GrainCorp
100 YEARS OF GROWTH

GRAINCORP LIMITED

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 MARCH 2020

Results for announcement to the market				
	Up / Down	**% Movement**		**2020 $ M**
Revenue from ordinary activities	Up	3.4%	to	**1,959.1**
Profit before significant items[1] from ordinary activities after tax from continuing operations attributable to owners of GrainCorp Limited	Up	>100%	to	**26.9**
Profit before significant items[1] from ordinary activities after tax from discontinued operation attributable to owners of GrainCorp Limited	Down	1%	to	**28.5**
Significant items from ordinary activities net of tax	Up	>100%	to	**332.9**
Profit for the period from continuing operations attributable to owners of GrainCorp Limited	Up	>100%	to	**77.8**
Profit for the period from discontinued operation attributable to owners of GrainCorp Limited	Up	>100%	to	**310.5**
Net profit for the period attributable to owners of GrainCorp Limited	Up	>100%	to	**388.3**

The Company does not propose to pay an interim dividend for the half-year ended 31 March 2020.

[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 1.2 of the Financial Report for the half-year ended 31 March 2020.

GrainCorp Limited

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ABN 60 057 186 035

Additional information

Net tangible assets per share: $4.23 (30 September 2019: $5.79)

The following were the interests in joint ventures held by the entity during the half-year. The aggregate share of loss from joint ventures is $2.3 million (31 March 2019: loss $3.5 million).

	Ownership interest	
	31 March 2020	30 September 2019
GrainsConnect Canada Operations Inc	50%	50%
National Grower Register Pty Ltd	50%	50%
PumpFree Pty Ltd (in liquidation)	23%	23%

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report for the half-year ended 31 March 2020.

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.

GrainCorp Limited

Financial Report for the half-year ended 31 March 2020

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GrainCorp
100 YEARS OF GROWTH

Contents

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 2020.

Directors

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

- P I Richards (Chairman)
- D J Mangelsdorf
- D G McGauchie AO
- R J Spurway (appointed 23 March 2020)
- K M Grigg (appointed 11 December 2019)
- G J Bradley AM (ceased to be Director 23 March 2020)
- B J Gibson (ceased to be Director 23 March 2020)
- S L Tregoning (ceased to be Director 23 March 2020)
- R P Dee-Bradbury (ceased to be Director 19 February 2020)
- P J Housden (ceased to be Director 19 February 2020)
- J F McAloon (appointed 11 December 2019, ceased to be Director 23 March 2020)

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 of $388.3 million for the half-year ended 31 March 2020 compared to a net loss after tax of $58.9 million for the previous corresponding half-year. Revenue from continuing operations increased by 3.4% to $1,959.1 million (HY19 Restated: $1,894.6 million).

During the half, GrainCorp completed a significant repositioning of the business as part of the portfolio review announced in FY2019. This included the demerger of United Malt (UMG) in March 2020, completion of the sale of Australian Bulk Liquid Terminals in December 2019, a restructure of the Group's financing to ensure GrainCorp has minimal core debt, and progression of operational initiatives to improve the underlying performance of the ongoing operations. The demerger of United Malt has been treated as a discontinued operation for this half-year report. As part of the operational initiatives, the operating model was changed with a restructure of Grains and Oils into Agribusiness and Processing; the reporting is along these business lines.

Agribusiness

- A third consecutive drought year continued to have an adverse impact on east coast Australia (ECA), with a total ECA grain production estimate (winter + summer)[1] of 11.1mmt (FY19: 7.7mmt), substantially below average.
- YTD[2] grain volumes:
  - total grain sales of 4.6mmt (HY19: 3.9mmt)
  - total grain receivals[3] of 3.8mmt (HY19: 2.3mmt)
  - grain exports of 0.6mmt (HY19: 0.2mmt)
  - non-grain handled of 1.1mmt (HY19: 1.5mmt)
  - grain trans-shipments (through GrainCorp ports): 0.9mmt (HY19: 1.1mmt).
- GrainCorp continued to reverse its port supply chains, trans-shipping grain to manage ECA grain deficits. Grain export volumes were minimal as domestic demand secured supply.
- Strong result from Feeds, Fats & Oils (FFO) with continued demand for liquid feeds, tallow and used cooking oil (UCO).
- Result includes ~$45 million receipt from Crop Production Contract (net of costs of $6 million and fair value adjustment of $7 million).
- Continued to focus on cost reduction, customer engagement and asset utilisation. Benefited from more flexible rail contracts which started in FY20.
- Continued the international growth strategy with the Fraser Grain Terminal (FGT) project in Vancouver, Canada progressing well and expected to open in Q1 CY21.

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[1] Eastern Australian production estimate for wheat, barley, canola, chickpea, sorghum, using average of ABARES' February 2020 forecast of 10.8mmt and ACF's April 2020 forecast of 11.4mmt.

[2] 1 October 2019 to 31 March 2020.

[3] Tonnes received up-country and direct-to-port YTD. Excludes third-party deliveries direct to port.

Processing

- **Oilseeds**: oilseed crush margins have recovered strongly due to increased ECA canola supply and stronger oil and meal demand/pricing.
- Numurkah crush plant is performing strongly and has operated at high utilisation this financial year.
- **Foods**: stable demand and improved financial performance. Current trading conditions remain positive despite COVID-19 challenges for food processors.

COVID-19

GrainCorp is responding to COVID-19 in a number of ways to support its people, customers, communities and other stakeholders.

Food & Agriculture has been declared an essential service by the Australian and New Zealand governments, which has supported business continuity and allowed GrainCorp's operations to continue with minimal disruption. GrainCorp's edible oil and food processing plants are operating at high utilisation and grain/oilseed supply chains remain unhindered.

GrainCorp has adapted its operations to ensure business continuity and it continues servicing customers while addressing the health and safety risks posed by COVID-19. Demand for GrainCorp's products and services has held up strongly, albeit with a change in mix. Longer term trends are being monitored and scenario planning is being undertaken.

GrainCorp has also taken comprehensive steps to protect its people with segregated team rostering at operational sites, office-based roles working remotely, physical and mental wellbeing programs, and additional cleaning and sanitisation at offices and sites. The company is focused on protecting jobs and maintaining its regional employment program for the upcoming harvest in 2020/21.

For GrainCorp, the on-going COVID-19 pandemic has not significantly increased the estimation uncertainty in the preparation of the Consolidated Financial Statements. A thorough consideration of potential COVID-19 impacts on carrying values of assets and liabilities, contracts and potential liabilities has been made, with no material impact to the financial statements.

Sale of Australian Bulk Liquid Terminals

On 31 December 2019, GrainCorp finalised the sale of its Australian Bulk Liquid Terminals business (excluding Port Kembla) to ANZ Terminals Pty Ltd.

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 5.

Rounding of amounts

All figures in the financial statements are presented in Australian dollars and have been rounded off to the nearest hundred thousand dollars, or in certain cases, to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191,* unless otherwise indicated.

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

Peter Richards
Chairman

Sydney
14 May 2020

Auditor's Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the review of GrainCorp Limited for the half-year ended 31 March 2020, 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.

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
14 May 2020

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Half-year Financial Report

Consolidated Income Statement

For the half-year ended 31 March 2020

	Note	Half-year 31 March 2020 $ M	*Restated 31 March 2019 $ M
Revenue	1.1	1,959.1	1,894.6
Other income / (loss)	1.3	174.5	(59.8)
Goods purchased for resale		(1,711.8)	(1,533.7)
Raw materials and consumables used		(47.4)	(145.3)
Employee benefits expense		(118.9)	(118.8)
Finance costs		(16.7)	(18.7)
Depreciation and amortisation		(55.2)	(46.9)
Repairs and maintenance		(14.1)	(11.9)
Other expenses	1.4	(57.1)	(79.4)
Share of results of investments accounted for using the equity method		(2.3)	(3.5)
Profit / (loss) before income tax		**110.1**	**(123.4)**
Income tax (expense) / benefit	1.5	(32.3)	35.8
Profit / (loss) after tax from continuing operations		**77.8**	**(87.6)**
Profit after tax from discontinued operation – UMG	4.2	310.5	28.7
Profit / (loss) attributable to owners of GrainCorp Limited		**388.3**	**(58.9)**

	Cents	Cents
Earnings per share attributable to owners of GrainCorp Limited		
Basic earnings per share	169.7	(25.7)
Diluted earnings per share	169.0	(25.7)
Earnings per share attributable to owners of GrainCorp Limited from continuing operations		
Basic earnings per share	34.0	(38.3)
Diluted earnings per share	33.9	(38.3)

The above consolidated income statement should be read in conjunction with the accompanying notes.

* The consolidated income statement for the period to 31 March 2019 has been restated to present the demerger of UMG as a discontinued operation. Refer to the notes to the financial statements on page 11.

Consolidated Statement of Comprehensive Income

For the half-year ended 31 March 2020

	Half-year	
	31 March 2020 $ M	31 March 2019 $ M
Profit / (loss) for the period	**388.3**	**(58.9)**
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
Remeasurement of retirement benefit obligations	11.6	(14.8)
Income tax relating to these items	(2.5)	2.2
Items that may be reclassified to profit and loss:		
Changes in fair value of cash flow hedges	(8.6)	(10.9)
Income tax relating to these items	2.1	2.4
Exchange differences on translation of foreign operations	63.4	6.9
Reserves released to profit and loss on demerger	(181.5)	-
Other comprehensive income / (loss) for the period, net of tax	**(115.5)**	**(14.2)**
Total comprehensive income / (loss) for the period attributable to owners of GrainCorp Limited from:		
Continuing operations	84.1	(84.3)
Discontinued operation	188.7	11.2
	272.8	**(73.1)**

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 2020

	Note	31 March 2020 $ M	30 September 2019 $ M
Current assets			
Cash and cash equivalents		212.1	265.3
Trade and other receivables		432.3	624.0
Inventories	3.1	980.4	738.4
Derivative financial instruments	2.3	82.5	59.0
Current tax assets		0.2	11.1
		1,707.5	**1,697.8**
Assets classified as held for sale	3.3	14.7	209.9
Total current assets		**1,722.2**	**1,907.7**
Non-current assets			
Trade and other receivables		-	0.6
Derivative financial instruments	2.3	1.7	1.9
Investments in other entities		115.4	3.5
Deferred tax assets		68.1	112.4
Property, plant and equipment		697.3	1,335.2
Right-of-use assets	5.2	183.6	-
Intangible assets		113.8	471.0
Retirement benefit asset		-	2.8
Investments accounted for using the equity method		39.3	40.5
Total non-current assets		**1,219.2**	**1,967.9**
Total assets		**2,941.4**	**3,875.6**
Current liabilities			
Trade and other payables		254.3	363.7
Lease liabilities	5.1	35.8	0.2
Deferred revenue		7.4	11.0
Borrowings	2.1	970.9	633.0
Derivative financial instruments	2.3	105.8	63.9
Current tax liabilities		0.6	0.1
Provisions		41.0	48.4
		1,415.8	**1,120.3**
Liabilities directly associated with assets held for sale	3.3	-	12.2
Total current liabilities		**1,415.8**	**1,132.5**
Non-current liabilities			
Trade and other payables		11.9	32.8
Lease liabilities	5.1	202.4	8.3
Borrowings	2.1	150.0	760.0
Derivative financial instruments	2.3	0.2	5.3
Deferred tax liabilities		-	72.7
Provisions		10.3	10.5
Retirement benefit obligations		-	17.2
Total non-current liabilities		**374.8**	**906.8**
Total liabilities		**1,790.6**	**2,039.3**
Net assets		**1,150.8**	**1,836.3**
Equity			
Contributed equity		572.8	1,347.9
Reserves		26.8	151.2
Retained earnings		551.2	337.2
Total equity		**1,150.8**	**1,836.3**

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 2020

	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 2018	**1.7**	**8.3**	**7.3**	**100.3**	**117.6**	**1,344.5**	**480.1**	**1,942.2**
Profit / (loss) for the period	-	-	-	-	-	-	(58.9)	(58.9)
Other comprehensive income:								
Exchange difference on translation of foreign operations	(1.1)	-	-	7.6	6.5	-	0.4	6.9
Changes in fair value of cash flow hedges	(10.9)	-	-	-	(10.9)	-	-	(10.9)
Remeasurement of retirement benefit obligations	-	-	-	-	-	-	(14.8)	(14.8)
Deferred tax benefit / (expense)	2.4	-	-	-	2.4	-	2.2	4.6
Total other comprehensive income	**(9.6)**	**-**	**-**	**7.6**	**(2.0)**	**-**	**(12.2)**	**(14.2)**
Total comprehensive income for the period	(9.6)	-	-	7.6	(2.0)	-	(71.1)	(73.1)
Transactions with owners:								
Dividends paid (note 2.2)	-	-	-	-	-	-	(18.3)	(18.3)
Share-based payments	-	-	1.5	-	1.5	-	-	1.5
Treasury shares vested to employees	-	-	(4.1)	-	(4.1)	4.1	-	-
Treasury shares purchased	-	-	-	-	-	(0.8)	-	(0.8)
At 31 March 2019	(7.9)	8.3	4.7	107.9	113.0	1,347.8	390.7	1,851.5
At 1 October 2019	**(8.6)**	**8.3**	**4.2**	**147.3**	**151.2**	**1,347.9**	**337.2**	**1,836.3**
Profit for the period	-	-	-	-	-	-	388.3	388.3
Other comprehensive income:								
Exchange difference on translation of foreign operations	-	-	-	65.6	65.6	-	(2.2)	63.4
Changes in fair value of cash flow hedges	(8.6)	-	-	-	(8.6)	-	-	(8.6)
Remeasurement of retirement benefit obligations	-	-	-	-	-	-	11.6	11.6
Deferred tax credit / (expense)	2.1	-	-	-	2.1	-	(2.5)	(0.4)
Reserves released to profit and loss on demerger	16.7	-	-	(198.2)	(181.5)	-	-	(181.5)
Total other comprehensive income	**10.2**	**-**	**-**	**(132.6)**	**(122.4)**	**-**	**6.9**	**(115.5)**
Total comprehensive income for the period	10.2	-	-	(132.6)	(122.4)	-	395.2	272.8
Transactions with owners:								
Capital distribution and demerger dividend	-	-	-	-	-	(775.1)	(181.2)	(956.3)
Share-based payments	-	-	1.1	-	1.1	-	-	1.1
Treasury shares vested to employees	-	-	(3.1)	-	(3.1)	3.1	-	-
Treasury shares purchased	-	-	-	-	-	(3.1)	-	(3.1)
At 31 March 2020	**1.6**	**8.3**	**2.2**	**14.7**	**26.8**	**572.8**	**551.2**	**1,150.8**

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 2020

	Note	Half-year 31 March 2020 $ M	31 March 2019 $ M
Cash flows from operating activities			
Receipts from customers		3,061.3	2,599.6
Payments to suppliers and employees		(3,534.9)	(3,315.4)
		(473.6)	(715.8)
Proceeds from bank loans – inventory funding		507.2	574.2
Interest received		0.6	1.4
Interest paid		(34.7)	(31.2)
Income taxes paid		(6.3)	(10.1)
Net proceeds from crop production derivative	2.3	46.2	-
Net inflow / (outflow) from operating activities		**39.4**	**(181.5)**
Cash flows from investing activities			
Payments for property, plant and equipment		(39.8)	(31.5)
Payments for computer software		(1.6)	(2.8)
Proceeds from sale of property, plant and equipment		0.2	1.5
Proceeds from sale of business	3.3	315.2	-
Payments for investment / business (net of cash acquired)		-	(12.7)
Net outflow from demerger of UMG		(121.5)	-
Net inflow / (outflow) from investing activities		**152.5**	**(45.5)**
Cash flows from financing activities			
Proceeds from borrowings		719.2	594.3
Repayment of borrowings		(952.1)	(436.7)
Principal elements of lease payments		(19.4)	-
Dividends paid	2.2	-	(18.3)
Treasury shares purchased		(3.1)	(0.8)
Net (outflow) / inflow from financing activities		**(255.4)**	**138.5**
Net (decrease) in cash and cash equivalents		**(63.5)**	**(88.5)**
Cash and cash equivalents at the beginning of the period		265.3	370.9
Effect of exchange rate changes on cash and cash equivalents		10.3	0.4
Cash and cash equivalents at the end of the period		**212.1**	**282.8**

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 2020

About this report

The financial report for the half-year ended 31 March 2020 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 GrainCorp Limited financial report for the half-year ended 31 March 2020 was authorised for issue in accordance with a resolution of the Directors on 14 May 2020. The Directors have the power to amend and reissue the financial report.

On 4 April 2019 GrainCorp announced its intention to demerge its international malting business. The demerger of United Malt Group (UMG) was completed in March 2020. GrainCorp retained a 10 per cent ownership in UMG, which is classified as an investment on the GrainCorp balance sheet as disclosed in note 2.3. The remaining 90 per cent interest in UMG reflected a demerger distribution. The gain on demerger is disclosed in note 4.3. UMG is reported in the financial statements for the half-year ending 31 March 2020 as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is reported in the financial statements and accompanying notes.

During the half-year period to 31 March 2020, the infectious disease COVID-19 ('Coronavirus') has spread rapidly throughout the world, including in Australia, causing significant disruption to business and economic activity. The Food and Agriculture industry has been declared an essential service by the Australian and New Zealand governments, enabling supply chains to continue operating. GrainCorp has solid business continuity procedures in place and is addressing health and safety risks whilst continuing to service its customers. GrainCorp's operations have been maintained with minimal disruption, its edible oil and food processing plants are operating at high utilisation and grain/oilseed supply chains remain unhindered. The company has taken extensive additional steps to ensure the safety and wellbeing of its people, customers, suppliers and stakeholders.

For GrainCorp, the on-going COVID-19 pandemic has not significantly increased the estimation uncertainty in the preparation of the Consolidated Financial Statements. A thorough consideration of potential COVID-19 impacts on carrying values of assets and liabilities, contracts and potential liabilities has been made, with no material impact to the financial statements.

a) Basis of preparation

This general purpose financial report for the half-year ended:

i. has been prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;

ii. 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 2019 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;

iii. is presented under the historical cost basis apart from derivative financial instruments and commodity inventories which are measured at fair value;

iv. presents reclassified comparative information where necessary to conform to changes in the current year and

v. does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 30 September 2019 Annual Report, except for the impact of the adoption of the new and revised accounting policies discussed below. These accounting policies are consistent with the respective Australian Accounting Standards.

b) New accounting standards and interpretations

i. New and amended standards and interpretations adopted by the Group

GrainCorp has adopted all the of the new and revised Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

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

AASB 16 *Leases*

AASB 16 *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard results in almost all leases being recognised on the consolidated Statement of Financial Position of lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. Refer to note 5.1 for further disclosure on the impact to the Group's Statement of Financial Position and additional disclosures of AASB 16 *Leases*.

1. Group Performance

This section of the Financial Report focuses on disclosures most relevant to understanding the financial performance of the Group during the half-year. Segment reporting provides a breakdown of profit and revenue by operational activity. The key line items of the consolidated income statement along with their components provide detail behind the reported balances. Group performance also impacts earnings per share.

1.1 Segment information

a) Description of segments

For the 2019 financial year, GrainCorp had three operating segments: Grains, Oils and Malt. During 2019, GrainCorp announced that Grains and Oils would be combined into an integrated grains and edible oils business as well as the intention to demerge its international malting business.

From 1 October 2019 the Group has reported its operating segments as Agribusiness and Processing, which reflects the operational activity, and review and use of internal reporting by the Chief Operating Decision Maker (Chief Executive Officer). At 31 March 2020 the Group is organised into two segments that are based on the operational activity of each segment. The comparative period has been restated to be in line with the current period reporting. The demerged Malt business has been reported as a discontinued operation in the segment reporting below.

Operating Segment	Products and Services
Agribusiness	A leading Australian end-to-end grains and oils supply chain business with diversified international grains and oils origination and destination capabilities. The key commodities and products handled and traded by this segment include wheat, coarse grains (including barley, sorghum and corn), oilseeds, pulses and organics.
Processing	A vertically integrated edible oils crushing, processing, manufacturing and distribution business with a strong and well-invested footprint across both Australia and New Zealand.

Corporate includes the unallocated corporate costs such as group financing. Segment performance is based on a measure of underlying EBITDA[4].

b) Performance of segments

Half-year 2020	Agribusiness $ M	Processing $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total Continuing Operations $ M	Discontinued Operation[5] $M
Reportable segment revenue							
External revenue	1,655.6	303.5	1,959.1	-	-	1,959.1	626.3
Intersegment revenue	316.4	2.2	318.6	-	(318.6)	-	-
Total reportable segment revenue	**1,972.0**	**305.7**	**2,277.7**	**-**	**(318.6)**	**1,959.1**	**626.3**
Reportable segment result	**84.2**	**23.3**	**107.5**	**(0.1)**	**-**	**107.4**	**77.9**
Share of results of joint ventures	(2.3)	-	(2.3)	-	-	(2.3)	-
Underlying EBITDA[4]						105.1	77.9
Net interest	(5.0)	(1.1)	(6.1)	(10.2)	-	(16.3)	(8.0)
Depreciation and amortisation	(39.4)	(11.6)	(51.0)	(4.2)	-	(55.2)	(32.3)
Significant items (note 1.2)	87.7	-	87.7	(11.2)	-	76.5	301.5
Profit / (loss) before income tax	**125.2**	**10.6**	**135.8**	**(25.7)**	**-**	**110.1**	**339.1**
Other segment information							
Capital expenditure	8.0	3.2	11.2	0.1	-	11.3	-
Reportable segment assets	1,869.7	639.5	2,509.2	432.2	-	2,941.4	-
Reportable segment liabilities	(1,216.9)	(282.9)	(1,499.8)	(290.8)	-	(1,790.6)	-

[4] Underlying EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items.

[5] Discontinued operation relates to Malt business (UMG) which was demerged from the Group in March 2020. The date of demerger for accounting purposes occurred prior to the end of the half year reporting period. Revenue and expenses have been adjusted for the discontinued operation to reflect the difference. The impact on EBITDA and Profit Before Tax was not material.

1.1 Segment information (continued)

Half-year 2020	Agribusiness $ M	Processing $M	Total Continuing Operations $ M	Discontinued Operation $M
Reportable segment revenue				
Sale of commodities	1,504.9	-	1,504.9	27.6
Sale of finished goods	71.2	303.5	374.7	592.8
Service revenue	73.8	-	73.8	0.5
Other	5.7	-	5.7	5.4
Total external segment revenue	**1,655.6**	**303.5**	**1,959.1**	**626.3**
Revenue recognised at point in time	1,642.0	303.5	1,945.5	623.6
Revenue recognised over time	13.6	-	13.6	2.7
Total external segment revenue	**1,655.6**	**303.5**	**1,959.1**	**626.3**

Half-year 2019 *Restated	Agribusiness $ M	Processing $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total Continuing Operations $ M	Discontinued Operation[6] $M
Reportable segment revenue							
External revenue	1,641.0	253.6	1,894.6	-	-	1,894.6	609.5
Intersegment revenue	156.6	2.0	158.6	-	(158.6)	-	-
Total reportable segment revenue	**1,797.6**	**255.6**	**2,053.2**	**-**	**(158.6)**	**1,894.6**	**609.5**
Reportable segment result	**(24.6)**	**(2.4)**	**(27.0)**	**(15.7)**	**-**	**(42.7)**	**72.7**
Share of results of joint ventures	(3.4)	-	(3.4)	(0.1)	-	(3.5)	-
Underlying EBITDA[7]						(46.2)	72.7
Net interest	(9.1)	(1.5)	(10.6)	(6.1)	-	(16.7)	(10.0)
Depreciation and amortisation	(35.2)	(9.5)	(44.7)	(2.2)	-	(46.9)	(25.5)
Significant items (note 1.2)	-	-	-	(13.6)	-	(13.6)	-
Profit / (loss) before income tax	**(72.3)**	**(13.4)**	**(85.7)**	**(37.7)**	**-**	**(123.4)**	**37.2**
Other segment information							
Capital expenditure	20.4	3.0	23.4	2.2	-	25.6	21.4
Reportable segment assets	2,302.9	297.1	2,600.0	366.7	-	2,966.7	1,527.4
Reportable segment liabilities	(1,243.7)	(53.9)	(1,297.6)	(712.7)	-	(2,010.3)	(632.3)

Half-year 2019	Agribusiness $ M	Processing $M	Total Continuing Operations $ M	Discontinued Operation $M
Reportable segment revenue				
Sale of commodities	1,492.3	1.6	1,493.9	24.6
Sale of finished goods	52.6	252.0	304.6	584.5
Service revenue	90.3	-	90.3	0.4
Other	5.8	-	5.8	-
Total external segment revenue	**1,641.0**	**253.6**	**1,894.6**	**609.5**
Revenue recognised at point in time	1,618.5	253.4	1,871.9	606.6
Revenue recognised over time	22.5	0.2	22.7	2.9
Total external segment revenue	**1,641.0**	**253.6**	**1,894.6**	**609.5**

[6] Discontinued operation relates to Malt business (UMG) which was demerged from the Group in March 2020.

[7] Underlying EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items.

1.2 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. The Group defines significant items as those items not in the ordinary course of business, non-recurring and material in nature and amount.

31 March 2020

Half-year 2020		Profit before income tax $M	Tax $ M	NPAT $ M
Net significant items comprise:				
Transaction related costs[8]	Corporate	(11.2)	3.1	(8.1)
Gain on sale[9]	Agribusiness	87.7	(28.7)	59.0
Profit on demerger[10]	Discontinued Operation	301.5	(19.5)	282.0
Net significant items		**378.0**	**(45.1)**	**332.9**

31 March 2019

Half-year 2019		Profit before income tax $M	Tax $ M	NPAT $ M
Net significant items comprise:				
Transaction related costs	Corporate	(13.6)	2.7	(10.9)
Net significant items		**(13.6)**	**2.7**	**(10.9)**

1.3 Other income

	Half-year	
	31 March 2020 $ M	Restated 31 March 2019 $ M
Net gain / (loss) on derivative / commodity trading:		
Net realised gain / (loss) on financial derivatives[11]	63.0	(1.5)
Net realised gain / (loss) on foreign currency derivatives	(11.1)	(5.1)
	51.9	**(6.6)**
Net unrealised gain / (loss) on financial derivatives[12]	(14.5)	11.1
Net unrealised gain / (loss) on commodity contracts (forward purchases and sales)	1.7	17.3
Net unrealised gain / (loss) on foreign currency derivatives	(22.8)	0.1
Net unrealised gain / (loss) on commodity inventories at fair value less costs to sell	57.2	(85.8)
	21.6	**(57.3)**
Net gain / (loss) on derivative / commodity trading	**73.5**	**(63.9)**
Gain on sale of Australian Bulk Liquid Terminals[9]	87.7	-
Net change in fair value of investments	5.6	(2.1)
Interest income	0.4	2.0
Sundry income	7.3	4.2
Total other income / (loss)	**174.5**	**(59.8)**

Unrealised gains / losses on commodity contracts (forward purchases and sales) and commodity inventories will be recognised through revenue and goods purchased for resale respectively when the contract is executed.

[8] Relates to costs incurred to support the Board and management in their Portfolio Review including the demerger of the Malt business unit and sale of Australian Bulk Liquid Terminals.

[9] Relates to the gain on sale of the Australian Bulk Liquid Terminals business. Refer to note 3.3.

[10] Relates to the profit on demerger of the Malt business unit net of associated tax and transaction costs. Refer to note 4.3.

[11] Includes receipt on the crop production contract of $58m and annual premium payment of $6m. Refer to note 2.3.

[12] Includes unrealised loss on fair value of crop production contract of $7m. Refer to note 2.3.

1.4 Other expenses

	Half-year	
	31 March 2020 $ M	Restated 31 March 2019 $ M
Consulting	11.3	17.0
Operating leases	5.5	26.4
Legal expenses	4.2	2.2
Software maintenance	8.6	5.2
Motor vehicle	3.6	5.6
Travel	2.8	2.9
Insurance	4.7	3.6
Communication	1.6	1.6
Other	14.8	14.9
Total other expenses	**57.1**	**79.4**

1.5 Taxation

	Half-year	
	31 March 2020 $ M	Restated 31 March 2019 $ M
Income tax (benefit) / expense recognised in consolidated income statement		
Current tax	(12.7)	2.0
Deferred tax	45.4	(38.1)
Under / (over) provision in prior years	(0.4)	0.3
	32.3	**(35.8)**
Reconciliation to effective tax rate		
Profit / (loss) from continuing operations before income tax	110.1	(123.4)
Less: equity accounted (profit) / loss not subject to taxation	2.3	3.5
Profit / (loss) subject to tax	112.4	(119.9)
Income tax (benefit) / expense calculated at 30% (2019: 30%)	33.7	(36.0)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible / non-assessable items	1.4	0.1
Recognition of previously unrecognised tax losses	(1.9)	-
Under / (over) provision in prior years	(0.4)	0.3
Difference in overseas tax rates	(0.5)	(0.2)
Income tax expense / (benefit)	**32.3**	**(35.8)**
Effective tax rate[13]	**28.8%**	**29.8%**

[13] Effective tax rate is calculated as the income tax expense divided by profit subject to tax (excluding equity accounted profit / loss).

2. Capital and Financial Risk Management

The Group manages its capital to safeguard its ability to maintain an optimal capital structure so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group's capital consists of core debt, commodity inventory funding and equity. Core debt is calculated as borrowings, net of cash assets and commodity inventory. The capital structure is monitored using the core debt gearing ratio and net debt gearing ratio. The core debt gearing ratio is calculated as core debt divided by core debt plus equity. Following the demerger, the Group targets minimal core debt though this may fluctuate due to changes in the underlying capital structure and earnings base. Net debt primarily consists of funding for commodity inventory and the net debt gearing ratio is calculated as net debt divided by net debt plus equity.

The capital structure of the Group is continuously monitored and can be changed by adjusting the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. At 31 March 2020, the core debt gearing ratio is as follows:

	31 March 2020 $ M	30 September 2019 $ M
Total borrowings (note 2.1)	1,120.9	1,401.5
Cash and cash equivalents	(212.1)	(265.3)
Net debt	908.8	1,136.2
Commodity inventory[14]	(913.7)	(334.2)
Core debt	(4.9)	802.0
Total equity	1,150.8	1,836.3
Core debt gearing ratio	**0%**	**30%**

2.1 Borrowings

	31 March 2020 $ M	30 September 2019 $ M
Current		
Commodity inventory funding facilities – secured	819.2	463.6
Trade financing – unsecured	18.9	24.8
Working capital – unsecured	132.8	144.6
Total current borrowings	**970.9**	**633.0**
Non-current		
Term debt facilities – unsecured	150.0	760.0
Total non-current borrowings	**150.0**	**760.0**

* Note finance lease liabilities are now recognised in accordance with AASB 16 and have been included in Section 5.

a) Assets pledged as security

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

	31 March 2020 $ M	30 September 2019 $ M
Inventory[15]	744.7	430.7
Total assets pledged as security	**744.7**	**430.7**

Inventory funding facilities are secured against the related inventory. Lease liabilities are now accounted in accordance with AASB 16 and have been included in Section 5.

Loans under term and working capital funding facilities are secured by a negative pledge and these facilities provide the related entities in the Group that are party to the pledge the flexibility in funding their respective liquidity requirements as needed. The facilities impose certain financial covenants on the Group. All covenant ratios have been complied with during the half-year.

[14] Grains trading and Oils grain and oilseed inventories.

[15] The Group's secured inventory balance is GST exclusive.

2.1 Borrowings (continued)

b) Financing arrangements

Borrowings are drawn under the following Group debt facilities:

31 March 2020	Maturity date	Principal facility amount $ M	Amount utilised $ M
Term debt	March 2023	150.0	150.0
Commodity inventory funding	November 2020	924.0	819.2
Trade financing	November 2020	40.7	18.9
Working capital[16]	November 2020	355.0	132.8
Total financing arrangements		**1,469.7**	**1,120.9**

30 September 2019	Maturity date	As at 8 November 2019 Principal facility amount $ M [17]	As at 30 September 2019 Amount utilised $ M [18]
Term debt	March 2023	400.0	500.0
Term debt	November 2022	360.0	260.0
Commodity inventory funding[19]	November 2020	1,196.3	463.6
Trade financing	November 2020	35.0	24.8
Working capital[20]	November 2020	160.0	50.0
Working capital[21]	November 2020	355.0	94.6
Total financing arrangements		**2,506.3**	**1,393.0**

2.2 Dividends

	Half-year	
	31 March 2020 $ M	31 March 2019 $ M
Dividends paid in the half-year:		
Final fully franked dividend for the year ended 30 September 2019 (2018: 8 cents)	-	18.3
Total dividends paid	**-**	**18.3**

[16] The working capital facility limit of $355 million includes $150 million for the standby letter of credit to support the Crop Production Contract.

[17] As at 8 November 2019.

[18] As at 30 September 2019.

[19] The maturity date and principal facility amount for the inventory funding facility is as at 8 November 2019. Subsequent to balance date, the maturity date was extended from November 2019 to November 2020 and the principal facility amount changed from $683.8 million to $1,196.3 million. This facility is renewed subsequent to balance date each year to align with the seasonal requirements of the Group.

[20] The maturity date and principal facility amount for the working capital facility is as at 8 November 2019. Subsequent to balance date, the maturity date was extended from March 2020 to November 2020 and the principal facility amount changed from $50 million to $160 million.

[21] The maturity date and principal facility amount for the working capital facility is as at 8 November 2019. Subsequent to balance date, the maturity date was extended from November 2019 to November 2020 and the principal facility amount changed from $335 million to $355 million.

2.3 Financial instruments

Fair value measurements

The Group's derivative instruments are measured at fair value at the end of each reporting period. Derivative instruments are grouped into Levels 1 to 3 based on the degree to which fair value measurement inputs are observable. The fair value of derivative instruments has been determined as follows:

- **Level 1** derivative financial instruments held by the Group are instruments which are traded on an active market. The fair value of these financial instruments is the quoted market settlement price on the reporting date.
- **Level 2** derivative financial instruments held by the Group are financial instruments that are not traded on an active market. The fair value is determined using valuation techniques which maximise observable market data and rely as little as possible on entity-specific estimates.
- **Level 3** derivative financial instruments do not have quoted market prices available. The fair values are calculated by amending market price values obtained from traders and brokers for location and grade differentials.

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

31 March 2020	Level 1 $ M	Level 2 $ M	Level 3 $ M	Total $ M
Assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	3.0	0.5	-	3.5
Commodity contracts (forward purchases and sales)	-	-	55.6	55.6
Foreign currency derivatives	-	19.3	-	19.3
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	5.8	-	5.8
Total derivative financial instrument assets	**3.0**	**25.6**	**55.6**	**84.2**
Commodity inventory at fair value less costs to sell (note 3.1)	-	-	724.1	724.1
Investments in other entities	111.9	3.5	-	115.4
Total financial assets	**114.9**	**29.1**	**779.7**	**923.7**
Liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	7.5	-	-	7.5
Commodity contracts (forward purchases and sales)	-	-	46.7	46.7
Foreign currency derivatives	-	47.3	-	47.3
Crop production contract	-	-	0.9	0.9
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	3.0	-	3.0
Interest rate swap contracts	-	0.6	-	0.6
Total financial liabilities	**7.5**	**50.9**	**47.6**	**106.0**

2.3 Financial instruments (continued)

Fair value measurements (continued)

30 September 2019	Level 1 $ M	Level 2 $ M	Level 3 $ M	Total $ M
Assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	2.0	2.6	-	4.6
Commodity contracts (forward purchases and sales)	-	-	44.5	44.5
Foreign currency derivatives	-	9.8	-	9.8
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	2.0	-	2.0
Total derivative financial instrument assets	**2.0**	**14.4**	**44.5**	**60.9**
Commodity inventory at fair value less costs to sell (note 3.1)	-	-	272.9	272.9
Investments in other entities	-	3.5	-	3.5
Total financial assets	**2.0**	**17.9**	**317.4**	**337.3**
Liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	1.4	0.7	-	2.1
Commodity contracts (forward purchases and sales)	-	-	38.6	38.6
Foreign currency derivatives	-	16.2	-	16.2
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	7.9	-	7.9
Interest rate swap contracts	-	4.4	-	4.4
Total financial liabilities	**1.4**	**29.2**	**38.6**	**69.2**

Investments in other entities

The Group holds investment in other entities, these are equity investments that are classified as at fair value through profit or loss. They are classified as Level 1 and Level 2 financial instruments. Level 1 instruments are traded on an active market and the fair value of these financial instruments is the quoted market price at the reporting date.

The Group has a 10 per cent interest in United Malt Group (UMG) which is a listed entity on the Australian Stock Exchange. The Group's interest in UMG is recognised within investments in other entities in the consolidated statement of financial position. The fair value of the Group's interest, determined by reference to the closing share price on 31 March 2020, was $111.9 million. Refer to note 4.1.

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition, measurement and disclosure purposes. There were no material changes made to any of the valuation techniques applied since 30 September 2019. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 March 2020.

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 2020.

The following table presents the changes in Level 3 financial assets and liabilities:

	Half-year 2020			Full year 2019	
	Commodity Contracts $ M	Commodity inventory at fair value $ M	Crop Production Contract $ M	Commodity Contracts $ M	Commodity inventory at fair value $ M
Opening balance	5.9	272.9	-	12.7	326.7
Unrealised gain / (loss) recognised in profit and loss	3.0	57.1	0.9	(6.8)	(68.1)
Net acquisitions / (disposals)	-	394.1	-	-	14.3
Closing balance	**8.9**	**724.1**	**0.9**	**5.9**	**272.9**

2.3 Financial instruments and risk management (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 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 risk, the Group enters into various exchange traded commodity derivative contracts (futures and options) as well as OTC contracts with terms between two and 24 months. These contracts are predominantly in Australia, New Zealand, US, Canada and Europe based financial markets and denominated in the currencies of those jurisdictions.

This sensitivity analysis shows the impact on post-tax profit if commodity prices changed by 20%. The 20% movement is calculated over the market value amount of the net exposure of the commodity physical and derivative contracts as at 31 March 2020 and 30 September 2019.

	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 2020	729.0	5.3	(5.3)
30 September 2019	281.3	(2.3)	2.3

› Crop production contract

The crop production contract is classified as a financial derivative at fair value through profit and loss designated as a level 3 instrument. The fair value of the crop production contract is determined using a valuation model which estimates future cashflows from the contract, discounted to present value. Future cashflows are determined by applying the crop production contract terms to estimated crop production levels for the remainder of the contract term. The fair value calculation is highly subjective given the inability to forecast future weather patterns and crop production levels accurately. The fair value calculation uses the following inputs:

- Cashflows are determined using the crop production contract terms.
- Historical crop production data published by the Australian Bureau of Agricultural and Resource Economics (ABARES).
- Estimated future production growth rates and probabilities are derived from historical crop production data.
- Risk-adjusted discount rate based on the applicable zero-coupon AUD overnight index swap curve.

In accordance with AASB 9, the initial fair value was not recognised in the income statement as unobservable data points (as indicated above) were used for the initial fair value measurement. Consequently, the initial fair value of the instrument is deferred as disclosed in the table below. On subsequent measurement the deferred difference is recognised as a gain or loss in the income statement only to the extent it arises from a change in a factor that market participants would take into account when pricing the contract.

Derivative asset valuation gains / losses will be recognised in the income statement at the point-in-time when the valuation model inputs change. GrainCorp expects that this would occur over the life of the contract once ABARES crop production data becomes publicly available for each given year, and as such the deferred amount will be recognised in the income statement annually. The fair value of the crop production contract is disclosed in the table below. Sensitivities shown below represent unrealised fair value gains / losses only, and do not represent the potential impact to cash production payments / receipts in any given year. Production payments / receipts are determined based on actual ABARES production in any given year only.

There were no significant inter-relationships between unobservable inputs that materially affect fair value. There is a bank guarantee in place amounting to $87.2 million.

Fair value of contract using unobservable data	31 March 2020 $ M	30 September 2019 $ M
Crop production derivative	93.2	104.5
Crop production derivative - deferred initial fair value	(94.1)	(104.5)
Net position as presented in the consolidated statement of financial position	**(0.9)**	**-**

	31 March 2020 $ M	30 September 2019 $ M
Fair value of crop production derivative recognised in the statement of financial position	(0.9)	-
Effect of a 20% appreciation in discount rate on profit or loss	(0.4)	(0.5)
Effect of a 20% depreciation in discount rate on profit or loss	0.6	0.6
Effect of a 1% appreciation in crop production growth-rates during the contract term on profit or loss	(5.2)	(7.0)
Effect of a 1% depreciation in crop production growth-rates during the contract term on profit or loss	5.0	6.9

3. Operating Assets and Liabilities

This section shows the assets used to generate the Group's trading performance and liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 2. Capital and Financial Risk Management.

3.1 Inventories

	31 March 2020 $ M	30 September 2019 $ M
Raw materials	178.4	250.9
Work in progress	9.0	18.6
Finished goods	25.8	174.6
Trading stock at net realisable value	43.1	21.4
Commodity inventory at fair value less costs to sell	724.1	272.9
Total inventories	**980.4**	**738.4**

3.2 Customer Claims Provision

The Group may from time to time receive notices of possible claims for losses or damages. A provision of $8.8 million (2019: $8.6 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.

3.3 Assets held for sale

At 31 March 2020, GrainCorp has one property that has been classified as held for sale. In 2019, the assets and liabilities relating to the Australian Bulk Liquid Terminals business, in addition to other GrainCorp properties were classified as held for sale.

	31 March 2020 $ M	30 September 2019 $ M
Property, plant and equipment	14.7	165.9
Intangible assets	-	6.8
Other assets	-	37.2
Total assets classified as held for sale	**14.7**	**209.9**

	31 March 2020 $ M	30 September 2019 $ M
Total liabilities directly associated with assets held for sale	**-**	**12.2**

On 31 December 2019, GrainCorp sold the Australian Bulk Liquid Terminals business to ANZ Terminals Pty Ltd. The total sale price of $333 million included deferred consideration of $19 million. GrainCorp have recognised additional proceeds and working capital of $2.4 million as part of the agreement and hence total sales proceeds were $316.4 million ($315.2 million recognised as cash and $1.2 million recognised as a receivable at 31 March 2020). Under the sale agreement, GrainCorp has entered into a long term services agreement, and hence the sale has been treated as a sale and leaseback transaction in accordance with AASB 16 *Leases.* A $87.7 million gain on sale (pre-tax) has been recognised within Other income / loss in the Consolidated Income Statement and does not include any benefit from the deferred consideration of $19m. Refer to note 1.3.

4. Discontinued Operation

4.1 Description

On 4 April 2019 GrainCorp announced its intention to demerge its international malting business. The demerger of United Malt Group (UMG) was completed in March 2020. GrainCorp retained a 10 per cent ownership in UMG, which is classified as an investment on the GrainCorp balance sheet (disclosed in note 2.3). UMG is reported in the financial statements for the half-year ending 31 March 2020 as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The fair value of UMG at the date of settlement, being $1,062.6 million, was calculated using the volume weighted average price (VWAP) of UMG's shares as traded on the ASX over the first five trading days after the demerger date ($4.1788) multiplied by the number of UMG shares on initial listing (254,284,032 ordinary shares).

The 10 per cent investment retained by GrainCorp was initially valued at $106.3 million applying the same methodology with a fair value uplift of $5.6 million recognised on 31 March 2020. The total investment recognised on the statement of financial position is $111.9 million.

The demerger distribution is accounted for as a reduction in equity, split between share capital of $775.1 million and retained earnings of $181.2 million as specified in the ATO ruling. The amount treated as a reduction in share capital has been calculated by reference to the market value of UMG shares and the market value of GrainCorp shares post demerger. The difference between the fair value of the distribution and the capital reduction amount is the demerger dividend.

4.2 Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations of UMG in the half-year to 31 March 2020 and subsequent adjustments.

		March 2020[22] $ M	March 2019 $ M
Results of discontinued operation			
Revenue		626.3	609.5
Expenses		(590.3)	(571.0)
Other income		1.6	(1.3)
Profit before income tax		**37.6**	**37.2**
Income tax expense		(9.1)	(8.5)
Gain on demerger after income tax	4.3	282.0	-
Profit after tax from discontinued operation		**310.5**	**28.7**
Remeasurements of retirement benefit obligations		9.0	(12.6)
Changes in fair value of cash flow hedges		(8.5)	(7.7)
Exchange differences on translation of foreign operations		59.2	2.8
Reserves released to profit and loss on demerger		(181.5)	-
Other comprehensive income / (loss) from discontinued operation		**(121.8)**	**(17.5)**
Total comprehensive income for the period attributable to discontinued operation		**188.7**	**11.2**
Assets and liabilities of controlled entities at date of demerger			
Assets			
Cash and cash equivalents		106.8	
Trade and other receivables		276.6	
Inventories		360.6	
Property, plant and equipment		755.7	
Goodwill and intangibles		366.9	
Retirement benefit asset		3.9	
Other assets		35.1	
Total assets demerged		**1,905.6**	
Liabilities			
Trade payables		150.9	
Borrowings		598.1	
Lease liabilities		89.5	
Deferred tax liabilities		89.3	
Retirement benefit obligation		7.0	
Other liabilities		51.5	
Total liabilities demerged		**986.3**	
Net assets demerged		**919.3**	

[22] The date of demerger for accounting purposes occurred prior to the end of the half year reporting period. Revenue and expenses have been adjusted for the discontinued operation to reflect the difference. The impact on EBITDA and Profit Before Tax was not material.

	March 2020[22] $ M	March 2019 $ M
Cash flows of discontinued operation		
Net cash inflow / (outflow) from operating activities	11.3	(61.8)
Net cash (outflow) from investing activities	(29.0)	(21.4)
Net cash (outflow) / inflow from financing activities	(67.1)	3.0
Net cashflows for the period	**(84.8)**	**(80.2)**
Earnings per share – discontinued operation	**Cents**	**Cents**
Basic earnings per share from discontinued operation	135.6	12.5
Diluted earnings per share from discontinued operation	135.0	12.5

4.3 Profit on Demerger

	Half-year	
	31 March 2020 $ M	31 March 2019 $ M
Allocation of deemed fair value of UMG at demerger		
Capital distribution	775.1	-
Demerger dividend	181.2	-
Fair value of GrainCorp's retained investment in UMG	106.3	-
Fair value at date of distribution	**1,062.6**	**-**
Gain on demerger		
Fair value of UMG demerger	1,062.6	-
Carrying amount of net assets	(919.3)	-
Gain on demerger before income tax and reclassification of reserves	**143.3**	**-**
Reclassification of foreign currency translation reserve	198.2	-
Reclassification of hedging reserve	(16.7)	-
Gain on demerger before income tax, transaction costs	**324.8**	
Transaction and separation costs	(23.3)	-
Income tax expense[23]	(19.5)	-
Gain on demerger after income tax, transaction costs	**282.0**	**-**

[23] Net tax impact relates to deferred tax asset write off in relation to foreign operation entities, offset by recognition of deferred tax liability on initial 10 per cent investment in UMG.

5. New accounting standards adopted in the reporting period

5.1 AASB 16 *Leases*

GrainCorp adopted the modified retrospective approach, whereby the comparative information for the 30 September 2019 reporting period has not been restated in accordance with the standard. On adoption of AASB 16, the Group assessed whether existing contracts contained leases at the date of inception. These liabilities were measured at the present value of the remaining lease payments, discounted using an incremental borrowing rate at 1 October 2019, which contained the following components:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index (CPI) or a fixed rate as outlined in the lease, initially measured using the index (CPI) or fixed rate as at the commencement date;
- Amounts expected to be payable by the consolidated entity under residual value guarantees;
- The exercise price of a purchase option if the consolidated entity is reasonably certain to exercise that option; and
- Lease payments with reasonably certain extension options.

In accordance with AASB 16, lease payments are discounted using the interest rate implicit in the lease, and if that rate cannot be readily determined, the Groups incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The incremental borrowing rate is calculated by applying the interest rate on the Groups external borrowings for a term near equivalent to the lease. If there are no borrowings that mature within a reasonable proximity of the lease term, indicative pricing of where the consolidated entity can price a new debt capital market issue for a comparative term will be used in the calculation. The weighted average incremental borrowing rate applied to the lease liabilities on 31 March 2020 was 3.11% per annum.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 October 2019. The Group elected to use the transition practical expedient approach allowing the following:

- Recognition exemptions for lease contracts that, at initial application date, have a remaining lease term of 12 months or less;
- Recognition exemptions for lease contracts for which the underlying asset is of low value;
- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease; and
- Exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application

The following table shows the adjustments for AASB 16 as recognised for each impacted financial statement line item.

	30 September 2019 originally presented $ M	Total AASB 16 impact $M	1 October 2019 Restated $ M
Current assets			
Trade and other receivables	624.0	(0.2)	623.8
Total current assets	1,907.7	(0.2)	**1,907.5**
Non-current assets			
Right of use asset	-	257.6	257.6
Property, plant and equipment	1,335.2	(11.1)	1,324.1
Total non-current assets	1,967.9	246.5	**2,214.4**
Current liabilities			
Lease liabilities	-	48.7	48.7
Borrowings	633.2	(0.2)	633.0
Total current liabilities	1,132.5	48.5	**1,181.0**
Non-current liabilities			
Lease liabilities	-	202.7	202.7
Borrowings	768.3	(8.3)	760.0
Provisions	10.5	3.4	13.9
Total non-current liabilities	906.8	197.8	**1,104.6**
Total equity	1,836.3	-	**1,836.3**

5.2 Leases as 31 March 2020

The recognised right-of-use assets relate to the following:

	31 March 2020 $ M
Property leases	156.9
Motor vehicle leases	14.5
Rail leases	12.2
Total right of use assets	**183.6**

The lease liabilities as at 1 October 2019 can be reconciled to the operating lease commitments as of 30 September 2019 as follows:

Operating lease commitments disclosed as at 30 September 2019	295.9
Impact of discounting using incremental borrowing rate	(55.7)
Less:	
Short-term leases recognised on a straight-line basis as expense	(1.4)
Leases not yet commenced	(44.7)
Add:	
Receivable leases offset against commitments	44.9
Finance leases not previously disclosed as operating lease commitments	8.5
New contracts included at inception	3.9
Lease liabilities recognised as at 1 October 2019	**251.4**

For the six months ended 31 March 2020 included in the Consolidated Income Statement is depreciation of right-of-use assets of $13.1m and interest expense of $3.4m. Expense for these leases would have been recorded under rent expense prior to the adoption of AASB 16. After adoption of AASB 16, the Group's cash flows from operating activities include payments for the interest portion of lease payments (included in borrowing costs paid) and cash flows from financing include repayment of the principal portion of the lease liabilities.

6. Other

6.1 Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or 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 6 to 26 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 GrainCorp Limited and its controlled entities' financial position as at 31 March 2020 and of its performance for the half-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.

Peter Richards
Chairman

Sydney
14 May 2020

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) and the entities it controlled from time to time during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 March 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2020 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 GrainCorp Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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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 GrainCorp Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 March 2020 and of its performance for the half-year ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
14 May 2020

David Ronald

David Ronald
Partner

Sydney
14 May 2020