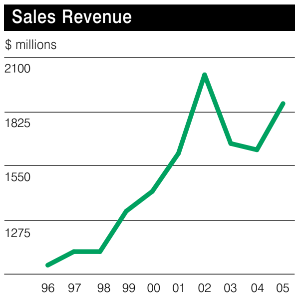
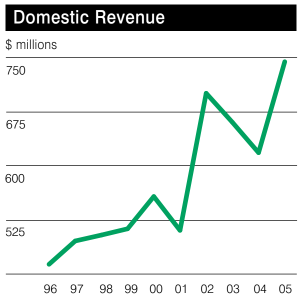
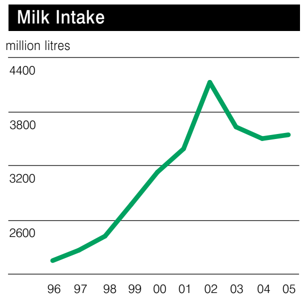
Murray Goulburn Co-Operative Co.Limited

55th Annual Report 2005







Contents

The Annual General Meeting of Murray Goulburn Co-Operative Co. Limited will be held at 1.30pm on Wednesday 30th November 2005 in the Members' Lounge, Moonee Valley Racecourse, McPherson Street, Moonee Ponds.

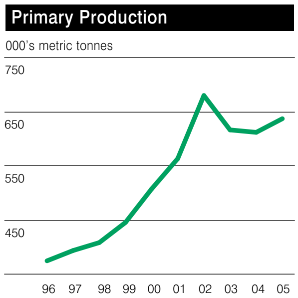
Registered Office & Principal Place of Business
140 Dawson Street, Brunswick Victoria 3056, ACN 004 277 089, ABN 23 004 277 089

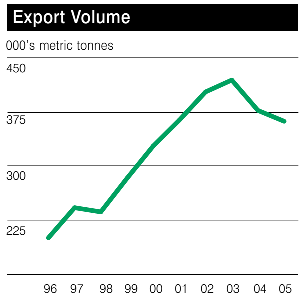
Bankers
ABN AMRO Bank N.V., ANZ Banking Group Limited, BNP Paribas, Commonwealth Bank of Australia, Rabo Australia Limited, Rural Finance Corporation of Victoria, Westpac Banking Corporation

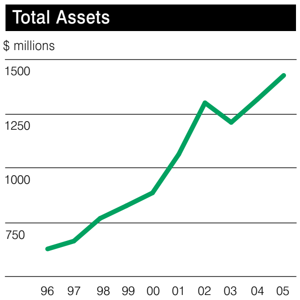
Solicitors
Piper Alderman Lawyers, DH von Bibra AO, Barbour Arnold & Cousins

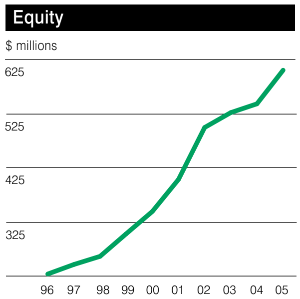
Auditor
Deloitte Touche Tohmatsu

Murray Goulburn Overview









Facts at a glance ($ Millions)	2005	2004	2003	2002	2001
Sales Revenue	1,867	1,631	1,663	2,012	1,613
Operating Profit (Before Tax)	60	13	5	63	50
Total Shareholders' Equity	606	544	527	500	404
Issued Ordinary Capital	137	130	123	105	84
Reserves and Retained Profits	348	302	295	298	238
Total Assets	1,429	1,319	1,212	1,302	1,065
Milk Intake ex Suppliers (Million Litres)	3,548	3,506	3,635	4,130	3,393
Total Export Revenue	1,118	1,013	1,003	1,312	1,103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Directors

Ian W. MacAulay
Chairman
Dairyfarmer
Director since 1991
B. Agr. Sc. FAICD
Director, Geoffrey Gardiner Foundation

Stephen J. O'Rourke
Managing Director
B.Comm, ACA
Director since 1993
Director, Dairy Australia Ltd

Wayne B. Sanderson
PhD
Director
Director since 1994

Lindsay A. Jarvis OAM
Deputy Chairman
Dairyfarmer
Director since 1985
Chairman, Compliance Committee
Grad. Dip. System Agriculture
FAICD
Board Member, North East Catchment - Management Authority
Chairperson, Goulburn Murray Water - Murray Systems Water Service Committee

William M. Brown
Dairyfarmer
Director since 1994
Chairman, Finance Committee
Cert. Company Directors (ANU)
FAICD
Director, Dairy Technical Services Ltd.

Grant J. Davies
Dairyfarmer
Director since 2004

Donald F. Howard
Dairyfarmer
Director since 1997
Dip. Company Directors (ANU)
Dip. Company Directors (Monash)

Trevor D. Keele
Dairyfarmer
Director since 1993
Chairman, Audit Committee
FAICD

John C. Mason
Dairyfarmer
Director since 1987
Chairman, Supplier Relations Committee
Dip. Agr.
Dip. Company Directors (UNE)
FAICD

Stephen T. Mills
Dairyfarmer
Director since 2001
FAICD
Chairman, Goulburn - Broken Catchment Management Authority
Chairman, Australian National Committee on Irrigation & Drainage
Director, Co.Operative Research Centre for Irrigation Futures

John Vardy
Dairyfarmer
Director since 1998
Dip. Company Directors (ANU)

William J. A. Verboon
Dairyfarmer
Director since 2004

Ian C. Bird
Company Secretary
B.Bus. ASA.


Devondale
Devondale

Chairman's Report

Mr Ian W. MacAulay, Chairman

Improved seasonal conditions in most areas and a favourable market have helped Murray Goulburn to again strengthen its financial position while meeting its commitment to farmers to maximise milk price.

The 2004/05 results reflected a marked improvement on the previous two financial years which had been impacted by drought and poor world market prices. Company turnover improved 14% to $1.87 billion. After paying the second highest milk price that the Co-operative has ever paid, Murray Goulburn Co-operative declared a near record profit before tax of $60.1 million. Out of this profit the board declared a 15% dividend on all ordinary shares. Total company equity increased by $62 million. In the previous two years the company paid out all available profits in milk price to assist as many farmer/suppliers as possible through the difficult times. Stronger results in 2004/05 provided an opportunity to again retain a reasonable profit which further strengthened the balance sheet and provided important equity to help fund capital expenditure and market and product research and development, critical to ongoing sustainable returns for supplier/shareholders.

All divisions performed well in an extremely competitive market. Despite some changes in the retail market the Devondale range of products continued to receive strong consumer support. Export volumes were down slightly over the year, but this was offset by higher commodity prices. The contribution of Murray Goulburn's exports to the Australian economy was recognised when the Co-operative was awarded the Trailblazers 2005 Award by Deputy Prime Minister and Federal Trade Minister, the Hon. Mark Vaile. This award recognises Australian brands and services that have secured a strong market position overseas for ten years or more. The MG Nutritionals division continues to develop and is adding real value to farmers' total returns.

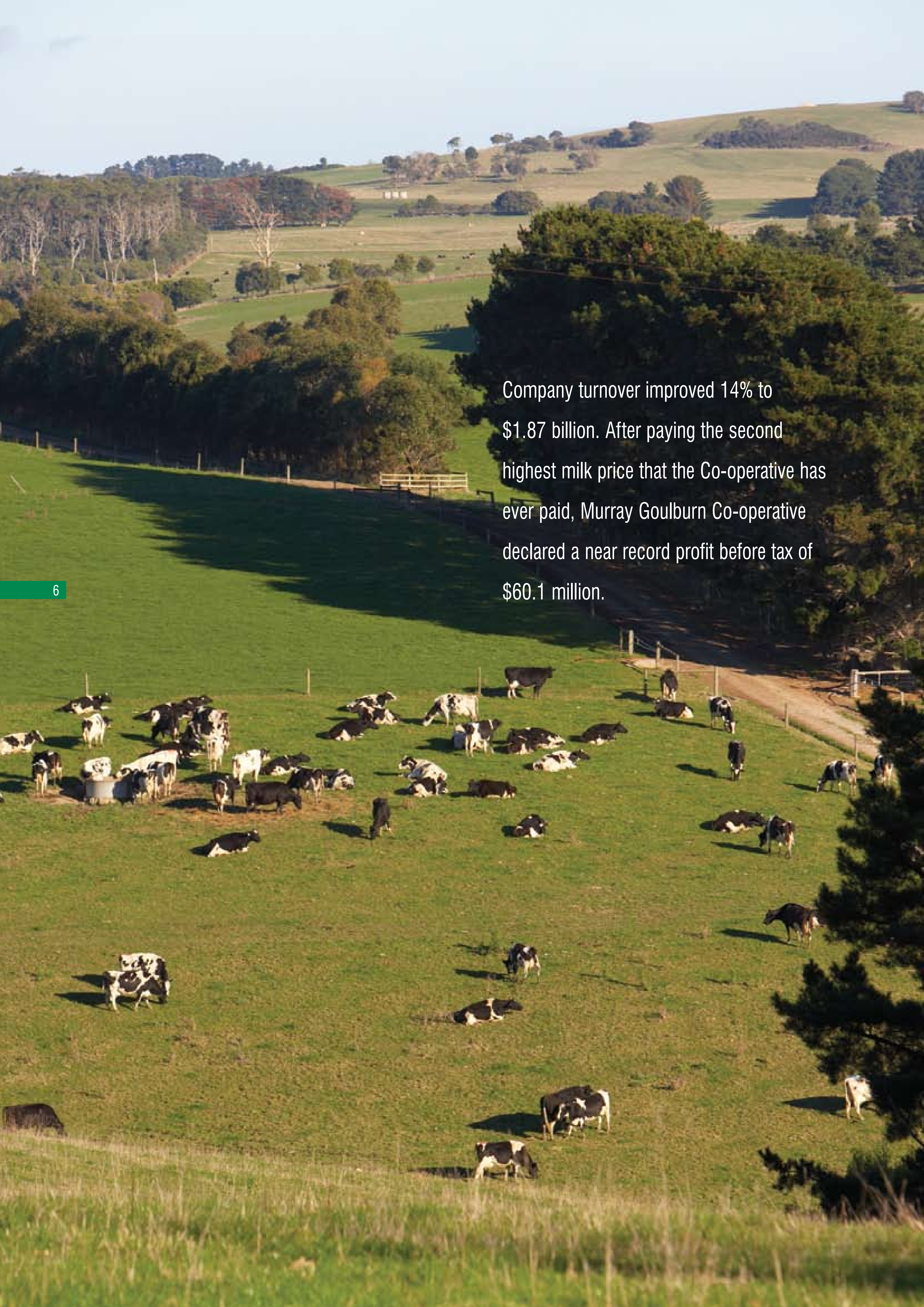
As the farm sector continues to adjust to higher cost structures and recover from the drought, the number of dairy farms continues to decline. The Co-operative has some 3000 farms supplying milk, however with improved seasonal conditions and a strong milk price, milk supply for the year improved to 3.55 billion litres.

The continual push for better efficiency of the farm pick-up fleet led to a change in milk pricing structure during the year with incentives now made available to farmers who can provide access for larger tankers, or provide the opportunity for fewer pick-ups. The improvements that have already occurred have vindicated the decision to make this change with benefits flowing to all suppliers.

As a co-operative Murray Goulburn will always strive to improve members' benefits. Murray Goulburn Trading continues to provide farmers with the range of products required for their businesses and the strong result from this division - a 6.5% growth in sales - emphasises the importance of this division to farmers. The development of other Murray Goulburn member services such as GrainLink and the power deal through AGL are also providing additional purchasing benefits. Field Services are a strong force in assisting suppliers with their businesses, this team providing a wide range of skills and expertise.

Capital investment is essential if the company is to continue to improve the value of milk. Major projects for the year included a $9 million re-combining plant at Maffra, a $5.4 million upgrade of the UHT plant at Leongatha and purchase of more fuel-efficient trucks at a cost of $6 million.

During the course of the year Murray Goulburn maintained its search for new business investment. The Co-operative acquired Lavery International, a highly regarded dairy product trading business and entered a joint venture with Australian Dairy Goods to establish Australian Milk Products Pty Ltd, to sell direct into the Latin American market. Our export growth remains strong through existing channels as well as new initiatives such as these.



Company turnover improved 14% to $1.87 billion. After paying the second highest milk price that the Co-operative has ever paid, Murray Goulburn Co-operative declared a near record profit before tax of $60.1 million.

The board of Murray Goulburn Co-operative has continued its disciplined approach to its corporate governance obligations and maintains its commitment to the OECD Principles of Corporate Governance which were adopted in 2002.

This year we lose some of our most experienced directors, John Mason (Portland), Trevor Keele (Rochester) and Dr. Wayne Sanderson have decided to retire from the board. We appreciate their valuable contribution to the Co-operative.

An orientation course for potential directors was again conducted in time for candidates to assess their ability to undertake the duties and responsibilities of a director of the Co-operative. Directors continue to develop their skills through training experiences and inspection of company sites.

Joe Curtis, Chairman of Murray Goulburn for the seven years to 1976, and a strong leader of the Co-operative in some of its more turbulent times, passed away in March this year. Joe worked tirelessly for the Co-operative and is an example of the commitment required to continue to drive the Co-operative's principles and success.

Murray Goulburn accepts its social responsibility and continues to invest to meet its obligations. In 2004/05 $15 million was committed at Leongatha to meet environmental requirements for effluent management. It was decided that new fleet cars would be powered by LPG and that new farm pick-up vehicles would be powered by LNG (Liquefied Natural Gas) making considerable savings in fuel cost and green house gas emissions. A new carton-less cheese process was developed which will reduce the use of disposable packaging.

The company continued to support the communities in which it operates. Major support was provided for the Asian tsunami victims through local contacts in the region and also with a donation to World Vision. The Co-operative continued to support dairy industry activities such as the Australian Dairy Conference, the Poowong Dairy Expo, the UDV Conference and various agricultural shows.

The improved results could not have occurred without the continued support of customers, providers of goods and services and financiers.

Thanks go to management, staff and employees for their contribution. The strong 2004/05 results following the very difficult previous two years warrants special recognition of the efforts of the management team.

Recognition of the benefits provided to supplier/shareholders has been demonstrated by the strong support of the Co-operative from dairy farmers. Murray Goulburn will continue to drive milk price throughout Australia. Only through a strong co-operative do farmers have the ability to extract the best value for their milk.

There are many challenges ahead but the outlook for the industry is again positive with improved seasonal conditions and solid demand for dairy product. Murray Goulburn is in a good position to meet the demand with a wide range of high quality products.

The milk price paid for season 2004/05 was, on a weighted average basis, $7.80/kg butterfat equivalent. This milk price was 22% up on last season and the second highest milk price ever paid.

Operations Review

Mr Stephen J. O'Rourke, Managing Director

2004/05 proved a very satisfying year for Murray Goulburn.

As always the Co-operative's key objective was to maximise returns to supplier/shareholders during the year, while ensuring a strong financial platform remained in place so that maximum returns could be sustained over future years.

Returns to supplier/shareholders are delivered in different ways. First and foremost Murray Goulburn pays the highest possible milk price that can be extracted from the business operations. Secondly Murray Goulburn pays a dividend on ordinary shares held by supplier/shareholders to reflect their investment in the Co-operative. Thirdly Murray Goulburn offers a range of services to supplier/shareholders including field services, trading stores, intranet services, finance and grain, power and telecommunications discounts.

The milk price paid for season 2004/05 was, on a weighted average basis, $7.80/kg butterfat equivalent. This milk price was 22% up on last season and the second highest milk price ever paid.

The decision about final milk price each season is made after careful consideration of supplier/shareholder needs in the current year and the Co-operative's need to retain profit in the business to help fund necessary ongoing investment in plant and equipment and product and market development so that supplier/shareholders continue to receive maximum returns in future years.

The 2002/03 and 2003/04 financial years were severely impacted by drought and unfavourable world market conditions. As such, the objective was to distribute all funds generated by the business directly to supplier/shareholders by way of milk price and dividends. Very little profit was retained during this period. Despite this, the Co-operative continued to make important investments in technology, product and market development. No income producing assets needed to be disposed of to support the business result. Overall the balance sheet remained financially sound.

2004/05 saw world market conditions improve, although some of the benefit of higher world prices was lost due to a strengthening Australian dollar. 2004/05 also saw the benefit of Murray Goulburn's recent investments in technology upgrades, new products and markets which allowed an improving product mix to be marketed and operating costs to be reduced.

As a result, net profit before tax was $60.1 million, up $47 million on the previous year. The profit result was achieved directly from operations. Again no assets or investments were disposed of to support the profit.

From profit, a dividend of 15% was declared on all ordinary shares held by supplier/shareholders. Ordinary share dividends in recent years had been 10%. This improved dividend somewhat reflected the ongoing growth in the value of the business and the good profit generated for the year.

Total assets increased by $111 million to $1.43 billion. Total equity increased by $62 million to $606 million. At year-end the Co-operative is in sound financial shape and well placed to continue to make sensible investment decisions to support improving supplier/shareholder returns.

It is important to recognise that Murray Goulburn Co-operative Co. Limited is 100% owned by the dairyfarmers who supply the milk. There is no leakage of margins in the supply chain to third parties. All profits generated in the business are the property of the supplier/shareholders and are passed on to them via milk price, dividends, co-operative services and retained equity in Murray Goulburn.

MANUFACTURING

Primary production for the year rose 4.1% to 637,000 tonnes on the back of a 1.2% increase in milk intake to 3.55 billion litres. The Co-operative's ongoing task is to manufacture and market an ever improving product mix so that maximum returns are achieved from the milk solids supplied.

Capital investment was aimed at adopting new technologies to add further value to the milk solids, improve product mix and reduce costs as well as achieve the Co-operative's commitment to the environment and occupational health and safety.

All profits generated in the business are the property of the supplier/shareholders and are passed on to them via milk price, dividends, co-operative services and retained equity in Murray Goulburn.

The UHT plant at Leongatha was upgraded to increase production capacity by more than 50% from 96 million litres per year to 150 million litres per year at a cost of $5.4 million. This increase will ensure that Murray Goulburn remains at the forefront of the long life liquid milk market in Australia as well as overseas.

At the Koroit factory, the nation's largest milk processing plant, a new MPC plant was installed at a cost of $6.5 million. The plant produces a range of speciality protein powders for sale into the world food ingredient and nutritional foods markets. The introduction of the Maxipack powder bag sealer reduced operating costs, enhanced packaging presentation and improved product stability.

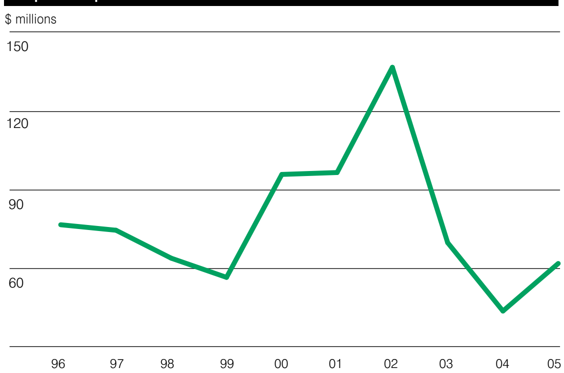
Maffra oversaw the construction of a new recombining plant at a cost of $9.1 million. The plant is designed for the manufacture of speciality foods products during the winter period to better utilise available dryer capacity and further improve overhead recovery.

Transport costs increased throughout the year due to higher diesel fuel costs. The Co-operative's program to convert its truck fleet from diesel to Liquefied Natural Gas (LNG) gained momentum during the year with seventeen vehicles being converted or replaced and a further five to be brought into service in 2005/06. The program will help keep fuel costs down and reduce greenhouse emissions to the environment over coming years.

During the year the development of a fully integrated plant and vehicle maintenance system which runs on the SAP platform was initiated. This project will deliver significant cost savings by providing for better management of spare parts and maintenance consumables.

The Co-operative's environmental programs continued its drive towards further improvements to manufacturing sustainability, solids recovery, regulatory compliance and waste water treatment and re-use.

Capital Expenditure



QUALITY ASSURANCE

The year saw an ongoing improvement in quality protocols via the newly developed 'Links' program. The program enables individual production departments to maximise effectiveness of the Co-operative's quality and training systems. It resulted in significant quality performance improvements in key areas. The initial pilot program was implemented successfully in the Bulk Cheese department at Cobram and was subsequently rolled out across other manufacturing sites. The Links system is an operational tool which seeks efficiencies in all areas of production and encourages, through training and documentation, personal accountability in the way people understand and perform various tasks. Results are measured by various factors including cost efficiency, quality of product produced, reliability of equipment, job satisfaction and continuous improvement.

Numerous regulatory and customer satisfaction audits were conducted throughout the year and provided the Co-operative with direct feedback in this rapidly changing area of compliance and customer relationship management.

The move from the American NSF HACCP 9000 food safety standard to the new international ISO 22000 HACCP standard began during the year. This will assure our international customers that our standards are consistent with the best internationally.

RESEARCH AND DEVELOPMENT

The Co-operative continued its investment in research and development so that it remains at the leading edge of dairy based product innovation. Based on an awareness of customer needs during the past year the Co-operative focused on accelerating the development and commercialisation of innovative and improved dairy ingredients for application in a wide range of foods. This required increased understanding of both the physio-chemical properties of ingredients and their application in food systems. An extensive range of novel ingredients with customised functionality were developed and successfully commercialised for application in fresh and processed cheese, modified milks, ice cream and chocolate.

A number of key collaborative research arrangements were entered into during the year including a five year research program with Primary Industries Research Victoria - Department of Primary Industries for the study of bovine lactation genetics in regards to improvement of on-farm productivity. Concurrently, applications to patent a number of the Co-operative's process and product discoveries were made as part of Murray Goulburn's formal strategy for protecting and preserving the Co-operative's high value intellectual property assets.


CINDY

LOGISTICS

Storage and Distribution operations were further consolidated during the year with the conclusion of several third party storage warehouse arrangements in the Melbourne metropolitan area as the full benefit of the Co-operative's investment in the Integrated Logistics Centre (ILC) at Laverton was realised. Not only have storage and distribution costs been reduced but there has been significant improvements in customer service standards.

The ILC received ISO 9001 and HACCP accreditation during the year. The accreditation process helped operating staff to be more aware of critical food safety issues.

There was ongoing collaboration with domestic customers to review and improve supply chain processes, notably Woolworths, Coles Myer and Metcash. This resulted in closer working relationships not only with Murray Goulburn customers, but other supply chain partners in the areas of raw materials and transportation. The objective of executing a combined supply chain program was to ensure Murray Goulburn is able to build on current relationships, achieve customer requirements and reduce operational costs.

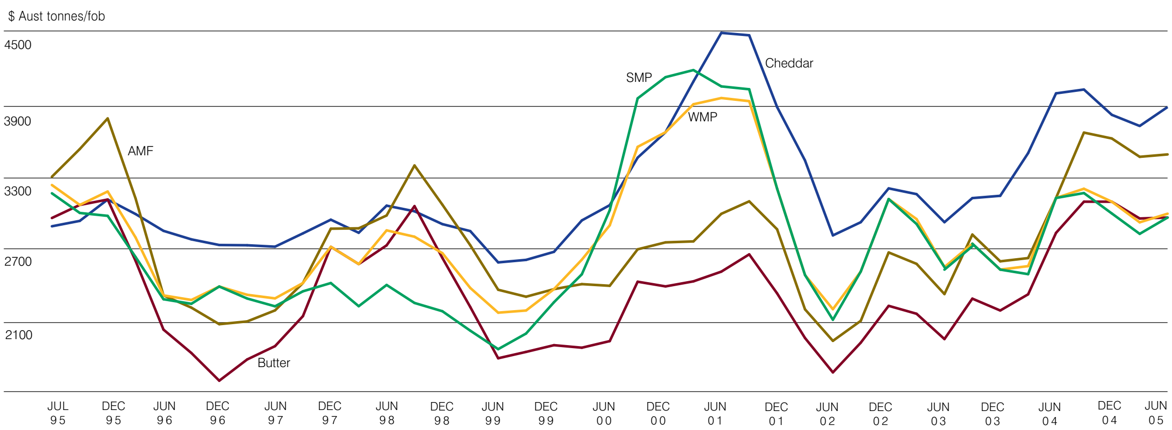
Towards the end of the financial year, the Co-operative purchased and commissioned a fleet of B-Double tautliners, refrigerated pantechs and wingliners. The fleet is positioned at both the Leongatha facility and the ILC to ensure that finished goods and raw materials are delivered in a timely manner and with greater efficiency in metropolitan distribution and to other MG factories as necessary. The fleet will be converted to LNG fuel in financial year 2005/06.

EXPORT

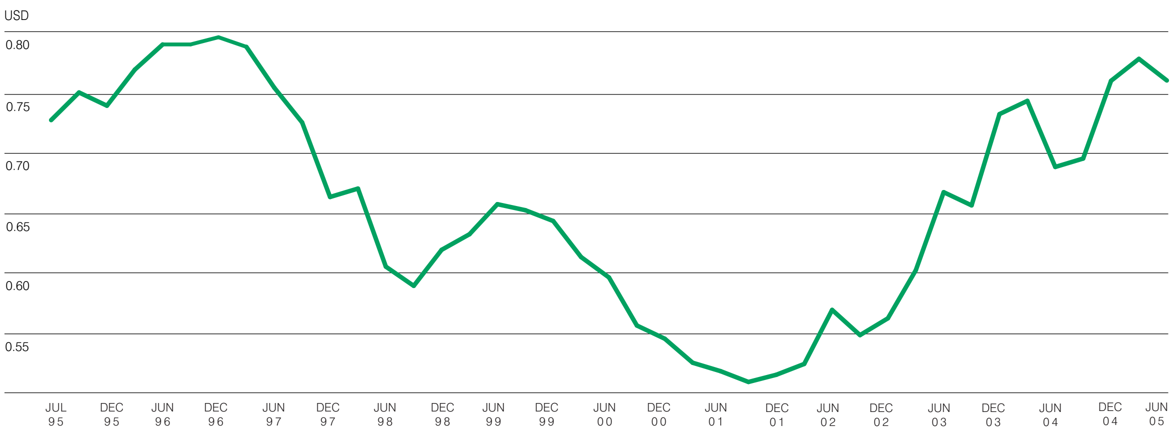
Total export sales for the year were $1.118 billion, 10% up on the previous year. This result was achieved on a lower volume of 361,000 tonnes, 4% less than last year, due to a combination of higher world market commodity prices and a better returning product mix, which included an expanding range of milk powders, cheeses and whey based products.

The Co-operative's strategy of investment in technology, research and development has been effective in reducing reliance on commodity markets and providing the Co-operative with the agility to quickly adjust product mix to meet the market and maximise returns. Murray Goulburn's export sales performance was achieved in a climate where the benefit of higher international prices was largely offset by the strength of the Australian dollar during the period.

World Commodity Prices



AUD/USD Exchange



** Source Data Dairy Australia Ltd*

Total export sales for the year were $1.118 billion, 10% up on the previous year.

The year also saw the introduction of the U.S. Free Trade Agreement which is designed to assist Australian dairy exports into the U.S. market. It is expected that the benefits to Murray Goulburn will begin to flow in the 2005/06 year when additional product will be allocated for sale to the U.S. in accordance with the Co-operative's quota allocation.

Over the past 12 months the global dairy market saw further strengthening in international commodity prices. The international market for dairy products continued to firm in US Dollar terms throughout the year across all product categories, underpinned by the continued weakness in the USD.

Assisting these firm prices was the reduction in milk production in the USA, which was down by 6.5%. Lower availability of the BST hormone, Posilac, temporarily reduced output in the last half of 2004. New Zealand's supply was down 3.6% due to unfavourable seasonal conditions and the European Union production was similar to the previous year's production, while Australia's milk production was up only 0.5% on 2003/04. This resulted in a sharp reduction in surplus stocks, with the EU stocks of SMP down from 181,000mt to 19,700mt over the course of the year and the US stocks down from 263,000mt to less than 10,000mt over the same period. EU public and private stocks of butter also fell from 322,000mt to 253,000mt.

Asian markets held up well despite higher world prices and weak local currencies.

There was concern from customers in some Asian countries regarding their inability to pass on the higher world prices due to government retail price controls. Japanese market demand was buoyant and the Co-operative's sales were firm in spite of an overall decline in imports during the period.

Buyer interest from the Middle East improved as economies throughout the region benefited from the rising world oil price and hence were able to absorb higher commodity prices.

Export returns from the EU and USA have been reduced due to the narrowing of their domestic prices which were overtaken by higher international pricing, again due to weakness in the USD and the relative strength of the AUD. US milk production in 2005 and 2006 is forecast by the US Department of Agriculture (USDA) to increase by 2.6% and 2.3% respectively.

In the EU as part of the Common Agriculture Policy (CAP) reform, the support price of butter was cut 7% to €2,540mt and the support price for SMP was cut 5% to €1,850mt from July 1 2004. However EU domestic market prices remained firm at 8% to 9% above the new support levels. In the lead-up to the support price cuts, and due to budgetary constraints, the EU made significant cuts to export subsidies.

Despite expectations that CAP reforms would push internal prices lower, a tighter than expected balance in the EU. A tighter than expected balance in the EU coupled with a stronger Euro against the US Dollar kept prices relatively stable. (Coupled with a stronger Euro against the US dollar.)

The USDA closed the financial year without using its Dairy Export Incentive Program allocation (DEIP). Although allocations had been initially announced at the beginning of the year, the USDA did not seek any bids and no DEIP-related dairy products were exported. Stock shortfalls in other parts of the world increased the international demand for SMP, and US exports increased 155% from July 2004 levels.

The Australian Dollar, Euro and Japanese Yen were generally all stronger against the US dollar in the past 12 months reflecting a continuing weakness in the US dollar during the period.

European prices strengthened as a result of the weaker USD which further assisted in keeping international prices firm.

MG NUTRITIONALS

Moving into its third year of operation, MG Nutritionals further refined its strategy for the development and commercialisation of new bioactive dairy compounds, specialty milk derived proteins and infant formula.

Strengthening of dairy protein prices world wide contributed to an improved financial performance by the division in 2004/05.

In response to a broadening demand for innovative nutrition based solutions for human health conditions, MG Nutritionals has developed a strategy for marketing and biodiscovery based on a group of specific health platforms. The strategy has led to a more defined path for the identification of research and development partners which led to the formation of strong relationships with research groups based in Australia and overseas and enabled specific projects to be developed to study the effects of MG Nutritionals products on human health. Preliminary results of some of this work, including human clinical trials, yielded very positive indications for the development of new interesting and novel bioactive ingredients, specifically in the areas of weight management, muscle strength and training recovery.

Continuing from the success of the inaugural MG Nutritionals Technical Symposium held in 2004, a second symposium was held in Melbourne in February 2005 with a focus on research activities targeting a further understanding of sports nutrition. This event, which will now be held annually, cements MG Nutritionals as a key contributor to the knowledge base of the potential of dairy derived compounds as functional ingredients.

MG Nutritionals has strengthened its internal technical capacity in areas which directly support the ongoing improvement of production capabilities. The addition of a dedicated protein chemist to the team has provided high level analytical skills which have enabled the refinement of the processes used to produce some of the most advanced dairy proteins on the market and allowed for greater responsiveness to customer requests.

Natraferrin the Co-operative's lactoferrin product, manufactured and marketed by MG Nutritionals strengthened its position in a competitive market place. Processing refinements led to positive feedback from the market with respect to flavour and bioactivity levels, and translated to increased sales. These sales have expanded the market for lactoferrin as consumer demand for natural ingredients which provide health solutions increases.


HAMBURG SÜD
MAERSK SEALAND

The Natra product range has been expanded to include NatraPep, glycomacropeptide, a protein product with the ability to positively influence weight management and also promote healthy brain development. The product is expected to find demand in the increasing number of food products designed for assisting consumers to lose weight, and in infant formula.

As the infant nutrition market evolves for products which more closely emulate human milk, the team at MG Nutritionals is developing processes to incorporate a growing range of functional nutritional components into customer formulations. The link of this business operation to the biodiscovery program of MG Nutritionals, offers customers potential to be the first in the market to access and commercialise novel infant formula ingredients.

DOMESTIC

The overall result for the retail business in 2004/05 proved its underlying strength and diversity. In particular it was very pleasing to see the Devondale branded business grow despite serious market pressures.

Overall retail sales grew by 17% to exceed $313 million. Devondale retail brand sales alone grew by more than $9 million to $131 million, up almost 8%, with all major categories including cheese, showing growth.

Devondale

The Co-operative continued to invest strongly in Devondale. The loss of the Devondale cheese range in both Coles and Bi Lo supermarkets was countered by the continuing strong growth among other retailers for Devondale cheese and the launch of Devondale Cheese Squeeze.

Sales of Devondale dairy spreads grew by more than 8% in value. With market share at 59.2%, Devondale is the clear market leader in this category. Devondale Extra Soft and Dairy Soft continued to be the two leading sub-brands in volume sales with Devondale Light easily the largest selling product in its category.

With stage one of the Leongatha UHT plant upgrade completed in September 2004 Devondale milk volume sales grew by more than 15% in the past year with market share growing a further 1.7 pts to 23.3%. With new pack designs in place, the Co-operative is focused on building a strong portfolio of milk products aimed at growing Devondale's share of the overall milk market in Australia. Devondale Semi-Skim (2% fat, all the taste of full cream) was launched nationally during the year and was enthusiastically received by the market.

Corporate Brands

One of the major strengths of this segment of the business is the Co-operative's ability to offer both branded and house brand opportunities to our customers. House brands have grown in importance in some parts of the market and the Co-operative's strong relationship with retail partners across a number of areas including product, supply chain initiatives and house brand development is important to the future growth of the retail business.

During the past financial year this segment of the business grew by 24.6%. Total sales were $181.5 million, with all categories achieving value and volume growth.

Food Service

The Food Service division achieved an excellent result, with growth across all categories and sales value increases 42.6% to $69.3 million. The division entered the Specialty Cheese category for the first time, launching the "International Selection" range. The initial range consisted of a Blue and Brie with initial sales exceeding all expectations. The division also successfully expanded the cheese sauce range, including a new liquid cheddar product presented in a 2kg piping bag which achieved strong sales results. Building on solid relationships across a range of major foodservice customers, this business has grown to be one of the Co-operative's strongest domestic performers in recent years.

Food Ingredients

Sales for the year were $224.8 million up 32% on the previous year. The domestic ingredient business focused on maintaining value.

Specific attention was given to the development of new product packaging, design and branding to present new products developed during the year for customer attention. These products which included Choc Plus, Ice Cream Plus, Milk Plus and Coffee Creamer achieved rapid acceptance and buoyant market interest.

During the year sales of MG Calf Care CMR (Calf Milk Replacer) were consolidated in a joint venture entity, Provico, and two new brands were added, Provilac Gold and Silver, to develop this business on the broader market. Murray Goulburn adapted a year-round strategy for CMR manufacture which maximised the opportunity to develop this business.

The Co-operative's relationships with major processors of milk has strengthened during the year as evidenced by the growth in the demand for bulk liquids as companies looked to strategically align themselves with alternative milk sourcing options.

FIELD SERVICES

Murray Goulburn Field Services maintained its focus on general farm visits to provide support to suppliers during the 2004/05 season, which, for most suppliers represented a recovery phase from the difficulties of recent years.

These visits, combined with financial and budgeting services, accounted for about 50% of farm visits with much of the remaining work focused on milk quality, company liaison and MG Milkcare. Milk quality for the year was again of excellent standard with 90% of all milk attracting a premium payment.

MG Milkcare moved into its second phase of the program, having consolidated the introductory initiatives of the first phase and confirmed Murray Goulburn's leadership in the field of on-farm quality assurance. Completion of the first round of auditor verification by Dairy Food Safety Victoria demonstrated the value of MG Milkcare to suppliers by assisting them to comply with the conditions of their dairy licence. The Co-operative assisted more than 8000 people to successfully complete MG Milkcare training courses.

MGF@RM, Murray Goulburn's farm intranet service, continued to expand and grow with more than 50% of suppliers using the service. Further development of tools, input and cost calculators to assist suppliers in the management of their farms continued. Murray Goulburn, with the assistance of Dairy Australia, implemented a project to assist suppliers adopt Mistro Finance and gather user feedback to assist in future development.

The Young Supplier Development Program continued its successful run during the 2004/05 season. Young suppliers were involved in a farmer-run conference in East Gippsland, a mock board meeting organised by MG Directors and throughout the year group members ran regional activities in their respective areas. The program has directly benefited almost 500 young suppliers since it began in 2002.

The colostrum program continued to gain momentum with a significantly higher opening price enhanced by a step-up at the end of the season which resulted in a final average price of $1.34 per litre. Significant processing and transport efficiencies were achieved during the year with the collection area expanded into South Australia and both volume and IgG yield improving.

Murray Goulburn continued to work with Dairy Australia in the Dairy Moving Forward Program in the "Taking Stock" and "Walking Through The Seasons" projects. Taking Stock, a business analysis service, was provided to all participating suppliers. This project adds to Murray Goulburn Field Services' already strong support to suppliers in the area of farm business management. Walking Through The Seasons, a feed management discussion group program, is being developed with Dairy Australia's backing and will be progressively rolled out during 2005/06.

During 2004/05 the Co-operative initiated a number of collective buying initiatives aimed at reducing the cost of selected inputs to Murray Goulburn suppliers. MG GrainLink aims to reduce the cost of grain and hay to suppliers and will rebate the majority of profits back to participating suppliers. To achieve this Murray Goulburn has taken an equity interest in MG Agrilink with Agrilink Feed Services Pty Ltd. MG Power Group is an initiative with AGL to reduce electricity costs to suppliers with 15% of suppliers accepting an offer from AGL during the year. MG Telecommunications an initiative with Telstra, was launched during the year and aims to significantly reduce the telecommunication costs of participating suppliers. The pilot program confirmed the anticipated savings and the rollout of the program commenced towards year-end.

INFORMATION TECHNOLOGY

The Information Technology division successfully consolidated the raft of changes implemented in recent years and upgraded equipment to ensure the ongoing stability of the Co-operative's business operating systems. The Enterprise Resource Planning system (SAP) continues to support the business to gain efficiencies through streamlining processes.

A major program to replace all network servers and components was successfully completed without disruption to business continuity. The program enhanced the Co-operative's capacity to better manage large volumes of information at a reduced cost. Productivity improvements also resulted from the upgraded infrastructure.

A new export documentation system was introduced which included many improvements to existing procedures. Forwarding instructions, bills of lading and letters of credit have been added to the list of documents capable of electronic handling. This has resulted in an increase in document accuracy and a smoother, faster flow of inter-company transactions. The improved export freight system strengthened the process and generated freight cost efficiencies.

There were further enhancements to the warehouse management system. Electronic container tracking was successfully commissioned which enables improved accountability for containers in transit and greater control over shipments. Time slotting has been extended to all local input and output deliveries giving a smoother flow-through of traffic at the Co-operative's warehouses.

A new Corporate Website developed during the year was launched in January 2005.

TRADING STORES

The Trading Stores produced another solid performance during 2004/05 with growth experienced across all product categories. The division increased sales by 6.4% over the previous year to $122 million. The main areas of growth were Pasture Seed, Fertilizer, Fuel, Fencing and Animal Health products.

The Trading Company's principal responsibility is to the Co-operative's milk suppliers, and as such has maintained focus on the fundamentals of improving efficiency, providing competitive pricing, maintaining quality of products and services and to deliver sustainable value to Murray Goulburn for distribution back to its supplier/shareholders.

Capital Expenditure during the year was concentrated on enhancement of supplier services including the purchase of a fertiliser logistics business in North East Victoria launched at year-end. The Trading Stores now offer fertiliser-spreading services to Murray Goulburn farmers within a 100km radius of the Kiewa store. This new facility complements the Bulk Fertiliser depot in Gippsland.

Financial Report

Murray Goulburn Co-Operative Co. Limited for the financial year ended 30 June 2005

Contents

The financial report covers both Murray Goulburn Co-Operative Co. Limited as an individual entity and the consolidated entity consisting of Murray Goulburn Co-Operative Co. Limited and its controlled entities.

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

Directors' Report

Your Directors present the following report for the financial year ended 30th June, 2005.

Directors

The directors listed on page 21 each held office as a director of the company during or since the end of the financial year except for:

KJ Bruhn and AL Millar - resigned 24 November 2004
GJ Davies and WJA Verboon - appointed 24 November 2004

Company Secretary

IC Bird (B.BUS. ASA), company secretary, joined the company in 1990.

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.
- The operation of retail stores as a service to the suppliers in the areas of the manufacturing plants.

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

Dividends Paid or Recommended

The following dividends were paid or recommended during the year :

a) In respect of the financial year ended 30th June 2004 as detailed in the directors' report for that financial year :

	$'000
Interim dividend paid on 1 July 2004	
On A and C class preference shares at 4.0% unfranked	1,069
On B class preference shares at 2.5% unfranked	115
Final dividend paid on 1 November 2004	
On ordinary shares at 5.0% unfranked	6,651
On A and C class preference shares at 4.0% unfranked	1,060
On B class preference shares at 2.5% unfranked	123
	9,018

b) In respect of the financial year ended 30th June 2005 :

Interim dividend paid on 1 May 2005	
On ordinary shares at 5.0% unfranked	6,537
On A and C class preference shares at 4.0% unfranked	1,127
On B class preference shares at 2.5% unfranked	169
Final dividend recommended for payment on 1 November 2005	
On ordinary shares at 10.0% unfranked	14,266
On A and C class preference shares at 4.0% unfranked	1,114
On B class preference shares at 2.5% unfranked	158
	23,371

Review of Operations

Please refer to the Chairman's Report and the Review of Operations comments.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this 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

No matters or circumstances have arisen since the end of the financial year which 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 2005.

Environmental Regulations

Murray Goulburn operates eight manufacturing sites throughout Victoria in accordance with licence requirements pursuant to the Environment Protection Act (1970). The company also operates its own internal programs and systems designed to deliver positive environmental outcomes through the reduction in emissions, energy use, minimisation of product losses, and the maximising of re-use and recycling initiatives.

Continual environmental improvement remains an important focus for the company in order that the sustained viability of its supplier shareholders continues and supports the objectives of both strong and vibrant supply whilst adhering to the obligations of the environment of compliance. The company continued to update and deliver outcomes in line with its revised Strategic Environment Improvement Plan first established with EPA in 2001.

During the year the company completed and commissioned the Cobram East waste water reuse scheme. The scheme delivers recycled water from the Cobram factory back to specific dairy farms and is considered to be the largest private reuse scheme of its type in Australia. During the year the company implemented a similar scheme at its Leitchville factory and was commissioned in December 2004. The scheme will be extended into next year. At the company's Leongatha factory, the first stage of a new wastewater treatment facility was implemented with the construction of a DAFF treatment system. The project is expected to be completed over three stages at cost in excess of $15 million dollars. The company continued its program of converting its diesel powered milk tankers to natural gas. The initiative will deliver immediate reductions in CO_2 emissions surpassing any licence requirements that have been considered by regulators.

Murray Goulburn remains a signatory to the National Packaging covenant. The company agreed to terms in 2001 and continues to support this voluntary system which encourages industry to develop cleaner and more efficient solutions to the problems associated with commercial and industrial packaging.

The company had no prosecution or infringement notices from the EPA to report.

Insurance of Officers

During the financial year the company paid a premium of $149,040 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.

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 48 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.

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

I.W. MacAulay
Director

Melbourne, 28 September 2005

Directors in Office

Meetings Attended				Meetings of Committees			
Director	Full Meetings of Directors	Audit	Finance	Zone	Compliance	Remuneration	Supplier Relations
	12 held	3 held	3 held	1 held	1 held	1 held	6 held
IW MacAulay Yarram Chairman	12	*	3	*	*	1	6
LA Jarvis OAM Kergunyah Deputy Chairman	12	3	3	*	1	1	*
WM Brown Kongwak	11 (i)	*	3	*	1	*	*
KJ Bruhn Mirboo North *5 full Board meetings and 2 Supplier Relations committee meetings held whilst a member of the Board and committee*	5	*	*	*	*	*	2
GJ Davies Fish Point via Swan Hill *7 full Board meetings and 4 Supplier Relations committee meetings held whilst a member of the Board and committee*	7	*	*	*	*	*	4
DF Howard Camperdown *1 Audit committee meeting held whilst a member of the committee*	11 (i)	1	*	1	1	*	*
TD Keele Bamawm	12	3	*	1	*	*	*
JC Mason Gorae West	12	*	*	*	*	*	6
AL Millar Koondrook *5 full Board meetings whilst a member of the Board*	5	*	*	*	*	*	*
ST Mills Numurkah *2 Audit committee meetings held whilst a member of the committee*	11 (i)	2	*	*	*	*	5 (i)
J Vardy Maffra	12	*	*	1	*	*	6
WJA Verboon Korumburra *7 full Board meetings and 4 Supplier Relations committee meetings held whilst a member of the Board committee*	7	*	*	*	*	*	4
WB Sanderson Brunswick	12	*	*	*	*	*	*
SJ O'Rourke Gisborne Managing Director	12	*	3	*	*	*	*

**Not a member of the relevant committee*
(i) Director absent while on company business
For qualifications and experience refer to page 3.

Statement of Financial Performance

for the Financial Year ended 30 June 2005

	Note	Consolidated		Company	
		2005 $000	2004 $000	**2005 $000**	2004 $000
Sales revenue	2	**1,866,789**	1,631,483	**1,745,468**	1,499,548
Cost of sales		**(1,562,674)**	(1,392,189)	**(1,460,260)**	(1,273,298)
Gross profit		**304,115**	239,294	**285,208**	226,250
Other revenue from ordinary activities	2	**2,417**	1,554	**6,721**	5,623
Share of net profit (loss) of associated companies accounted for using the equity method	14	**(83)**	268	**-**	-
Distribution expenses		**(106,105)**	(98,382)	**(105,130)**	(97,574)
Marketing expenses		**(49,647)**	(43,137)	**(48,773)**	(42,219)
Administration expenses		**(54,803)**	(53,228)	**(44,945)**	(44,147)
Borrowing costs expense	3	**(21,524)**	(24,086)	**(28,984)**	(30,008)
Other expenses from ordinary activities		**(14,265)**	(9,114)	**(13,194)**	(21,125)
Profit from ordinary activities before income tax expense	3	**60,105**	13,169	**50,903**	(3,200)
Income tax expense	4	**(1,966)**	(1,915)	**-**	(587)
Net profit (loss)		**58,139**	11,254	**50,903**	(3,787)
Net profit attributable to outside equity interests		**(4,578)**	(3,532)	**-**	-
Net profit attributable to members of the parent entity		**53,561**	7,722	**50,903**	(3,787)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity	25	**12,822**	15,711	**11,929**	15,711
Total changes in equity other than those resulting from transactions with owners as owners		**66,383**	23,433	**62,832**	11,924

The accompanying Notes form part of these Financial Statements

Statement of Financial Position

as at 30 June 2005

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
Current Assets					
Cash		**5,700**	17,695	**2,771**	15,737
Receivables	9	**264,027**	254,877	**256,243**	247,082
Inventories	10	**485,907**	384,720	**471,334**	370,810
Other	11	**3,631**	3,795	**2,725**	2,876
Total Current Assets		**759,265**	661,087	**733,073**	636,505
Non Current Assets					
Receivables	9	**50,801**	46,743	**50,801**	52,743
Investments accounted for using the Equity Method	14	**6,151**	5,374	**-**	-
Other Financial Assets	12	**680**	680	**9,143**	8,283
Property, Plant & Equipment	15	**588,599**	579,038	**586,887**	578,306
Deferred Tax Assets	16	**23,525**	25,132	**23,525**	25,132
Other	11	**-**	907	**-**	-
Total Non Current Assets		**669,756**	657,874	**670,356**	664,464
Total Assets		**1,429,021**	1,318,961	**1,403,429**	1,300,969
Current Liabilities					
Payables	17	**179,566**	175,412	**165,581**	160,616
Interest Bearing Liabilities	18	**412,228**	362,096	**412,228**	362,096
Current Tax Liability	19	**-**	-	**-**	-
Provisions	20	**35,329**	25,246	**34,253**	24,338
Total Current Liabilities		**627,123**	562,754	**612,062**	547,050
Non Current Liabilities					
Payables	17	**1,000**	1,000	**1,000**	1,000
Interest Bearing Liabilities	18	**158,166**	175,100	**256,881**	271,455
Provisions	20	**13,281**	11,148	**12,919**	10,807
Deferred Tax Liabilities	22	**23,525**	25,132	**23,525**	25,132
Total Non Current Liabilities		**195,972**	212,380	**294,325**	308,394
Total Liabilities		**823,095**	775,134	**906,387**	855,444
Net Assets		**605,926**	543,827	**497,042**	445,525
Equity					
Contributed Equity	24	**177,513**	167,597	**177,513**	167,897
Reserves	25	**147,052**	131,775	**83,711**	69,327
Retained Profits	26	**200,471**	170,281	**235,818**	208,301
Shareholders' Equity attributable to Members of the Parent Entity		**525,036**	469,653	**497,042**	445,525
Outside Equity Interests in Controlled Entities	27	**80,890**	74,174	**-**	-
Total Equity		**605,926**	543,827	**497,042**	445,525

The accompanying Notes form part of these Financial Statements

Statement of Cash Flows

for the Financial Year ended 30 June 2005

	Note	Consolidated		Company	
		2005 $000	2004 $000	**2005 $000**	2004 $000
Cash flows from operating activities					
Receipts from customers		**1,868,978**	1,593,381	**1,731,818**	1,440,837
Payments to suppliers and employees		**(1,853,307)**	(1,563,743)	**(1,718,975)**	(1,411,941)
		15,671	29,638	**12,843**	28,896
Dividends received		**12**	-	**1**	-
Interest received		**968**	1,152	**838**	915
Interest paid		**(22,285)**	(22,558)	**(22,285)**	(22,546)
Income taxes paid		**(1,995)**	(1,841)	-	-
Net cash (outflow) inflow from operating activities	35b	**(7,629)**	6,391	**(8,603)**	7,265
Cash flows from investing activities					
Payments for property, plant and equipment		**(61,599)**	(43,453)	**(61,280)**	(42,649)
Investment in associated company		**(610)**	-	**(610)**	-
Proceeds from the sale of property, plant, equipment and vehicles		**1,110**	422	**1,109**	396
Net cash (outflow) from investing activities		**(61,099)**	(43,031)	**(60,781)**	(42,253)
Cash flows from financing activities					
Dividends paid		**(14,701)**	(6,721)	**(14,716)**	(6,736)
Proceeds from the issue of ordinary and non-redeemable preference shares		**7,930**	8,994	**7,630**	8,994
Repayment of lease liabilities		**(976)**	(844)	**(976)**	(796)
Proceeds from borrowings		**64,596**	162,135	**64,596**	162,135
Repayment of borrowings		**-**	(123,690)	**-**	(123,690)
Net cash inflow from financing activities		**56,849**	39,874	**56,534**	39,907
Net (decrease) increase in cash		**(11,879)**	3,234	**(12,850)**	4,919
Cash held by subsidiary at time of acquisition	35e	**-**	-	**-**	1,104
Cash at the beginning of the year		**17,695**	14,685	**15,737**	9,938
Effect of exchange rate changes on cash		**(116)**	(224)	**(116)**	(224)
Cash at the end of the year	35a	**5,700**	17,695	**2,771**	15,737

The accompanying Notes form part of these Financial Statements

NOTE 1. Summary of Significant Accounting Policies

This general purpose financial report has been prepared on an accrual basis in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

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 2005 and the results of all controlled entities for the year then ended from the date on which the company obtained control. The company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the equity of controlled entities are shown separately in the consolidated statement of financial position.

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

b) Income Tax

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense shown in the statement of financial performance is based on the profit from ordinary activities before tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of profit from ordinary activities and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits attributable to timing differences and carried forward tax losses are not brought to account unless realisation of the asset is assured beyond reasonable doubt or virtually certain.

The company and its wholly-owned entities are part of a tax-consolidated group. The members of the tax-consolidated group have not entered into a tax sharing agreement and, as a result, all income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are recognised in the financial statements of the parent entity.

c) Foreign Currencies

Foreign currency transactions covered by specific hedges in the form of forward exchange contracts are recorded in Australian currency at the forward exchange contract rate.

Other forward currency transactions during the year are converted to Australian currency at the rate of exchange ruling at the date of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate ruling at that date.

d) 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. 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.

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 results of the group in the year of disposal. Any realised revaluation increment relating to the disposed asset which is included in the asset revaluation reserve, is transferred to the capital reserve.

The valuation of land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

e) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In assessing the recoverable amount of non-current assets the relevant cash flows have not been discounted to their present value.

f) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

g) Investments

Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(a). Other investments are recorded at cost. Dividend revenue is recognised on a receivable basis.

h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority. In this case the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

NOTE 1. Summary of Significant Accounting Policies (continued)

i) Depreciation of Property, Plant and Equipment

Depreciation is calculated on a reducing balance basis 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	30 to 40 years	Vehicles	3 to 8 years
Plant and Equipment	5 to 15 years	Tankers	10 to 20 years

j) Capitalisation of Borrowing Costs

Borrowing costs directly attributable to property, plant and equipment under construction are capitalised as part of the cost of those assets.

k) Leased Assets

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 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.

Operating lease payments are recognised as an expense in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

l) Inventories

Dairy produce stocks have been valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour, maturation costs and an allocation of fixed factory overheads.

Stores, packing materials and Murray Goulburn Trading stocks, have been valued at the lower of cost and net realisable value. Costs have been allocated on the first in first out basis.

m) 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.

n) 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 twelve months. Provisions not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows in respect of services provided up to balance date.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred. The difference between the present value of accrued benefits and the net market value of the plan assets has not been recognised in the consolidated financial statements. The consolidated entity has no legal obligation to cover any shortfall, should there be any, in the funds' obligation to provide benefits to employees on death, disablement or retirement.

o) Revenue Recognition

Revenue from the sale of goods and disposal of assets is recognised when the consolidated entity has passed control of the goods or assets to the buyer. Interest revenue is recognised on a receivable basis.

p) Interest Bearing Liabilities

Loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

q) Interest Rate Swaps

Gains and losses on interest rate swaps are included in the determination of interest expense.

r) Changes in Financial Reporting Requirements

For reporting periods beginning 1 July 2005, the consolidated entity must comply with Australian equivalents to the International Financial Reporting Standards ('A-IFRS') issued by the Australian Accounting Standards Board.

The company has a project in place to ensure it is prepared to report under A-IFRS for the half year ending 31 December 2005 and the full year ending 30 June 2006. The project has identified the significant likely differences and is progressing towards a full transition for the financial year ending 30 June 2006.

The differences between the current Australian requirements ('Australian GAAP') and A-IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. This list may not be conclusive as the project is ongoing.

It is important to understand that, while the A-IFRS accounting requirements will change the consolidated entity's reported results, this does not represent a change in the actual operations or the strength of the underlying business.

NOTE 1. Summary of Significant Accounting Policies (continued)

r) Changes in Financial Reporting Requirements (continued)

The key potential implications of the conversion to A-IFRS to the consolidated entity are as follows:

- *Financial Instruments* – The consolidated entity enters into forward foreign exchange contracts and interest rate swaps to manage foreign exchange risk and interest rate risk as detailed in Note 1(c) and (q) above and Note 33 below. A-IFRS requires the recognition of all financial assets, financial liabilities and changes in their respective fair values which may impact on the consolidated entity's profit and loss or equity depending on their designation and effectiveness. The consolidated entity has established procedures to manage the effectiveness of forward exchange contracts and minimize the impact that changes in their fair value will have on the company's profit and loss. Changes in the fair value of the interest rate swap, disclosed in Note 33(c), will be reflected in the consolidated entity's profit and loss.
- *Taxation* – The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income. Under A-IFRS, deferred taxes are measured by reference to differences between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet. The consolidated entity has not previously been required to recognise a deferred tax liability in respect of potential capital gains tax associated with the sale of freehold land and buildings and is currently quantifying the impact this will have on the statement of consolidated position.
- *Impairment of Assets* - More stringent requirements are prescribed under A-IFRS for identifying and determining the recoverability of assets including plant and equipment. The standard defines how recoverable amount is to be calculated and requires any impairment to the value of an asset to be recognised in the Statement of Financial Performance. Management is currently determining the financial impact, if any, on the consolidated entity.
- *Defined Benefit Plans* – The consolidated entity currently expenses contributions to the defined benefit plan when due and payable. Under A-IFRS, the consolidated entity will be required to recognise the surplus or deficit of the defined benefit plan. There is a choice of methods available to the consolidated entity in recognising the surplus or deficit which may impact profit or loss or equity, depending on the choice made. This change in policy may introduce more volatility in the statement of financial performance. The net position of the plan at 30 June 2005 and its impact on the consolidated entity's Statement of Financial Performance is currently being quantified.
- *First-time adoption of A-IFRS* – On first-time adoption of A-IFRS, the consolidated entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS, ie. the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. As any adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 and 30 June 2005 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ.

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
NOTE 2. Revenue					
Operating Revenue					
Sales revenue		**1,866,789**	1,631,483	**1,745,468**	1,499,548
		1,866,789	1,631,483	**1,745,468**	1,499,548
Operating Revenue					
Interest received or receivable from :					
- wholly controlled entities	34	**-**	-	**240**	278
- other persons		**1,295**	1,132	**1,165**	895
Dividends received from other corporations		**12**	-	**1**	-
Service and management fees receivable	34	**-**	-	**4,206**	4,054
Non-Operating Revenue					
Proceeds on disposal of vehicles, plant and equipment		**1,110**	422	**1,109**	396
		2,417	1,554	**6,721**	5,623
Revenue from ordinary activities (excluding the equity accounted net profit of associated companies)		**1,869,206**	1,633,037	**1,752,189**	1,505,171

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
NOTE 3. Profit from Ordinary Activities before Income Tax expense has been determined after:					
a) Charging as Expenses :					
Borrowing Costs					
Interest paid or payable to :					
- controlled entities	34	**-**	-	**7,460**	5,934
- other persons		**21,441**	23,934	**21,441**	23,934
- finance charges on finance leases		**83**	152	**83**	140
Total borrowing costs expensed		**21,524**	24,086	**28,984**	30,008
Depreciation of :					
- buildings		**5,739**	5,752	**5,725**	5,269
- plant and equipment and vehicles		**52,955**	54,709	**52,839**	52,088
		58,694	60,461	**58,564**	57,357
Amortisation of:					
- leasehold improvements		**1**	1	**-**	-
- capitalised leases		**839**	744	**839**	744
		840	745	**839**	744
Loss on sale and scrapping of non-current assets		**1,724**	831	**1,624**	815
Write down of inventories to net realisable value		**5,992**	3,863	**5,992**	3,863
Write down of investments in subsidiaries		**-**	-	**-**	6,800
Foreign exchange loss on intercompany loan		**-**	-	**-**	4,977
Rental expense on operating leases		**9,103**	9,766	**8,919**	9,584
Research and development expenditure		**5,782**	4,323	**5,782**	4,323
Contributions to defined benefit superannuation funds		**998**	3,445	**998**	3,445
Transfer to (from) provision for doubtful debts		**160**	174	**160**	27
b) Sales of Assets :					
Profit on sale of vehicles, plant and equipment		**624**	67	**624**	63

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000

NOTE 4. Income Tax Expense

	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
a) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit from ordinary activities before income tax expense	**60,105**	13,169	**50,903**	(3,200)
Income tax calculated at 30%	**18,032**	3,951	**15,271**	(960)
Tax effect of permanent differences :				
Non-deductible depreciation of buildings	**1,721**	1,717	**1,717**	1,581
Dividends as a co-operative	**(4,700)**	(689)	**(4,705)**	(693)
Repayment of Rural Finance and State Government loans	**(7,500)**	-	**(7,500)**	-
Special write-off of income producing buildings	**(2,020)**	(2,045)	**(2,010)**	(1,980)
Capitalised borrowing costs	**(155)**	(607)	**(155)**	(607)
Non-deductible amortisation of deferred foreign exchange loss	**245**	689	**-**	-
Write down of investments in subsidiaries	**-**	-	**-**	2,040
Foreign exchange loss on intercompany loan	**-**	-	**-**	1,493
Sundry items	**(517)**	(45)	**(544)**	261
Impact of the tax consolidation system :				
Initial recognition of deferred tax balances of subsidiaries on implementation of the tax consolidation system	**-**	-	**-**	424
Consideration paid to subsidiaries in respect of transferred deferred tax balances	**-**	-	**-**	(424)
Current and deferred taxes relating to wholly owned subsidiaries in the tax consolidated group	**-**	-	**1,066**	699
Income tax adjusted for permanent differences	**5,106**	2,971	**3,140**	1,834
Assessed losses utilised in respect of current year taxation	**(3,140)**	(1,056)	**(3,140)**	(1,247)
Income tax expense	**1,966**	1,915	**-**	587
b) The future income tax benefit shown in note 16 includes $8,269,000 in relation to income tax losses carried forward by the parent and consolidated entity (2004: $16,135,000). The potential future income tax benefit at 30 June 2005 in respect of tax losses not brought to account is :	**3,516**	1,493	**3,516**	1,493

The benefit for tax losses will only be obtained if :

i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised

ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and

iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deduction for the losses.

NOTE 5. Remuneration of Directors

The specified directors of Murray Goulburn Co-operative Co. Limited during the year were:

		Salary & Fees	Non-monetary	Retirement Benefit	Superannuation	Total
		$	$	$	$	$
2005						
IW MacAulay	Chairman, non executive	104,375	10,043	-	9,394	123,812
LA Jarvis OAM	Deputy chairman, non executive	62,625	-	-	5,636	68,261
WM Brown	Non executive	41,750	-	-	3,758	45,508
KJ Bruhn (i)	Non executive	16,667	-	120,000	1,500	138,167
GJ Davies	Non executive	25,083	-	-	2,257	27,340
DF Howard	Non executive	41,750	-	-	3,758	45,508
TD Keele	Non executive	41,750	-	-	3,758	45,508
JC Mason	Non executive	41,750	-	-	3,758	45,508
AL Millar (i)	Non executive	16,667	-	120,000	1,500	138,167
ST Mills	Non executive	41,750	-	-	3,758	45,508
J Vardy	Non executive	41,750	-	-	3,758	45,508
WJA Verboon	Non executive	25,083	-	-	2,257	27,340
WB Sanderson	Non executive	52,187	-	-	4,697	56,884
SJ O'Rourke	Managing Director	1,004,463	19,192	-	88,965	1,112,620
TOTAL		1,557,650	29,235	240,000	138,754	1,965,639

		Salary & Fees	Non-monetary	Retirement Benefit	Superannuation	Total
		$	$	$	$	$
2004						
IW MacAulay	Chairman, non executive	100,000	-	-	9,000	109,000
LA Jarvis OAM	Deputy chairman, non executive	60,000	-	-	5,400	65,400
WM Brown	Non executive	40,000	-	-	3,600	43,600
KJ Bruhn	Non executive	40,000	-	-	3,600	43,600
DF Howard	Non executive	40,000	-	-	3,600	43,600
TD Keele	Non executive	40,000	-	-	3,600	43,600
JC Mason	Non executive	40,000	-	-	3,600	43,600
AL Millar	Non executive	40,000	-	-	3,600	43,600
ST Mills	Non executive	40,000	-	-	3,600	43,600
J Vardy	Non executive	40,000	-	-	3,600	43,600
WB Sanderson (ii)	Non executive	187,003	6,771	-	10,365	204,139
SJ O'Rourke	Managing Director	958,072	8,649	-	85,365	1,052,086
TOTAL		1,625,075	15,420	-	138,930	1,779,425

Non executive directors' remuneration consists of an annual fee approved by the members at the Annual General Meeting and superannuation at the statutory rate of 9.0%.

Executive directors' remuneration is set by the remuneration committee.

As detailed in Note 30 below, the company made additional voluntary contributions during 2004 to the defined benefits superannuation fund to return it to a satisfactory position. The additional contributions can not be allocated to specific individuals and have therefore not been included in the remuneration of individual directors.

(i) KJ Bruhn and AL Millar retired from the Board of Directors on 24 November 2004. Their remuneration during this financial year includes a retirement benefit in accordance with a resolution passed at the 1985 Annual General Meeting equivalent to total emoluments received in the preceeding 3 years for more than 10 years continual board service.

(ii) Wayne Sanderson retired from his position as executive director - research, development and technical services in November 2003 at which point he took up a position as a non executive director. Mr Sanderson's remuneration included salary and other non monetary benefits for the period served as an executive director and accrued leave entitlements paid out on retirement from his executive position.

NOTE 6. Remuneration of Executive Officers

There were three executives with the greatest authority and who were directly accountable and responsible for the strategic direction and operational management of the company and the consolidated entity during the financial year.

		Salary	Non-monetary	Superannuation	Total
		$	$	$	$
2005					
P Kerr	Chief Operating Officer	334,458	24,984	29,700	389,142
N Longstaff	General Manager-Retail, Marketing, Sales	232,108	17,229	20,550	269,887
P Hobman	General Manager-MG Nutritionals / R&D	219,345	19,095	19,575	258,015
TOTAL		785,911	61,308	69,825	917,044

		Salary	Non-monetary	Superannuation	Total
		$	$	$	$
2004					
P Kerr	Chief Operating Officer	320,109	24,760	28,500	373,369
N Longstaff	General Manager-Retail, Marketing, Sales	221,019	17,390	19,575	257,984
P Hobman	General Manager-MG Nutritionals / R&D	206,653	19,743	18,450	244,846
TOTAL		747,781	61,893	66,525	876,199

Executives' remuneration is assessed against market rates and is determined by the Managing Director annually.

The executives listed above were employed by the company throughout the year ended 30 June 2005 and 30 June 2004.

As detailed in Note 30 below, the company made additional voluntary contributions during 2004 to the defined benefits superannuation fund to return it to a satisfactory position. The additional contributions can not be allocated to specific individuals and have therefore not been included in the remuneration of individual executives.

		Consolidated		Company	
	Note	**2005** **$**	2004 $	**2005** **$**	2004 $
NOTE 7. Remuneration of Auditors					
Remuneration received by the auditor of the parent entity:					
- auditing the financial reports		**284,000**	241,185	**284,000**	241,185
- other services		**118,429**	189,201	**118,429**	189,201
		402,429	430,386	**402,429**	430,386

		Consolidated		Company	
	Note	**2005** **$000**	2004 $000	**2005** **$000**	2004 $000
NOTE 8. Dividends Paid or Proposed					
Fully Paid Ordinary Shares					
Interim dividend of 5 cents (2004: 5 cents) per share unfranked (2004: franked to 100% at a 30% corporate income tax rate)		**6,537**	6,470	**6,537**	6,470
Final dividend of 10 cents (2004: 5 cents) per share unfranked		**14,266**	6,651	**14,266**	6,651
Fully Paid A Class Non Cumulative Non-Redeemable Preference Shares					
Interim dividend of 4 cents (2004: 4 cents) per share unfranked		**856**	927	**856**	927
Final dividend of 4 cents (2004: 4 cents) per share unfranked		**843**	908	**843**	908
Fully Paid B Class Non Cumulative Non-Redeemable Preference Shares					
Interim dividend of 2.5 cents (2004: 2.5 cents) per share unfranked		**169**	115	**169**	115
Final dividend of 2.5 cents (2004: 2.5 cents) per share unfranked		**158**	123	**158**	123
Fully Paid C Class Non Cumulative Non-Redeemable Preference Shares					
Interim dividend of 4 cents (2004: 4 cents) per share unfranked		**271**	142	**271**	142
Final dividend of 4 cents (2004: 4 cents) per share unfranked		**271**	152	**271**	152
Partly Paid Ordinary Shares					
Interim dividend of 0.5 cents (2004: 0.5 cents) per share unfranked		**-**	-	**15**	15
Final dividend of nil cents (2004: nil cents) per share unfranked		**-**	-	**-**	-
	26	**23,371**	15,488	**23,386**	15,503
Adjusted franking account balance (tax paid basis)		**2,435**	2,418	**2,392**	2,384

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
NOTE 9. Receivables					
Current					
Trade receivables		**224,071**	225,581	**217,170**	218,457
Less : allowance for doubtful debts		**(1,567)**	(1,407)	**(1,197)**	(1,037)
		222,504	224,174	**215,973**	217,420
Other receivables		**41,523**	30,703	**40,270**	29,662
Receivables / (Payables) from hedge contracts	(i)	**1,548**	(13,850)	**1,548**	(13,850)
Deferred (gain) / loss on hedge contracts	(i)	**(1,548)**	13,850	**(1,548)**	13,850
		264,027	254,877	**256,243**	247,082
Non Current					
Amounts receivable from a controlled entity		**-**	-	**-**	6,000
Other receivables		**50,801**	46,743	**50,801**	46,743
		50,801	46,743	**50,801**	52,743

(i) Receivables / (Payables) from hedge contracts represent net unrealised (gains) / losses, compared with the spot rate at 30 June, on foreign exchange contracts that are hedges against sales.

Where a purchase or sale is specifically hedged, realised and unrealised gains or losses on the hedging transaction are deferred.

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
NOTE 10. Inventories					
Finished goods					
- at cost		**407,984**	340,201	**393,411**	326,291
- at net realisable value		**51,649**	17,281	**51,649**	17,281
Raw materials and stores - at cost		**26,274**	27,238	**26,274**	27,238
		485,907	384,720	**471,334**	370,810
NOTE 11. Other Assets					
Current					
Prepayments		**2,725**	2,876	**2,725**	2,876
Deferred foreign exchange loss		**906**	919	**-**	-
		3,631	3,795	**2,725**	2,876
Non Current					
Deferred foreign exchange loss		**-**	907	**-**	-
NOTE 12. Other Non Current Financial Assets					
Investments					
Shares in controlled entities at cost	13	**-**	-	**4,100**	4,100
Shares in other corporations at cost		**680**	680	**676**	676
Shares in associates at cost	14	**-**	-	**4,367**	3,507
		680	680	**9,143**	8,283

NOTE 13. Controlled Entities

All controlled entities, except for Murray Goulburn Investment Ltd, are wholly owned. Control of all voting shares in Murray Goulburn Investment Ltd vests in Murray Goulburn Co-operative Co. Limited. All controlled entities are incorporated in Victoria. Murray Goulburn Nominees Pty Ltd and Murray Goulburn Superannuation Pty Ltd are beneficially owned.

	Note		**2005 $000**	2004 $000
Entity		**Class of Share**	**Company's Investment at Book Value**	
Parent Entity:				
Murray Goulburn Co-operative Co. Limited			-	-
Controlled Entities of Murray Goulburn Co-operative Co. Limited:				
Murray Goulburn Trading Pty Ltd		Ordinary	**2,100**	2,100
Murray Goulburn Investment Limited		Ordinary	**2,000**	2,000
MG Nutritionals Pty Ltd	(a)	Ordinary	**-**	-
Meiji-MGC Dairy Co Pty Ltd	(a)	Ordinary	**-**	-
			4,100	4,100

(a) These wholly-owned entities are small proprietary companies pursuant to the Corporations Act 2001 and consequently are relieved from the requirement to prepare audited financial reports.

	Consolidated		Company	
	2005 $000	2004 $000	**2005 $000**	2004 $000

NOTE 14. Investments Accounted for using the Equity Method

Investments in Associated Companies	**6,151**	5,374	**-**	-

Murray Goulburn Co-operative Co. Limited has a 33.3% (2004: 33.3%) interest in the ordinary contributed equity of an unlisted company, Intermix Australia Pty Ltd. The principal activity of Intermix Australia Pty Ltd is food ingredient processing. The balance date of Intermix Australia Pty Ltd is June 30th.

Murray Goulburn Co-operative Co. Limited has a 31.5% (2004: 31.5%) interest in the ordinary contributed equity of an unlisted company, Dairy Technical Services Ltd. The principal activity of Dairy Technical Services Ltd is the provision of analytical and technical services to the dairy and other food industries. The balance date of Dairy Technical Services Ltd is April 30th.

Murray Goulburn Co-operative Co. Limited has a 50.0% (2004: 0%) interest in the ordinary contributed equity of an unlisted company, Australian Milk Products Pty Ltd. The principal activity of Australian Milk Products Pty Ltd is export of dairy products. The balance date of Australian Milk Products Pty Ltd is June 30th.

Murray Goulburn Co-operative Co. Limited has a 50.0% (2004: 0%) interest in the ordinary contributed equity of an unlisted company, MG Agrilink Pty Ltd. The principal activity of MG Agrilink Pty Ltd is the sale of grain. The balance date of MG Agrilink Pty Ltd is June 30th.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. The company carrying amount is at cost.

	Note	Consolidated	
		2005 $000	2004 $000
Movement in Investments in Associated Companies			
Equity accounted amount at the beginning of the financial year		**5,374**	5,106
Acquisition of interests in associates		**860**	-
Share of profit (loss) after income tax		**(83)**	268
Equity accounted amount at the end of the financial year		**6,151**	5,374

		Consolidated		Company	
	Note	**2005 $000**	2004 $000	**2005 $000**	2004 $000
NOTE15. Property, Plant and Equipment					
Land and Buildings					
Freehold land at fair value	(i)	**42,875**	38,723	**42,440**	38,408
Buildings at fair value	(i)	**195,697**	197,841	**194,576**	195,022
less accumulated depreciation		**-**	(7,950)	**-**	(5,492)
		195,697	189,891	**194,576**	189,530
Leasehold Improvements					
At cost		**234**	234	**-**	-
less accumulated amortisation		**(225)**	(224)	**-**	-
		9	10	**-**	-
Total Land and Buildings		**238,581**	228,624	**237,016**	227,938
Plant and Equipment					
At cost		**744,086**	717,341	**742,564**	715,746
less accumulated depreciation		**(453,934)**	(412,066)	**(452,335)**	(409,986)
Total Plant and Equipment		**290,152**	305,275	**290,229**	305,760
Vehicles					
At cost		**29,216**	25,120	**29,216**	25,120
less accumulated depreciation		**(20,261)**	(19,283)	**(20,261)**	(19,283)
		8,955	5,837	**8,955**	5,837
Leased Vehicles					
Capitalised present value of lease payments		**4,171**	4,110	**4,171**	4,110
less accumulated amortisation		**(1,530)**	(1,270)	**(1,530)**	(1,270)
		2,641	2,840	**2,641**	2,840
Total Vehicles		**11,596**	8,677	**11,596**	8,677
Buildings and Plant in the course of construction		**48,270**	36,462	**48,046**	35,931
Total Property, Plant and Equipment		**588,599**	579,038	**586,887**	578,306

(i) Valuations of Land and Buildings

The basis of valuation of land and buildings is fair value being the market value for existing use of all freehold land and buildings. Revaluations as at 30 June 2005 were based on directors and independent assessments and were made in accordance with a policy of revaluing property progressively to ensure that the carrying value of land and buildings does not differ materially from their fair value. The financial impact of revaluations of land and buildings during the current year is detailed in Note 25.

No provision for deferred income tax is raised in respect of any potential capital gains tax as the consolidated entity has no plans to dispose of freehold land and buildings.

NOTE15. Property, Plant and Equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Consolidated	**Land and Buildings $000**	**Plant and Equipment $000**	**Vehicles $000**	**In course of construction $000**	**Total $000**
Carrying amount at 1 July 2004	228,624	305,275	8,677	36,462	579,038
Additions	2,889	36,563	7,223	11,808	58,483
Revaluations	12,822	-	-	-	12,822
Disposals	(14)	(1,807)	(389)	-	(2,210)
Depreciation	(5,739)	(49,879)	(3,076)	-	(58,694)
Amortisation	(1)	-	(839)	-	(840)
Carrying amount at 30 June 2005	238,581	290,152	11,596	48,270	588,599

Company	**Land and Buildings $000**	**Plant and Equipment $000**	**Vehicles $000**	**In course of construction $000**	**Total $000**
Carrying amount at 1 July 2004	227,938	305,760	8,677	35,931	578,306
Additions	2,888	35,938	7,223	12,115	58,164
Revaluations	11,929	-	-	-	11,929
Disposals	(14)	(1,706)	(389)	-	(2,109)
Depreciation	(5,725)	(49,763)	(3,076)	-	(58,564)
Amortisation	-	-	(839)	-	(839)
Carrying amount at 30 June 2005	237,016	290,229	11,596	48,046	586,887

		Consolidated		**Company**	
	Note	**2005 $000**	2004 $000	**2005 $000**	2004 $000
NOTE 16. Deferred Tax Assets					
Future income tax benefit		**23,525**	25,132	**23,525**	25,132
Consisting of:					
- Timing Differences		**15,256**	8,997	**15,256**	8,997
- Tax Losses - Revenue	4	**8,269**	16,135	**8,269**	16,135
		23,525	25,132	**23,525**	25,132
NOTE 17. Payables					
Current					
Trade payables		**48,910**	50,345	**36,429**	36,647
Payable to suppliers		**97,114**	83,119	**97,114**	83,119
Sundry payables and accrued expenses		**33,542**	41,948	**32,038**	40,850
		179,566	175,412	**165,581**	160,616
Non Current					
Unsecured loan from the State Government of Victoria		**1,000**	1,000	**1,000**	1,000
		1,000	1,000	**1,000**	1,000

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
NOTE 18. Interest Bearing Liabilities					
Current					
Lease liability	28	**1,928**	1,883	**1,928**	1,883
Bank loans		**410,300**	327,106	**410,300**	327,106
Senior notes		**-**	4,138	**-**	4,138
Senior subordinated notes		**-**	28,969	**-**	28,969
		412,228	362,096	**412,228**	362,096
Non Current					
Lease liability	28	**1,036**	1,288	**1,036**	1,288
Private placement senior notes		**157,130**	173,812	**157,130**	173,812
Payable to controlled entities		**-**	-	**98,715**	96,355
		158,166	175,100	**256,881**	271,455

The bank loans and private placement senior notes are covered by negative pledge agreements between the parent entity and its financiers.The lease liabilities are effectively secured over the assets leased, the current market value of which exceeds the value of the finance lease liability.

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
NOTE 19. Current Tax Liability					
Income tax payable		**-**	-	**-**	-
NOTE 20. Provisions					
Current					
Dividends		**15,704**	9,020	**15,704**	9,020
Employee benefits	21	**19,625**	16,226	**18,549**	15,318
		35,329	25,246	**34,253**	24,338
Non Current					
Employee benefits	21	**13,281**	11,148	**12,919**	10,807
		13,281	11,148	**12,919**	10,807
NOTE 21. Employee Benefits					
Accrued salaries, wages and benefits (sundry payables)	17	**1,274**	1,016	**1,233**	941
Provisions for employee benefits					
Current	20	**19,625**	16,226	**18,549**	15,318
Non current	20	**13,281**	11,148	**12,919**	10,807
Aggregate employee benefits liability		**34,180**	28,390	**32,701**	27,066
		Number	**Number**	**Number**	**Number**
Number of employees at balance date		**2,367**	2,273	**2,216**	2,122

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000

NOTE 22. Deferred Tax Liabilities

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
Provision for deferred income tax		**23,525**	25,132	**23,525**	25,132

NOTE 23. Contingent Liabilities

Unsecured guarantees and warranties given in the normal course of business include commitments for the disposal of effluent.

NOTE 24. Contributed Equity

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
Issued Capital					
136,874,567 fully paid ordinary shares (2004: 129,681,406)	24(a)	**136,875**	129,681	**136,875**	129,681
21,082,166 fully paid A class 8% non cumulative non-redeemable participating preference shares (2004: 22,702,728)	24(b)	**21,082**	22,703	**21,082**	22,703
6,315,882 fully paid B class non cumulative non-redeemable participating preference shares (2004: 4,914,481)	24(c)	**6,316**	4,914	**6,316**	4,914
6,767,604 fully paid C class non cumulative non-redeemable participating preference shares (2004: 3,825,980)	24(d)	**6,767**	3,826	**6,767**	3,826
Nil ordinary shares paid to 10c with 90c outstanding (2004: 3,000,000)		**-**	300	**-**	300
		171,040	161,424	**171,040**	161,424
Less Inter-Company Shareholdings					
Nil ordinary shares paid to 10c with 90c outstanding (2004: 3,000,000)		**-**	(300)	**-**	-
		171,040	161,124	**171,040**	161,424
Former Reserves included in Contributed Equity					
Former Share Premium Reserve	24(e)	**2,331**	2,331	**2,331**	2,331
Former Capital Redemption Reserve	24(e)	**4,142**	4,142	**4,142**	4,142
		177,513	167,597	**177,513**	167,897

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 8% Non Cumulative Non-redeemable Preference Shares

The company has on issue to non suppliers 21,082,166 A class 8% non cumulative preference shares as at 30 June 2005. The shares entitle holders to receive, out of profits available for dividend, a preferential dividend at a rate of 8% per annum. 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.

c) B class Non Cumulative Non-redeemable Preference Shares

The company has on issue to non suppliers 6,315,882 B class non cumulative preference shares as at 30 June 2005. The 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

The company has on issue to non suppliers 6,767,604 C class non cumulative preference shares as at 30 June 2005. The 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.

e) Changes to the Corporations Act 2001 which became effective on 1 July 1998 abolished the par value concept in relation to contributed equity. As a consequence the amounts standing to the credit of the share premium reserve and the capital redemption reserve at 1 July 1998 were transferred to issued capital at that date.

NOTE 24. Contributed Equity (continued)

f) Movements in Issued Capital

	Number of Shares						
	Ordinary Shares	**D Class Ordinary Shares**	**DX Class Ordinary Shares**	**A Class Preference Shares**	**B Class Preference Shares**	**C Class Preference Shares**	**Total**
Balance at 30 June 2003	19,021,985	106,190,623	1,629,808	24,911,378	2,387,022	-	154,140,816
Shares issued	5,942,796	3,051,524	-	-	-	-	8,994,320
Dividend reinvestment plan issues	835,851	21	-	139,178	14,409	-	989,459
Transfers	106,880,774	(109,242,168)	(1,629,808)	(2,347,828)	2,513,050	3,825,980	-
Balance at 30 June 2004	132,681,406	-	-	22,702,728	4,914,481	3,825,980	164,124,595
Shares issued	4,929,546	-	-	-	-	-	4,929,546
Dividend reinvestment plan issues	1,852,092	-	-	44,720	36,985	52,281	1,986,078
Transfers	(2,588,477)	-	-	(1,665,282)	1,364,416	2,889,343	-
Balance at 30 June 2005	136,874,567	-	-	21,082,166	6,315,882	6,767,604	171,040,219

All shares were issued at a price of $1.00 and are fully paid at 30 June 2005. Amounts outstanding on 3,000,000 partly paid ordinary shares, paid to 10c only with 90c outstanding, were fully paid during the financial year ended 30 June 2005.

		Consolidated		**Company**	
	Note	**2005 $000**	2004 $000	**2005 $000**	2004 $000
NOTE 25. Reserves					
Capital reserve		**36,916**	36,916	**24,290**	24,290
Asset revaluation reserve		**99,091**	86,269	**50,985**	39,056
General reserve		**5,257**	5,257	**2,648**	2,648
Share allotment reserve		**5,788**	3,333	**5,788**	3,333
		147,052	131,775	**83,711**	69,327
Movements in Reserves					
Asset Revaluation Reserve					
Balance at the beginning of the financial year		**86,269**	70,558	**39,056**	23,345
Increment on revaluation of land and buildings	15	**12,822**	15,711	**11,929**	15,711
Balance at the end of the financial year		**99,091**	86,269	**50,985**	39,056
Share Allotment Reserve					
Balance at the beginning of the financial year		**3,333**	4,898	**3,333**	4,898
Allotment of shares to suppliers		**(3,333)**	(4,898)	**(3,333)**	(4,898)
Shares to be issued in lieu of milk payments		**5,788**	3,333	**5,788**	3,333
Balance at the end of the financial year		**5,788**	3,333	**5,788**	3,333

At 30 June 2005 an amount of $5,788,000 (2004: $3,333,000) was due to suppliers, being deductions made from milk payments during the year. This debt was satisfied by the allotment of 5,788,799 (2004: 3,332,698) fully paid shares in September 2005 (September 2004).

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.

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.

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000

NOTE 26. Retained Profits

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
Balance at the beginning of the financial year		**170,281**	178,047	**208,301**	227,591
Net profit attributable to members of the parent entity		**53,561**	7,722	**50,903**	(3,787)
Dividends provided for or paid	8	**(23,371)**	(15,488)	**(23,386)**	(15,503)
Balance at the end of the financial year		**200,471**	170,281	**235,818**	208,301

NOTE 27. Outside Equity Interests in Controlled Entities

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
Outside equity interest comprises : 80,890,274 fully paid A class participating non-cumulative non-redeemable preference shares (2004: 74,173,597)	31	**80,890**	74,174	**-**	-

NOTE 28. Capital and Leasing Commitments

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
a) Finance Lease Commitments					
- Due within 1 year		**2,113**	2,004	**2,113**	2,004
- Due within 1-5 years		**1,105**	1,490	**1,105**	1,490
Minimum lease payments		**3,218**	3,494	**3,218**	3,494
Less future finance charges		**(254)**	(323)	**(254)**	(323)
Total lease liability		**2,964**	3,171	**2,964**	3,171
Classified as :					
Current	18	**1,928**	1,883	**1,928**	1,883
Non current	18	**1,036**	1,288	**1,036**	1,288
		2,964	3,171	**2,964**	3,171

Finance leases relate to motor vehicles with lease terms of two to three years. The consolidated entity has options to purchase the vehicles for a residual amount at the conclusion of the lease agreements.

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
b) Operating Lease Commitments					
- Due within 1 year		**10,300**	10,283	**10,070**	10,168
- Due within 1-5 years		**9,531**	22,819	**8,979**	22,359
		19,831	33,102	**19,049**	32,527

Operating leases relate to Trading stores, warehousing facilities and vehicles with lease terms of between 1 to 31 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 the expiry of the lease period.

	Note	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
c) Capital Expenditure Commitments					
Contracted capital expenditure commitments due within one year		**22,933**	8,978	**22,917**	8,902

NOTE 29. Segment Information

Primary Reporting - Business Segments

The Murray Goulburn Group's predominant activities are:

Dairy Produce Manufacture
The processing of the whole milk of its shareholder suppliers, the production of dairy products at its eight manufacturing plants located in Victoria, Australia, and the sale of dairy products on both domestic and export markets.

Retailing
The operation of retail stores in Australia as a service to milk suppliers.

Intersegment sales are made on a commercial basis.

	Dairy Produce		Retailing		Intersegment		Consolidated	
	2005 $000	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000
Sales to external customers	**1,744,907**	1,517,005	**121,882**	114,478	**-**	-	**1,866,789**	1,631,483
Intersegment sales	**561**	519	**162**	175	**(723)**	(694)	**-**	-
Non operating revenue	**5,315**	422	**1**	-	**(4,206)**	-	**1,110**	422
Unallocated	**-**	-	**-**	-	**-**	-	**1,307**	1,132
Total revenue	**1,750,783**	1,517,946	**122,045**	114,653	**(4,929)**	(694)	**1,869,206**	1,633,037
Segment Results	**77,011**	32,939	**3,433**	2,930	**(15)**	(15)	**80,429**	35,854
Unallocated revenue less unallocated expenses							**(20,324)**	(22,685)
Profit from ordinary activities before income tax expense							**60,105**	13,169
Tax (expense) benefit							**(1,966)**	(1,915)
Net profit							**58,139**	11,254
Segment assets	**1,319,799**	1,214,930	**28,065**	26,166	**-**	(64)	**1,347,864**	1,241,032
Unallocated assets							**81,157**	77,929
Total assets							**1,429,021**	1,318,961
Segment liabilities	**197,052**	186,741	**15,422**	16,109	**-**	(64)	**212,474**	202,786
Unallocated liabilities							**610,621**	572,348
Total liabilities							**823,095**	775,134
Acquisition of property, plant and equipment	**58,164**	48,362	**319**	645	**-**	-	**58,483**	49,007
Depreciation and amortisation expense	**59,287**	60,954	**247**	252	**-**	-	**59,534**	61,206

Secondary Reporting - Geographical Segments

	Acquisition of Segment Assets		Segment Assets		Revenue from External Customers	
	2005 $000	2004 $000	**2005 $000**	2004 $000	**2005 $000**	2004 $000
Australia	**58,483**	49,007	**1,347,864**	1,241,032	**755,813**	616,090
Asia	**-**	-	**-**	-	**692,879**	609,848
Middle East / Africa	**-**	-	**-**	-	**105,988**	128,202
The Americas	**-**	-	**-**	-	**190,214**	185,394
Other	**-**	-	**-**	-	**121,895**	91,949
	58,483	49,007	**1,347,864**	1,241,032	**1,866,789**	1,631,483

NOTE 30. Superannuation Commitments

The Company participates in a defined benefit superannuation plan, the MGC Superannuation Fund, which has been established and sponsored by the parent entity. This plan primarily provides a lump sum benefit on retirement, permanent disability or death.

Contributions are made by employees and the Company as percentages of salary. The Company is obliged to make contributions as specified in the rules of the fund. All contributions are enforceable in accordance with the rules.

The last actuarial assessment of the plan was made by Andrew Sach F.I.A.A. of Mercer Human Resource Consulting Pty Ltd and related to the plan at 1 July 2003. The conclusion of the actuarial assessment noted that the present value of accrued benefits and vested benefits were not covered by the fund's assets as at 1 July 2003. The company has since made the additional voluntary contributions recommended by the actuary to return the fund to a satisfactory position by 1 July 2004. The next actuarial valuation date should be no later than 1 July 2006.

The most recent financial report of the MGC Superannuation Fund is dated 30th June 2004.

Details of the defined benefit plan are as follows :

	MGC Superannuation Fund $'000
Present value of accrued benefits at 1st July 2003	26,756
Net market value of plan assets at 30th June 2004	29,105
Difference	2,349
Vested benefits at 30th June 2004	28,294

The difference between the accrued benefits and net market value of plan assets has not been recognised in the company financial statements or consolidated financial statements.

NOTE 31. Murray Goulburn Group Employees Profits Participation Scheme

In 1993 Murray Goulburn established an Employees Profits Participation Scheme under which employees of the Murray Goulburn Group with 12 months or more work experience with the Murray Goulburn Group could choose to invest in Employees Profits Participation Units in MG Employees Equity Limited ("MGEE"). MGEE invests the employees' contributions in A class participating non-cumulative non redeemable preference shares in Murray Goulburn Investment Limited.

Eligible employees must borrow all monies required to pay for the MGEE Employees Profits Participation Units either from MGEE or Murray Goulburn. The maximum amount each employee is entitled to borrow is equivalent to one year's salary, rounded up to the nearest $10,000. MGEE funds the employee loans by borrowing from Murray Goulburn. All borrowings are interest free and employees repay their loans at 3% per annum.

At 30th June 2005, 1,683 employees were eligible to participate in the Scheme. Of that number, 1,410 employees had been issued with 80,890,274 $1.00 Employees Profits Participation Units. During the year ended 30th June 2005, MGEE issued 6,716,677 Employees Profits Participation Units including 4,578,244 in satisfaction of dividends paid.

The value of the A Class non redeemable preference shares issued by Murray Goulburn Investment Limited to MGEE is recognised as Outside Equity Interests. The loan owing by MGEE, and employee loans from Murray Goulburn, are recognised as receivables.

Amounts recognised are as follows :

	Consolidated		**Company**	
	2005 $000	2004 $000	**2005 $000**	2004 $000
Outside Equity Interests	**80,890**	74,174	**-**	-
Loan owing by MGEE	**51,295**	48,033	**51,295**	48,033
Employee loans	**326**	367	**326**	367

NOTE 32. Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which 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 2005.

NOTE 33. Financial Instruments

a) Forward Foreign Exchange Contracts

The consolidated entity maintains a policy of matching anticipated future cash flows in foreign currencies with forward exchange contracts in the same currency and with closely corresponding settlement dates. Forward exchange contracts are entered into when committed orders are received for the delivery of goods.

At balance date, the entity has $US137.5 million (2004: $US347.0 million) forward exchange contracts outstanding with maturity dates not exceeding one year, of which $US15.4 million (2004: $US47.8 million) relate to receivables at balance date and $US122.1 million (2004: $US299.2 million) relate to future transactions.

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 to match the underlying hedge transaction.

b) Currency Options

During the year the consolidated entity entered into a range of US Dollar currency options with varying maturities and strike rates. As with 'Forward Foreign Exchange Contracts' above, these options are not entered into for speculative purposes but strictly as a means of hedging sales denominated in $US.

By simultaneously purchasing call options and selling put options in a barrier structure, the entity has effectively capped an exchange rate should the AUD strengthen whilst maintaining the flexibility to improve the exchange rates should the AUD trade at favourable levels.

At balance date, the entity had no AUD call options outstanding (2004: nil) or sold AUD put options outstanding (2004: nil).

c) Interest Rate Risk

Trade and other receivables, trade payables and accruals, loans from the state government of Victoria, and dividends payable, are non-interest bearing.

The AUD bank overdraft bears interest at a floating rate based on the bank prime lending rate. The USD bank overdraft bears interest at a floating rate based on the Interbank Offered Rate. USD cash on hand yields interest at the US Interbank Bid Rate.

AUD cash on hand bears interest at a floating rate based on the bank prime deposit rate.

Bank loans consist of USD and AUD revolving loan facilities, on which interest is payable at floating rates. Rates on US Dollar loans are based on either LIBOR or SIBOR. Rates on AUD loans are based on the 30 day bank bill swap rate.

Finance lease liabilities arise from the leasing of vehicles. Leases are negotiated for a 3-year term at a fixed rate of interest. Interest rates are based on the market rate ruling at the time of entering into the individual lease agreements.

The Private Placement bears interest at a fixed rate of 4.98%. Repayment commences in October 2009 with the Private Placement being fully repaid by October 2013. The company entered into an interest rate swap for a notional amount of $US120.0 million to manage the cashflow risk associated with this facility. It has effectively swapped its fixed interest rate exposure of 4.98% for a variable interest rate, based on a 6 month LIBOR rate, through to 2009. The fair value of the interest rate swap at 30 June 2005 is $2.5 million (2004: ($0.6 million)).

d) Credit Risk Exposures

The consolidated entity's 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 consolidated statement of financial position. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries. The consolidated entity is not materially exposed to any individual foreign country or individual customer.

e) Hedges of Anticipated Future Transactions

Forward exchange contracts are utilised to hedge future committed orders. The difference between these contracts at contract rates and at the rate ruling at balance date, is $1.1 million (2004: $18.7 million). This amount will be realised during the next financial year when the underlying hedge transactions take place.

f) Net Fair Value

On-balance sheet financial instruments

The carrying amount recorded in the financial statements represents the net 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 net 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 Private Placement senior notes have a carrying value of $157.1 million (2004: $173.8 milliion) and a net fair value of $160.6million (2004: $171.5 million).

	Notes	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000

NOTE 34. Related Parties

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

Balances and transactions with related parties :

a) Entities in the wholly owned group

	Notes	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
Provision of a loan to Murray Goulburn Trading Pty Ltd. Repayment is variable by Murray Goulburn Co-operative Co. Limited with at least 12 months notice		**-**	-	**-**	6,000
Interest received from Murray Goulburn Trading Pty Ltd on loan provided	2	**-**	-	**240**	278
Interest paid to controlled entities on intercompany loan balances	3	**-**	-	**7,460**	5,934
Purchase of goods from Murray Goulburn Trading Pty Ltd		**-**	-	**162**	175
Sale of finished product to Murray Goulburn Trading Pty Ltd		**-**	-	**562**	520
Sale of finished product to Meiji-MGC Dairy Co Pty Ltd		**-**	-	**-**	5,962
Rent received from Murray Goulburn Trading Pty Ltd		**-**	-	**669**	638
Dividends paid to controlled entities		**-**	-	**15**	15
Service fees and management fees charged to controlled entities for general administration duties	2	**-**	-	**4,206**	4,054
Purchase of assets at fair value from controlled entities (fair value of net assets acquired was $nil)	35e	**-**	-	**-**	42,037
Amounts payable to controlled entities arising through the intercompany accounts		**-**	-	**98,715**	96,355

b) Associated companies

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

c) Directors of the parent entity

Shareholdings of specified directors in the parent entity, allotted to them in their capacity as suppliers of milk to the company:

	Shares held at 30 June 2004 Ordinary No.	Acquired Ordinary No.	Reallocated Ordinary No.	Shares held at 30 June 2005 Ordinary No.
IW MacAulay	124,934	14,878	-	139,812
LA Jarvis OAM	261,244	33,662	-	294,906
WM Brown	101,216	17,178	-	118,394
GJ Davies	122,889	25,599	-	148,488
DF Howard	152,047	32,133	-	184,180
TD Keele	50,502	5,229	-	55,731
JC Mason	82,485	6,926	-	89,411
ST Mills	57,117	1,342	-	58,459
J Vardy	206,338	7,097	-	213,435
WJA Verboon	60,285	4,181	-	64,466
	1,219,057	148,225	-	1,367,282

Directors of the consolidated entity 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 suppliers.

Aggregate of loans to 5 (2004: 5) specified directors as at financial year end: $102,256 (2004: $119,435).

Total interest paid by specified directors: $8,813 (2004: $3,066).

NOTE 34. Related Parties (continued)

d) Executives of the parent entity

Executive directors and employees of the consolidated entity participate in the Employees Profits Participation Scheme under the same terms and conditions available to all employees and consequently indirectly hold the following number of A class participating non redeemable preference shares in Murray Goulburn Investment Ltd, a controlled entity of Murray Goulburn Co-operative Co. Limited.

	Shares held at 30 June 2004	Acquired	Dividend Reinvestment	Shares held at 30 June 2005
	No.	No.	No.	No.
SJ O'Rourke	1,329,733	40,000	82,183	1,451,916
P Kerr	432,417	20,000	27,145	479,562
N Longstaff	268,617	-	16,117	284,734
P Hobman	220,500	-	13,230	233,730
	2,251,267	60,000	138,675	2,449,942

	Consolidated		Company	
	2005 $000	2004 $000	**2005 $000**	2004 $000
NOTE 35. Notes to the Statement of Cash Flows				
a) Reconciliation of Cash				
For the purposes of the statement of cash flows, cash includes cash on hand, deposits on call and investments in money market instruments, net of bank overdrafts.				
Cash at the end of the year as shown in the statement of cash flows is reconciled to cash in the statement of financial position as follows:				
Cash per statement of financial position	**5,700**	17,695	**2,771**	15,737
Cash per statement of cash flows	**5,700**	17,695	**2,771**	15,737
b) Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash Flow from Operating Activities				
Profit from ordinary activities after income tax	**58,139**	11,254	**50,903**	(3,787)
Depreciation	**58,694**	60,461	**58,564**	57,357
Amortisation	**840**	745	**839**	744
Loss (Profit) on sale of fixed assets	**1,100**	764	**1,000**	752
(Decrease) increase in income taxes payable	**-**	-	**-**	-
Share of (profit) loss of associated company	**83**	(268)	**-**	-
Foreign exchange loss on intercompany loan	**-**	-	**-**	4,977
Write down of investments in subsidiaries	**-**	-	**-**	6,800
Change in operating assets and liabilities				
(Increase) in trade receivables	**(3,076)**	(39,774)	**(3,299)**	(40,896)
(Increase) decrease in other receivables and prepayments	**(46,216)**	19,615	**(39,231)**	29,471
(Increase) in inventories	**(101,187)**	(43,828)	**(100,524)**	(44,391)
Decrease (increase) in future income tax benefit	**1,607**	(521)	**1,607**	(787)
Increase (decrease) in trade payables and amounts due to suppliers	**18,302**	(4,995)	**19,112**	(1,022)
(Decrease) in amounts payable to controlled entities	**-**	-	**(1,470)**	(4,690)
Increase in provisions	**5,692**	1,992	**5,503**	1,787
(Decrease) increase in provision for deferred income tax	**(1,607)**	946	**(1,607)**	950
Net cash (outflow) inflow from operating activities	**(7,629)**	6,391	**(8,603)**	7,265
c) Financing Arrangements				
Credit facility	**509,757**	520,811	**509,757**	520,811
Amount utilised	**405,600**	310,411	**408,529**	312,369
Unused credit facility	**104,157**	210,400	**101,228**	208,442

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.

	Consolidated		Company	
	2005 $000	2004 $000	**2005 $000**	2004 $000

NOTE 35. Notes to the Statement of Cash Flows (continued)

d) Non-cash Financing and Investing Activities

During the financial year the consolidated entity acquired plant and motor vehicles with an aggregate fair value of $1,443,000 (2004: $2,030,000) by means of finance leases. These acquisitions are not reflected in the statement of cash flows or note 35(b).

e) Businesses Acquired

During the prior financial year the parent entity acquired the assets, liabilities and business of Meiji-MGC Dairy Co Pty Ltd.

Details of the acquisitions are as follows:

Fair Value of Net Assets Acquired at 100%:

	Consolidated 2005 $000	Consolidated 2004 $000	Company 2005 $000	Company 2004 $000
Current Assets				
Cash	-	-	-	1,104
Receivables	-	-	-	1,161
Prepayments	-	-	-	-
Inventories	-	-	-	5,377
Other	-	-	-	163
Non Current Assets				
Property, Plant and Equipment	-	-	-	34,232
Current Liabilities				
Payables	-	-	-	(1,639)
Employee benefits	-	-	-	(365)
Finance lease liability	-	-	-	(51)
Non Current Liabilities				
Employee benefits	-	-	-	(177)
Finance lease liability	-	-	-	(98)
Loans	-	-	-	(39,707)
Net assets acquired	-	-	-	-
Consideration for the interest acquired	-	-	-	-
Net Cash Inflow at time of Acquisition				
Total cash held by subsidiary at time of acquisition	-	-	-	1,104

NOTE 36. 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:

Murray Goulburn Co-operative Co. Limited
140 Dawson Street
Brunswick VIC 3056

Directors' Declaration

The directors declare that:

a) the attached financial statements and notes thereto comply with Accounting Standards;

b) the attached financial statements and notes thereto give a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date.

In the directors' opinion:

a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and

b) 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.

IW MacAulay
Director

Melbourne, 28 September 2005

Independent Audit Report

to the members of Murray Goulburn Co-operative Co. Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Murray Goulburn Co-operative Co. Ltd (the disclosing entity) and the consolidated entity, for the financial year ended 30 June 2005 as set out on pages 22 to 46. The consolidated entity comprises the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the disclosing entity are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the disclosing entity. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the disclosing entity's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Murray Goulburn Co-operative Co. Ltd is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the disclosing entity's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants

Melbourne, 28 September 2005

Liability limited by the Accountants' Scheme, approved under the Professional Standards Act 1994 (NSW).

Audit Independence Declaration

28 September 2005

The Board of Directors
Murray Goulburn Co-operative Co. Limited
140 Dawson Street
BRUNSWICK VIC 3056

Dear Directors

Murray Goulburn Co-operative Co. Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Murray Goulburn Co-operative Co. Limited.

As lead audit partner for the audit of the financial statements of Murray Goulburn Co-operative Co. Limited for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Partner
Chartered Accountant

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Co-Operation - A way of life...

Co-Operation is more than a business, it is a way of life.

Carried to its ultimate conclusion, Co-Operation can bring to the world; peace prosperity and contentment.

But individuals must play their part in the plan.

Co-Operation is based on service. Each for all and all for each.