GrainCorp

# GRAINCORP LIMITED
# APPENDIX 4D
# FOR THE HALF YEAR ENDED 31 MARCH 2016

| RESULTS FOR ANNOUNCEMENT TO THE MARKET | | | | |
|---|---|---|---|---|
| | Up / Down | % Movement | | 2016 $ M |
| Revenue from ordinary activities | Up | 4.8% | to | **2,069.5** |
| Profit before significant items from ordinary activities after tax attributable to owners of GrainCorp Limited | Down | 7.2% | to | **32.2** |
| Significant items[1] from ordinary activities net of tax | Up | 162.2% | to | **(11.8)** |
| Profit from ordinary activities after tax attributable to owners of GrainCorp Limited | Down | 32.5% | to | **20.4** |
| Net profit for the period attributable to owners of GrainCorp Limited | Down | 32.5% | to | **20.4** |

| **Dividend Information** | **Amount per security** | **Franked amount per security at 30% tax** |
|---|---|---|
| Final dividend per share (paid 15 December 2015) | 2.5 cents | 2.5 cents |
| Interim dividend per share (to be paid 15 July 2016) | 7.5 cents | 7.5 cents |
| **Record date for determining entitlements to the interim dividend** | | 1 July 2016 |
| **Payment date for interim dividend** | | 15 July 2016 |

**Additional Information**

Net Tangible Assets per share: $5.65 (2015: $5.64)

Additional Appendix 4D disclosure requirements can be found in the attached Interim Financial Report.

This report is based on the consolidated financial statements and notes which have been reviewed by PricewaterhouseCoopers.

Further information regarding the company and its business activities can be obtained by visiting the company's website at www.graincorp.com.au.

[1] Significant items: GrainCorp defines significant items as not in the ordinary course of business, non-recurring and material in nature and amount. Significant items are shown in Note 3 of the Interim Financial Report.

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# GrainCorp Limited (ABN 60 057 186 035) and Controlled Entities

## Interim Financial Report for the half year ended 31 March 2016

This Interim Financial Report is provided to the Australian Stock Exchange (ASX) under ASX listing Rule 4.2A.3 and should be read in conjunction with the Annual Report of GrainCorp Limited for the year ended 30 September 2015 and any announcements made by the Company during the period in accordance with the continuous disclosure obligations of the ASX Listing Rules.

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# Directors' Report

The Directors present their report on the consolidated entity (collectively the 'Group') consisting of GrainCorp Limited ('GrainCorp' or the 'Company') and the entities it controlled at the end of, or during, the half year ended 31 March 2016.

## Directors

The following people were Directors of GrainCorp during the half year and up to the date of this report:

- D C Taylor (Chairman)
- M L Palmquist (Managing Director & CEO)
- R P Dee-Bradbury
- B J Gibson
- P J Housden
- D J Mangelsdorf
- D G McGauchie AO
- P I Richards (appointed 9 November 2015)
- D B Trebeck (resigned effective 18 December 2015)
- S L Tregoning

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Review of operations

**Group Financial Analysis and Commentary**

The Group recorded a statutory net profit after tax ('NPAT') of $20.4 million ($32.2 million excluding significant items) for the half year ended 31 March 2016 compared to $30.2 million for the corresponding half year ($34.7 million excluding significant items). Refer to Note 3 – Significant items for details of the pre and post-tax impact of significant items. Revenue from continuing operations increased 4.8% to $2,069.5 million (2015: $1,975.1 million).

**Malt**

- 0.64 mmt of sales in the first half of 2016 (2015: 0.62 mmt)
- Continued high capacity utilisation of high 90's (%)
- Continuing operational efficiency improvements generated from strategic initiatives: energy and water usage, waste reduction, labour efficiency
- Improved barley quality enabling more efficient malt processing
- Strong demand for speciality products in North American craft and global distilling markets

**Oils**

- Crushing and refining sales of 0.27 mmt (2015: 0.28 mmt)
- Capacity utilisation of 91% for bulk liquid terminals in Australia
- Oilseeds earnings impacted by weaker global crush margins – tighter supply, increased procurement costs
- Weak dairy sector in New Zealand impacting Feeds and Terminals businesses in New Zealand
- Foods volumes stabilised but margins impacted by sales mix and timing of infant formula sales
- Expansion projects at Numurkah and West Footscray progressing well

**Storage & Logistics**

- Low carry-in of 1.6 mmt (2015: 1.9 mmt)
- Country receivals of 7.5 mmt (including 0.3 mmt summer crop) (2015: 6.7 mmt)
- Grain exports of 1.2 mmt (including containers) (2015: 1.4 mmt) and non-grain handled of 1.4 mmt (2015: 1.2 mmt)
- Carry-out at the end of the period was 5.8 mmt (2015: 5.2 mmt)
- Stable earnings from receivals but pressure due to low carry-in of grain, deferred export volumes and the impact of fixed take-or-pay rail costs with low utilisation given deferred export volumes
- Improved labour cost management on a per unit basis

**Marketing**

- Performed well considering subdued market and low demand for East Coast Australia grain, as it remains relatively expensive in global markets
- Benefited from the growth in volumes from diversified grain sourcing from Western Australia, South Australia, Europe and Canada

- Alternative origination sources competing strongly with Australian grain due to abundant global supply, low ocean freight rates and foreign exchange movements
- 3.4 mmt sales delivered (1.6 mmt domestic, 1.8 mmt export and international) (2015: 3.2 mmt)
- The Canadian joint venture with Zen-Noh was announced in December 2015 and planning and approvals are well underway

**Allied Mills**

- Improved earnings despite challenging retail market conditions
- Contributions from value add product initiatives

## Events occurring during the reporting period

On 17 February 2016 GrainCorp joined a Consortium led by Australian Grains Champion Pty Ltd ('AGC'). AGC is proposing the commercialisation and potential listing of Co-Operative Bulk Handling Ltd ('CBH'). In the event of a successful CBH grower member vote, and subject to completion of due diligence and regulatory approvals, GrainCorp has agreed to subscribe for $300 million of notes to be issued by AGC (AGC Notes Series II). In addition AGC would issue GrainCorp an option to subscribe for an additional $300 million worth of new AGC shares in exchange for a cash payment. CBH rejected the proposal on 14 March 2016 and announced a review process with growers to examine structural options, reporting back by 30 September 2016. AGC continues to engage with Western Australian growers to provide them with an opportunity for a detailed and balanced consideration of the proposal.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

## Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. The financial report and Directors' report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

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

D C Taylor
Chairman

Sydney
11 May 2016

# Auditor's Independence Declaration

As lead auditor for the review of GrainCorp Limited for the half year ended 31 March 2016, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of GrainCorp Limited and the entities it controlled during the period.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
11 May 2016

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# Interim Financial Report

## Consolidated Income Statement

For the half year ended 31 March 2016

| | Note | Half year 2016 $ M | Half year 2015 $ M |
|---|---|---|---|
| Revenue | | 2,069.5 | 1,975.1 |
| Other income | 5 | 32.2 | (2.0) |
| Goods purchased for resale | | (1,093.7) | (973.2) |
| Raw materials and consumables used | | (592.3) | (590.1) |
| Employee benefits expense | | (182.0) | (170.6) |
| Finance costs | | (20.2) | (24.3) |
| Depreciation and amortisation | | (68.5) | (66.5) |
| Operating leases | | (28.1) | (28.7) |
| Repairs and maintenance | | (21.2) | (20.5) |
| Other expenses | 6 | (55.6) | (55.0) |
| Significant items | 3 | (16.8) | (5.1) |
| Share of results of investments accounted for using the equity method | | 5.7 | 3.6 |
| **Profit before income tax** | | **29.0** | **42.7** |
| Income tax expense | | (8.6) | (12.5) |
| **Profit for the period** | | **20.4** | **30.2** |
| **Profit for the period attributable to owners of GrainCorp Limited** | | **20.4** | **30.2** |

| | Cents | Cents |
|---|---|---|
| **Earnings per share** | | |
| Basic earnings per share | 8.9 | 13.3 |
| Diluted earnings per share | 8.9 | 13.3 |

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

## Consolidated Statement of Comprehensive Income

For the half year ended 31 March 2016

| | Half year 2016 $ M | Half year 2015 $ M |
|---|---|---|
| **Profit for the period** | **20.4** | **30.2** |
| **Other comprehensive income** | | |
| *Items that will not be reclassified to profit and loss:* | | |
| Remeasurements of retirement benefit obligations | 3.7 | (1.6) |
| Income tax relating to these items | (1.5) | 0.3 |
| *Items that may be reclassified to profit and loss:* | | |
| Changes in fair value of cash flow hedges | 10.0 | (12.2) |
| Share of comprehensive income of joint ventures | - | (0.1) |
| Income tax relating to these items | 0.1 | 3.3 |
| Exchange differences on translation of foreign operations | (64.4) | 48.1 |
| **Other comprehensive income / (loss) for the period, net of tax** | **(52.1)** | **37.8** |
| **Total comprehensive income / (loss) for the period attributable to owners of GrainCorp Limited** | **(31.7)** | **68.0** |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Consolidated Statement of Financial Position

As at 31 March 2016

| | Note | 31 March 2016 $ M | 30 September 2015 $ M |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 248.3 | 374.0 |
| Trade and other receivables | | 533.3 | 473.1 |
| Inventories | 7 | 938.5 | 554.9 |
| Derivative financial instruments | 10 | 108.4 | 91.5 |
| Assets classified as held for sale | | 12.6 | 0.4 |
| Current tax assets | | 9.0 | 2.5 |
| **Total current assets** | | **1,850.1** | **1,496.4** |
| **Non-current assets** | | | |
| Trade and other receivables | | 1.5 | 1.7 |
| Derivative financial instruments | 10 | 6.2 | 5.7 |
| Investments in other entities | | 12.7 | 15.4 |
| Deferred tax assets | | 46.5 | 63.8 |
| Property, plant and equipment | | 1,362.8 | 1,375.5 |
| Intangible assets | | 505.3 | 545.6 |
| Investments accounted for using the equity method | | 178.0 | 169.6 |
| **Total non-current assets** | | **2,113.0** | **2,177.3** |
| **Total assets** | | **3,963.1** | **3,673.7** |
| **Current liabilities** | | | |
| Trade and other payables | | 307.8 | 348.8 |
| Borrowings | 8 | 798.5 | 329.3 |
| Derivative financial instruments | 10 | 55.0 | 103.7 |
| Current tax liabilities | | 2.2 | 7.8 |
| Provisions | | 80.5 | 81.4 |
| **Total current liabilities** | | **1,244.0** | **871.0** |
| **Non-current liabilities** | | | |
| Trade and other payables | | 39.4 | 43.5 |
| Borrowings | 8 | 784.5 | 789.1 |
| Derivative financial instruments | 10 | 11.9 | 21.2 |
| Deferred tax liabilities | | 58.8 | 78.0 |
| Provisions | | 11.1 | 11.9 |
| Retirement benefit obligations | | 27.4 | 37.2 |
| **Total non-current liabilities** | | **933.1** | **980.9** |
| **Total liabilities** | | **2,177.1** | **1,851.9** |
| **Net assets** | | **1,786.0** | **1,821.8** |
| **Equity** | | | |
| Contributed equity | | 1,346.0 | 1,346.0 |
| Reserves | | 61.6 | 116.8 |
| Retained earnings | | 378.4 | 359.0 |
| **Total equity** | | **1,786.0** | **1,821.8** |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

For the half year ended 31 March 2016

| | Hedging reserve $ M | Capital reserve $ M | Share option reserve $ M | Translation reserve $ M | Total reserves $ M | Contributed equity $ M | Retained earnings $ M | Total equity $ M |
|---|---|---|---|---|---|---|---|---|
| **At 1 October 2014** | **(3.1)** | **8.3** | **1.1** | **34.5** | **40.8** | **1,344.8** | **358.9** | **1,744.5** |
| Profit for the period | - | - | - | - | - | - | 30.2 | 30.2 |
| **Other comprehensive income:** | | | | | | | | |
| Exchange difference on translation of foreign operations | (0.2) | - | - | 48.3 | 48.1 | - | (0.8) | 47.3 |
| Changes in fair value of cash flow hedges | (12.2) | - | - | - | (12.2) | - | - | (12.2) |
| Remeasurements of defined benefit obligations | - | - | - | - | - | - | (0.8) | (0.8) |
| Share of other comprehensive income of joint ventures | (0.1) | - | - | - | (0.1) | - | - | (0.1) |
| Deferred tax credit | 3.3 | - | - | - | 3.3 | - | 0.3 | 3.6 |
| **Total other comprehensive income** | **(9.2)** | **-** | **-** | **48.3** | **39.1** | **-** | **(1.3)** | **37.8** |
| Total comprehensive income for the period | (9.2) | - | - | 48.3 | 39.1 | - | 28.9 | 68.0 |
| **Transactions with owners:** | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | (11.4) | (11.4) |
| Share-based payments | - | - | 0.2 | - | 0.2 | - | - | 0.2 |
| Less: Treasury shares vested to employees | - | - | (1.1) | - | (1.1) | 1.1 | - | - |
| Total transactions with owners | - | - | (0.9) | - | (0.9) | 1.1 | (11.4) | (11.2) |
| **At 31 March 2015** | **(12.3)** | **8.3** | **0.2** | **82.8** | **79.0** | **1,345.9** | **376.4** | **1,801.3** |
| | | | | | | | | |
| **At 1 October 2015** | **(20.0)** | **8.3** | **1.3** | **127.2** | **116.8** | **1,346.0** | **359.0** | **1,821.8** |
| Profit for the period | - | - | - | - | - | - | 20.4 | 20.4 |
| **Other comprehensive income:** | | | | | | | | |
| Exchange difference on translation of foreign operations | 0.7 | - | - | (67.6) | (66.9) | - | 2.5 | (64.4) |
| Changes in fair value of cash flow hedges | 10.0 | - | - | - | 10.0 | - | - | 10.0 |
| Remeasurements of defined benefit obligations | - | - | - | - | - | - | 3.7 | 3.7 |
| Deferred tax credit | 0.1 | - | - | - | 0.1 | - | (1.5) | (1.4) |
| **Total other comprehensive income** | **10.8** | **-** | **-** | **(67.6)** | **(56.8)** | **-** | **4.7** | **(52.1)** |
| Total comprehensive income for the period | 10.8 | - | - | (67.6) | (56.8) | - | 25.1 | (31.7) |
| **Transactions with owners:** | | | | | | | | |
| Dividends paid | - | - | - | - | - | - | (5.7) | (5.7) |
| Share-based payments | - | - | 1.6 | - | 1.6 | - | - | 1.6 |
| Total transactions with owners | - | - | 1.6 | - | 1.6 | - | (5.7) | (4.1) |
| **At 31 March 2016** | **(9.2)** | **8.3** | **2.9** | **59.6** | **61.6** | **1,346.0** | **378.4** | **1,786.0** |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

For the half year ended 31 March 2016

| | Note | Half year 2016 $ M | 2015 $ M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 2,160.2 | 1,998.6 |
| Payments to suppliers and employees | | (2,625.9) | (2,298.7) |
| | | (465.7) | (300.1) |
| Proceeds from bank loans – inventory funding | | 423.8 | 324.7 |
| Interest received | | 0.3 | 3.8 |
| Interest paid | | (18.8) | (25.4) |
| Income taxes (paid) / refunded | | (23.0) | 2.5 |
| **Net (outflow) / inflow from operating activities** | | **(83.4)** | **5.5** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (91.4) | (80.6) |
| Payments for computer software | | (5.8) | (4.6) |
| Proceeds from sale of property, plant and equipment | | 1.8 | 1.7 |
| Payments for investment / business (net of cash acquired) | | (3.0) | - |
| **Net outflow from investing activities** | | **(98.4)** | **(83.5)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 352.5 | 502.9 |
| Repayment of borrowings | | (275.0) | (401.7) |
| Dividend paid | 4 | (5.7) | (11.4) |
| **Net inflow from financing activities** | | **71.8** | **89.8** |
| **Net (decrease) / increase in cash and cash equivalents** | | (110.0) | 11.8 |
| Cash and cash equivalents at the beginning of the period | | 374.0 | 206.2 |
| Effect of exchange rate changes on cash and cash equivalents | | (15.7) | 9.3 |
| **Cash and cash equivalents at the end of the period** | | **248.3** | **227.3** |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

For the half year ended 31 March 2016

## 1. Significant accounting policies

The Interim Financial Report includes consolidated financial statements for GrainCorp Limited ('GrainCorp' or the 'Company') and its controlled entities (collectively the 'Group'). GrainCorp Limited is a company incorporated and domiciled in Australia, limited by shares that are publicly traded on the Australian Securities Exchange.

The Interim Financial Report of GrainCorp Limited for the half year ended 31 March 2016 was authorised for issue in accordance with a resolution of the Directors on 11 May 2016. The Directors have the power to amend and reissue the financial report.

### a) Basis of preparation

The Interim Financial Report is a general purpose financial report prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Interim Financial Report does not include all of the information required for an Annual Report, and should be read in conjunction with the Annual Report of the Group as at 30 September 2015 and any public announcements made by GrainCorp Limited during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001* and ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Interim Financial Report is presented in Australian Dollars, which is the functional currency of the Group. GrainCorp Limited is a Company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998. In accordance with the Class Order, all amounts in the Interim Financial Report have been rounded to the nearest hundred thousand dollars, unless otherwise stated.

This interim financial report has been prepared on the basis of the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) and commodity inventories, at fair value through profit or loss.

The Interim Financial Report has been prepared on a going concern basis.

Certain comparative amounts have been reclassified to align with current period presentation.

### b) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 March 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

| Title of standard | Nature of change | Impact to Group | Application date of standard | Application date for Group |
|---|---|---|---|---|
| *AASB 9 Financial Instruments* | AASB 9 is a new standard that replaces AASB 139. The standard introduces a new model for classification and measurement of financial assets and liabilities, a new 'expected loss' impairment model and a reformed approach to hedge accounting.<br>The standard is available for early adoption. | AASB 9 may affect the Group's accounting for financial assets and liabilities, however it is not expected to have a significant impact on the Group. | 1 January 2018 | 1 October 2018 |
| *AASB 15 Revenue from contracts with customers* | The AASB has issued a new standard for the recognition of revenue.<br>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, replacing the existing notion of risks and rewards.<br>The standard is available for early adoption. | The new standard is not expected to have a significant impact on the Group. | 1 January 2018 | 1 October 2018 |

| Title of standard | Nature of change | Impact to Group | Application date of standard | Application date for Group |
|---|---|---|---|---|
| *AASB 16 Leases* | The AASB has issued a new standard to account for leases.<br>The changes under AASB 16 removes the balance sheet distinction between operating and finance leases. As a result most leases will be recognised on balance sheet.<br>The standard is available for early adoption. | The Group has not yet fully assessed the impact of the new standard. | 1 January 2019 | 1 October 2019 |

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

**c) New and amended standards adopted by the group**

A number of new or amended standards became applicable for the current reporting period, however the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new or amended standards.

## 2. Segment information

For management purposes, the Group is organised into four business units based on their products and services, forming the four reportable segments reviewed by the Managing Director & CEO in making strategic decisions.

- **Storage & Logistics consists of:**
  - Country & Logistics – receivals, transport, testing and storage of grains and other bulk commodities.
  - Ports – storage and export / import of grain, and other bulk commodities.
- **Marketing** – marketing of grain and agricultural products, and the operation of grain pools.
- **Malt** – production of malt products, provision of brewing inputs and other malting services to brewers and distillers, sale of farm inputs, and export of malt.
- **Oils** – processing and crushing of oilseeds, supplying edible oils and feeds, operating bulk liquid port terminals, storage, packaging, transport and logistics operations.

Corporate includes the share of profit from equity accounted investments along with unallocated corporate costs.

Management measures performance based on a measure of EBITDA, after adjusting for the allocation of interest expense to the Marketing and Oils segments and significant items. Other than interest associated with Marketing and Oils, Group financing (including interest income and interest expense) and income taxes are managed on a Group basis and are not allocated to operating segments.

Revenue from external customers is measured in a manner consistent with that in the Consolidated Income Statement. Inter-segment pricing is determined on an arm's length basis.

Segment assets and liabilities reported to management are measured in a manner consistent with that of the financial statements, based on the operations of the segment.

| Half year 2016 | Storage & Logistics $ M | Marketing $ M | Malt $ M | Oils $M | Reportable segments $ M | Corporate $ M | Eliminations $ M | Total $ M |
|---|---|---|---|---|---|---|---|---|
| **Reportable segment revenue** | | | | | | | | |
| External revenues | 144.2 | 892.7 | 592.6 | 440.0 | 2,069.5 | - | - | 2,069.5 |
| Intersegment revenue | 68.7 | 83.4 | - | - | 152.1 | - | (152.1) | - |
| **Total reportable segment revenue** | **212.9** | **976.1** | **592.6** | **440.0** | **2,221.6** | **-** | **(152.1)** | **2,069.5** |
| **Reportable segment result** | **27.6** | **8.4** | **75.8** | **29.0** | **140.8** | **(12.9)** | **-** | **127.9** |
| Share of profit of joint ventures | - | (0.1) | - | (0.1) | (0.2) | 5.9 | - | 5.7 |
| Profit before significant items, net interest, depreciation, amortisation and income tax | | | | | | | | 133.6 |
| Net Interest | - | (5.7) | - | (0.9) | (6.6) | (12.7) | - | (19.3) |
| Depreciation and amortisation | (25.8) | (1.9) | (25.5) | (14.8) | (68.0) | (0.5) | - | (68.5) |
| Significant items (Note 3) | (2.5) | (0.4) | (0.9) | (10.1) | (13.9) | (2.9) | - | (16.8) |
| **Profit before income tax from continuing operations** | **(0.7)** | **0.3** | **49.4** | **3.1** | **52.1** | **(23.1)** | **-** | **29.0** |
| **Other segment information** | | | | | | | | |
| Capital expenditure | 29.7 | 2.8 | 28.6 | 38.6 | 99.7 | 0.5 | - | 100.2 |
| Reportable segment assets | 564.8 | 664.9 | 1,403.7 | 862.1 | 3,495.5 | 467.6 | - | 3,963.1 |
| Reportable segment liabilities | (79.0) | (645.0) | (671.5) | (213.5) | (1,609.0) | (568.1) | - | (2,177.1) |

## 2. Segment information (continued)

| Half year 2015 | Storage & Logistics $ M | Marketing $ M | Malt $ M | Oils $M | Reportable segments $ M | Corporate $ M | Eliminations $ M | Total $ M |
|---|---|---|---|---|---|---|---|---|
| **Reportable segment revenue** | | | | | | | | |
| External revenues | 129.2 | 842.9 | 532.5 | 470.5 | 1,975.1 | - | - | 1,975.1 |
| Intersegment revenue | 79.8 | 73.9 | - | - | 153.7 | 0.2 | (153.9) | - |
| **Total reportable segment revenue** | **209.0** | **916.8** | **532.5** | **470.5** | **2,128.8** | **0.2** | **(153.9)** | **1,975.1** |
| **Reportable segment result** | **26.6** | **7.7** | **69.4** | **41.5** | **145.2** | **(12.7)** | **-** | **132.5** |
| Share of profit of joint ventures | - | - | - | 0.2 | 0.2 | 3.4 | - | 3.6 |
| Profit before significant items, net interest, depreciation, amortisation and income tax | | | | | | | | 136.1 |
| Net Interest | - | (9.1) | - | (0.7) | (9.8) | (12.0) | - | (21.8) |
| Depreciation and amortisation | (25.4) | (2.0) | (24.3) | (14.3) | (66.0) | (0.5) | - | (66.5) |
| Significant items (Note 3) | 1.3 | - | (1.8) | (3.2) | (3.7) | (1.4) | - | (5.1) |
| **Profit before income tax from continuing operations** | **2.5** | **(3.4)** | **43.3** | **23.5** | **65.9** | **(23.2)** | **-** | **42.7** |
| **Other segment information** | | | | | | | | |
| Capital expenditure | 22.6 | 0.1 | 15.8 | 46.6 | 85.1 | 0.1 | - | 85.2 |
| Reportable segment assets at 30 September 2015 | 526.1 | 341.7 | 1,484.3 | 726.1 | 3,078.2 | 595.5 | - | 3,673.7 |
| Reportable segment liabilities at 30 September 2015 | (99.7) | (330.5) | (767.9) | (124.0) | (1,322.1) | (529.8) | - | (1,851.9) |

## 3. Significant items

Net profit after tax for the half year includes the following items whose disclosure is relevant in explaining the financial performance of the Group.

| Half year 2016 | Business Unit | Profit before tax $ M | Tax $ M | NPAT $ M |
|---|---|---|---|---|
| **Net significant items comprise:** | | | | |
| Restructuring costs[1] | Oils | (10.2) | 3.0 | (7.2) |
| Impairment of assets[2] | S&L, Malt | (4.1) | 1.3 | (2.8) |
| Transaction related costs[3] | Corporate | (3.2) | 0.9 | (2.3) |
| Gain on sale of assets[4] | S&L | 0.7 | (0.2) | 0.5 |
| **Net significant items** | | **(16.8)** | **5.0** | **(11.8)** |

| Half year 2015 | Business Unit | Profit before tax $ M | Tax $ M | NPAT $ M |
|---|---|---|---|---|
| **Net significant items comprise:** | | | | |
| Restructuring costs[5] | Oils, Allied Mills | (4.6) | 1.0 | (3.6) |
| Impairment of assets[6] | Malt | (1.8) | - | (1.8) |
| Gain on sale of assets[7] | S&L | 1.3 | (0.4) | 0.9 |
| **Net significant items** | | **(5.1)** | **0.6** | **(4.5)** |



[1] Restructuring costs of $7.2 million (after tax) relate to GrainCorp Oils Network Optimisation and Oilseeds crushing capacity expansion. The costs include redundancy, depreciation and relocation costs.

[2] Impairment of assets of $2.8 million (after tax) relate to assets in S&L and Malt.

[3] Transaction related costs of $2.3 million (after tax) comprise legal and consulting fees.

[4] Net gain of $0.5 million (after tax) from the sale of assets in S&L.

[5] Restructuring costs of $3.6 million (after tax) relate to GrainCorp Oils Network Optimisation and Allied Mills. The costs include redundancy, depreciation and relocation costs.

[6] Impairment of assets of $1.8 million (after tax) relates to a site in Malt.

[7] Net gain of $0.9 million (after tax) from the sale of assets in S&L.

## 4. Dividends

| | Half year | |
|---|---|---|
| | **2016 $ M** | **2015 $ M** |
| **Dividends paid in the half year:** | | |
| Final fully franked dividend for the year ended 30 September 2015 of 2.5 cents (2014: 5.0 cents) | 5.7 | 11.4 |
| **Total dividends paid** | **5.7** | **11.4** |

**Dividend not recognised at half year:**

Subsequent to the period end the Directors have approved the payment of the following dividend, expected to be paid on 15 July 2016:

| | |
|---|---|
| Interim fully franked dividend for the half year ended 31 March 2016 of 7.5 cents (2015: 7.5 cents) | **7.5** |

This dividend is to be paid out of retained profits at 31 March 2016, but is not recognised as a liability at the period end.

## 5. Other income

| | Half year | |
|---|---|---|
| | **2016 $ M** | **2015 $ M** |
| **Net gain / (loss) on derivative / commodity trading:** | | |
| Net realised gain / (loss) on financial derivatives | 1.1 | 41.6 |
| Net realised gain / (loss) on foreign currency derivatives | 5.5 | (41.2) |
| | 6.6 | 0.4 |
| Net unrealised gain / (loss) on financial derivatives | (5.6) | (12.7) |
| Net unrealised gain / (loss) on commodity contracts (forward purchases and sales) | (2.6) | 6.0 |
| Net unrealised gain / (loss) on foreign currency derivatives | 58.1 | (26.5) |
| Net unrealised gain / (loss) on commodity inventories at fair value less costs to sell | (31.9) | 15.9 |
| | 18.0 | (17.3) |
| **Net gain / (loss) on derivative / commodity trading** | **24.6** | **(16.9)** |
| Compensation for impairment of assets received from third party | - | 5.3 |
| Interest | 0.9 | 2.5 |
| Sundry income | 6.7 | 7.1 |
| **Total other income** | **32.2** | **(2.0)** |

The Group recorded a net gain of $24.6 million on derivative and commodity trading activities during the period. A realised net loss on delivered commodity contracts and commodity inventories is recognised in the income statement as part of Revenue and Goods purchased for resale, respectively.

The Group manages its exposure to commodity and foreign currency price risk for commodity contracts by entering foreign currency and commodity derivative contracts in accordance with the Group's risk management policy.

## 6. Other expenses

| | Half year | |
|---|---|---|
| | 2016 $ M | 2015 $ M |
| Insurance | (4.4) | (5.0) |
| Motor vehicle cost | (5.3) | (5.3) |
| Travel | (5.7) | (5.1) |
| Software maintenance | (7.3) | (7.0) |
| Consulting | (3.8) | (3.8) |
| Communication | (3.3) | (3.0) |
| Other | (25.8) | (25.8) |
| **Total other expenses** | **(55.6)** | **(55.0)** |

## 7. Inventories

| Note | 31 March 2016 $ M | 30 September 2015 $ M |
|---|---|---|
| Consumable stores | 4.7 | 4.5 |
| Raw materials | 285.7 | 210.2 |
| Work in progress | 24.8 | 24.0 |
| Finished goods | 151.7 | 145.5 |
| Trading stock at net realisable value | 14.5 | 10.8 |
| Commodity inventory at fair value less cost to sell | 457.1 | 159.9 |
| **Total inventories** | **938.5** | **554.9** |

The value of inventory secured against bank loans is $614.4 million (2015: $249.7 million). Refer to Note 8.

## 8. Borrowings

| Current | 31 March 2016 $ M | 30 September 2015 $ M |
|---|---|---|
| Short term facilities – unsecured | 127.3 | 75.2 |
| Inventory funding facilities – secured | 670.7 | 253.5 |
| Leases – secured | 0.5 | 0.6 |
| **Total current borrowings** | **798.5** | **329.3** |
| **Non-current** | | |
| Term debt facilities – unsecured | 775.5 | 779.9 |
| Leases – secured | 9.0 | 9.2 |
| **Total non-current borrowings** | **784.5** | **789.1** |

### a) Assets pledged as security

Leases are secured by the underlying assets. The inventory funding liabilities are secured against the related inventory. The total secured liabilities (current and non-current) are as follows:

| | 31 March 2016 $ M | 30 September 2015 $ M |
|---|---|---|
| Lease liabilities | 9.5 | 9.8 |
| Inventory funding liabilities | 670.7 | 253.5 |
| **Total secured liabilities** | **680.2** | **263.3** |

The carrying amounts of assets pledged as security for current and non-current borrowings are:

| | 31 March 2016 $ M | 30 September 2015 $ M |
|---|---|---|
| Leased assets | 0.3 | 0.3 |
| Inventory (Note 7) | 614.4 | 249.4 |
| **Total assets pledged as security** | **614.7** | **249.7** |

Lease liabilities (other than liabilities recognised in relation to surplus space under non-cancellable operating leases) are effectively secured, as rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Inventory funding facilities are secured against the related inventory.

Loans under term funding facilities are secured by a negative pledge that imposes certain covenants on the Group. The negative pledge states that (subject to certain exceptions) the subject entity will not provide any other security over its assets, and will ensure that certain financial ratios and limits are maintained at all times, including: interest cover, gearing ratios and net tangible assets. All such borrowing covenant ratios and limits have been complied with during the half year.

## 8. Borrowings (continued)

### b) Financing arrangements

Borrowings are drawn under the following Group debt facilities:

| 31 March 2016 | Maturity date | Principal facility amount $ M | Amount utilised $ M |
|---|---|---|---|
| Term debt | November 2019 | 385.0 | 310.8 |
| Term debt | April 2020 | 225.0 | 225.0 |
| Term debt | April 2022 | 239.7 | 239.7 |
| Commodity inventory funding | September 2016 | 66.0 | 48.3 |
| Commodity inventory funding | November 2016 | 856.0 | 607.0 |
| Commodity inventory funding | March 2017 | 39.1 | 15.4 |
| Working capital | November 2016 | 405.0 | 127.3 |
| **Total financing arrangements** | | **2,215.8** | **1,573.5** |

| 30 September 2015 | Maturity date[8] | Principal facility amount $ M | Amount utilised $ M[9] |
|---|---|---|---|
| Term debt | November 2019 | 385.0 | 292.8 |
| Term debt | April 2020 | 225.0 | 225.0 |
| Term debt | April 2022 | 262.1 | 262.1 |
| Commodity inventory funding[10] | November 2016 | 1,130.6 | 253.5 |
| Working capital[11] | November 2016 | 405.0 | 75.2 |
| **Total financing arrangements** | | **2,407.7** | **1,108.6** |

## 9. Contingencies

The Group may from time to time receive notices of possible claims for losses or damages. A provision of $16.1 million (30 September 2015: $19.0 million) has been recognised to cover any liabilities that may arise out of such claims. Based on information currently available, the Directors believe that no further provision is required at this time. A contingent liability exists for any amounts that ultimately become payable over and above current provisioning levels.



[8] As at 12 November 2015.

[9] As at 30 September 2015.

[10] The maturity date and principal facility amount for the inventory funding facility is as at 12 November 2015. Subsequent to 30 September 2015, the maturity date was extended from November 2015 to November 2016 and the principal facility amount changed from $564.1 million to $1,130.6 million. This facility is renewed subsequent to 30 September each year to align with the seasonal requirements of the Group.

[11] The maturity date and principal facility amount for the working capital facility is as at 12 November 2015. Subsequent to 30 September 2015, the maturity date was extended from October 2015 to November 2016. The principal facility amount remained at $405.0 million.

## 10. Financial instruments

***Fair value measurements***

Financial instruments carried at fair value are classified using a valuation method based on the following hierarchy:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets and liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (use of unobservable inputs).

The following table presents the Group's assets and liabilities measured and recognised at fair value at balance date:

| 31 March 2016 | Level 1 $ M | Level 2 $ M | Level 3 $ M | Total $ M |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Derivatives | 14.7 | 36.0 | - | 50.7 |
| - Commodity contracts | - | 1.1 | 51.0 | 52.1 |
| Derivatives used for hedging | 11.8 | - | - | 11.8 |
| Commodity inventory at fair value less cost to sell | - | 4.8 | 452.3 | 457.1 |
| **Total assets** | **26.5** | **41.9** | **503.3** | **571.7** |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Derivatives | 5.0 | 8.1 | - | 13.1 |
| - Commodity contracts | - | 0.2 | 30.0 | 30.2 |
| Derivatives used for hedging | 23.6 | - | - | 23.6 |
| **Total liabilities** | **28.6** | **8.3** | **30.0** | **66.9** |

| 30 September 2015 | Level 1 $ M | Level 2 $ M | Level 3 $ M | Total $ M |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Derivatives | 11.9 | 19.3 | - | 31.2 |
| - Commodity contracts | - | 1.5 | 60.2 | 61.7 |
| Derivatives used for hedging | 4.3 | - | - | 4.3 |
| Commodity inventory at fair value less cost to sell | - | 6.4 | 153.5 | 159.9 |
| **Total assets** | **16.2** | **27.2** | **213.7** | **257.1** |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Derivatives | 34.9 | 2.4 | - | 37.3 |
| - Commodity contracts | - | 0.2 | 41.2 | 41.4 |
| Derivatives used for hedging | 46.2 | - | - | 46.2 |
| **Total liabilities** | **81.1** | **2.6** | **41.2** | **124.9** |

## 10. Financial instruments (continued)

***Fair value estimation***

The fair value of financial assets and liabilities must be estimated for recognition, measurement and disclosure purposes.

The fair value of financial instruments traded on active markets (such as exchange traded commodity derivatives and forward exchange contracts) is based on the quoted markets prices and forward exchange market rates as at the reporting date. The quoted market price used for financial assets and liabilities held by the Group is the market settlement price on the reporting date. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over the counter commodity and foreign currency derivatives) are determined using the Black Scholes pricing model, which is sourced from a widely used market pricing provider. The fair value of interest rate swap contracts is received from market counterparties as at balance date. The valuation methodology used by the counterparties reflects common market practice of net present value of estimated future cashflows determined by observable yield curves. These instruments are included in Level 2.

The fair value of physical positions comprising inventory, forward sales and forward purchases for commodity trading do not have quoted market prices available. To obtain the market prices, bid values are sourced from commodity brokers and trade marketers, defined by commodity and grade type. The market prices are amended through location and grade differentials (market zone adjustments) to bring them to a common point. These instruments are included in Level 3.

There were no changes made to any of the valuation techniques applied as of 30 September 2015.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no instruments reclassified between levels for the half year ended 31 March 2016.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 March 2016.

The following table presents the changes in Level 3 financial assets and liabilities for the half year ended 31 March 2016 and the year ended 30 September 2015.

| | Half year 2016 | | Full year 2015 | |
|---|---|---|---|---|
| | Commodity Contracts $ M | Commodity inventory at fair value $ M | Commodity Contracts $ M | Commodity inventory at fair value $ M |
| Opening balance as at 1 October | 19.0 | 153.5 | 18.7 | 213.9 |
| Gains / (losses) recognised in profit and loss | 1.4 | (32.1) | (8.4) | 9.2 |
| Net acquisitions and disposals | 0.6 | 330.9 | 8.7 | (69.6) |
| **Closing balance** | **21.0** | **452.3** | **19.0** | **153.5** |

***Fair value of the other financial instruments***

The carrying amounts of other financial assets and liabilities are reasonable approximations of their fair values.

## 10. Financial instruments (continued)

***Financial risk management –commodity price risk***

Commodity price risk arises due to grain and edible oil price fluctuations impacting on the value of commodity forward purchase and forward sales contracts written by the Group as part of its grain, meal and edible oil marketing activities. The Group's policy is generally to lock in favourable margins between the purchase and sale price of commodities but differences in the timing of entering into these contracts create an exposure to commodity price risk.

To manage exposure to this commodity price risk, the Group enters into various exchange traded commodity derivative contracts (futures and options) as well as over-the-counter contracts with terms between 2 and 24 months depending on the underlying transactions. These contracts are predominantly on Australia, New Zealand, US, Canada and Europe based financial markets and denominated in those currencies. Changes in fair value are recognised immediately in the income statement.

Commodity trading assets and liabilities subject to commodity price risk as at 31 March 2016 and 30 September 2015 are:

| | Fair value of derivatives and physical inventory $ M | Net effect of a 20% appreciation in price on post-tax profit or loss $ M | Net effect of a 20% depreciation in price on post-tax profit or loss $ M |
|---|---|---|---|
| **31 March 2016** | 486.9 | 6.0 | (6.0) |
| **30 September 2015** | 183.8 | (1.1) | 1.1 |

The fair value for commodity trading assets and liabilities subject to commodity risk is defined as follows:

- Commodity inventory at fair value: the market value amount as at reporting date
- Forward purchase and sales contracts: mark to market as at reporting date
- Commodity futures: mark to market as at reporting date
- Commodity options: market value amount as at reporting date

***Discussion of sensitivity analysis***

A 20% movement in commodity prices has been determined as a reasonably possible change based on recent market history specific to agricultural commodities. However, due to controls the Group has in relation to commodity trading, such as trading limits and stop losses, it is not expected that a change of this magnitude would crystallise. The 20% movement is calculated over the market value amount of the net exposure of the commodity physical and derivative contracts.

Commonly traded commodities include wheat, sorghum, barley, tallow, vegetable oil, canola and pulses.

## 11. Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 2016 that has significantly affected or may significantly affect:

a) the Group's operations in future financial years; or

b) the results of those operations in future financial years; or

c) the Group's state of affairs in future financial years.

# Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 4 to 20 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the financial year ended on that date; 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.

D C Taylor
Chairman

Sydney
11 May 2016

# Independent Auditor's Report



## Independent auditor's review report to the members of GrainCorp Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GrainCorp Limited (the Company), which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the GrainCorp Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

### Directors' responsibility for the half-year financial report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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

### Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the half-year ended on that date;
b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Matthew Lunn
Partner

Sydney
11 May 2016

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