agreement.

The 2009 private placement will be repaid as follows and bears interest at the following fixed rates: US\$30.0 million, 4.83 percent (repaid on 29 October 2014), US\$17.0 million, 5.44 percent (29 October 2016), US\$89.0 million, 5.81 percent (29 October 2019), US\$14.0 million, 5.96 percent (29 October 2021). During the year an additional US\$100 million was raised from the US Private Placement market. The 2014 private placement will be repaid as follows and bears interest at the following fixed rates: US\$20 million, 3.37 percent (29 October 2020); US\$30 million, 3.61 percent (29 October 2021), US\$15 million, 3.73 percent (29 October 2022), US\$35 million, 3.85 percent (29 October 2023).

An analysis of borrowings by maturities is provided in paragraph (e) below.

Interest rate sensitivity

The consolidated entity's sensitivity to a 50 basis point increase or decrease, representing management's assessment of the possible change in interest rates applicable to debt facilities subject to variable rates, holding all other variables constant would be a decrease/increase in net profit of \$1.81 million (2014: \$1.86 million decrease/increase).

C) Credit risk exposures

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 indicated in the Statement of Financial Position. The consolidated entity has adopted 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 counterparties in various countries.

Other receivables current includes amounts receivable from suppliers and from GST paid.

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, except for those mentioned below. The fair value is derived by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The fair value of the private placement at balance date is \$328.1 million (2014: \$186.2 million).

The fair value of a government loan of \$1.0 million at balance date is \$0.95 million (2014: \$0.9 million).

Note 29: Financial Instruments continued

E) Liquidity risk management

Liquidity risk is managed by maintaining adequate borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 31(C) is a listing of additional undrawn facilities that are available to reduce liquidity risk.

The following table analyses the consolidated entity's non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

	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 2015						
Non-interest bearing	415,977	1,000	–	–	416,977	416,977
Variable rate	203,220	141,681	34,536	–	379,437	362,921
Fixed rate	13,794	35,328	150,290	160,583	359,995	286,458
Consolidated	632,991	178,009	184,826	160,583	1,156,409	1,066,356
At 30 June 2014						
Non-interest bearing	370,196	–	1,000	–	371,196	371,196
Variable rate	125,700	18,283	254,099	2,222	400,304	371,543
Fixed rate	39,717	7,357	37,499	113,238	197,811	159,236
Consolidated	535,613	25,640	292,598	115,460	969,311	901,975

F) Financing arrangements and unused credit facilities

Total financial facilities available to the consolidated entity and the extent to which they are utilised at balance date are set out in Note 31(C).

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 30: Related Parties

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

A) Associated companies

Transactions between the parent entity and its associates include the sale of goods, the purchase of goods and the provision of technical and consultancy services by the parent entity. Transactions are on normal commercial terms and conditions.

B) Directors of the parent entity

Direct and indirect shareholdings of Directors in the parent entity, allotted to them in their capacity as suppliers of milk to the company:

	Shares held at 1 July 2013 Ordinary No.	Acquired Ordinary No. ⁽ⁱ⁾	Shares held at 30 June 2014 Ordinary No.	Acquired Ordinary No. ⁽ⁱ⁾	Shares held at 30 June 2015 Ordinary No.
PW Tracy	1,345,275	139,714	1,484,989	67,782	1,552,771
N Akers	252,688	34,209	286,897	20,163	307,060
WT Bodman	165,435	18,644	184,079	12,356	196,435
DF Howard	617,070	3,128	(ii)	–	–
ML Jelbart	1,340,878	115,100	1,455,978	48,597	1,504,575
KW Jones	250,651	23,995	274,646	823	275,469
ED Morris	28,671	3,721	32,392	5,084	37,476
GN Munzel	229,354	17,434	246,788	9,952	256,740
JP Pye	268,344	19,993	288,337	14,889	303,226
MJ Van de Wouw	408,320	5,476	413,796	3,824	417,620
	4,906,686	381,414	4,667,902	183,470	4,851,372

(i) All shares were issued for a value of \$1 in and accordingly the value of the issued shares equals \$183,470 (2014: \$381,414).

(ii) DF Howard resigned from the office of Director during the previous financial year and accordingly his shareholdings at 30 June 2014 and 2015 are not disclosed.

Directors of the parent Company supply milk to the consolidated entity, are able to purchase goods at Murray Goulburn Trading Pty Ltd stores at commercial prices and can obtain loans from the consolidated entity 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 \$2,469,328 (2014: \$2,323,111) and the balance outstanding as at 30 June 2015 was \$455,563 (2014: \$433,782). All transactions are on the same terms and conditions available to other supplier shareholders.

PW Tracy holds an interest in Southern Stockfeeds, which has provided products to Murray Goulburn Trading Pty Ltd on normal commercial terms and conditions. The total amount purchased was \$393,955 (2014: \$598,103), with a balance outstanding at financial year end of \$nil (2014: \$2,499). Further, during the year, Southern Stockfeeds paid \$6,635 (2014: \$11,825) to the consolidated entity for services provided in collecting Southern Stockfeeds accounts receivable.

Aggregate of loans to three (2014: three) Directors as at financial year end: \$27,083 (2014: \$25,846). Total interest paid by Directors: \$3,343 (2014: \$8,394).

Details regarding loans outstanding at the reporting date to Directors and their related parties, where the individual's aggregate loan balance exceeded \$100,000 at any time in the reporting period, are as follows:

- None.

PJO Hawkins is a director of Westpac Banking Corporation, which is one of the banks on the consolidated entity's banking panel. All transactions with Westpac Banking Corporation are on normal terms and conditions.

C) Key management personnel

Executive key management personnel held no shares in the company at either 30 June 2015 or 30 June 2014.

Note 31: Notes to the Statement of Cash Flows

	2015 \$000	2014 \$000
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:		
Cash per Statement of Financial Position	14,473	13,858
Bank overdraft – refer Borrowings Note 18	(10,671)	–
Cash per Statement of Cash Flows	3,802	13,858
B) Reconciliation of profit for the period to net cash flow from operating activities		
Profit for the period	21,246	29,297
Depreciation and amortisation	52,851	53,237
Movement in doubtful debts provision	(561)	172
Finance costs capitalised on acquisition of qualifying assets	(2,321)	–
Unrealised foreign exchange losses	42,554	640
Reversal of impairment attributable to non-current assets	(1,406)	(1,402)
Loss (gain) on disposal of fixed assets	(7,044)	(27,717)
Share of (profit) loss of associated company	1,038	9,732
Associate entity dividends	455	724
Loss (gain) on disposal of investment in associate	(115)	–
Impairment losses on financial instruments	1,730	1,157
Change in operating assets and liabilities		
Decrease (increase) in trade receivables	120,221	(78,502)
Decrease (increase) in other receivables and prepayments	(978)	(23,470)
Decrease (increase) in current tax receivable	1,700	(1,700)
Decrease (increase) in inventories	(141,263)	(75,305)
Increase (decrease) in trade payables and amounts due to suppliers	15,760	52,887
Increase (decrease) in provisions	919	1,737
Increase (decrease) in current tax payable	310	(364)
Increase (decrease) in deferred tax liability	(630)	3,156
Increase (decrease) in minority reserve	(618)	–
Net cash inflow (outflow) from operating activities	103,848	(55,721)
C) Financing arrangements		
Credit facility	1,156,021	1,023,083
Amount utilised	(651,537)	(528,595)
Unused credit facility	504,484	494,488

The major facilities consist of a bank overdraft facility repayable at call, and loan facilities which are subject to yearly review to ensure that the required financial ratios are met.

D) Non-cash financing and investing activities

Nil.

Notes to the Financial Statements continued

for the financial year ended 30 June 2015

Note 32: Parent Entity Disclosures

	2015 \$000	2014 \$000
A) Financial position		
Total current assets	855,162	854,891
Total non-current assets	856,580	783,094
Total assets	1,711,742	1,637,985
Total current liabilities	598,507	598,354
Total non-current liabilities	464,457	331,289
Total liabilities	1,062,964	929,643
Net assets	648,778	708,342
Issued capital	229,059	268,741
Retained earnings	309,101	307,320
Reserves		
Capital reserve	24,290	24,290
Asset revaluation reserve	96,430	101,781
General reserve	2,648	2,648
Hedge reserve	(12,771)	3,529
Investment revaluation reserve	21	33
Total equity	648,778	708,342
B) Financial performance for the year		
Profit for the year	32,100	44,066
Total comprehensive income (loss)	12,913	108,604
C) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries		
Guarantee provided under the deed of cross guarantee	27,240	18,708
D) Contingent liabilities		
The Company is not aware of any contingent liabilities.		
E) Commitments for the acquisition of property, plant and equipment and intangible assets		
Plant and equipment and software intangible assets	79,212	19,806

Note 33: Additional Information

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

Its registered office and principal place of business is:

Freshwater Place, Level 15
2 Southbank Boulevard, Southbank
Victoria, 3006

Directors' Declaration

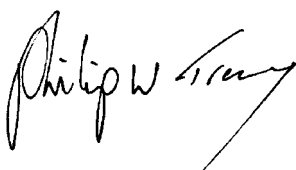
In the Directors' opinion:

- a) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- b) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements;
- c) The attached financial statements and Notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards; and
- d) The attached financial statements and Notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and performance for the financial year ended on that date.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 13 to the financial statements, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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



PW Tracy
Director

Melbourne,
31 August 2015

Independent Auditor's Report



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

Report on the financial report

We have audited the accompanying financial report of Murray Goulburn Co-operative Co. Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Murray Goulburn Co-operative Co. Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 49 to 62 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Murray Goulburn Co-operative Co. Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in dark ink, appearing to read 'Lisa Harker'.

Lisa Harker
Partner

Melbourne
31 August 2015

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Murray Goulburn Co-operative Co. Limited for the year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been:

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

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
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Liability limited by a scheme approved under Professional Standards Legislation.

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