



28 February 2020

Market Announcements Office
Australian Securities Exchange

ELECTRONIC LODGEMENT

Dear Sir or Madam,

Murray Goulburn Co-operative Co. Limited (Murray Goulburn) – Interim financial statements and reports for the half-year ended 31 December 2019

In accordance with the Listing Rules, attached is a copy of Murray Goulburn's interim financial statements and reports for the half-year ended 31 December 2019, for immediate release to the market.

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

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Joseph Phillipos', with a stylized flourish at the end.

Joseph Phillipos
General Manager Finance & Company Secretary

Murray Goulburn Co-operative Co. Limited

ACN 004 277 089

Interim Financial Report for the half-year ended 31 December 2019

TABLE OF CONTENTS

DIRECTORS' REPORT	2
FINANCIAL REPORT	
Consolidated statement of profit or loss and other comprehensive income.....	5
Consolidated statement of financial position	6
Consolidated statement of changes in equity	7
Consolidated statement of cash flows	8
Notes to the financial statements.....	9
DIRECTORS' DECLARATION.....	16
AUDITOR'S INDEPENDENCE DECLARATION	17
INDEPENDENT AUDITOR'S REVIEW REPORT	18

Director's report

The Directors of Murray Goulburn Co-operative Co. Limited ('Murray Goulburn' or 'the Company'), present their report together with the financial report of the Company and its controlled entities (the Group) for the half-year ended 31 December 2019.

Murray Goulburn

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

Directors

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

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

Company Secretary

The Company Secretary of Murray Goulburn during the half-year was Joseph Phillipos.

Principal activities

On 1 May 2018 the operating assets of the Group were sold to Saputo Dairy Australia Pty Ltd (the Saputo transaction). As part of the Saputo transaction, Murray Goulburn agreed to retain liabilities associated with the Australian Competition and Consumer Commission (ACCC) proceeding and Webster unitholder class action and any claim or dispute which is based on the same or substantially similar facts or circumstances together, the 'Retained Litigation'. On 20 August 2018, a second unit holder class action, Endeavour River, was commenced. This proceeding falls within the meaning of Retained Litigation.

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

The principal activities of the Group during the half-year have been the management of funds retained from the Saputo transaction and legal activities associated with the Retained Litigation. See below under the section titled 'Status of the Retained Litigation' for developments during the half-year.

Review of operations

The Group reported a net loss after income tax of \$2.65 million for the half-year ended 31 December 2019 (2018: \$17.64 million). The net loss after tax includes a loss of \$0.01 million from discontinued operations (see Note 2 of the financial statements) and a loss from ongoing operations of \$2.64 million which include the costs of Retained Litigation and the settlement of the Webster class action, subject to Federal Court approval.

The going concern status of the Group is addressed in Note 1.3 of the financial statements and the auditor has noted an Emphasis of Matter in respect to the basis of preparation in their Independent Review Report.

Future developments

After the conclusion of the Retained Litigation it is anticipated that the Group will be wound up and a final distribution of the balance of funds will be made to all Shareholders and Unitholders. The timing and amount of subsequent distributions is not certain.

Significant changes in the state of affairs

During the half-year, the Webster class action was settled, subject to Federal Court approval. On 20 December 2019 the Federal Court made orders approving the settlement of the Endeavour River class action, as detailed in 'Status of the Retained Litigation'.

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

Director's report

Status of the Retained Litigation

First unitholder class action – Webster

On 17 May 2016, a class action proceeding was commenced against Murray Goulburn, MG Responsible Entity Limited (Responsible Entity) and a number of former directors. The statement of claim alleged contraventions of the Corporations Act through allegedly misleading or deceptive statements made in a Product Disclosure Statement issued on 29 May 2015 (PDS) and in subsequent market announcements and through continuous disclosure contraventions. It also claimed that the Responsible Entity breached fiduciary and statutory duties to Unitholders.

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

On 1 November 2019, Murray Goulburn, the Responsible Entity and the other defendants agreed with the plaintiff to settle the Webster class action. The settlement of the Webster class action, which is without admission of liability, is subject to Federal Court approval. The application for approval of the settlement is presently scheduled for hearing on 12 March 2020.

The settlement amount is \$37.5 million inclusive of interest and costs, approximately 98% of which is funded by insurance. On 19 December 2019, Murray Goulburn contributed the remaining portion of the settlement amount.

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

Second unitholder class action – Endeavour River

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

On 24 June 2019, Murray Goulburn and the Responsible Entity agreed with the plaintiff to settle the Endeavour River class action. The settlement of the Endeavour River class action, which is without admission of liability, was subject to Federal Court approval. On 20 December 2019, the Federal Court made orders approving the settlement and a revised proposed settlement distribution scheme with effect from that date. The approved settlement was conditional on an appeal or application for leave to appeal not being filed on or before 24 February 2020. On 24 February 2020, the period for appeal or application for leave to appeal the settlement of the Endeavour River class action expired without challenge.

The settlement amount was \$42 million inclusive of interest and costs, approximately 80% of which was funded by insurance. On 6 August 2019, Murray Goulburn contributed the remaining portion of the settlement amount. Murray Goulburn intends to recover this amount from an insurer third party.

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

Events subsequent to balance date

On 24 February 2020, the period for appeal or application for leave to appeal the settlement of the Endeavour River class action expired without challenge.

Except for the above, no other matters or circumstances which have arisen between 31 December 2019 and the date of this report that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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 17 of this financial report.

Rounding of amounts to the nearest thousand dollars

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

Director's report

This report is made on 28 February 2020 in accordance with a resolution of the Directors.



J Spark
Chairman

Melbourne



DC Grant
Director

Consolidated statement of profit or loss and other comprehensive income

for the half-year ended 31 December 2019

	Note	December 2019 \$'000	December 2018 \$'000
Loss for the period			
<i>Continuing operations</i>			
Interest income		2,176	3,559
Other income		-	6
Revenue	3	2,176	3,565
Administrative expenses	3	(2,724)	(2,411)
Cost of ongoing litigation, net of insurance recoveries	3	(1,421)	(1,909)
Retained litigation settlement expense, net of insurance recoveries	3	(676)	-
Loss from continuing operations before tax		(2,645)	(755)
Income tax expense	4	-	-
Loss from continuing operations		(2,645)	(755)
<i>Discontinued operations</i>			
Loss for the period from discontinued operations, net of tax	2.2	(6)	(16,888)
Loss for the period		(2,651)	(17,643)
Other comprehensive income			
<i>Continuing operations</i>			
Other comprehensive income for the period from continuing operations, net of tax		-	-
<i>Discontinued operations</i>			
Other comprehensive income for the period from discontinued operations, net of tax	2.2	-	-
Total comprehensive loss for the period		(2,651)	(17,643)

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

Consolidated statement of financial position

as at 31 December 2019

	Note	December 2019 \$'000	June 2019 \$'000
Current assets			
Cash and cash equivalents	5	203,182	32,986
Receivables	6	492	35,329
Bank deposits	5	58,000	237,500
Other assets	7	722	2,041
Total current assets		262,396	307,856
Total non-current assets		-	-
Total assets		262,396	307,856
Current liabilities			
Payables	8	516	43,314
Provisions		13	24
Total current liabilities		529	43,338
Total non-current liabilities		-	-
Total liabilities		529	43,338
Net assets		261,867	264,518
Equity			
Issued capital		287,436	287,436
Accumulated losses		(25,569)	(22,918)
Total equity		261,867	264,518

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

Consolidated statement of changes in equity

for the half-year ended 31 December 2019

	Issued Capital	(Accumulated Losses)/ Retained Earnings	Total Equity
	\$'000	\$'000	\$'000
Balance as at 1 July 2018	287,436	1,480	288,916
Loss for the period	-	(17,643)	(17,643)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(17,643)	(17,643)
Balance as at 31 December 2018	287,436	(16,163)	271,273
Balance as at 1 July 2019	287,436	(22,918)	264,518
Loss for the period	-	(2,651)	(2,651)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(2,651)	(2,651)
Balance as at 31 December 2019	287,436	(25,569)	261,867

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

Consolidated statement of cash flows

for the half-year ended 31 December 2019

	Note	December 2019 \$'000	December 2018 \$'000
Cash flow from operating activities			
Payments to suppliers and employees		(3,682)	(5,563)
Payments for Retained Litigation settlements		(8,917)	-
Interest received		3,295	3,484
Dividends received		-	58
Net cash used in operating activities		(9,304)	(2,021)
Cash flow from investing activities			
Proceeds from / (payments for) deposits		179,500	(14,856)
Payment to Saputo to finalise sale of operating assets and liabilities	2.2	-	(9,702)
Payments for computer equipment		-	(14)
Net cash provided by / (used in) investing activities		179,500	(24,572)
Cash flow from financing activities			
Net cash provided by financing activities		-	-
Net increase / (decrease) in cash held		170,196	(26,593)
Cash and cash equivalents at beginning of the half-year		32,986	222,066
Effect of exchange rate fluctuations on cash held		-	6
Cash and cash equivalents at end of half-year		203,182	195,479
Reconciliation of cash and cash equivalents			
Restricted cash at bank		5,000	5,000
Cash on hand and at bank		38,182	15,479
Cash on deposit with maturities of less than 3 months		160,000	175,000
Cash at end of half-year		203,182	195,479

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

Notes to the Financial Statements

for the half-year ended 31 December 2019

Note 1: Significant accounting policies and corporate information

1.1 Basis of preparation

Murray Goulburn Co-operative Co. Limited is a for-profit entity for the purposes of preparing this financial report and is domiciled in Australia. These condensed consolidated interim financial statements ("interim financial report") as at and for the half-year ended 31 December 2019 comprise the financial statements for Company and its subsidiaries (together referred to as the "Group").

These interim financial statements for the Group for the half-year ended 31 December 2019 were authorised for issue by the Directors on 28 February 2020. The Directors have the power to amend and reissue the interim financial report. The Annual Report of the Group as at and for the year ended 30 June 2019 is available at www.mgcl.com.au.

This interim financial report:

- has been prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*;
- does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2019 annual financial report of the Group and any public announcements made by the Group during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001;
- has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments if applicable. Cost is based on the fair values of the consideration given in exchange for assets;
- is presented in Australian dollars with values rounded to the nearest thousand dollars (\$000), unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with current period presentation; and
- has applied the Group accounting policies consistently to all periods presented.

1.2 New and revised accounting standards

These interim financial statements adopt all new and amended Accounting Standards and Interpretations issued by the AASB to the extent they are relevant to the Group and effective for reporting periods beginning on or after 1 July 2019.

New and revised standards adopted by the Group

New and revised Accounting Standards and Interpretations effective for the current half-year that are relevant to the Group include:

(i) AASB 16 Leases

AASB 16 replaced the current dual operating/finance lease accounting model for lessees under AASB 117 Leases and the guidance contained in Interpretation 4 Determining whether an Arrangement contains a Lease. The new standard introduced a single, on-balance sheet accounting model, similar to the current finance lease accounting. The standard became applicable to reporting periods commencing on or after 1 January 2019. The Group has applied an accounting policy election under the standard that provides exemption for short term leases under one year in duration. As the Group has no leases that are in excess of twelve months there was no material impact in relation to AASB 16.

(ii) AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle

(iii) Interpretation 23 Uncertainty over Income Tax Treatments

The adoption of these amending Standards and Interpretations did not have any impact on the disclosures or the amounts recognised by the Group.

New standards and interpretations not yet adopted

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the group. The Group does not expect these Standards and Interpretations to have a material impact on the Group.

Standards not yet effective

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

Notes to the Financial Statements

for the half-year ended 31 December 2019

1.3 Going concern

These interim financial statements are prepared on a basis consistent with the 30 June 2019 financial statements. On 1 May 2018, the sale of the Group's operating assets and liabilities to Saputo (the Saputo transaction) was completed and the transaction was disclosed as a discontinued operation in the 30 June 2018 financial statements. As previously announced by the Board, the proceeds from that transaction have been and will be used to repay the Group's debt obligations, to fund the ongoing operating costs of the Group, to fund any potential obligations arising from the Retained Litigation, to return capital to Shareholders and Unitholders, and to wind up the Group companies.

As at 31 December 2019, the Group has limited operations with a reduced Board and has retained staff only to manage Retained Litigation and meet the Group's corporate and financial reporting obligations. At the conclusion of the Retained Litigation it is anticipated that the Group will be wound up and a final distribution made to all Shareholders and Unitholders.

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

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

1.4 Critical accounting estimates and judgements

Retained Litigation

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

Assessing the status of these matters, including insurance recoveries, requires significant judgement. The Webster class action has been disclosed as a contingent liability as at 31 December 2019, as it is subject to Federal Court approval as at that date.

Notes to the Financial Statements

for the half-year ended 31 December 2019

Note 2: Discontinued operations

2.1 Description

On 1 May 2018, the sale of the Group's operating assets and liabilities to Saputo (the Saputo transaction) was completed. As described in the 30 June 2018 full year financial statements, the proceeds from that transaction were used and will be used to repay the Group's debt obligations, to fund the ongoing operating costs of the Group, to fund any potential obligations arising from the Retained Litigation, to return capital to Shareholders and Unitholders, and to wind up the Group companies.

The results of the discontinued operation for the half-year period to 31 December 2019 and 31 December 2018 are presented below. Included in the December 2018 results is the final adjustment to the value of working capital sold as part of the Saputo transaction, which had been subject to negotiation in the 30 June 2018 financial report.

2.2 Financial performance and cash flow information

	Note	December 2019 \$'000	December 2018 \$'000
Loss of discontinued operations			
Share of profit of associates		-	8
Expenses		(6)	(127)
Finalisation of working capital at sale date (previously contingent)		-	(16,769)
Loss before income tax		(6)	(16,888)
Income tax benefit		-	-
Loss after income tax of discontinued operation		(6)	(16,888)
Other comprehensive income of discontinued operations			
Other comprehensive income for the period of discontinued operations		-	-
Total comprehensive loss for the period of discontinued operations		(6)	(16,888)
Cash flows of discontinued operations			
Net cash outflow from operating activities		(6)	(89)
Net cash outflow from investing activities		-	(9,702)
Net cash flows from financing activities		-	-
Net decrease in cash generated by discontinued operations		(6)	(9,791)

Note 3: Profit and loss information

	Note	December 2019 \$'000	December 2018 \$'000
Continuing operations			
Interest income		2,176	3,559
Unrealised foreign exchange gain		-	6
		2,176	3,565
Continuing operations			
Employee benefits		795	990
Insurance expenses		1,313	866
Other administrative expenses		616	555
Total administrative expenses		2,724	2,411
Cost of ongoing litigation, net of insurance recoveries	11.2.1	1,421	1,909
Retained litigation settlement expense, net of insurance recoveries	11.1.1	676	-

Notes to the Financial Statements

for the half-year ended 31 December 2019

Note 4: Income tax expense

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

	December 2019	December 2018
Note	\$'000	\$'000
Loss from continuing operations before tax	(2,645)	(755)
Loss from discontinued operations before tax	(6)	(16,888)
Loss before income tax expense	(2,651)	(17,643)
Income tax calculated at the Australian statutory rate of 30%	(795)	(5,293)
Non-deductible items	-	-
Deferred tax asset on losses not recognised	795	5,293
Income tax expense	-	-

As at 31 December 2019, the Group has retained unused tax losses of \$177.1 million (Australian tax benefit at effective tax rate of 30% of \$53.1 million) for which no deferred tax asset had been recognised (31 December 2018: Unused tax losses of \$167.6 million (Australian tax benefit at effective tax rate of 30% of \$50.3 million)).

Note 5: Cash and cash equivalents and bank deposits

	December 2019	June 2019
Note	\$'000	\$'000
Cash and cash equivalents		
Restricted cash at bank	5,000	5,000
Cash on hand and at bank	38,182	27,986
Cash on deposit with maturities of less than 3 months	160,000	-
	203,182	32,986
Bank deposits		
Cash on deposit with maturities of greater than 3 months	58,000	237,500

Cash on deposit relate to amounts on deposit with financial institutions. Applicable interest rates at 31 December 2019 ranged between 1.30% and 1.73% (30 June 2019: between 2.22% and 2.58%).

Note 6: Receivables

	December 2019	June 2019
Note	\$'000	\$'000
GST receivable	90	81
Interest receivable	328	1,447
Insurance recoverable in relation to Endeavour River settlement	-	33,759
Other receivables	74	42
	492	35,329

Notes to the Financial Statements

for the half-year ended 31 December 2019

Note 7: Other assets

	Note	December 2019 \$'000	June 2019 \$'000
Computer equipment		-	6
Prepayments		722	2,035
		<u>722</u>	<u>2,041</u>

Note 8: Payables

	Note	December 2019 \$'000	June 2019 \$'000
Sundry payables and accrued expenses		516	1,314
Retained litigation settlement payable	10	-	42,000
		<u>516</u>	<u>43,314</u>

All payables are recorded at amortised cost.

Note 9: Movement in equity instruments

	Number of Ordinary Shares	Number of Units	Total
Balance as at 30 June 2018	337,758,366	216,907,272	554,665,638
No movements	-	-	-
Balance as at 31 December 2018	<u>337,758,366</u>	<u>216,907,272</u>	<u>554,665,638</u>
Balance as at 30 June 2019	337,758,366	216,907,272	554,665,638
No movements	-	-	-
Balance as at 31 December 2019	<u>337,758,366</u>	<u>216,907,272</u>	<u>554,665,638</u>

Note 10: Retained Litigation settlement expense

Second unit holder class action – Endeavour River

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

On 24 June 2019, Murray Goulburn and the Responsible Entity agreed with the plaintiff to settle the Endeavour River class action. The settlement of the Endeavour River class action, which is without admission of liability, was subject to Federal Court approval. On 20 December 2019, the Federal Court made orders approving the settlement and a revised proposed settlement distribution scheme with effect from that date. The approved settlement was conditional on an appeal or application for leave to appeal not being filed on or before 24 February 2020. On 24 February 2020, the period for appeal or application for leave to appeal the settlement of the Endeavour River class action expired without challenge.

The settlement amount was \$42 million inclusive of interest and costs, approximately 80% of which was funded by insurance. On 6 August 2019, Murray Goulburn contributed the remaining portion of the settlement amount. Murray Goulburn intends to recover this amount from an insurer third party.

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

Notes to the Financial Statements

for the half-year ended 31 December 2019

Note 10: Retained Litigation settlement expense (Continued)

Financial impact of Endeavour River class action settlement

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

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

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

Note 11: Contingent matters

11.1 Contingent liabilities

11.1.1 First unit holder class action – Webster

On 17 May 2016, a class action proceeding was commenced against Murray Goulburn, MG Responsible Entity Limited (Responsible Entity) and a number of former directors. The statement of claim alleged contraventions of the Corporations Act through allegedly misleading or deceptive statements made in a Product Disclosure Statement issued on 29 May 2015 (PDS) and in subsequent market announcements and through continuous disclosure contraventions. It also claimed that the Responsible Entity breached fiduciary and statutory duties to Unitholders.

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

On 1 November 2019, Murray Goulburn, the Responsible Entity and the other defendants agreed with the plaintiff to settle the Webster class action. The settlement of the Webster class action, which is without admission of liability, is subject to Federal Court approval. The application for approval of the settlement is presently scheduled for hearing on 12 March 2020.

The settlement amount is \$37.5 million inclusive of interest and costs, approximately 98% of which is funded by insurance. On 19 December 2019, Murray Goulburn contributed the remaining portion of the settlement amount.

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

Financial impact of Webster class action settlement

The Retained Litigation settlement expense disclosed within these financial statements in relation to the Webster class action settlement was determined as follows:

	Note	December 2019 \$'000
Retained litigation settlement sum		37,500
Contributions by insurers in relation to Webster settlement		36,824
Retained litigation settlement expense, net (i)	3	676

(ii) The net amount represents the Murray Goulburn funded portion of the Webster settlement.

11.1.2 Directors and officers

The Company has insured its current and former Directors and Officers against liability to third parties and costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or Officers of the Company. This excludes a liability that arises out of wilful breach of duty or improper use of inside information.

The Company has indemnified some of its current and former Directors and Officers with respect to losses or liabilities (including reasonable legal costs) incurred in their capacity as Directors or Officers of the Company, and may advance funds to meet defence costs in litigation, to the extent permitted by law. The Company seeks to recover such liabilities and costs from its insurers, where and to the extent possible.

Notes to the Financial Statements

for the half-year ended 31 December 2019

Note 11: Contingent matters (Continued)

11.1.3 Future insurance costs

As disclosed in Note 1.3 Going concern, at the conclusion of the Retained Litigation, it is anticipated that the Group will be wound up. In accordance with normal business practices, the insurance policies of the Group will be placed into run off at this time. Insurance premiums arising from these policies represent a future expense of the Group. The Group expects the cost of commencing the run off insurance policies to be material however is not presently able to quantify the amount.

11.2 Contingent assets

11.2.1 Insurance recoveries of ongoing legal costs

The Group has expensed all legal costs incurred in respect of the Retained Litigation in the Consolidated Statement of Profit or Loss. The Group expects to recover an additional portion of these legal costs from insurers. The value of insurance recoveries is not quantified as it remains uncertain. Given the uncertainty, insurance recoveries are recorded in the profit or loss when received. Insurance recoveries amounting to \$901,378, net of GST (31 December 2018: \$958,471, net of GST) were received since balance date and up to the date the financial statements were authorised for issue by Directors.

11.2.2 Insurance recoverable from insurer third party

As noted in Note 10, Murray Goulburn funded \$8.2 million of the Endeavour River settlement. Of the amount funded, Murray Goulburn intends to recover \$8.0 million, including interest thereon, from an insurer third party. In addition, Murray Goulburn intends to recover approximately \$0.9 million, including interest thereon, of Defence Costs in connection with both the Webster and Endeavour River class actions from the same insurer third party.

Note 12: Subsequent events

On 24 February 2020, the period for appeal or application for leave to appeal the settlement of the Endeavour River class action expired without challenge.

Except for the above, no other matters or circumstances which have arisen between 31 December 2019 and the date of this report that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Directors' Declaration

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

- (a) the financial statements and notes for the half-year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group as at 31 December 2019 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) notwithstanding that the financial statements are not prepared on a going concern basis, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

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



J Spark
Chairman



DC Grant
Director

Melbourne
28 February 2020



Auditor's Independence Declaration

As lead auditor for the review of Murray Goulburn Co-operative Co. Limited for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Lisa Harker
Partner
PricewaterhouseCoopers

Melbourne
28 February 2020



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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Murray Goulburn Co-operative Co. Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Murray Goulburn Co-operative Co. Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

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

1. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – going concern no longer appropriate

We draw attention to Note 1.3: Significant accounting policies and corporate information, Going Concern in the financial report, which discusses the directors' intention to wind up the business upon the conclusion of the Retained Litigation. As a result, the financial report has been prepared on an orderly realisation of assets and liabilities basis and not on a going concern basis. Our opinion is not modified in respect of this matter.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Lisa Harker'.

Lisa Harker
Partner

Melbourne
28 February 2020