For personal use only

21 November 2017

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

GRAINCORP LIMITED: GNC

APPENDIX 4E AND ANNUAL REPORT

FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

Please find attached the Appendix 4E and Annual Report relating to the financial year ended 30 September 2017.

For those Shareholders that elect to receive a hard copy of the Annual Report, this document will be mailed to Shareholders commencing the week of 4 December 2017.

Annual General Meeting

GrainCorp's Annual General Meeting will be held in Sydney on Thursday 15 February 2018, commencing at 10:00am (AEDT). Further detail confirming the location and resolutions to the considered at the AGM will be outlined in the Notice of Meeting and Explanatory Memorandum, which will be sent to Shareholders in January 2018.

Yours faithfully,

GrainCorp Limited

Gregory Greer
Company Secretary

GrainCorp Limited

Level 28, 175 Liverpool Street
Sydney NSW 2000 Australia

PO Box A268
Sydney South NSW 1235

T +61 2 9325 9100
F +61 2 9325 9180

graincorp.com.au

ABN 60 057 186 035

For personal use only

GRAINCORP LIMITED
APPENDIX 4E
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Results for Announcement to the Market				
	Up / Down	% Movement		2017 $ M
Revenue from ordinary activities	Up	10.0%	to	**4,575.7**
Profit before significant items from ordinary activities after tax attributable to owners of GrainCorp Limited	Up	168.7%	to	**141.6**
Significant items[1] from ordinary activities net of tax	Down	24.8%	to	**(16.4)**
Profit from ordinary activities after tax attributable to owners of GrainCorp Limited	Up	305.2%	to	**125.2**
Net profit for the period attributable to owners of GrainCorp Limited	Up	305.2%	to	**125.2**

Dividend Information	**Amount per security**	**Franked amount per security at 30% tax**
Interim dividend per share (paid 17 July 2017)	15.0 cents	15.0 cents
Final dividend per share	15.0 cents	15.0 cents
Record date for determining entitlements to the final dividend		30 November 2017
Payment date for final dividend		14 December 2017

Additional Information

Net Tangible Assets per share: $6.16 (2016: $5.42)

Additional Appendix 4E disclosure requirements can be found in the attached Annual Report.

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

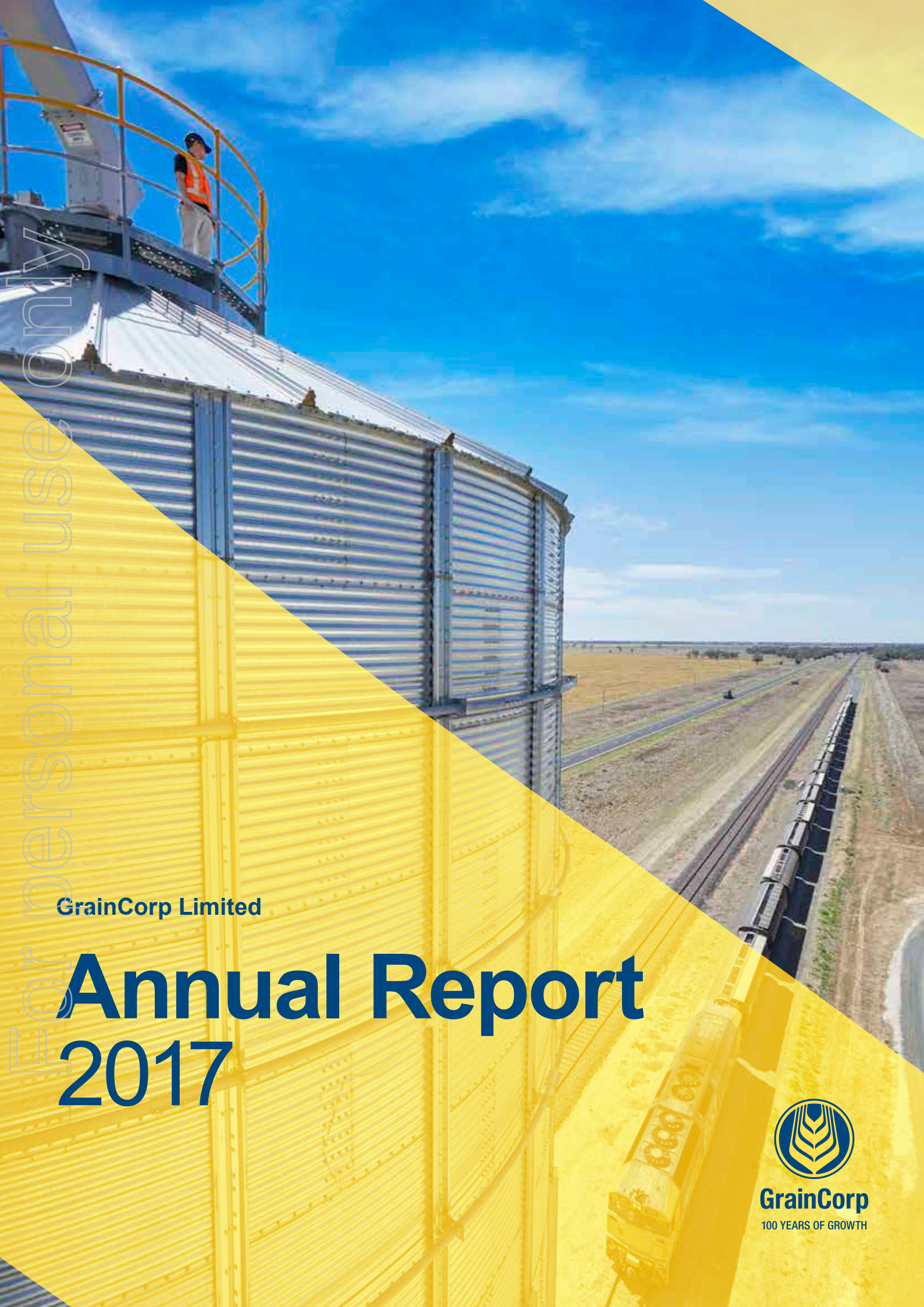
Further information regarding the company and its business activities can be obtained by visiting the company's website at www.graincorp.com.au.

[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 1.5 of the Annual Report.

GrainCorp Limited
Level 28, 175 Liverpool Street
Sydney NSW 2000 Australia
PO Box A268
Sydney South NSW 1235
T +61 2 9325 9100
F +61 2 9325 9180
graincorp.com.au

ABN 60 057 186 035

For personal use only



GrainCorp Limited

Annual Report 2017

GrainCorp
100 YEARS OF GROWTH

For personal use only

GrainCorp provides a diverse range of products and services across the food and beverage supply chain to customers in over 30 countries.

Contents

GrainCorp Overview 2
Chairman's Statement 4
MD & CEO's Statement 6
Board of Directors 10
Executive Leadership Team 12
Directors' Report 14
Remuneration Report 28
Auditor's Independence Declaration 41
2017 Financial Report 42
Notes to the Financial Statements 48
Directors' Declaration 92
Independent Auditor's Report to the members of GrainCorp 93
Shareholder Information 99
Corporate Directory IBC

Annual General Meeting
15 February 2018, 10:00am

Cover image
GrainCorp site in Nevertire, NSW. Recent upgrades as part of Project Regeneration will reduce the rail cycle time of a 40-wagon train from 48 to 36 hours.



For personal use only



GrainCorp Overview

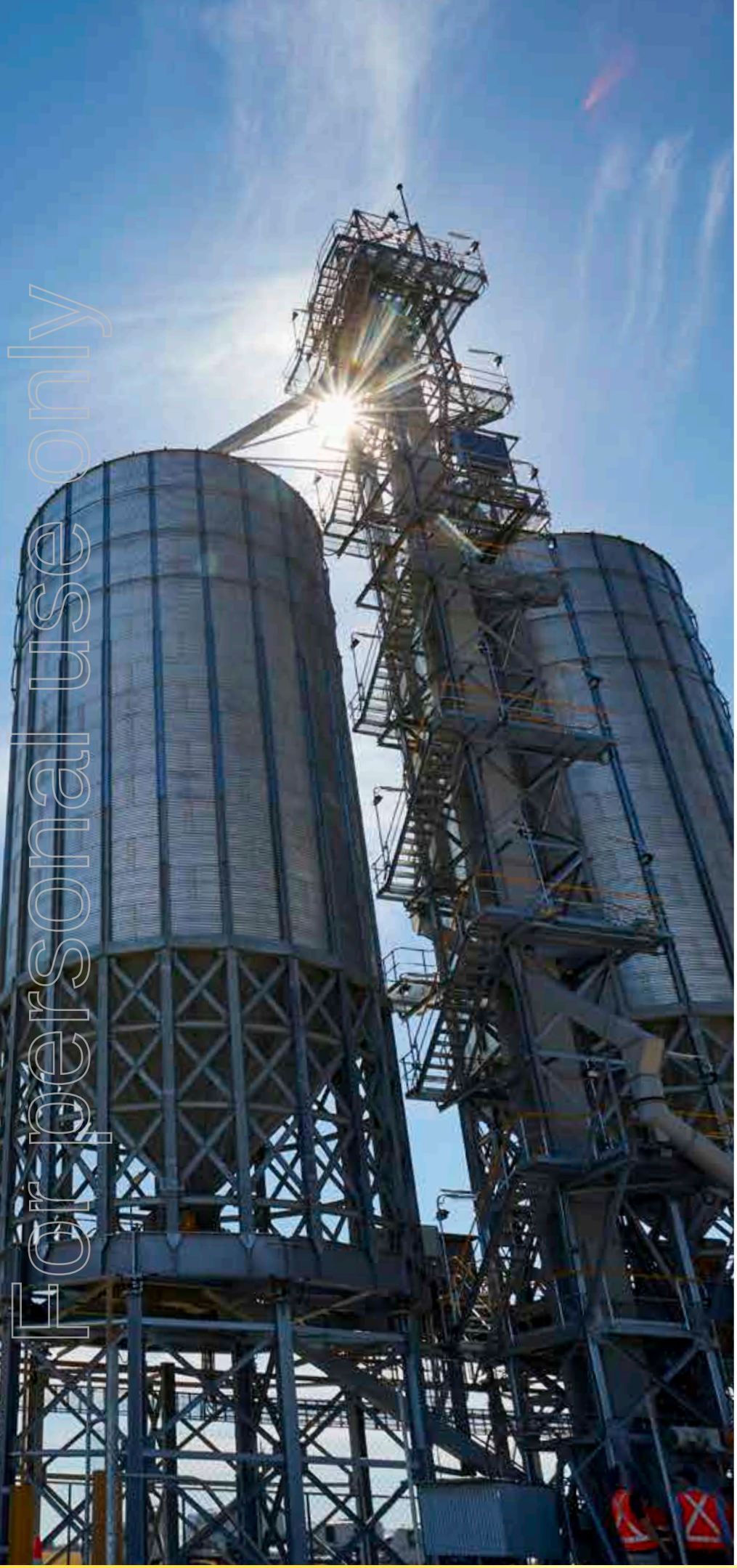
Our International Operations



GrainCorp is a leading international food ingredients and agribusiness company with an integrated business model across three main grain activities: supply chain, origination and processing.

For personal use only

For personal use only



GrainCorp has operations in Australia, New Zealand, Asia, North America, Europe and the United Kingdom. These markets collectively represent over 50 percent of the international export trade in wheat, barley and canola.

GrainCorp has three reporting segments:

- GrainCorp Grains[1]
- GrainCorp Malt
- GrainCorp Oils

Our Vision

To be a leading international agribusiness as our customers' preferred partner.

Our Integrated Supply Chain

Accumulation – Largest regional accumulation network in Australia.

Storage – Over 20mmt of country storage and handling capacity.

Marketing – Marketing to local and global markets.

Road & Rail – Full freight connectivity for rapid turnaround.

Ports – 7 bulk grain ports with 15mmt elevation capacity and 14 bulk liquid terminals.

Processing – A key end producer of malt and oils.

Our Values

Our values help define our organisational culture by providing a common understanding of how we do things at GrainCorp and how we should behave towards each other, our customers and other stakeholders.

- Commit to **SAFETY**
- Deliver for our **CUSTOMERS**
- **LEAD** the way
- **OWN** the result

1. In August 2017, Storage & Logistics and Marketing were combined into a single "Grains" business unit.



Dividends Per Share (DPS) (¢)

Return on Equity (ROE)

FY17 EBITDA by business unit[2]

2. Reflects business unit proportions of EBITDA (excludes corporate costs).
3. Comprises S&L and Marketing.

Chairman's Statement

I am pleased to deliver my first report as Chairman, in what was a strong year for GrainCorp with our grains businesses benefiting from a large Australian crop and another good performance from GrainCorp Malt.

For the year ended 30 September 2017, underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was $390 million and underlying net profit after tax (NPAT) was $142 million[4]. The significant uplift in earnings largely reflects higher Australian grain throughput, which was a pleasing outcome after three below-average harvests in eastern Australia[5].

Dividend

The Board declared a final dividend of 15 cents per share for the period to 30 September 2017, taking the total dividend for the year to 30 cents per share. This represents a payout ratio of 48%, in line with the Company's policy of paying out 40-60% of full-year underlying NPAT through the cycle.

Strategic priorities

We continue to focus on building more stable and reliable earnings streams and improving our return on capital. While we saw strong improvement to returns in FY17, our objective is to achieve a greater level of consistency through the cycle and I am confident we are on the path to achieving this.

During the year, we progressed several initiatives that will help to deliver stronger and more consistent returns, including the completion or advancement of several capital investment projects. We also continued to optimise our supply chains to drive operational efficiencies and reduce costs. These efforts will continue in FY18, particularly as we face significantly lower volumes in the Grains business.

We sold several non-core assets during the year which will free up capacity for future reinvestment. Strengthening our return on capital through asset sales and reinvestment is an important focus for the Group.



"We continue to focus on building more stable and reliable earnings streams and improving our return on capital."

Graham Bradley AM
Chairman

Balance sheet strength

Our financial position was strong at 30 September 2017, with net debt gearing at 37%,[6] below our target of 45%. We will maintain a disciplined approach to capital management as the current capital expenditure cycle winds down and as cash flows are generated from our strategic projects.

Strengthening our service

I am pleased to have had the opportunity over the past six months, since commencing as Chairman, to meet with our broader management group, employees and customers to see the breadth of our operations first-hand.

I am proud of the opportunity to lead the Board as we look to further strengthen the quality of our service offerings and to extend our organisational capabilities.

I would also like to make special note of the firm foundations put in place over the past decade under Don Taylor's Chairmanship, which has helped GrainCorp to become the strong and diverse business it is today.

Conclusion

I would like to thank GrainCorp's employees and my fellow Board members for their dedication and achievements during the year. I would also like to thank our shareholders and customers for their continued support.

4. Underlying EBITDA and Underlying NPAT are non-IFRS measures and exclude significant items.
5. Based on 10-year average between 2007/08 and 2016/17.
6. Quarterly rolling average.

For personal use only

For personal use only



Image: Recently upgraded malt plant in Pocatello, Idaho.

› MD & CEO's Statement

The 2017 financial year was positive for GrainCorp with strong performances across most businesses and a significant improvement in financial results.

Our grains businesses benefited from the large Australian harvest and the increased storage, handling and merchandising opportunities. This included successfully executing a large grain export program despite persistently high global crop supplies and depressed grain prices, which continued to be a headwind for Australian growers.

Our processing businesses had a mixed year with Malt delivering another strong result and Oils underperforming against expectations. Our Foods business is taking a number of actions to improve its competitiveness, including a continuous improvement program to accelerate cost and efficiency benefits.

Safety

During the year, we continued to improve our safety processes and controls, striving towards our vision of Zero Harm, Safe for Life. However, our RIFR did increase marginally in FY17, from 11.3 to 11.5, which is a reminder that we must continually work hard to achieve sustained improvements.

We also launched our ***Group Safety, Health and Environment Strategy – Towards 2020*** program, which sets clear goals over the next three-year period to drive further improvements.

Financial performance

GrainCorp delivered a strong increase in earnings in FY17 with underlying EBITDA of $390 million and underlying NPAT of $142 million, up 52% and 168% respectively.

Storage & Logistics delivered $152 million EBITDA, with total grain receivals of 15.0mmt and export volumes of 7.2mmt, both up on last year and reflecting the substantial increase in east coast Australian production. During harvest, Storage & Logistics operated approximately 160 silos with an average of 70,000mt receivals per site, a strong improvement in network efficiency compared to the previous year (~180 sites, ~40,000mt/site).

Marketing contributed $54 million EBITDA, benefiting from a large increase in grain exports.

Malt delivered another good result, with EBITDA of $158 million, down 2% on last year. The small decline was due to an unfavourable foreign exchange impact from the higher Australian dollar (vs USD, GBP and EUR) and reduced capacity following the sale of three German malt plants. The business continued to operate at high capacity utilisation with strong demand for speciality products.

Oils generated EBITDA of $58 million, down 5% on last year. The Bulk Liquid Terminals, Oilseeds and Feeds businesses performed well, however Foods had a challenging year with a prolonged process in capturing efficiency improvements at West Footscray, margin compression and unstable demand for infant formula.

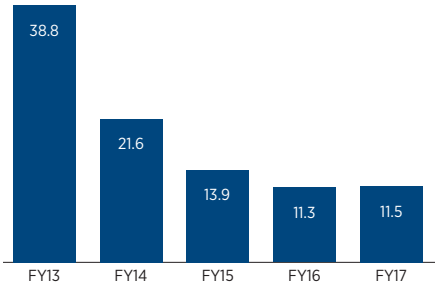
Strategic priorities

During FY17 we made solid progress on each of the three strategic priorities that I announced last year:

1. Deliver on our growth initiatives:

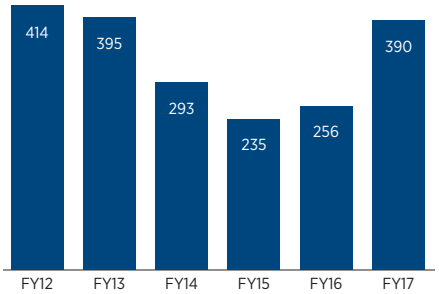
- Completed the expansion of our malt plant in Pocatello, Idaho, in the fourth quarter, generating an additional 120,000mt of malting capacity;
- Continued the development of grain receival sites as part of Project Regeneration to deliver improved in-load and rail efficiency for users of GrainCorp's country network;
- Announced the final three (of four) grain receival sites for GrainsConnect Canada, the 50-50 joint venture with Japanese agricultural cooperative Zen-Noh Grain Corporation. The first site will become operational in late 2017.

Recordable Injury Frequency Rate (RIFR)[7]

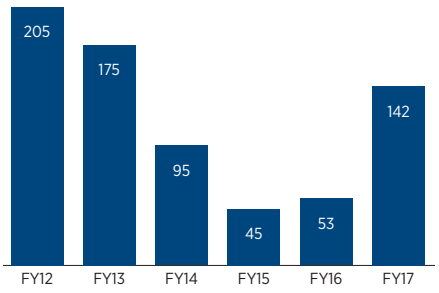


7. Recordable Injury Frequency Rate ("RIFR") calculated as the number of injuries per million hours worked. Includes permanent and casual employees and GrainCorp controlled contractors. Includes lost time injuries, medical and restricted work injuries.

Underlying EBITDA ($m)



Underlying NPAT ($m)



For personal use only

› MD & CEO's Statement

For personal use only

› Progressed the oilseed crush expansion at Numurkah, VIC, which will increase capacity by 40% to 1,000 tonnes/day. The plant will become operational before the 2018 harvest.

2. Maintain disciplined approach to capital management:

GrainCorp was in a strong financial position at 30 September 2017 with net debt gearing at 37%[8], below our target of 45%, and core debt gearing at 20%.

Our priority is to maintain a disciplined approach to capital management, which will be important in FY18 as we face the prospect of a much smaller harvest and a subsequent reduction in cash flow.

3. Growth and portfolio optimisation:

A fundamental objective of GrainCorp is to increase our return on capital and improve shareholder returns. A key part of this involves portfolio optimisation – proactively assessing each of our assets on their strategic fit for GrainCorp and their ability to deliver an appropriate return.

During the year we sold our flour milling business, Allied Mills, for $190 million in equity value, after owning it in a joint venture with Cargill Australia for over 15 years. The sale provided GrainCorp with an excellent opportunity to realise value and create balance sheet flexibility. We also sold three German malt plants which we considered sub-scale and non-core to the Malt business.

In September 2017 we acquired Cryer Malt, the largest distributor of craft brewing ingredients in Australia and New Zealand, for total consideration of $13.8 million[9]. Cryer is a good strategic fit for our Australian Malt business, with a strong track record of servicing a growing brewer customer base.

Foods repositioning

Our Foods business is experiencing a number of challenges including a prolonged process in capturing efficiency improvements at West Footscray and a compression in margins. Unfortunately, these have had a negative impact on Oils' earnings.

We have taken significant steps to improve Foods' competitiveness, including combining the Foods and Oilseeds operating structure, undertaking a continuous improvement program to drive operational efficiencies and refocusing our customer and support structure.

Change to GrainCorp structure

In August, we announced the creation of a single Grains business unit by combining our Storage & Logistics and Marketing businesses. This is an opportunity for GrainCorp to provide a more consistent and improved customer offering and to enhance our global competitiveness. We will also look to deliver cost and efficiency benefits as the two businesses are integrated.

Klaus Pamminger was appointed Group General Manager, Grains, having served as Group General Manager, Marketing for the past five years. Neil Johns, Group General Manager, Storage & Logistics, has left GrainCorp after an extensive career with the company spanning three decades. I would like to thank Neil for the significant contribution he has made to the company in that time.

70,000mt

Grain receivals per S&L site in FY17[10]

120,000mt

Additional malting capacity in Pocatello, Idaho

8. Quarterly rolling average.
9. On 29 September 2017, the Group acquired 100% of the assets in Cryer Malt for a purchase price of $13.8 million, which includes $3.2 million deferred consideration to be paid in three annual instalments.
10. Based on ~160 sites.

Crop outlook

In FY18, we expect a considerable decline in grain production across eastern Australia due to prolonged dry weather across many grain growing regions.

In response to this decline, we have acted promptly to simplify our grains operations and reduce operational costs. Volatility of production is something we understand well; it is an inherent risk in Australian agriculture and a key consideration in our risk management.

Summary

The underlying fundamentals of our businesses remain robust. There is strong demand globally for dry grains and oilseeds and an increasing consumer focus on health, food quality, transparency and product premiumisation. GrainCorp is well positioned to benefit from these trends over the medium to long term.

While 2018 will be a challenging year for our Grains business, we have made significant progress in recent years to optimise our network and more closely align operational costs with volumes. Our processing businesses continue to underpin earnings for the Group and demonstrate the benefits of having a diversified portfolio.

I would like to take this opportunity to thank our employees for their continued enthusiasm and hard work, and our customers, shareholders and other stakeholders for their ongoing support.



"2017 was a successful year for GrainCorp with strong performances across most businesses."

Mark Palmquist
Managing Director & CEO

For personal use only

Board of Directors



Graham J Bradley AM
BA, LLB (Hons I, Sydney), LLM (Harvard), FAICD
Chairman and Non-executive Director

Graham Bradley joined the GrainCorp Board on 1 March 2017 and assumed the role of Chairman on 1 May 2017. Mr Bradley is currently Non-executive Chairman of HSBC Bank Australia Limited, EnergyAustralia Holdings Limited, Virgin Australia International Holdings Limited, and Infrastructure NSW. He is also a Director of The Hongkong & Shanghai Banking Corporation Limited and GI Dynamics Inc. He was previously Chairman of Po Valley Energy Limited until his retirement in April 2016, and Chairman of Stockland Corporation Limited until his retirement in October 2016. Mr Bradley has had a distinguished career in business, including eight years as Managing Director of Perpetual Limited and senior roles at Blake Dawson and McKinsey & Company. He was President of the Business Council of Australia from 2009-2011 and the former Deputy President of the Takeovers Panel. Mr Bradley was made a member of the Order of Australia in 2009 in recognition of his contribution to business, medical research and the arts.



Mark L Palmquist
BBus, GAICD
Managing Director & Chief Executive Officer

Mark Palmquist joined the GrainCorp Board as Managing Director & CEO in October 2014. He was previously Executive Vice President and Chief Operating Officer, Ag Business, for CHS Inc., a leading global agribusiness diversified in energy, grains and food. He has held a variety of leadership roles for a broad range of CHS agricultural inputs and marketing areas, retail businesses and grain-based food and food ingredients operations. Mr Palmquist was previously a Director of Rahr Malting, a leading US maltster, and a Non-executive Director of Allied Mills Australia Pty Ltd until his resignation in March 2017.



Rebecca P Dee-Bradbury
BBus, GAICD
Non-executive Director

Rebecca Dee-Bradbury joined the GrainCorp Board in September 2014. Ms Dee-Bradbury is Chair of the People Remuneration and Nominations Committee and a member of the Board Audit Committee. She was previously Chief Executive Officer/President Developed Markets Asia Pacific and ANZ for Mondelez from 2010 to 2014. Ms Dee-Bradbury is a Non-executive Director of BlueScope Steel Limited, and was previously a Non-executive Director of Tower Limited until her resignation in 2016. Ms Dee-Bradbury is also a Director of EnergyAustralia Holdings following her appointment in April 2017. Ms Dee-Bradbury is an inaugural member of the Business Advisory Board at Monash Business School. She brings to the Board significant experience in strategic brand marketing, business integration and transformation, customer relationship management and innovation.



Donald G McGauchie AO
FAICD
Non-executive Director

Donald McGauchie re-joined the GrainCorp Board in December 2009 (having previously served during the period from October 2000 to July 2003). Mr McGauchie is a member of the People Remuneration and Nominations Committee. He is also Chairman of Nufarm Limited and Chairman of Australian Agricultural Company Limited. Mr McGauchie was previously a Director of James Hardie plc until his retirement in August 2016. Mr McGauchie has farming interests and extensive experience acting as chairman and director on public company boards.



Simon L Tregoning
BCom, FAICD
Non-executive Director

Simon Tregoning joined the GrainCorp Board in December 2008. Mr Tregoning is a member of the Safety Health Environment and Governance Committee and a member of the People Remuneration and Nominations Committee. He is also a Director of Capilano Honey Limited. Mr Tregoning was previously Vice-President of Kimberly Clark Corporation, has extensive overseas senior executive experience and is an experienced company director.



Daniel J Mangelsdorf
BAgEc(Hons), FAICD
Non-executive Director

Dan Mangelsdorf has served as an independent Director of GrainCorp since February 2009, having first been appointed as a major shareholder representative Director in 2005. Mr Mangelsdorf is Chairman of the Business Risk Committee and a member of the Board Audit Committee. Mr Mangelsdorf owns and operates farming interests in NSW, and is an experienced public company director with agricultural, supply chain, international trade and risk management expertise. He is also the Non-executive Chairman of Warakirri Agricultural Trusts, and a Non-executive Director of Warakirri Asset Management Pty Ltd.

For personal use only

For personal use only



Barbara J Gibson
BSc, MAICD, FTSE
Non-executive Director

Barbara Gibson joined the GrainCorp Board in March 2011. Ms Gibson is Chairman of the Safety Health Environment and Governance Committee and is a member of the Business Risk Committee. Ms Gibson is an experienced executive having spent 20 years with Orica Limited, and is a member of the Institute of Company Directors. She is also a fellow of the Australian Academy of Technological Sciences and Engineering, and Chairman of Warakirri Asset Management Pty Limited. In 2003, Ms Gibson was awarded a Centenary of Federation Medal for services to Australian Society in Medical Technology. Ms Gibson was previously a Non-executive Director of Nuplex Industries Limited until her resignation in September 2016.



Peter I Richards
BCom
Non-executive Director

Peter Richards joined the GrainCorp Board in November 2015. Mr Richards was formerly the Managing Director of Norfolk Group Limited in 2013, and Managing Director and Chief Executive Officer of Dyno Nobel Limited from 2005 to 2008, having held various senior positions in the company both in Australia and the United States since 1990. Mr Richards is a member of the Board Audit Committee and the Safety Health Environment and Governance Committee. Mr Richards is also Chairman of EMECO Holdings Limited. Mr Richards resigned as Chairman of NSL Consolidated Limited in April 2017, but continues as Non-executive Director. He was previously a Director of Baralaba Coal Company Limited until his resignation in September 2017, a Director of Bradken Limited until his resignation in November 2015, and a Director of Sedgman Limited until November 2015. Mr Richards has over 35 years' business experience with global companies, having worked in Australia, the UK and US.



Peter J Housden
BCom, FCPA, FAICD
Non-executive Director

Peter Housden joined the GrainCorp Board in October 2008. Mr Housden is Chairman of the Board Audit Committee and a member of the Business Risk Committee. He is a Director of Alliance Aviation Services Limited. He was previously the Chairman of Royal Wolf Holdings Limited until his resignation in September 2017, a Director of Seeing Machines Limited until his resignation in July 2017, a Director of Lincor Limited until his resignation in December 2016 and a Director of Calibre Group Limited until his retirement in December 2015. Mr Housden is the Chairman of the Audit and Risk Committee for Sydney Trains (NSW Government). He has extensive experience acting on public company boards.



Executive Leadership Team

Andrew Baker
Chief Information Officer

Andrew Baker was appointed Chief Information Officer in July 2015. Mr Baker has experience across a variety of industries including resources, industrial and fast moving consumer products. He has held several IT leadership roles in Accenture, Mars Corporation and was previously the Chief Information Officer at BlueScope Steel.

Alistair Bell
Group Chief Financial Officer

Alistair Bell was appointed Group CFO in November 2010. Mr Bell leads the international finance, treasury, investor relations and shared services teams. Mr Bell is a director of GrainCorp subsidiary companies and director of Grains Connect Canada, a 50/50 joint venture between GrainCorp and Zen-Noh, building a high-speed Canadian grain storage and handling network. Until recently, he was a Director of Allied Mills, a leading Australian food ingredients manufacturer, and Chairman of its Audit Committee. He was also a Director of Alzheimer's Australia NSW, a member of its Investment Committee and Chairman of its Audit & Risk Committee until it was dissolved to form Dementia Australia. Prior to joining GrainCorp, Mr Bell held various CFO, COO and strategy positions with public, private equity and multinational companies spanning various industries.

Phil Caris
Group General Manager Human Resources and SHE

Phil Caris was appointed Group General Manager Human Resources in September 2015. Mr Caris leads GrainCorp's global people and culture strategy and is responsible for leadership, talent, engagement, employee relations, performance, reward and diversity & inclusion. In 2016, his portfolio was extended to include Group Safety, Health and Environment responsibilities. Prior to joining GrainCorp, Mr Caris was Executive General Manager of Human Resources and Safety at Coates Hire and has held a number of other senior human resource leadership roles with companies including BHP, Coca-Cola and TNT both in Australia and overseas. Mr Caris is also a Non-executive Director of the LUCRF Superannuation Fund.

Greg Friberg
President and CEO GrainCorp Malt

Greg Friberg was appointed President and CEO GrainCorp Malt in July 2013. Mr Friberg joined United Malt Holdings (acquired by GrainCorp in 2009) in 1999 and has held a number of senior management and commercial roles across the Group. Mr Friberg has extensive experience across the grains and malting industries having previously worked for ConAgra Grain Company and Columbia Grain Inc.

Marcus Kennedy
Chief Development Officer

Marcus Kennedy was appointed Chief Development Officer in August 2015. Mr Kennedy is responsible for corporate strategy development, implementation and governance. He joined GrainCorp in 2012 and was most recently the General Manager Strategy & Business Improvement for GrainCorp Oils. Mr Kennedy has held several senior commercial and strategy leadership roles across a variety of industries including financial services, insurance, resources and agriculture.

Amanda Luhrmann
Group General Counsel & Company Secretary

Amanda Luhrmann was appointed Group General Counsel and Company Secretary in February 2017 and leads GrainCorp's global governance, risk, insurance and legal services. Ms Luhrmann has held corporate counsel and executive management positions across a diverse range of industries and businesses with international operations, having previously specialised at a top tier firm in corporate advisory and mergers & acquisitions acting for clients in manufacturing, energy, media, telecommunications, rail and aviation. Ms Luhrmann is admitted as a Solicitor of the Supreme Court of New South Wales, a Member of AICD and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators.

Klaus Pamminger
Group General Manager Grains

Klaus Pamminger was appointed Group General Manager Grains in August 2017 and is responsible for the Grains Operations and Trading businesses in Australia, Singapore, China, Europe and Canada. Mr Pamminger joined GrainCorp in 2007 and prior to this he worked for a number of companies in Australia and the US. Mr Pamminger is the Chairman of GrainsConnect Canada, a director of GrainCorp subsidiary companies and a Member of AICD.

Sam Tainsh
Group General Manager GrainCorp Oils

Sam Tainsh was appointed Group General Manager GrainCorp Oils in August 2012, and is responsible for the edible oils crushing, refining, food ingredients, feeds, liquid terminals and used oils businesses. Mr Tainsh joined GrainCorp in July 2001 and was previously Group General Manager GrainCorp Marketing. Before joining GrainCorp, he worked as a commodity trader at Louis Dreyfus Corporation in Australia and the US. Mr Tainsh is also a director of GrainCorp subsidiary companies.

For personal use only

For personal use only

› Directors' Report



Directors' Report

Introduction

The following people were Directors of GrainCorp during the financial year 2017 and up to the date of this report:

- G J Bradley AM (Chairman) (appointed as a Non-executive Director on 1 March 2017 and Chairman on 1 May 2017)
- 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
- D C Taylor (retired 1 May 2017)
- S L Tregoning

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Details of the current members of the Board of Directors, including their experience, qualifications, special responsibilities and term of office are included on pages 10 to 11 of the Annual Report.

Details of Directors' interests in shares and options of GrainCorp are set out in section 7 of the Remuneration Report.

Group Company Secretary

Amanda Luhrmann *BSc, LLB (Hons), FCIS, FGIA, MAICD*

Amanda Luhrmann was appointed Group General Counsel on 1 February 2017 and Company Secretary on 23 February 2017 and leads the Group's global governance, risk, insurance and legal services function. Ms Luhrmann has held corporate counsel and executive management positions across a diverse range of industries and businesses with international operations, having previously specialised at a top tier firm in corporate advisory and mergers & acquisitions acting for clients in manufacturing, energy, media, telecommunications, rail and aviation. Ms Luhrmann is admitted as a Solicitor of the Supreme Court of New South Wales, a Member of AICD and a Fellow of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators.

Gregory Greer *BCom, MPA, GIA(Cert)*

Gregory Greer joined GrainCorp in 2004 and was appointed by the Board as Group Company Secretary on 23 June 2014. Mr Greer is responsible for the Group's company secretarial, risk and insurance functions. Mr Greer has held a number of corporate positions in the Company during his tenure.

Murray Floyd *LLB, Grad Dip Corp Gov, Legal Practitioner Admitted Qld Supreme Court 1989*

Murray Floyd was appointed by the Board as Joint Company Secretary on 25 February 2016 and resigned on 23 February 2017.

For personal use only

Meetings of Directors

The following table sets out the number of meetings of GrainCorp's Directors (including meetings of Committees of Directors) held during the 12 months to 30 September 2017, and the number of meetings attended by each Director.

	Board		Board Audit Committee		People, Remuneration & Nominations Committee		Business Risk Committee		Safety, Health, Environment & Governance Committee	
Director	A	B	A	B	A	B	A	B	A	B
G J Bradley[11]	4	4	~	2#	1	1	~	~	~	~
M L Palmquist	11	11	~	4#	~	4#	~	4#	~	4#
R P Dee-Bradbury	11	11	4	4	4	4	~	1#	~	~
B J Gibson	11	10	~	~	~	~	4	3	4	2
P J Housden[12]	11	11	4	4	~	~	1	4#	~	~
D J Mangelsdorf	11	11	4	4	~	~	4	4	~	~
D G McGauchie	11	11	~	~	4	4	~	~	~	~
P I Richards	11	11	4	4	~	~	~	1#	4	4
D C Taylor	8	8	~	2#	2	2	2	2	~	2#
S L Tregoning	11	10	~	~	4	4	~	~	4	4

A Number held during period in office. B Number attended by members of the Committee and other Directors.
~ Not a member of the relevant Committee # Attended by invitation.

[11] Mr Bradley was appointed by the Board as a permanent member of the People, Remuneration & Nominations Committee from September 2017.

[12] Mr Housden was appointed by the Board as a permanent member of the Business Risk Committee from August 2017.

For personal use only

Operating and Financial Review

About GrainCorp

Our History

GrainCorp started in 1916 under the Grain Elevator Act and was administered as a branch of the New South Wales Government's Department of Agriculture. The Company led the development of Australia's first bulk grain handling system with the construction of 200 country elevators linked by rail to shipping terminals at Sydney and Newcastle. By October 1989, the Company had gone through several changes and was known as the Grain Handling Authority of NSW ('GHA'). At this time, the GHA was corporatised and became the NSW Grain Corporation. The NSW Grain Corporation was privatised in April 1992 and sold to the grain grower owned Prime Wheat Association that became GrainCorp. GrainCorp listed on the Australian Stock Exchange in 1998.

GrainCorp has grown through acquisition and organic growth. GrainCorp acquired Victorian based Vicgrain in 2000, Queensland based Grainco in 2003, an international portfolio of malt businesses from United Malt Holdings in 2009, edible oils businesses Gardner Smith and Integro Foods in October 2012 and Cryer Malt, an Australasian distributor of craft brewing ingredients, in 2017. In 1996, GrainCorp was the first Australian bulk handler to trade grain in the Australian domestic market, and in 2008 commenced exporting wheat to international markets following the removal of the export single wheat desk.

Overview

GrainCorp is Australia's leading agribusiness with an integrated business model across three grain activities: supply chain, origination and processing. GrainCorp focuses its activities on the core grains of wheat, barley, canola and sorghum where the Company has comparative advantages through grain origination, proximity to growth markets and technical expertise. GrainCorp has operations in Australasia, North America and Europe (including the United Kingdom), with these regions collectively representing over 50% of global export trade in wheat, barley and canola.

GrainCorp has three operating segments:

- Grains
- Malt
- Oils

For the majority of the 2017 financial year, GrainCorp had four operating segments comprising Storage & Logistics, Marketing, Malt and Oils. On 31 August 2017 GrainCorp announced it was simplifying its business structure through the creation of a single Grains business unit from the existing Storage & Logistics and Marketing businesses.

Our Corporate Objectives

We aim to:

- Manage earnings variability by participating in multiple grain chains and geographies;
- Deliver growth by realising opportunities and competing in the global grain market; and
- Improve shareholder returns by creating and capturing value along the grain supply chain.

We have made significant achievements in meeting these corporate objectives through:

- Dividends to shareholders representing 52% of underlying NPAT before significant items during the past five years, in line with our dividend policy of paying 40-60% of NPAT through the business cycle.
- Delivering an average ROE before significant items of 8.0% over the past seven years since the commencement of the diversification strategy.
- Reducing earnings volatility by growing earnings from business units with more stable earnings.
- Organic and acquisitive growth, enabled by a strong and flexible balance sheet.
- Creation of GrainCorp Malt and GrainCorp Oils processing businesses.

For personal use only

Our Business Model

We operate a business model based on:

- Our core grains – wheat, barley, canola and sorghum. We focus on the 'drier climate' grains where we have comparative advantages of grain origination, proximity to growth markets and technical expertise.
- Our operating geographies – Australasia, North America and Europe. These regions collectively service over 50% of the global trade in our core grains; our operations provide market insight, price risk management and multi-origin capability.
- Our integrated activities – supply chain, origination and processing. We create and capture value in our core grains along the grain chain, with insight into consumer requirements in these grains.

Our Strategy

We operate in a global grain market that offers considerable growth prospects in the demand for grain and processed grains such as malt and edible oils.

Population growth and rising affluence over the next 40 years is projected to drive a 50% increase in global grain demand and 100% increase in the global trade in grains.

Our strategy is to apply our comparative advantages in the supply of grain, malt and edible oils to participate in this growth opportunity, serving customers in Australia and internationally.

Creating Value

We create and capture value for consumers, growers and shareholders from the following competitive advantages:

- Strategic assets – our unique 'end-to-end' infrastructure network at all stages of the grain chain in our core grains.
- Geographic location – proximity to the world's growth markets for grain in Asia, the Middle East and Africa.
- Grain origination – access to grain with strong quality advantages to satisfy a diversified range of consumer products.

For personal use only

Group Financial Summary

Key Results ($ M)		2013	2014	2015	2016	2017
Revenue		4,462.0	4,094.1	4,085.5	4,158.3	4,575.7
Underlying EBITDA[13]		395.4	293.3	235.4	255.5	390.1
Underlying EBIT[14]		276.6	166.8	99.1	112.9	243.7
Net profit after tax		140.9	50.3	32.1	30.9	125.2
Dividend (cents per share)[15]		45.0	20.0	10.0	11.0	30.0
Financial Position						
Total assets	$ M	3,170.3	3,333.2	3,673.7	3,575.8	3,598.4
Total equity	$ M	1,758.6	1,744.5	1,821.8	1,742.0	1,860.4
Net assets per ordinary share	$	7.69	7.62	7.97	7.61	8.13
Net debt to net debt and equity[16]	%	24.8	29.8	29.0	33.4	27.2
Core debt to core debt and equity[17]	%	18.9	21.5	23.4	29.3	19.5
Shareholder Returns						
Basic earnings per ordinary share	cents	61.9	22.0	14.0	13.5	54.7
Return on equity	%	10.1	5.4	2.5	3.0	7.8
Dividend per ordinary share[15]	cents	45.0	20.0	10.0	11.0	30.0
Dividend yield per ordinary share[18]	%	3.6	2.3	1.1	1.4	3.7
Business Drivers (million metric tonnes)						
Storage & Logistics						
Total grain receivals (country + direct-to-port)		12.6	9.7	8.8	8.8	15.0
Grain exports handled		8.3	4.4	3.5	3.0	7.2
Non-grain handled		1.9	1.9	2.5	3.0	2.8
Throughput (grain + non-grain)[19]		23.8	15.7	14.5	14.6	22.7
Marketing						
Total Marketing sales (including Pools)		6.1	6.2	6.0	6.7	8.3
GrainCorp international grain sales		4.1	3.9	3.6	4.1	5.5
Malt						
Malt sales		1.3	1.3	1.3	1.3	1.2
Oils						
Oils crushing & refining sales		0.6	0.5	0.6	0.6	0.5

[13] Underlying EBITDA is a non-IFRS measure representing earnings before interest, tax, depreciation and amortisation, excluding significant items which are detailed in note 1.5 of the Financial Report.

[14] Underlying EBIT is a non-IFRS measure representing earnings before interest and tax, excluding significant items which are detailed in note 1.5 of the Financial Report.

[15] All dividends were fully franked.

[16] Net debt is total debt less cash.

[17] Core debt is net debt less commodity inventory.

[18] Using closing price immediately prior to or on 30 September divided by dividends per year.

[19] Represents the throughput volumes handled by Storage & Logistics, including the average of country sites and handled at port (grain and non-grain).

For personal use only

Segment Results ($ M)	2016 Revenue	2016 Underlying EBITDA[20]	2017 Revenue	2017 Underlying EBITDA[20]
Storage & Logistics	399.3	48.1	664.5	152.0
Marketing	1,938.8	3.3	2,209.4	53.9
Malt	1,190.5	161.4	1,105.5	158.4
Oils	923.5	61.0	945.5	58.0
Allied Mills (60% share of NPAT)	-	10.2	-	-
Corporate and eliminations	(293.8)	(28.5)	(349.2)	(32.2)
Total	**4,158.3**	**255.5**	**4,575.7**	**390.1**

Group Financial Analysis and Commentary

The Group reported underlying net profit after tax ('NPAT') of $142 million, up $89 million, or 169%, on the prior year. Underlying earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by $134 million, or 52%, to $390 million. Revenue from continuing operations increased 10% to $4,576 million (2016: $4,158 million).

Malt

Business Unit Overview

GrainCorp Malt offers deep grain expertise and tailored relationships with brewing and distilling customers around the world.

GrainCorp Malt is the world's fourth largest commercial maltster, with 14 malting houses in Australia, Canada, the United States and United Kingdom. GrainCorp Malt supplies malt and other brewing ingredients/products to global brewers, craft brewers and distillers.

FY17 Performance

- Stable earnings with continued strong demand for specialty products.
- ~$7m unfavourable foreign exchange impact from higher AUD (to USD, CAD and GBP).
- Malt revenue down, following the sale of three German malt plants in quarters two and three.
- Capacity utilisation remained high.
- Completed expansion of Pocatello, Idaho malt plant in quarter four, adding an additional 120,000 mt of malting capacity:
  - Highly efficient plant, strategically located, supported by significant off-take agreement.
  - Plant running at full production.

Oils

Business Unit Overview

GrainCorp Oils is a leading producer of edible oils in Australasia. Locally grown and processed, our oil is used in the production of a wide range of food and animal feed products.

GrainCorp Oils' ownership and management of key assets in the oilseed supply chain, along with GrainCorp Oils' size and quality assurance, enables us to produce high quality products at competitive prices.

- Operations include crushing, refining, packaging, storage and recycling.
- Leading Australian manufacturer and supplier of animal liquid feeds.
- Australia's largest integrated edible oils business.
- 14 bulk liquid terminals in Australia, New Zealand and China.
- Production of approximately 500,000 tonnes of animal feed in Australia and New Zealand.

[20] Underlying EBITDA is a non-IFRS measure representing earnings before interest, tax, depreciation and amortisation, excluding significant items set out in note 1.5 of the Financial Report.

For personal use only

FY17 Performance

- Improved Oilseeds performance with stronger crush margins – higher canola supply and reduced seed procurement costs.
- Bulk Liquid Terminals capacity utilisation remained high.
- Improved result from Feeds business, with sales volumes up on last year.
- Disappointing Foods result, with a prolonged process in capturing efficiency benefits at West Footscray, margin compression and unstable demand from infant formula customers.
- GrainCorp is acting to enhance the competitiveness of the Foods business through an accelerated cost reduction program.

Grains

Business Unit Overview

In August 2017, GrainCorp's Storage & Logistics and Marketing businesses were combined into a single 'Grains' business unit.

GrainCorp owns and operates the largest grain storage & logistics network in eastern Australia, spanning regional storage facilities, rail and road operations and bulk grain ports. Our ownership of these key supply chain assets allows us to source, handle, store and transport grain efficiently and securely, providing vital grain quality assurance to our customers.

Through our origination and marketing teams positioned across four continents, we also partner with customers to analyse markets, manage price risk and create additional value at each stage of the supply chain.

- Largest grain storage network in eastern Australia.
- Approximately 160 country receival sites with over 20 million metric tonnes ('mmt') of storage capacity.
- Seven port terminals with 15 mmt of elevation capacity.
- Up to 4 mmt of rail freight capacity.
- Servicing over 100 domestic and international grain buyers.
- One of the leading sellers of grain into the domestic Australian market.
- Sells and delivers around eight mmt annually to 30+ countries.
- Building supply chain capability in western Canada with 50-50 JV with Japanese agricultural co-operative Zen-Noh Grain Corporation.

For the majority of the 2017 financial year, Grains operated as two separate business units – Storage & Logistics and Marketing. In this financial report, GrainCorp has continued to report the financial results for the two business units separately.

FY17 Performance – Storage & Logistics

- Grain throughput of 19.9 mmt (FY16: 11.6 mmt); throughput including non-grain 22.7 mmt (FY16: 14.6 mmt).
- Total grain receivals of 15.0 mmt (FY16: 8.8 mmt).
- Grain exports of 7.2 mmt (including containers) (FY16: 3.0 mmt).
- Non-grain handled of 2.8 mmt (FY16: 3.0 mmt).
- Higher earnings derived from higher grain receivals and increased bulk grain export activity; benefiting from large increase in east coast Australia grain production.
- Negative impact to earnings of approximately $20 million due to supply chain disruption.
- Slowing of Q4 FY17 export activity; grain being held for domestic use in anticipation of low FY18 exportable surplus.

FY17 Performance – Marketing

- Benefited from large export program.
- 8.3 mmt delivered sales – 2.8 mmt domestic, 5.5 mmt export and international.
- Continued diversification of grain origination, with successful execution out of Australia, Canada, Europe, UK and the Black Sea.
- Alternative origination sources continued to compete strongly with Australian grain due to abundant global supply and low ocean freight rates.
- GrainsConnect Canada, the 50-50 JV with Zen-Noh Grain Corporation, made good progress during the year, with all four sites now announced and the first to become operational in late 2017.

For personal use only

Outlook

The 2018 financial year will be challenging for Grains, with expectations of a substantially lower crop on east coast Australia due to prolonged dry weather during the 2017 winter. Australia's competitiveness in international markets is likely to be challenged by persistent low global grain prices, cheap ocean freight rates and global oversupply of grain. We expect continued strong performance from Malt, with a full year contribution from the expanded malt plant in Pocatello, Idaho. Oils' Foods business is responding to margin compression through the simplification of its operating structure and accelerated cost reduction to enhance its competitiveness.

Sustainability

GrainCorp is committed to sustainable value creation. Our long-term objectives in sustainability go hand in hand with value creation for our shareholders. GrainCorp has published a 2017 Sustainability Report which can be accessed via the GrainCorp website. Below is a summary of the report's key sections and GrainCorp's performance for 2017:

Safety

Safety, as one of our core values, is of paramount importance. We focus on promoting the right safety attitudes and behaviours at every level of the organisation. During the year we continued to improve our safety processes and controls, striving towards our vision of Zero Harm, Safe for Life.

Since FY12 we have reduced our RIFR by 68% and LTIFR by 75%, reflecting the intense focus the organisation has placed on employee safety in that period. However, GrainCorp's RIFR and LTIFR did increase marginally in FY17, which is a reminder that the organisation must continually work hard to drive sustained performance improvements.

Key achievements in 2017

- Lost Time Injury Frequency Rate ('LTIFR') of 3.0 (FY16: 2.7)
- Recordable Injury Frequency Rate ('RIFR') of 11.5 (FY16: 11.3)

Safety initiatives undertaken during the year included:

- GrainCorp's **Group Safety, Health and Environment Strategy-Towards 2020** was launched in March 2017. The strategy was developed around five pillars; Safety, Environment & Sustainability, Leadership & Culture, Health & Wellbeing and Risk Management. It provides a framework based on designated key goals and key priorities which are then broken into initiatives.
- GrainCorp's **Sentis safety training program** is in its fifth year, supporting the company's culture of empowered safety via the use of tools such as the Personal Big 5, whereby each employee recognises the five personal reasons they have to work safely each and every day. We continue to see the success of these tools in shifting the mindsets of employees from seeing safety as a compliance exercise to seeing safety as an important part of their lives.
- This year is the third year of our **Fit4Life program**. Fit4Life enables employees to improve their health through an end-to-end support program which involves a series of educational workshops focused on body and mind, and periodic health-checks to track progress.
- An **Employee Assistance Program**, designed to enhance the emotional, mental and general psychological wellbeing of all employees, was reviewed during the year. It gives employees funded access to an independent, confidential, counselling service offering professional support to help cope with life's difficult issues.
- **SHE (Safety, Health & Environment) Awards**: To assist in finding innovative solutions to reduce injuries, improve wellbeing and minimise the impact of our operations on the environment, SHE Awards are held each year to motivate employees to take a fresh look at the way they do things. To further enhance the level of engagement and encourage communication and idea-sharing across the Group, Germinator, an online tool, was launched, allowing GrainCorp employees to review and promote ideas, with the best initiatives then rolled out in the business.

People

At GrainCorp, we believe that creating an optimal working environment is fundamental to our business success. This requires us to focus on building an engaged and diverse workforce that attracts and retains talented employees, while also nurturing leadership.

Key achievements in 2017

- Completed the rollout of Launch, the first level of leadership within **LEAD**, a custom program aligned to the four levels of leadership within GrainCorp (Launch, Elevate, Accelerate, Discover) and now over 350 front-line leaders have received customised training.

For personal use only

- Held our ninth annual **GrainCorp Leadership Group ('GLG') conference**, which brings together around 90 leaders from across our business to share experiences and ideas.
- Achieved an overall **employee engagement score of 62%** (down from 63% in 2016) with an 85% participation rate.
- Transitioned to an internal resourcing model to both improve GrainCorp's brand in the employment market and to better align the capabilities GrainCorp is seeking with potential employees.
- Seven new graduates commenced GrainCorp's two-year **Graduate Recruitment Program**.
- Established a **Diversity & Inclusion Committee**, chaired by GrainCorp's MD & CEO Mark Palmquist, comprising 13 employees who represent a broad range of professional and personal characteristics.
- Introduced a stretch KPI target for executive leaders which aims to improve the gender balance of the GLG.

Environment

Environment & Sustainability forms a key pillar of the Group Safety, Health & Environment Strategy-Towards 2020. Our overarching goal is to reduce GrainCorp's environmental impact. To achieve this, several key priorities have been established with a focus on improvement in the areas of energy and emissions, water and waste. Additionally, GrainCorp is undertaking a climate change risk assessment, and an action plan will be formulated to address priority risks.

Energy and emissions:

A large part of our business involves production and therefore we are very focused on energy optimisation and on reducing the carbon intensity of our operations for key business sites in each business unit. This year, GrainCorp Malt in Vancouver, USA continued to implement changes to improve energy efficiencies through the kilning phase. ANOX burners have been installed and other kiln enhancements made which reduce the amount of natural gas used during the kilning process. These changes, combined with last year's installation of pusher fans and the elimination of afterburners in the roasting house, have resulted in a decrease of a further 2,900 (tCO2-e) of Green House Gas ("GHG") emissions.

Energy Taskforce:

Exploration of renewable energy alternatives is a priority, driven in part by the rising cost of utilities, and this year we established a cross-business unit Energy Taskforce. This group is charged with investigating opportunities for GrainCorp to reduce the impact of energy price volatility on its operations. The Energy Taskforce is currently conducting a detailed audit of energy use profiles at our largest energy consuming sites in Australia and is developing an action plan to manage peak demand and drive energy efficiency improvements. It is also conducting a feasibility study of alternative generation and supply options at key sites, including biomass and the use of renewable energy sources.

Other initiatives implemented or progressed during the year included:

- Our technical services laboratories in Marong and Temora were previously discarding around 2,100kg of plastic sample bags per year into landfill. Recycling of these used sample bags by a local disability employment provider has reduced both waste disposal costs and the environmental impact of sending plastic bags to landfill. Furthermore, the proceeds of grain emptied from these bags is donated to local charities.
- Country Malt Group in Vancouver, USA has installed a new malt bagging line which fills over 1,000,000 25kg bags per year. The bags used on this line are high quality and 100% recyclable and replace non-recyclable bags that were used on the previous line. The switch will divert 218,000kg of non-recyclable bags from landfill.
- At GrainCorp Malt in Vancouver, USA, the installation of a highly efficient spray tree system, used to create humidity for germination, and the installation of a recirculation pump to recycle spray water has resulted in a reduction of the plant's daily water consumption by over 11 million litres/day.

For personal use only

Community

At GrainCorp we aim to build long-term positive relationships with the communities in which we are located. We believe community connectedness is of immense value to the wellbeing of both our employees and our communities.

GrainCorp Community Fund

The GrainCorp Community Fund provides financial support to organisations and projects that contribute to local community development in our operating regions around the world. Each year, the Fund donates up to $400,000AUD to various initiatives. This year donations included:

- A $26,450CAD donation to the Innisfail Fire and Rescue Society for the installation of Thermal Imaging Cameras (TIC) in the first responding units out of the Innisfail Fire Station in Alberta, Canada. Canada Malting Company, a GrainCorp business, operates a grain elevator near Innisfail.
- An $18,000 donation to the Tarawera Recreation Club to help upgrade club facilities. GrainCorp operates several grain receival sites in areas surrounding Tarawera in south-west Queensland, Australia.
- A $16,000 donation to the North Star Parents & Carers Association to help build a much-needed new sports shed at the North Star Public School. GrainCorp operates a grain receival site at North Star, in northern NSW, Australia.
- A $10,000 donation to the Barellan & District War Memorial Tennis Club for upgrading its tennis court surfaces. GrainCorp operates a grain receival site in Barellan, southern NSW.

Silo Art Trail

Since 2015, GrainCorp has supported silo art projects with the aim of reinvigorating some of Australia's smallest regional towns. GrainCorp is proud to provide the silos as massive canvases to form the GrainCorp Silo Art. In addition, we have provided important safety and operational support and worked closely with the artists to ensure the artwork represents the character of the local community.

We have seen considerable benefits for local communities as the artwork provides a focal point for the community and a fantastic reason for tourists to stop and visit the town.

For personal use only

Risk

There are various risks associated with owning shares in GrainCorp. Some of these risks are specific to GrainCorp and its business while others are risks of a more general nature that apply to any stock market investment. The list of risks set out below is not exhaustive and does not take into account the personal circumstances of shareholders. Shareholders should seek professional advice if they are in any doubt about the risks associated with holding shares in GrainCorp.

Risks Affecting GrainCorp's Business

- **Weather conditions -** Weather conditions can cause variability in grain production, which may impact GrainCorp's operating results in a number of ways, including variability in the volume of grain that GrainCorp stores, handles, transports, trades, exports and uses in its business, as well as by affecting the credit worthiness of agricultural producers who transact with GrainCorp.
- **Other external factors** - GrainCorp's business and financial performance are subject to external factors, including farmer sowing decisions, domestic and international government farm support programs and policies, demand for biofuels, commodity price volatility, the outbreak of plant disease or pest and the occurrence of and resistance of pests to pesticides used to protect grain in storage.
- **Regulation** – GrainCorp's business is regulated by a range of laws and regulations in countries where GrainCorp operates. GrainCorp may be subject to costs, investigations, penalties, liabilities, loss of reputation and other adverse effects as a result of failure to comply with these laws and regulations. Further, the introduction of new laws and regulations could materially adversely impact GrainCorp's business and financial performance, for example by necessitating increased levels of expenditure on compliance, monitoring, controls, access regimes and arrangements and land use restrictions.
- **Transportation** - GrainCorp's operations rely on rail and road transportation to move grain from farms into country storage sites, and from these sites to port terminals and domestic consumers. A disruption or delay in rail transportation service provision, for instance as a result of temporary or permanent rail track closures, may adversely impact GrainCorp's operations and operating results. GrainCorp also charters vessels in and to international jurisdictions to transport products to consumers. A disruption in international shipping activities, for instance ship diversion, port blockages or acts of piracy, may adversely impact GrainCorp.
- **Operational risks** - GrainCorp's business is subject to various operational risks, including claims and disputes in relation to grain or finished product inventory, machinery breakdown, supply issues, loss of long term agreements for supply or for premises, regulatory requirements, workplace disputes and impacts of environmental obligations.
- **Market demand** - During times of reduced market demand for grain, GrainCorp may suspend or reduce operations and production at some of its facilities. The extent to which GrainCorp efficiently manages available capacity at its facilities will affect its profitability.
- **Commodity prices** - GrainCorp's business may be adversely affected by changes in the price of commodities, additional raw materials, the cost of energy and other utility costs caused by market fluctuations beyond GrainCorp's control, which have in the past, and could in the future, adversely affect margins.
- **Hedging risk** - GrainCorp engages in hedging transactions to manage risks associated with fluctuations in the price of commodities, transportation costs, energy and utility prices, interest rates and foreign currency exchange rates. However, GrainCorp's hedging strategies may not be successful in minimising its exposure to these fluctuations. Further, it is possible that GrainCorp's risk management policies may not successfully prevent GrainCorp's traders from entering into unauthorised transactions that have the potential to alter or impair GrainCorp's financial position.
- **Food and feed industry risks** - GrainCorp is subject to food and stockfeed industry risks such as spoilage, contamination, fumigation or treatment applications which do not meet destination requirements, incorrect grade classification, tampering or other adulteration of products, product recalls, government regulation, destination or industry standards, shifting customer and consumer preferences and concerns and potential product liability claims. These matters could adversely affect GrainCorp's business and operating results.
- **Capital requirements** - GrainCorp requires significant amounts of capital to operate its business and fund capital expenditure. If GrainCorp is unable to generate sufficient cash flows, or raise sufficient external financing on acceptable terms to fund these activities, GrainCorp may be forced to limit its operations and growth plans, which may adversely impact efficiency, productivity, competitiveness and financial results.
- **Debt obligations** - GrainCorp's debt obligations are subject to certain operating, financial and other covenants. If GrainCorp fails to meet these covenants, GrainCorp may be forced to repay those debt obligations on demand. GrainCorp may also not be able to put in place new debt facilities on acceptable terms by the time existing debt facilities expire.

For personal use only

- **Global and regional economic conditions** - The level of demand for GrainCorp's services and products is affected by global and regional demographic and macroeconomic factors, including population growth rates and changes in standards of living. A significant downturn in global economic growth, or recessionary conditions in major geographic regions, may lead to a change in consumer preferences impacting demand for grain and agricultural commodities, such as malt and flour, which could have a materially adverse effect on GrainCorp's business and financial performance.
- **Customers and suppliers** - The current weak global economic conditions and the tightening of credit markets have adversely affected, and may in the future continue to adversely affect the financial viability of some of GrainCorp's customers, suppliers and other counterparties, which in turn may negatively impact GrainCorp's operations and financial performance.

General Risks

- **Economic risks** - General economic conditions, fluctuations in interest and inflation rates, commodity prices, currency exchange rates, energy costs, changes in governments, changes in fiscal, monetary and regulatory policies, the development of new technologies and other changes to general market conditions may have an adverse effect on GrainCorp, its future business activities and the value of GrainCorp shares.
- **Market conditions** - Share market conditions may affect the value of shares regardless of GrainCorp's financial or operating performance. Share market conditions can be unpredictable and are affected by many factors including changes in investor sentiment toward particular market sectors (in particular agriculture and food supply) and the domestic and international economic outlook.
- **Significant events** - Significant events may occur in Australia or internationally that could impact the market for commodities relevant to GrainCorp, GrainCorp's operations, the price of shares and the economy generally. These events include war, terrorism, civil disturbance, political actions and natural events such as earthquakes and floods.

For personal use only

Additional Disclosures

Earnings per share ('EPS')

Basic EPS from continuing operations increased 305% to 54.7 cents (2016: 13.5 cents).

Dividends

Since year end the Directors have approved the payment of a fully franked final dividend totalling $34.3 million. This represents the equivalent of a final dividend of 15 cents per share on issue at the record date of 30 November 2017. The dividends will be paid on 14 December 2017.

Dividend	Date Paid	Fully Franked Dividend per Share	Total Dividend ($ M)
Final dividend for the year ended 30 September 2017	14 December 2017	15.0 cents	34.3

Dividend	Date Paid	Fully Franked Dividend per Share	Total Dividend ($ M)
Final dividend for the year ended 30 September 2016	14 December 2016	3.5 cents	8.0
Interim dividend for the half year ended 31 March 2017	17 July 2017	15.0 cents	34.3

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 September 2017 which have 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.

For personal use only

Insurance of officers

During the financial year, the Group has paid, or agreed to pay, premiums to insure persons who are, or have been, an officer of the Company or a related entity, or any past, present or future Director or officer of the Company, or any of its subsidiaries or related entities. The contracts prohibit disclosure of the amount of the premium paid. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid to the external auditor PwC for audit and non-audit services provided during the year are set out in note 5.1 of attached financial report.

In accordance with the advice received from the Board Audit Committee ('BAC'), the Board is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the BAC to ensure they do not impact the integrity and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics of Professional Accountants.

A copy of the external auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 41 and forms part of this report.

Corporate governance statement

During the year ended 30 September 2017, the Company's corporate governance framework was consistent with the third edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council. GrainCorp's Corporate Governance Statement can be viewed at:

http://www.graincorp.com.au/investors-and-media/investor-information/corporate-governance

For personal use only

Remuneration Report

1. Executive Remuneration governance

Role of the People Remuneration and Nominations Committee ('PRNC')

The PRNC assists the Board to ensure GrainCorp's remuneration approach aligns with business strategy and the interests of our shareholders. The PRNC reviews proposals made by management and makes recommendations to the Board on individual remuneration arrangements, target-setting, performance assessment, succession planning, and director remuneration. The PRNC's role, responsibilities and membership are set out in the PRNC Charter on the GrainCorp website.

External remuneration advice

To ensure that the Board's remuneration decisions are fully informed, the PRNC receives advice from an external remuneration advisor, Ernst & Young ('EY') and from management. EY's engagement terms include protocols to maintain its independence.

During the year, EY provided the PRNC and Board with general advice on various remuneration matters. None of the advice provided by EY during the year included a remuneration recommendation as defined in the Corporations Amendment (Improving Accountability on Directors and Executive Remuneration) Act 2011.

2. Executive remuneration principles

GrainCorp's global remuneration philosophy is based on a number of key principles which are aimed at attracting, retaining and motivating employees and guiding the Group's remuneration policies.

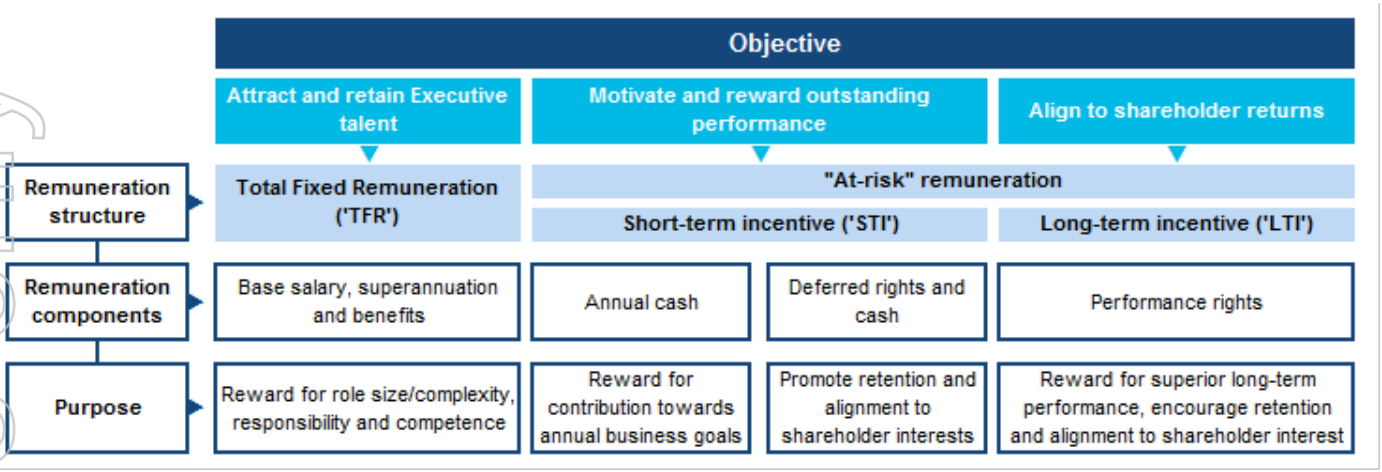
- Remuneration is one component of the overall value proposition GrainCorp offers its employees. Remuneration decisions support and complement non-cash benefits, work/life flexibility and career and personal development.
- Total remuneration comprises a fixed and variable component. Total remuneration outcomes are aligned to company performance and business capacity to pay is factored into all remuneration decisions. The variable, at risk, component is linked to performance and rewards above target outcomes.
- Total remuneration will be sufficiently competitive to attract and retain talent in the markets in which GrainCorp operates.
- GrainCorp periodically reviews market data to ensure that the remuneration structure aligns to policy and is informed by market best practice specifically;
  - Total fixed remuneration aligned to policy of the median rate of the relevant market, with consideration given to experience, qualifications and performance.
  - Variable remuneration and non-financial benefits incentivise superior delivery aligned to strategic objectives.
  - Use reputable surveys or specialists to enable the business to set remuneration at an appropriate level to attract and retain high calibre of employees.
- Total fixed remuneration will reflect the capabilities, skills, knowledge, responsibilities and accountabilities expected of the individual employees, as well as the criticality of the role to the business.
- Fixed remuneration increases for individuals will recognise GrainCorp's capacity to pay, position against market benchmarks, performance in role, and the acquisition and application of skills and capabilities required for future business success.
- All remuneration policies will be developed and monitored to ensure that they are gender neutral, non-discriminatory and free from bias.

For personal use only

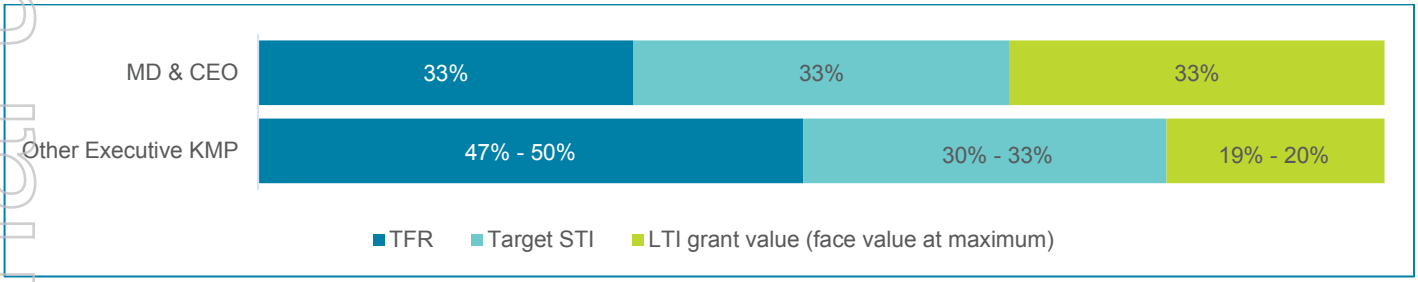
Executive Key Management Personnel ('Executive KMP') remuneration framework

GrainCorp's remuneration strategy rewards Executive KMP for the delivery of the Group's business strategy.

The diagram below provides an overview of our approach.



A significant portion of executive remuneration is 'at-risk' to ensure alignment with the Group's strategic objectives and shareholder interests. Executive KMP target remuneration mix is summarised in the chart below which shows the portion of total target remuneration comprising TFR, STI at target opportunity and LTI grant value (i.e. maximum LTI opportunity).



Executive Incentive Plans

The following table outlines the executive STI and LTI plans under which awards were made in FY17.

Table 1: Incentive plans

Element	STI	LTI
Opportunity	Performance is assessed on a scale from 0% to 150% of target. The final STI opportunity is ultimately determined by the size of the pool (see below section on pool funding).	The Board determines LTI opportunities expressed as a percentage of TFR, converted to performance rights at face value of GrainCorp shared based on the 20-trading-day volume weighted average price ('VWAP') for GrainCorp shares following the release of the Company's annual financial results.
Performance period	One financial year.	Three financial years.
Form of reward	Part cash and part rights (see below).	Performance rights only, (i.e., rights to GrainCorp shares for nil consideration). Rights vest subject to the achievement of the specified performance measures and do not carry any voting or dividend rights.
Deferral / Performance period	50% of the MD & CEO's awarded STI is deferred, while 41.2% of awarded STI for other Executive KMP is deferred. Deferred awards for the MD & CEO vest after 12 months. Awards for other Executive KMP vest 50% after 12 months, and 50% after 24 months, (subject to continued employment by GrainCorp.)	No rights vest until performance outcomes against the 3 year performance hurdles have been determined.

For personal use only

For personal use only

Element	STI	LTI
Pool Funding	STI payments are funded from an STI pool determined by the Board based on GrainCorp's Net Profit after Tax ('NPAT') performance and return on invested capital. A company performance factor is determined and applied to incentives at the end of the year when the financial results are confirmed. This factor is used to ensure that the spend aligns precisely with the available pool. In years of outstanding performance, the factor provides an uplift to incentive payments and in years where financial targets are not attained the factor acts to reduce incentive payments. As determined by the Board, a minimum (threshold) level of NPAT is required before any payments are funded.	n/a
Performance measures	Executive KMP are assessed on a balanced scorecard of measures to ensure strategy and shareholder alignment. For FY17 these are: • Group NPAT and business unit Earnings Before Interest and Tax ('EBIT') / Profit Before Tax ('PBT') financial metric (60%); • Group and business unit safety, health and environment, including reportable injury frequency rate ('RIFR') (10%); • Group and business unit people engagement (10%); • Group and business unit Customer net promoter score ('NPS') (10%); • Individual KPIs based on agreed strategic project implementation (10%). Assessment of STI measures occurs following the end of the financial year, by the Board in relation to the MD & CEO, by the CEO (and approved by the PRNC) in relation to Other Executive KMP. The scorecard measures, description, weighting and the Boards assessment of performance in FY17 are provided in this report (Table 4). The performance measures are reviewed annually to recognise that the business must respond to the changing business priorities and the significant variability in market conditions.	To ensure shareholder alignment, FY17 awards are divided into two separate tranches, each with one performance hurdle: return on equity ('ROE') (50% of the award) and relative total shareholder return ('TSR') (50% of the award). There is also an ongoing service condition **ROE** ROE focuses Executives on generating earnings that efficiently use shareholder capital and the reinvestment of earnings. ROE is defined as underlying NPAT divided by average shareholders' equity, as determined by the Board from the Company's financial results. Due to seasonal variability in production conditions, GrainCorp's Board sets a one-year ROE target as part of the budgeting process each year. The three-year ROE hurdle is the average of the three annual targets set by the Board. Annual ROE targets are set in November each year and disclosed following the end of the performance period in the remuneration report. One-year targets allow the Company to account for the variability in the agribusiness industry and for near-term capital management objectives. The following factors are considered by the Board in the target-setting process: • Expected earnings for each business area, overlaid with estimated production and market conditions for the forthcoming year (i.e., harvest volumes, receivals, export demand, malt contract sales, local and government trading environments and industry and climactic conditions); • External market forecasts (e.g., from the Australian Bureau of Agricultural Resource Economics and Sciences and Australian Crop Forecasters); • Capital investment strategy for the forthcoming year; and • Historical ROE performance. The proportion of rights that may vest based on ROE performance will be determined by the Board, based on the following vesting schedule.

Three-year average ROE performance	Percentage of ROE-tested rights to vest
Below minimum of target range	Nil
At minimum of target range	50%
Within target range	Straight line between 50% and 100%
At or above maximum of target range and above	100%

For personal use only

<table>
<tr><th>Element</th><th>STI</th><th>LTI</th></tr>
<tr><td></td><td>For FY18 the measures are:
• Group NPAT and business unit, EBIT, financial metric (50%);
• Group and business unit safety, health and environment, including RIFR (10%);
• Group people engagement (10%);
• Group customer NPS and conversion of detractors (10%)[21];
• Individual KPIs based on agreed strategic project implementation and other business unit specific targets (20%)[22].</td><td>Minimum ROE Threshold
To further align Executive KMP remuneration with shareholder returns, ROE performance must exceed a minimum threshold during the three-year performance period before any of the ROE tranche may vest. The minimum ROE threshold is GrainCorp's average ROE for the 10 years prior to the end of the relevant performance period.

Relative TSR
Relative TSR focuses Executive KMP on shareholder value creation as it measures the percentage change in a company's share price plus the value of dividends received during the period.
GrainCorp's TSR is measured relative to a peer group of 100 ASX-listed companies (i.e. 50 companies above and 50 companies below GrainCorp's market capitalisation ranking). The peer group is defined at the start of the performance period. The selected comparator group represents organisations of similar size and complexity.
For the FY17 LTI grant a 12 month opening/ base line reporting period from 1 October 2015 to 30 September 2016 was applied for calculating relative TSR.
The proportion of rights that may vest based on TSR performance is determined by the Board, based on the following vesting schedule.
<table>
<tr><th>Relative TSR (percentile ranking)</th><th>Percentage of TSR-tested rights to vest</th></tr>
<tr><td>At or below the 50th percentile</td><td>Nil</td></tr>
<tr><td>Above the 50th and below the 75th percentile</td><td>Straight line between 50% and 100%</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
</table>
No re-testing is allowed in relation to LTI awards. Vesting of all LTI awards is subject to Board discretion.</td></tr>
<tr><td>Clawback</td><td colspan="2">The Board in its discretion may determine that some, or all, of an employee's deferred STI or LTI should be forfeited for gross misconduct, material misstatement or fraud.</td></tr>
<tr><td>Cessation of Employment</td><td colspan="2">Subject to Board discretion incentives may:
Be forfeited for resignation or termination for cause, or
Be paid in full at their normal payment date for cessation of employment due to redundancy disability, death or retirement.</td></tr>
<tr><td>Change of Control</td><td>All short and long term deferred incentives will be paid in full on change of control, unless the Board determines otherwise.</td><td>Rights vest in full on change of control, unless the Board determine otherwise. Rights that do not vest on change of control will lapse.</td></tr>
</table>

Hedging of unvested equity awards

Executives cannot sell, transfer or otherwise deal with their rights (e.g. by using them as security for a loan). Executives may sell, transfer or deal with any shares received on vesting of their rights subject to compliance with GrainCorp's Share Trading Policy.

Employment terms

GrainCorp's Executive KMP are employed by GrainCorp Operations Limited under common law contracts with no fixed term. Contracts may be terminated at any time, if the notice period is given. The table below outlines a summary of key employment terms for Executive KMP.

Table 2: Employment terms

	MD & CEO	Other Executive KMP
Notice period	Six months	Three to six months
Termination entitlements	Six months' severance	Not in excess of 52 weeks' base salary

[21] GGM Grains has a 20% weighting on Group NPS and business unit customer metrics.

[22] GGM Grains has a 10% weighting on Individual KPIs.

3. KMP

In FY17, KMP comprised the Non-executive directors ('NED's), the MD & CEO and Group Executives who reported to the CEO, led significant parts of the business, and were responsible for key business decisions, as consistent with the Australian Accounting Standards Board 124 Related Party Disclosures ('AASB 124') definition.

All incumbents were employed in their respective positions for the duration of the financial year, with the exception of:

- G J Bradley - Commenced 1 March 2017 as NED, 1 May 2017 as Chairman
- D C Taylor - Retired 1 May 2017
- A N Johns - Ceased KMP role 31 August 2017

This report incorporates the disclosure requirements of AASB 124, as well as those prescribed by the Corporations Act 2001. Details of equity holdings, loans and other transactions with respect to KMP are disclosed in Section 7 of this report.

There have been no changes to the KMP after the reporting date and before the date of signing this report.

4. KMP remuneration disclosures

This section details the alignment of GrainCorp's FY17 KMP remuneration outcomes with FY17 Company performance.

In line with our principles, the PRNC regularly reviews KMP remuneration to ensure it remains competitive. This includes periodic benchmarking against companies of similar size and complexity to GrainCorp.

TFR

At the start of FY17, the Board reviewed the TFR of each of the Executive KMP. As a result, each Executive KMP received a fixed remuneration increase of 2%, and the MD & CEO received a fixed remuneration increase of 2.9%.

STI

With an exceptional year in grain production in eastern Australia, it was a year of strong performance for the Company, with executives also performing well. Following changes to the STI Plan from FY17, STI outcomes were better aligned with Group NPAT and business unit results delivered (see Table 9). Executive KMP STI outcomes ranged from 105% to 145% of target STI. More details on the STI outcomes has been outlined in Section 5. The current STI structure is outlined in Section 2.

LTI

LTI awards relating to the 2015 financial year ('FY15') lapsed, with no vesting occurring for the relative TSR performance hurdle measured over the three-year performance period to 30 September 2017. Although the 3 year average ROE performance was above the target range, the 10 year average minimum ROE threshold was not met, therefore none of the FY15 LTI grant vested.

For personal use only

Remuneration outcomes for FY17

Remuneration for Executive KMP for FY17 and FY16 is shown in the table below.

Table 3: Statutory executive KMP remuneration disclosures

		Short-term benefits			Post-employment		Other long-term benefits[23]				Additional Information		
	Year	Base salary and fees	Non-monetary benefits[24]	STI cash[25]	Superannuation benefits	Termination benefits	STI deferral	LTI awards	Long service leave	Total	Less: current year accruals[26]	Add: previously accrued amounts vested in current year[27]	Total current year vested remuneration
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current Executive KMP													
M L Palmquist	**2017**	**1,288**	**116**	**817**	**-**	**-**	**716**	**464**	**21**	**3,422**	**(1,201)**	**521**	**2,742**
	2016	1,193	103	554	-	-	618	158	21	2,647	(797)	682	2,532
A G Bell	**2017**	**616**	**-**	**283**	**20**	**-**	**174**	**90**	**10**	**1,193**	**(274)**	**156**	**1,075**
	2016	610	1	191	19	-	151	8	10	990	(169)	158	979
G A Friberg[28]	**2017**	**632**	**18**	**358**	**8**	**-**	**266**	**93**	**-**	**1,375**	**(359)**	**256**	**1,272**
	2016	642	20	335	8	-	249	11	-	1,265	(260)	248	1,253
K Pamminger	**2017**	**548**	**-**	**342**	**29**	**-**	**308**	**87**	**10**	**1,324**	**(405)**	**215**	**1,134**
	2016	492	-	153	30	-	135	7	10	827	(152)	194	869
S J Tainsh	**2017**	**593**	**-**	**266**	**32**	**-**	**157**	**91**	**(8)**	**1,131**	**(240)**	**141**	**1,032**
	2016	513	-	155	35	-	141	8	5	857	(154)	164	867
Former Executive KMP													
A N Johns[29]	**2017**	**488**	**-**	**304**	**26**	**-**	**183**	**74**	**22**	**1,097**	**(279)**	**188**	**1,006**
	2016	499	-	193	29	-	174	7	22	924	(203)	184	905
Total	**2017**	**4,165**	**134**	**2,370**	**115**	**-**	**1,804**	**899**	**55**	**9,542**	**(2,758)**	**1,477**	**8,261**
	2016	3,949	124	1,581	121	-	1,468	199	68	7,510	(1,735)	1,630	7,405

[23] The value of STI deferral and LTI awards represents the accounting value, rather than the cash value to participants. It includes the value of equity grants for LTI Plan and Deferred Equity Plans.

[24] Non-monetary benefits provided include the gross value of items such as airline flights, accommodation, health insurance, and tax advice.

[25] The accounting value of short term incentive deferred share rights / deferred cash is reflected in the 'STI deferral' column.

[26] The value of current year accruals represents the accounting value for share-based payments, deferred cash and long service leave.

[27] The value of previously accrued amounts vested in current year represents long service leave and deferred incentives vested during the year.

[28] Mr Friberg's remuneration has been converted from USD to AUD based on a rate of $0.7624 (average rate from 1 October 2016 to 30 September 2017) except for STI amounts, which have been converted based on rate of $0.7839 (spot rate on 30 September 2017).

[29] Mr Johns' 2017 remuneration in this table is prorated to reflect his time as a KMP which ceased on 31 August 2017.

For personal use only

5. Company performance and remuneration outcomes

STI awarded in FY17

The table below outlines KMP performance against scorecard measures in FY17.

Table 4: FY17 STI performance ratings

Executive KMP	Financial measures weighting (%) and performance		Safety, health and environment weighting (%) and performance.		Customer weighting (%) and performance.		People weighting (%) and performance.		Non-financial weighting (%) and performance. Agreed objectives include talent management, project completion
Name Position Title	Group NPAT	Business Unit EBIT/PBT	Group Safety RIFR	Business Unit Safety RIFR	Group Customer NPS	Business Unit Customer NPS	Group People Engagement	Business Unit/Function People Engagement	
Current Executive KMP									
M L Palmquist MD & CEO	(60%) ●	-	(10%) ●	-	(10%) ●	-	(10%) ●	-	(10%) ●
A G Bell CFO	(60%) ●	-	(10%) ●	-	(10%) ●	-	(3%) ●	(7%) ●	(10%) ●
G A Friberg President and CEO GrainCorp Malt	(40%) ●	(20%) ●	(3%) ●	(7%) ●	(3%) ●	(7%) ●	(3%) ●	(7%) ●	(10%) ●
K Pamminger GGM Grains[30]	(40%) ●	(20%) ●	(3%) ●	(7%) ●	(3%) ●	(7%) ●	(3%) ●	(7%) ●	(10%) ●
S J Tainsh GGM GrainCorp Oils	(40%) ●	(20%) ●	(3%) ●	(7%) ●	(3%) ●	(7%) ●	(3%) ●	(7%) ●	(10%) ●
Former Executive KMP									
A N Johns GGM GrainCorp Storage & Logistics	(40%) ●	(20%) ●	(3%) ●	(7%) ●	(3%) ●	(7%) ●	(3%) ●	(7%) ●	(10%) ●

● Minimum performance threshold not achieved ● Threshold performance achieved ● Target performance achieved ● Stretch performance achieved

The performance outcomes above reflect a year of strong financial performance in Storage & Logistics, Marketing, and Malt. Mr Tainsh's business unit financial outcome reflects a challenging year for the Oils business. While the group safety target was not met, most business units performed well in this area and Oils nearly achieved its stretch target. All business units achieved their full stretch target for improving customer NPS. Further information on employee engagement is available in the FY17 sustainability report.

[30] Mr Pamminger's FY17 performance was evaluated against the Marketing Business Unit.

For personal use only

FY17 awarded STI outcomes

The table below outlines FY17 STI outcomes.

Table 5: FY17 STI outcomes

	Actual STI as a % of fixed remuneration	Actual STI awarded as a % of target STI	Actual STI awarded ($'000s)	Amount paid in cash ($'000s)	Amount deferred ($'000s)[31]	STI forfeited as a % of target STI
Current Executive KMP						
M L Palmquist	129	129	1,633	817	816	-
A G Bell	79	131	481	283	198	-
G A Friberg[32]	99	141	609	358	251	-
K Pamminger[33]	99	141	919	342	577	-
S J Tainsh	73	105	453	266	187	-
Former Executive KMP						
A N Johns[34]	101	145	518	304	214	-

Marketing Incentive Plan ('MIP')

Given the nature of the marketing business unit's work, the MIP is an annual discretionary incentive plan which aligns to business unit performance and ensures that remuneration motivates the right behaviours within acceptable risk / reward parameters. This plan is critical to ensuring market competitiveness of total reward opportunity and GrainCorp's ability to attract, retain and motivate team members within this business unit.

The only eligible Executive KMP in FY17 was the GGM Marketing (this role was filled by Mr Pamminger until 31 August 2017), with other employees participating at the discretion of GGM Marketing based on their contribution to the performance of this business unit. Mr. Pamminger ceased to be eligible to participate in the MIP upon his appointment to the GGM Grains role.

Payments are subject to approval by the MD & CEO and the PRNC. Clawback, cessation of employment and change of control conditions are also apply.

FY17 LTI vesting

Performance against the relative TSR and ROE performance hurdles are outlined in the tables below.

Each of the performance hurdles, TSR and ROE, are weighted equally at 50:50.

Table 6: FY15 LTI TSR performance measure results

TSR percentile ranking	Percentage of grant vesting
31st percentile	0%

Table 7: FY15 LTI ROE performance measure results

Financial year	Minimum of ROE target range	Maximum of ROE target range	GrainCorp ROE performance	Percentage of grant vesting
2015	2.4%	2.6%	2.5%	-
2016	2.7%	3.0%	3.0%	-
2017	5.3%	5.8%	7.8%	-
3 year average	3.5%	3.8%	4.4%	-
10 year average minimum ROE threshold		**6.9%**	**4.4%**	**0%**

[31] The STI deferred amount represents the portion earned in FY17 that is to be deferred into performance rights for all Executive KMP. The amounts presented differ from the statutory disclosures that are prepared in accordance with the accounting standards in Section 4 of this report.

[32] Converted from USD to AUD based on a rate of $0.7839 (spot rate on 30 September 2017).

[33] Mr Pamminger's actual STI awarded includes a deferred $380,000 under the MIP, which is excluded from the percentage calculations.

[34] Mr Johns' actual STI awarded in this table is prorated to reflect his time as a KMP which ceased on 31 August 2017.

For personal use only

Table 8: FY15 LTI remuneration outcomes

	Amount granted (number of rights)	% of grant that vested	% of grant that was forfeited
Current Executive KMP			
M L Palmquist	147,601	-	100%
A G Bell	28,494	-	100%
G A Friberg	25,264	-	100%
K Pamminger	25,158	-	100%
S J Tainsh	26,476	-	100%
Former Executive KMP			
A N Johns	25,215	-	100%

Five year financial performance

GrainCorp's performance on key metrics of sustainable value creation for the past five financial years is summarised below.

Table 9: Historical Company financial performance

		2017	2016	2015	2014	2013
Underlying NPAT	$M	142	53	45	95	175
Statutory NPAT	$M	125	31	32	50	141
Basic EPS	cents	54.7	13.5	14.0	22.0	61.9
Total dividends per Share	cents	30	11	10	20	45
Closing Share price	$	8.16	7.85	9.05	8.55	12.35

6. NED fees framework

The PRNC regularly reviews NED fee arrangements to ensure fees remain competitive. This includes periodic benchmarking against companies of similar size and complexity to GrainCorp. Following a review undertaken in June 2016 NED fees were increased on 1 October 2016.

NED fees are paid from an aggregate annual fee pool of $2,000,000 (including superannuation contributions), as approved by shareholders at the 2014 AGM. In FY17, board fees paid totalled $1,757,000 being 88% of the available pool.

NED fees comprise a base fee plus a fee for participation in Board Committees (i.e. Committee Chairs and members). NEDs do not participate in any performance-related incentive awards.

The Board Chair receives a higher fee to reflect the additional time commitment and responsibilities required of the role and does not receive any additional fees for participation in Board Committees.

The fee policy for the year ended 30 September 2017 is outlined in Table 10. With the exception of the Board Chair, compulsory superannuation contributions are paid in addition to fees.

For personal use only

Table 10: Board fee policy

		FY17 fees ($) exclusive of superannuation
Board		
Non-executive Chair		370,000[35]
NEDs		121,000
Board Committees		
Board Audit Committee	Chair	28,700
	Member	11,600
People, Remuneration and Nominations Committee	Chair	21,200
	Member	11,600
Business Risk Committee	Chair	21,200
	Member	11,600
Safety, Health, Environment & Governance Committee	Chair	21,200
	Member	11,600

Remuneration for Non-Executive KMP for FY17 and FY16 is shown in the table below.

Table 11: Statutory NED remuneration disclosures

	Year	Base salary and fees $'000	Superannuation benefits $'000	Other Benefits $'000	Total $'000
Non-executive Directors					
G J Bradley[36]	**2017**	**165**	**10**	**-**	**175**
	2016	-	-	-	-
R P Dee-Bradbury	**2017**	**154**	**15**	**-**	**169**
	2016	141	13	-	154
B J Gibson	**2017**	**154**	**15**	**-**	**169**
	2016	149	14	-	163
P J Housden	**2017**	**154**	**15**	**-**	**169**
	2016	145	14	-	159
D J Mangelsdorf	**2017**	**154**	**15**	**-**	**169**
	2016	149	14	-	163
D G McGauchie	**2017**	**133**	**13**	**-**	**146**
	2016	129	12	-	141
P I Richards	**2017**	**144**	**14**	**-**	**158**
	2016	118	11	-	129
S L Tregoning	**2017**	**144**	**14**	**-**	**158**
	2016	140	13	-	153
Former KMP					
D C Taylor	**2017**	**197**	**18**	**229[37]**	**444**
	2016	299	31	-	330
D Trebeck	**2017**	**-**	**-**	**-**	**-**
	2016	33	3	-	36
Total	**2017**	**1,399**	**129**	**229**	**1,757**
	2016	1,303	125	-	1,428

[35] Chairman's fees are inclusive of superannuation.

[36] Mr Bradley was appointed on 1 March 2017 as a NED and 1 May 2017 as Chairman.

[37] Other benefits provided to Mr Taylor include annual leave accrued from his time as Interim CEO (2 December 2013 to 22 December 2014) and a legacy retirement benefit, both paid on termination.

For personal use only

7. Shareholdings and other mandatory disclosures

Movement of rights held during the reporting period

Details of the movement in performance rights in the Company, during the reporting period are detailed in the table below.

Table 12: Movement of performance rights during FY17

	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Forfeited or lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Current Executive KMP						
M L Palmquist	298,892	209,746	-	147,601	361,037	63,841
A G Bell	80,765	43,632	11,376	28,494	84,527	19,074
G Friberg	90,644	58,217	17,341	25,264	106,256	31,372
K Pamminger	65,047	40,846	6,988	25,158	73,747	13,167
S J Tainsh	75,942	42,345	11,008	26,476	80,803	17,261
Former Executive KMP						
A N Johns	81,390	41,344	15,253	25,215	82,266	23,063

For personal use only

Number and value of rights granted, vested and forfeited under the deferred STI and LTI awards

Details of the rights granted as remuneration and held, and vesting profile as at 30 September 2017 for each Executive KMP is presented in the table below. Rights are granted for nil consideration (i.e. zero exercise price) and automatically vest following performance testing (i.e. do not need to be exercised).

No performance rights vest if the conditions are not satisfied, hence minimum value yet to vest is nil. The maximum value of the grants yet to vest has been determined as the amount of the grant date fair value that is yet to be expensed.

Table 13: Number of rights granted, vested and forfeited during FY17

	Equity granted						Vested in FY17		
	Plan[38]	Number of rights	Grant date	Fair value at grant $'000	Financial year in which rights may vest	Maximum fair value yet to vest $'000	Vested in the year (%)	Forfeited in the year (%)	Number of ordinary shares
Current Executive KMP									
M L Palmquist	LTI 2017	145,905	2-Mar-17	918	2019	612	-	-	-
	DEP 2016	63,841	24-Jan-17	584	2017	-	100%	-	63,841
	LTI 2016	151,291	18-Dec-15	787	2018	640	-	-	-
	LTI 2015	147,601	17-Dec-14	786	2017	-	-	100%	-
A G Bell	LTI 2017	28,235	2-Mar-17	178	2019	118	-	-	-
	DEP 2016	15,397	24-Jan-17	141	2017 and 2018	23	50%	-	7,699
	LTI 2016	29,520	18-Dec-15	154	2018	125	-	-	-
	DEP 2015	22,751	22-Dec-15	179	2017	-	50%	-	11,376
	LTI 2015	28,494	17-Dec-14	152	2017	-	-	100%	-
G A Friberg	LTI 2017	30,156	2-Mar-17	190	2019	127	-	-	-
	DEP 2016	28,061	24-Jan-17	257	2017 and 2018	43	50%	-	14,031
	LTI 2016	30,698	18-Dec-15	160	2018	130	-	-	-
	DEP 2015	34,682	22-Dec-15	273	2017	-	50%	-	17,341
	LTI 2015	25,264	17-Dec-14	135	2017	-	-	100%	-
K Pamminger	LTI 2017	28,489	2-Mar-17	179	2019	120	-	-	-
	DEP 2016	12,357	24-Jan-17	113	2017 and 2018	19	50%	-	6,179
	LTI 2016	25,913	18-Dec-15	135	2018	110	-	-	-
	DEP 2015	13,976	22-Dec-15	110	2017	-	50%	-	6,988
	LTI 2015	25,158	17-Dec-14	134	2017	-	-	100%	-
S J Tainsh	LTI 2017	29,840	2-Mar-17	188	2019	125	-	-	-
	DEP 2016	12,505	24-Jan-17	114	2017 and 2018	19	50%	-	6,253
	LTI 2016	27,450	18-Dec-15	143	2018	116	-	-	-
	DEP 2015	22,016	22-Dec-15	173	2017	-	50%	-	11,008
	LTI 2015	26,476	17-Dec-14	141	2017	-	-	100%	-
Former Executive KMP									
A N Johns	LTI 2017	25,725	2-Mar-17	162	2019	108	-	-	-
	DEP 2016	15,619	24-Jan-17	143	2017 and 2018	24	50%	-	7,810
	LTI 2016	25,669	18-Dec-15	134	2018	109	-	-	-
	DEP 2015	30,506	22-Dec-15	240	2017	-	50%	-	15,253
	LTI 2015	25,215	17-Dec-14	134	2017	-	-	100%	-

[38] DEP 2017 for Executive KMP will be granted following the 20-trading-day VWAP period after the announcement of results and will therefore be reported in the FY18 report.

For personal use only

Shares held by KMP

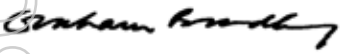
KMP have a relevant interest in the following number of shares in the Company as at the date of this report.

Table 14: Number of shares held by KMP

Name	Balance at the start of the year	Received during the year on exercise of rights	Other changes during the year	Balance at the end of the year
Non-executive Directors				
G J Bradley	-	-	5,000	5,000
R P Dee-Bradbury	2,400	-	1,700	4,100
B J Gibson	7,000	-	-	7,000
P J Housden	8,083	-	-	8,083
D J Mangelsdorf	15,528	-	-	15,528
D G McGauchie	88,957	-		88,957
P I Richards	-	-	5,000	5,000
S L Tregoning	14,465	-	-	14,465
Executive KMP				
M L Palmquist	19,679	-	-	19,679
Other Executive KMP				
A G Bell	30,167	11,376	-	41,543
G Friberg	11,177	17,341	(4,743)	23,775
K Pamminger	-	6,988	(4,620)	2,368
S J Tainsh	18,239	11,008	(10,000)	19,247
Former KMP				
Non-executive Directors				
D C Taylor[39]	44,859	-	-	44,859
Executive KMP				
A N Johns[40]	34,872	15,253	(15,253)	34,872

Loans to KMP and their related parties

No loans were provided to KMP or their related parties as at the date of this report.



G J Bradley AM
Chairman

Sydney
21 November 2017

[39] Mr Taylor's end of year balance reflects the number of shares held on 1 May 2017, the date of his retirement.

[40] Mr Johns' end of year balance reflects the number of shares held on 31 August 2017, the date he ceased as a KMP.

For personal use only

For personal use only

Auditor's Independence Declaration

As lead auditor for the audit of GrainCorp Limited for the year ended 30 September 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

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

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
21 November 2017

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Liability limited by a scheme approved under Professional Standards Legislation.

2017 Financial Report

2017 Financial Report 42
Consolidated Income Statement 43
Consolidated Statement of Comprehensive Income 44
Consolidated Statement of Financial Position 45
Consolidated Statement of Changes in Equity 46
Consolidated Statement of Cash Flows 47

Notes to the Financial Statements 48
About this Report 48
1 Group performance 50
1.1 Segment information 50
1.2 Revenue 52
1.3 Other income 52
1.4 Expenses 53
1.5 Significant items 53
1.6 Taxation 54
1.7 Earnings per share 56
2 Capital and financial risk management 57
2.1 Borrowings 57
2.2 Cash and cash equivalents 59
2.3 Contributed equity 60
2.4 Dividends 60
2.5 Commitments and guarantees 61
2.6 Derivative financial instruments and risk management 62
3 Operating assets and liabilities 70
3.1 Trade and other receivables 70
3.2 Inventories 71
3.3 Property, plant and equipment 72
3.4 Intangible assets 74
3.5 Trade and other payables 75
3.6 Provisions 76
3.7 Retirement benefit obligations 77
4 Group structure 80
4.1 Subsidiaries 80
4.2 Deed of cross guarantee 82
4.3 Parent entity financial information 84
4.4 Investments accounted for using the equity method 85
4.5 Related party transactions 86
5 Other 88
5.1 Remuneration of auditor 88
5.2 Share-based payments 88
5.3 Acquisitions during the reporting period 90
5.4 Events subsequent to reporting date 90
5.5 Impact of new and revised accounting standards 91

For personal use only

Consolidated Income Statement

For the year ended 30 September 2017

	Note	2017 $ M	2016 $ M
Revenue	1.2	4,575.7	4,158.3
Other income	1.3	93.0	61.7
Goods purchased for resale		(2,466.1)	(2,205.0)
Raw materials and consumables used		(1,199.2)	(1,203.8)
Employee benefits expense	1.4	(346.3)	(359.3)
Finance costs		(41.7)	(39.7)
Depreciation and amortisation	3.3,3.4	(145.8)	(144.9)
Operating leases		(79.0)	(58.5)
Repairs and maintenance		(50.4)	(39.4)
Other expenses	1.4	(155.3)	(135.3)
Share of results of investments accounted for using the equity method	4.4	(0.2)	8.2
Profit before income tax		**184.7**	**42.3**
Income tax expense	1.6	(59.5)	(11.4)
Profit for the year		**125.2**	**30.9**
Profit for the year attributable to;			
Equity holders of the parent entity		125.2	30.9
Non-controlling interest (NCI)		-	-
		125.2	**30.9**

	Note	Cents	Cents
Earnings per share			
Basic earnings per share	1.7	54.7	13.5
Diluted earnings per share	1.7	54.5	13.5

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

For personal use only

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2017

	Note	2017 $ M	2016 $ M
Profit for the year		**125.2**	**30.9**
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Remeasurements of retirement benefit obligations	3.7	12.7	(17.4)
Income tax relating to these items	1.6	(2.9)	2.6
Items that may be reclassified to profit and loss:			
Changes in fair value of cash flow hedges		28.6	4.6
Share of comprehensive income of joint ventures	4.4	-	(0.1)
Income tax relating to these items	1.6	(6.8)	(2.1)
Exchange differences on translation of foreign operations		2.1	(78.4)
Other comprehensive income / (loss) for the year, net of tax		**33.7**	**(90.8)**
Total comprehensive income / (loss) for the year attributable to owners of GrainCorp Limited		**158.9**	**(59.9)**
Total comprehensive income / (loss) for the year attributable to:			
Equity holders of the parent entity		158.9	(59.9)
Non-controlling interest (NCI)		-	-
		158.9	**(59.9)**

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

For personal use only

Consolidated Statement of Financial Position

As at 30 September 2017

	Note	2017 $ M	2016 $ M
Current assets			
Cash and cash equivalents	2.2	388.9	307.6
Trade and other receivables	3.1	466.2	457.7
Inventories	3.2	579.1	499.3
Derivative financial instruments	2.6	56.6	70.7
Assets classified as held for sale	3.3	12.1	19.1
Current tax assets		16.0	1.1
Total current assets		**1,518.9**	**1,355.5**
Non-current assets			
Trade and other receivables	3.1	1.1	1.3
Derivative financial instruments	2.6	8.2	3.9
Investments in other entities		3.9	12.7
Deferred tax assets	1.6	37.6	71.2
Property, plant and equipment	3.3	1,500.5	1,456.3
Intangible assets	3.4	494.5	491.3
Retirement benefit asset	3.7	2.6	-
Investments accounted for using the equity method	4.4	31.1	183.6
Total non-current assets		**2,079.5**	**2,220.3**
Total assets		**3,598.4**	**3,575.8**
Current liabilities			
Trade and other payables	3.5	357.8	351.8
Borrowings	2.1	336.6	387.8
Derivative financial instruments	2.6	53.8	59.0
Current tax liabilities		1.7	2.6
Provisions	3.6	60.3	66.3
Total current liabilities		**810.2**	**867.5**
Non-current liabilities			
Trade and other payables	3.5	48.9	39.8
Borrowings	2.1	748.4	791.5
Derivative financial instruments	2.6	8.7	18.7
Deferred tax liabilities	1.6	80.6	60.7
Provisions	3.6	11.8	11.5
Retirement benefit obligations	3.7	29.4	44.1
Total non-current liabilities		**927.8**	**966.3**
Total liabilities		**1,738.0**	**1,833.8**
Net assets		**1,860.4**	**1,742.0**
Equity			
Contributed equity	2.3	1,343.8	1,346.1
Reserves		64.3	37.8
Retained earnings		450.8	358.1
Equity attributable to equity holders of the parent entity		**1,858.9**	**1,742.0**
Non-controlling interest (NCI)		1.5	-
Total equity		**1,860.4**	**1,742.0**

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

For personal use only

Consolidated Statement of Changes in Equity

For the year ended 30 September 2017

	Hedging reserve $ M	Capital reserve $ M	Share option reserve $ M	Translation reserve $ M	Total reserves $ M	Contributed equity $ M	Retained earnings $ M	NCI $ M	Total equity $ M
As at 30 September 2015	**(20.0)**	**8.3**	**1.3**	**127.2**	**116.8**	**1,346.0**	**359.0**	**-**	**1,821.8**
Profit for the year	-	-	-	-	-	-	30.9	-	30.9
Other comprehensive income:									
Exchange difference on translation of foreign operations	2.0	-	-	(86.3)	(84.3)	-	5.9	-	(78.4)
Changes in fair value of cash flow hedges	4.6	-	-	-	4.6	-	-	-	4.6
Remeasurements of defined benefit obligations	-	-	-	-	-	-	(17.4)	-	(17.4)
Share of other comprehensive loss of joint ventures	(0.1)	-	-	-	(0.1)	-	-	-	(0.1)
Deferred tax credit / (expense)	(2.1)	-	-	-	(2.1)	-	2.6	-	0.5
Total other comprehensive income	**4.4**	**-**	**-**	**(86.3)**	**(81.9)**	**-**	**(8.9)**	**-**	**(90.8)**
Total comprehensive income	4.4	-	-	(86.3)	(81.9)	-	22.0	-	(59.9)
Transactions with owners:									
Dividends paid (note 2.4)	-	-	-	-	-	-	(22.9)	-	(22.9)
Share-based payments (note 5.2)	-	-	3.0	-	3.0	-	-	-	3.0
Less: Treasury shares vested to employees	-	-	(0.1)	-	(0.1)	0.1	-	-	-
Total transactions with owners	-	-	2.9	-	2.9	0.1	(22.9)	-	(19.9)
As at 30 September 2016	**(15.6)**	**8.3**	**4.2**	**40.9**	**37.8**	**1,346.1**	**358.1**	**-**	**1,742.0**
Profit for the year	-	-	-	-	-	-	125.2	-	125.2
Other comprehensive income:									
Exchange difference on translation of foreign operations	0.3	-	-	1.8	2.1	-	-	-	2.1
Changes in fair value of cash flow hedges	28.6	-	-	-	28.6	-	-	-	28.6
Remeasurements of defined benefit obligations	-	-	-	-	-	-	12.7	-	12.7
Deferred tax credit / (expense)	(6.8)	-	-	-	(6.8)	-	(2.9)	-	(9.7)
Total other comprehensive income	**22.1**	**-**	**-**	**1.8**	**23.9**	**-**	**9.8**	**-**	**33.7**
Total comprehensive income	22.1	-	-	1.8	23.9	-	135.0	-	158.9
Transactions with owners:									
Dividends paid (note 2.4)	-	-	-	-	-	-	(42.3)	-	(42.3)
Share-based payments (note 5.2)	-	-	4.4	-	4.4	-	-	-	4.4
Less: Treasury shares vested to employees	-	-	(1.8)	-	(1.8)	1.8	-	-	-
Treasury shares purchased	-	-	-	-	-	(4.1)	-	-	(4.1)
Total transactions with owners	-	-	2.6	-	2.6	(2.3)	(42.3)	-	(42.0)
Transactions with non-controlling interest (NCI):									
Change in ownership interest	-	-	-	-	-	-	-	1.5	1.5
As at 30 September 2017	**6.5**	**8.3**	**6.8**	**42.7**	**64.3**	**1,343.8**	**450.8**	**1.5**	**1,860.4**

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

For personal use only

Consolidated Statement of Cash Flows

For the year ended 30 September 2017

	Note	2017 $ M	2016 $ M
Cash flows from operating activities			
Receipts from customers		4,824.1	4,350.5
Payments to suppliers and employees		(4,505.3)	(4,125.7)
		318.8	224.8
Proceeds from bank loans – inventory funding		42.2	(4.0)
Interest received		2.4	1.3
Interest paid		(41.9)	(38.4)
Income taxes paid		(21.0)	(32.2)
Net inflow from operating activities	2.2	**300.5**	**151.5**
Cash flows from investing activities			
Payments for property, plant and equipment		(199.7)	(268.2)
Payments for computer software		(26.5)	(7.9)
Proceeds from sale of property, plant and equipment		34.8	4.4
Proceeds from sale of investments / business	4.4	106.6	-
Payments for investment / business (net of cash acquired)		(35.6)	(5.9)
Dividends received	4.4	83.2	-
Net outflow from investing activities		**(37.2)**	**(277.6)**
Cash flows from financing activities			
Proceeds from borrowings		941.0	801.1
Repayment of borrowings		(1,080.7)	(696.6)
Dividend paid	2.4	(42.3)	(22.9)
Non-controlling interest (NCI)		1.5	-
Treasury shares purchased		(4.1)	-
Net (outflow) / inflow from financing activities		**(184.6)**	**81.6**
Net increase / (decrease) in cash and cash equivalents		**78.7**	**(44.5)**
Cash and cash equivalents at the beginning of the year		307.6	374.0
Effects of exchange rate changes on cash and cash equivalents		2.6	(21.9)
Cash and cash equivalents at the end of the year	2.2	**388.9**	**307.6**

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

For personal use only

Notes to the Financial Statements

For the year ended 30 September 2017

About this Report

The 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 which are publicly traded on the Australian Securities Exchange.

The financial report of GrainCorp Limited for the period ended 30 September 2017 was authorised for issue in accordance with a resolution of the Directors on 21 November 2017. The Directors have the power to amend and reissue the financial report.

a) Basis of preparation

This general purpose financial report:

i. has been prepared in accordance with the requirements of the Corporation Act 2001, Australian Accounting Standards (AASB) and other authoritative pronouncements of AASB and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;

ii. is presented in Australian dollars, with all values rounded off to the nearest 10th of a million dollars unless otherwise indicated, in accordance with ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191;

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.

b) Key judgements and estimates

In applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgement and estimations which are material to the financial report relate to the following areas:

	Note
Taxation	1.6
Derivative financial instruments	2.6
Intangible assets	3.4
Provisions	3.6
Retirement benefit obligations	3.7

For personal use only

c) Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are disclosed in the notes to the Financial Report to which they relate.

i. Foreign currency

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars at reporting date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation are recognised in the statement of profit or loss, except for qualifying cash flow hedges which are deferred to equity.

On consolidation, the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation are initially recognised in the foreign currency translation reserve and subsequently transferred to profit or loss on disposal of the foreign operation.

ii. Goods and Services Tax (GST)

Revenue, expenses and capital assets are recognised net of GST, except where the GST incurred is not recoverable from the taxation authority, in which case the GST is recognised as part of the expense or cost of the asset.

Receivables and payables are stated with the amount of GST included. The net amounts of GST recoverable from or payable to the taxation authorities are included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to taxation authorities are classified as operating cash flows.

For personal use only

1 Group Performance

This section of the Financial Report focuses on disclosures most relevant to understanding the financial performance of the Group during the 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

The Group is organised into four segments that are based on the operational activity of each segment. These segments are consistent with internal reports that are reviewed and used by the Group's chief operating decision maker, the Managing Director & Chief Executive Officer, in assessing performance and determining the allocation of resources.

In August 2017, GrainCorp's Storage & Logistics and Marketing businesses were combined into a single 'Grains' business unit. For the majority of the 2017 financial year, Grains operated as two separate business units – Storage & Logistics and Marketing. To reflect the operations of the year, GrainCorp has continued to report the financial results for the two business units separately.

The four operating segments are as follows:

Operating segment	Products and services
Storage & Logistics	Grain receivals, transport, testing, storage of grains and other bulk commodities 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 and unallocated corporate costs such as Group financing and income taxes. Segment performance is based on a measure of underlying EBITDA[41].

b) Performance of segments

2017	Storage & Logistics $ M	Marketing $ M	Malt $ M	Oils $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total $ M
Reportable segment revenue								
External revenue	426.3	2,098.4	1,105.5	945.5	4,575.7	-	-	4,575.7
Inter-segment revenue	238.2	111.0	-	-	349.2	-	(349.2)	-
Total reportable segment revenue	**664.5**	**2,209.4**	**1,105.5**	**945.5**	**4,924.9**	**-**	**(349.2)**	**4,575.7**
Reportable segment result	**152.0**	**54.4**	**158.4**	**58.0**	**422.8**	**(32.5)**	**-**	**390.3**
Share of profit of joint ventures	-	(0.5)	-	-	(0.5)	0.3	-	(0.2)
Underlying EBITDA[41]								390.1
Net interest	-	(9.3)	-	(1.6)	(10.9)	(28.1)	-	(39.0)
Depreciation and amortisation[42]	(57.4)	(4.0)	(50.1)	(33.7)	(145.2)	(1.2)	-	(146.4)
Significant items (note 1.5)	-	-	(15.7)	(3.4)	(19.1)	(0.9)	-	(20.0)
Profit before income tax from continuing operations	**94.6**	**40.6**	**92.6**	**19.3**	**247.1**	**(62.4)**	**-**	**184.7**
Other segment information								
Capital expenditure	95.8	26.2	92.0	46.6	260.6	1.2	-	261.8
Reportable segment assets	601.7	352.8	1,421.3	794.2	3,170.0	428.4	-	3,598.4
Reportable segment liabilities	(106.1)	(263.0)	(705.6)	(122.1)	(1,196.8)	(541.2)	-	(1,738.0)

[41] Underlying EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items, which are detailed in note 1.5.

[42] Depreciation and amortisation does not include amounts recognised as significant items, which are detailed in note 1.5.

For personal use only

1.1 Segment information (continued)

2016	Storage & Logistics $ M	Marketing $ M	Malt $ M	Oils $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total $ M
Reportable segment revenue								
External revenue	237.9	1,806.4	1,190.5	923.5	4,158.3	-	-	4,158.3
Inter-segment revenue	161.4	132.4	-	-	293.8	-	(293.8)	-
Total reportable segment revenue	**399.3**	**1,938.8**	**1,190.5**	**923.5**	**4,452.1**	**-**	**(293.8)**	**4,158.3**
Reportable segment result	**48.1**	**4.0**	**161.4**	**61.2**	**274.7**	**(28.5)**	**-**	**246.2**
Share of profit of joint ventures	-	(0.7)	-	(0.2)	(0.9)	10.2	-	9.3
Underlying EBITDA[43]								255.5
Net interest	-	(10.0)	-	(1.6)	(11.6)	(26.6)	-	(38.2)
Depreciation and amortisation[44]	(51.8)	(4.0)	(53.7)	(32.0)	(141.5)	(1.1)	-	(142.6)
Significant items (note 1.5)	(1.1)	(0.3)	(3.1)	(23.5)	(28.0)	(4.4)	-	(32.4)
Profit before income tax from continuing operations	**(4.8)**	**(11.0)**	**104.6**	**3.9**	**92.7**	**(50.4)**	**-**	**42.3**
Other segment information								
Capital expenditure	71.7	5.7	129.5	74.0	280.9	1.1	-	282.0
Reportable segment assets	567.5	258.3	1,402.7	787.4	3,015.9	559.9	-	3,575.8
Reportable segment liabilities	(94.9)	(235.9)	(724.2)	(116.6)	(1,171.6)	(662.2)	-	(1,833.8)

c) Geographical information

Geographical information	2017 $ M	2016 $ M
Sales revenue from external customers based on the location of the customer:		
Australasia	1,765.5	1,659.9
Asia	1,162.0	995.7
North America	744.0	680.5
Europe	679.1	589.1
Middle East and North Africa	193.7	189.5
Other	31.4	43.6
	4,575.7	**4,158.3**
Non-current assets based on geographical location of assets:[45]		
Australasia	1,302.9	1,440.4
North America	577.4	504.9
Europe	147.9	188.0
Middle East and North Africa	2.1	11.0
Asia	0.8	0.9
	2,031.1	**2,145.2**

[43] Underlying EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items, which are detailed in note 1.5.

[44] Depreciation and amortisation does not include amounts recognised as significant items detailed in note 1.5.

[45] Excludes derivative financial instruments, retirement benefit asset and deferred tax assets.

For personal use only

1.2 Revenue

	2017 $ M	2016 $ M
Sale of goods	4,208.3	3,916.4
Service	355.2	231.1
Rental income	12.2	10.8
Total revenue	**4,575.7**	**4,158.3**

ACCOUNTING POLICY

The Group generates its main revenue from the following two streams:

- **Sale of goods** revenue is generated from the sale of grain, production and sale of malt, processing and crushing of oilseeds and the supply of edible oils and feeds.
  Revenue is earned when the goods are provided to the customer, which means when delivered for domestic sales and in accordance with shipping terms for export sales.
- **Service** revenue is earned from the receival, storage and handling of grain. Revenue for receival and handling is recognised as the service is performed, and for storage over the storage period.

Amounts disclosed as revenue are net of returns, trade allowances, duties and taxes paid.

1.3 Other income

	2017 $ M	2016 $ M
Net gain / (loss) on fair value remeasurements:		
Net realised gain on financial derivatives	22.5	12.0
Net realised gain on foreign currency derivatives	30.6	20.1
Net realised gain on fair value remeasurements	53.1	32.1
Net unrealised gain / (loss) on financial derivatives	6.5	(17.1)
Net unrealised (loss) on commodity contracts (forward purchases and sales)	(23.0)	(7.0)
Net unrealised (loss) / gain on foreign currency derivatives	(10.5)	40.0
Net unrealised gain / (loss) on commodity inventories at fair value less costs to sell	32.8	(3.9)
Net unrealised gain on fair value remeasurements	5.8	12.0
Net gain on fair value remeasurements	**58.9**	**44.1**
Interest	2.7	1.5
Sundry income	31.4	16.1
Total other income	**93.0**	**61.7**

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

ACCOUNTING POLICY

- **Net gains/losses on fair value remeasurements** are recognised in accordance with the policies stated in note 2.6.
  Income is recognised as realised gain/loss when the underlying sales contract is closed and unrealised when the contract is open as at 30 September.
- **Interest income** is recognised as it accrues using the effective interest method.
- **Sundry income** is comprised of one off items not in the course of normal operations such as proceeds from asset sales and government grants.

For personal use only

1.4 Expenses

	2017 $ M	2016 $ M
Employee benefits expense		
Defined contribution superannuation	10.8	12.2
Other employee benefits	335.5	347.1
Total employee benefits expense	**346.3**	**359.3**
Other expenses		
Insurance	7.2	8.9
Motor vehicle cost	12.1	11.4
Travel	13.8	13.0
Software maintenance	15.2	15.2
Consulting	19.8	13.2
Communication	5.1	5.4
Impairment expenses	20.8	9.7
Other	61.3	58.5
Total other expenses	**155.3**	**135.3**

ACCOUNTING POLICY

- **Employee benefits expense** includes salaries and wages, superannuation contributions, share-based payments and other entitlements. The Group's accounting policy for liabilities associated with employee benefits is contained in note 3.6, and the policy for retirement benefit obligation plans and share-based payments is set out in note 3.7 and 5.2 respectively.
- **Other expenses** are miscellaneous and are recognised as incurred.

1.5 Significant items

Net profit after tax for the current year includes significant 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.

	Business Unit	Profit before tax $ M	Tax $ M	NPAT $ M
Significant items for 2017 comprise:				
Restructuring costs[46]	Oils	(3.4)	1.0	(2.4)
Impairment of assets[47]	Malt, Corporate	(20.8)	6.5	(14.3)
Gain/(loss) on sale of assets[48]	Malt, Corporate	4.2	(3.9)	0.3
Net significant items		**(20.0)**	**3.6**	**(16.4)**
Significant items for 2016 comprise:				
Restructuring costs[49]	Oils, Allied Mills	(23.6)	8.1	(15.5)
Impairment of assets	S&L, Oils, Malt	(6.9)	2.1	(4.8)
Transaction related costs	Corporate, Marketing	(4.0)	1.0	(3.0)
Gain on sale of assets	S&L	2.1	(0.6)	1.5
Net significant items		**(32.4)**	**10.6**	**(21.8)**

[46] Restructuring costs relate to GrainCorp Oils Network Optimisation. The costs relate to site decommissioning and product transition costs.

[47] Impairment of assets relate to assets in GrainCorp Malt Germany ($4.7 million after tax); and Corporate ($9.6 million after tax) following the devaluation of currency in an investment.

[48] Gain/(loss) on sale of assets relate to disposal of assets in GrainCorp Malt Germany (loss of $3.5 million after tax) and sale of Allied Mills (gain of $3.8 million after tax, refer to note 4.4 for further details).

[49] Restructuring costs of $15.5 million (after tax) relate primarily to GrainCorp Oils Network Optimisation and Oilseeds crushing capacity expansion.

For personal use only

1.6 Taxation

a) Income tax expense

	Note	2017 $ M	2016 $ M
Income tax expense recognised in Consolidated Income Statement			
Current tax		9.6	34.3
Deferred tax		50.8	(23.0)
(Over) / under provision in prior years		(0.9)	0.1
		59.5	11.4
Reconciliation to effective tax rate			
Profit from continuing operations before income tax expense		184.7	42.3
Less: Equity accounted loss / (profit) not subject to taxation	4.4	0.2	(8.1)
Profit subject to tax		184.9	34.2
Income tax expense calculated at 30% (2016: 30%)		55.5	10.3
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income			
Non-deductible / non-assessable items		3.2	1.3
(Over) / under provision in prior years		(0.9)	0.1
Difference in overseas tax rates		1.7	(0.3)
Income tax expense		**59.5**	**11.4**
Effective tax rate[50]		**32.2%**	**33.3%**
Tax expense / (income) relating to items of other comprehensive income			
Change in fair value of cash flow hedges		6.8	2.1
Remeasurement of retirement benefit obligations		2.9	(2.6)
		9.7	(0.5)
Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		39.1	48.4
Unrecognised temporary differences			
Temporary differences on investments in subsidiaries for which deferred tax liabilities have not been recognised		-	106.4

b) Deferred tax assets and liabilities

Deferred tax assets	2017 $ M	2016 $ M
The balance comprises temporary differences attributable to:		
Unrealised losses on derivative contracts	3.1	1.6
Inventories	2.7	2.7
Creditors and other payables	0.7	3.6
Retirement benefit obligation	4.9	8.4
Provisions and accruals	33.9	31.9
Tax losses recognised	16.2	34.4
Deferred revenue	3.8	11.0
Other	0.9	5.9
Set-off deferred tax liabilities pursuant to set-off provision	(28.6)	(28.3)
Net deferred tax assets	**37.6**	**71.2**
Movements:		
Opening balance at 1 October	71.2	63.8
Recognised in the income statement	(27.7)	10.6
Recognised in other comprehensive income	(5.9)	(3.2)
Closing balance at 30 September	**37.6**	**71.2**

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

For personal use only

1.6 Taxation (continued)

Deferred tax liabilities	2017 $ M	2016 $ M
The balance comprises temporary differences attributable to:		
Prepayments	0.3	0.6
Inventories	3.9	0.6
Consumables	1.2	1.0
Creditors and other payables	1.4	3.0
Property, plant and equipment	92.1	72.8
Intangible assets	5.9	9.4
Unrealised gains on derivative contracts	4.4	1.6
Set-off deferred tax liabilities pursuant to set-off provision	(28.6)	(28.3)
Net deferred tax liabilities	**80.6**	**60.7**
Movements:		
Opening balance 1 October	60.7	78.0
Recognised in the income statement	23.1	(12.4)
Recognised in other comprehensive income	3.8	(3.8)
Exchange differences	(7.0)	(1.1)
Closing balance 30 September	**80.6**	**60.7**

ACCOUNTING POLICY

› Income taxes

Income tax expense is calculated at the applicable tax rate (currently 30% in Australia) and recognised in profit for the year, unless it relates to other comprehensive income or transactions recognised directly in equity.

The tax expense comprises both current and deferred tax. Broadly, current tax represents the tax expense paid or payable for the current year, using applicable tax rates at the balance sheet date in each jurisdiction. Deferred tax accounts for tax on temporary differences. Temporary differences generally occur when there is a timing difference in recognition between income and expenses are recognised by tax authorities and accounted for in different periods.

Deferred tax assets, including those arising from tax losses, are recognised to the extent it is probable that sufficient taxable profits will be available to utilise the related tax assets in the foreseeable future. Deferred tax is not recognised on the following:

› The initial recognition of goodwill;

› The initial recognition of assets or liabilities that affect neither accounting nor taxable profits; and

› Differences relating to investments in subsidiaries to the extent that they are likely to reverse in the foreseeable future.

As the Group is subject to income taxes in Australia and jurisdictions where it has foreign operations, management consider the estimation of the worldwide tax provision and recognition of deferred tax balances in the Consolidated Statement of Financial Position to be an area of **judgement and estimation**. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

› Tax consolidation

GrainCorp Limited is the head entity of the tax consolidated group. The entities in the tax consolidated group have entered a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly owned entities in the case of a default by the head entity. The entities in the tax consolidated group have also entered into a tax funding agreement to fully compensate or be compensated by GrainCorp Limited for current tax balances and the deferred tax assets for unused tax losses and credits transferred.

For personal use only

1.7 Earnings per share

	2017	2016
Basic earnings per share (cents)	54.7	13.5
Diluted earnings per share (cents)	54.5	13.5
Weighted average number of ordinary shares – basic	228,677,826	228,675,977
Add: adjustment for calculation of diluted earnings per share (performance rights)	1,183,840	877,525
Weighted average number of ordinary shares – diluted	229,861,666	229,553,502

Basic earnings per share (EPS) is calculated by dividing profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS is calculated by dividing the profit for the year attributable to ordinary shares by the weighted average number of ordinary shares outstanding, after adjusting for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares relate to performance rights granted under the GrainCorp Performance Share Rights Plan. Please refer to note 5.2 for additional details on performance rights.

For personal use only

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 and equity. Core debt is calculated as borrowings, net of cash assets and commodity inventory.

The Group's capital structure is monitored using the core debt gearing ratio. The ratio is calculated as core debt divided by core debt plus equity. The Group maintains a core debt gearing ratio of less than 30%, though this may change as the earnings base continues to diversify.

The capital structure of the Group is continuously monitored and can be changed by adjusting the amount of dividends paid to shareholders, returning capital to shareholders or issuing new shares. At 30 September 2017, the core debt gearing ratio is as follows:

	2017 $ M	2016 $ M
Total borrowings (note 2.1)	1,085.0	1,179.3
Cash and cash equivalents (note 2.2)	(388.9)	(307.6)
Net debt	696.1	871.7
Commodity inventory[51]	(245.9)	(150.4)
Core debt	450.2	721.3
Total equity excluding non-controlling interest (NCI)	1,858.9	1,742.0
Core debt gearing ratio	**20%**	**29%**

2.1 Borrowings

	2017 $ M	2016 $ M
Current		
Short-term facilities – unsecured	54.2	147.9
Inventory funding facilities – secured	282.2	239.7
Leases – secured	0.2	0.2
Total current borrowings	**336.6**	**387.8**
Non-current		
Term funding facilities – unsecured	739.6	782.6
Leases – secured	8.8	8.9
Total non-current borrowings	**748.4**	**791.5**

ACCOUNTING POLICY

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method.

a) Assets pledged as security

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

	2017 $ M	2016 $ M
Lease liabilities	9.0	9.1
Inventory funding facilities	282.2	239.7
Total secured liabilities	**291.2**	**248.8**

[51] Marketing and Oils grain and oilseed inventory.

For personal use only

2.1 Borrowings (continued)

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

	2017 $ M	2016 $ M
Leased assets	11.2	11.2
Inventory[52]	264.0	224.9
Total assets pledged as security	**275.2**	**236.1**

Lease liabilities are effectively secured as rights to the leased assets recognised in the financial statements and revert to the lessor in the event of default.

Inventory funding facilities are secured against the related inventory.

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 financial year.

b) Financing arrangements

Borrowings under the following Group debt facilities as at the date of this report and amounts drawn at year end:

2017	Maturity date[53]	Principal facility amount $ M[53]	Amount utilised $ M[54]
Term debt	November 2019	385.0	280.4
Term debt	April 2020	225.0	225.0
Term debt	April 2022	234.2	234.2
Commodity inventory funding[55]	November 2018	1,123.5	282.2
Working capital[56]	November 2018	390.0	54.2
Total financing arrangements		**2,357.7**	**1,076.0**

2016	Maturity date[57]	Principal facility amount $ M[57]	Amount utilised $ M[58]
Term debt	November 2019	385.0	324.8
Term debt	April 2020	225.0	225.0
Term debt	April 2022	232.8	232.8
Commodity inventory funding[59]	November 2017	1,153.2	239.7
Working capital[60]	November 2017	390.0	147.9
Total financing arrangements		**2,386.0**	**1,170.2**

[52] The Group's secured inventory balance is GST exclusive on Australian facilities.

[53] As at 12 November 2017.

[54] As at 30 September 2017.

[55] The maturity date and principal facility amount for the inventory funding facility is as at 12 November 2017. Subsequent to balance date, the maturity date was extended from November 2017 to November 2018 and the principal facility amount changed from $1,153.2 million to $1,123.5 million. This facility is renewed subsequent to balance date each year to align with the seasonal requirements of the Group.

[56] The maturity date and principal facility amount for the working capital facility is as at 12 November 2017. Subsequent to balance date, the maturity date was extended from November 2017 to November 2018. The principal facility remained at $390.0 million.

[57] As at 9 November 2016.

[58] As at 30 September 2016.

[59] The maturity date and principal facility amount for the inventory funding facility is as at 9 November 2016. Subsequent to balance date, the maturity date was extended from November 2016 to November 2017 and the principal facility amount changed from $1,130.6 million to $1,153.2 million. This facility is renewed subsequent to balance date each year to align with the seasonal requirements of the Group.

[60] The maturity date and principal facility amount for the working capital facility is as at 9 November 2016. Subsequent to balance date, the maturity date was extended from October 2016 to November 2017. The principal facility amount remained at $390.0 million.

For personal use only

2.2 Cash and cash equivalents

	2017 $ M	2016 $ M
Cash at bank and on hand	359.3	293.8
Deposits at call	29.6	13.8
Total cash and cash equivalents	**388.9**	**307.6**

ACCOUNTING POLICY

Cash and cash equivalents includes cash on hand, deposits held at call with banks and short-term investments with maturities of three months or less.

a) Reconciliation of profit after income tax to net cash flow from operating activities

	Note	2017 $ M	2016 $ M
Profit for the year		**125.2**	**30.9**
Net profit on sale of non-current assets		(6.3)	(2.6)
Non-cash employee benefits expense – share-based payments	5.2	4.4	3.0
Share of profit of joint ventures not received as dividends	4.4	0.2	(8.1)
Depreciation / amortisation		145.8	144.9
Impairment expense		20.8	9.7
		290.1	177.8
Changes in operating assets and liabilities (net of acquired entities):			
(Decrease) / increase in inventories		(34.7)	51.6
Increase / (decrease) in deferred tax asset		33.6	(7.4)
Increase / (decrease) in derivatives		23.0	(29.5)
(Decrease) / increase in receivables		(5.9)	16.8
Increase in trade payables		3.7	1.5
Increase / (decrease) in other liabilities		6.4	(11.8)
(Decrease) in provision for income tax		(15.8)	(3.7)
Increase / (decrease) in provision for deferred tax liability		10.3	(17.7)
(Decrease) in defined benefit pension plan liability		(4.6)	(10.5)
(Decrease) in provisions		(5.6)	(15.6)
Net cash provided by operating activities		**300.5**	**151.5**

For personal use only

2.3 Contributed equity

Consolidated and Company	2017 Number	2017 $ M	2016 Number	2016 $ M
Fully paid ordinary shares	228,855,628	1,347.9	228,855,628	1,347.9
Less: Treasury shares	(409,143)	(4.1)	(169,947)	(1.8)
Total consolidated contributed equity	**228,446,485**	**1,343.8**	**228,685,681**	**1,346.1**

Movements in ordinary share capital of the Company during the past two years were as follows:

	Details	Total number of shares	Ordinary share capital $ M
30-Sep-15	Balance brought forward	228,855,628	1,347.9
30-Sep-16	Balance brought forward	228,855,628	1,347.9
30-Sep-17	Total contributed equity - Company	228,855,628	1,347.9
	Less: Treasury shares	(409,143)	(4.1)
30-Sep-17	**Total consolidated contributed equity**	**228,446,485**	**1,343.8**

Ordinary shares

Ordinary shares issued are classified as equity and are fully paid, have no par value, carry one vote per share and the right to dividends.

Treasury shares

Treasury shares are shares in GrainCorp Limited that are held by the GrainCorp Employee Share Ownership Plan Trust ('Trust') for the purpose of issuing shares under employee share plans including: the GrainCorp Long Term Incentive Plan and the GrainCorp Deferred Equity Plan (refer to note 5.2 for further information). Shares acquired by the Trust are consolidated and shown as a deduction from equity.

Under the employee share plans, 713,911 rights were granted or issued during the year (2016: 729,316). At 30 September 2017, the aggregate amount of unvested performance rights of 1,221,214 as set out in note 5.2, is partially covered by the Treasury shares above.

2.4 Dividends

	2017 $ M	2016 $ M
Dividends paid in the year:		
Final fully franked dividend for the year ended 30 September 2016 of 3.5 cents (2015: 2.5 cents)	8.0	5.7
Interim fully franked dividend for the half year ended 31 March 2017 of 15.0 cents (2016: 7.5 cents)	34.3	17.2
Total dividends paid	**42.3**	**22.9**

Dividend not recognised at year end

Since year end the Directors have approved the payment of a final dividend, expected to be paid on 14 December 2017:

Final fully franked dividend for the year ended 30 September 2017 of 15.0 cents (2016: 3.5 cents final dividend)	34.3

No liability for the dividend has been recognised at 30 September 2017, as it was declared after the end of the financial year.

For personal use only

2.4 Dividends (continued)

Franking credits available

	2017 $ M	2016 $ M
Franking credits available for the subsequent financial year	45.3	24.4

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

i. Franking debits that will arise from the receipts of the current tax liability;

ii. Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

iii. Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

iv. Franking credits that may be prevented from being distributed in subsequent financial years.

The impact on the franking account of the dividend approved by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $14.7 million (2016: $3.4 million).

2.5 Commitments and guarantees

a) Financial commitments

	2017 $ M	2016 $ M
Capital expenditure commitments		
Total capital expenditure contracted for at the reporting date but not provided for in payables:		
- Not later than one year	38.5	56.0
- Later than one year and not later than five years	-	3.2
- Later than five years	-	-
Total capital expenditure commitments	**38.5**	**59.2**
Operating lease commitments		
Non-cancellable operating leases	286.6	308.0
Total operating lease commitments	**286.6**	**308.0**
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, payable:		
- Not later than one year	52.8	52.1
- Later than one year and not later than five years	53.6	98.7
- Later than five years	180.2	157.0
Total non-cancellable operating lease commitments	**286.6**	**307.8**
Finance leases		
Commitments in relation to finance leases are payable as follows:		
- Not later than one year	0.8	0.8
- Later than one year but not later than five years	4.2	4.2
- Later than five years	13.0	13.7
Minimum lease payments	18.0	18.7
Future finance charges	(9.0)	(9.6)
Total finance lease liabilities	**9.0**	**9.1**
Representing lease liabilities:		
Current	0.2	0.2
Non-current	8.8	8.9
	9.0	**9.1**

b) Financial guarantees

Financial guarantees are provided by Group entities as follows:

i. GrainCorp Operations Limited was a self-insurer for workers' compensation in NSW up to 29 June 2006. As required by the NSW workers' compensation self-insurance licensing requirements, a bank guarantee in favour of the WorkCover Authority NSW for $0.6 million (2016: $0.6 million) is in place, representing an actuarial assessment of the contingent liability arising from past self-insurance for periods prior to 29 June 2006.

ii. In the normal course of business, the Group enters into guarantees. At 30 September 2017, these guarantees amounted to $12.6 million (2016: $12.9 million). The Directors do not believe any claims will arise in respect of these guarantees.

No liability was recognised by the Group in relation to these guarantees as the fair value of the guarantees is immaterial.

For personal use only

2.6 Derivative financial instruments and risk management

The Group's Treasury function is responsible for managing the liquidity requirements of the Group and mitigating any financial risks relating to the Group's operations through continuous monitoring and evaluation. These financial risks include:

- **Market risk** (refer to note 2.6.b))
- **Liquidity risk** (refer to note 2.6.c))
- **Credit risk** (refer to note 2.6.d))

The Group adheres to a set of policies approved by the Board of Directors which provides written principles on interest rate risk, liquidity risk, counter party credit risk, foreign currency risk and commodity trading risk including the setting of limits for derivatives trading. The Treasury function reports on its compliance with the policy on a regular basis to the Board of Directors and such compliance is reviewed periodically by its internal auditors.

The Group's financial instruments comprise cash, short term deposits, receivables, loans, payables, finance leases and derivative financial instruments. The Group uses derivative financial instruments to manage its exposure to financial risks arising from operating, financing and investing activities.

a) Fair value measurement

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

30 September 2017	Level 1 $ M	Level 2 $ M	Level 3 $ M	Total $ M
Current assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	9.6	-	-	9.6
Commodity contracts (forward purchases and sales)	-	0.9	23.8	24.7
Foreign currency derivatives	-	12.4	-	12.4
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	9.9	-	9.9
Total current derivative financial instrument assets	**9.6**	**23.2**	**23.8**	**56.6**
Commodity inventory at fair value less cost to sell (note 3.2)	-	4.4	214.1	218.5
Total current financial assets	**9.6**	**27.6**	**237.9**	**275.1**
Non-current assets				
Derivative financial instruments – fair value through profit and loss				
Commodity contracts (forward purchases and sales)	-	-	1.2	1.2
Foreign currency derivatives	-	1.6	-	1.6
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	5.3	-	5.3
Interest rate swap contracts	-	0.1	-	0.1
Total non-current financial assets	**-**	**7.0**	**1.2**	**8.2**
Current liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	2.3	0.1	-	2.4
Commodity contracts (forward purchases and sales)	-	-	40.3	40.3
Foreign currency derivatives	-	9.4	-	9.4
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	1.7	-	1.7
Total current financial liabilities	**2.3**	**11.2**	**40.3**	**53.8**
Non-current liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity contracts (forward purchases and sales)	-	-	0.5	0.5
Foreign currency derivatives	-	2.7	-	2.7
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	0.5	-	0.5
Interest rate swaps contracts	-	5.0	-	5.0
Total non-current financial liabilities	**-**	**8.2**	**0.5**	**8.7**

For personal use only

2.6 Derivative financial instruments and risk management (continued)

30 September 2016	Level 1 $ M	Level 2 $ M	Level 3 $ M	Total $ M
Current assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	2.2	-	-	2.2
Commodity contracts (forward purchases and sales)	-	1.4	51.9	53.3
Foreign currency derivatives	-	9.6	-	9.6
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	5.6	-	5.6
Total current derivative financial instrument assets	**2.2**	**16.6**	**51.9**	**70.7**
Commodity inventory at fair value less cost to sell (note 3.2)	-	5.0	106.8	111.8
Total current financial assets	**2.2**	**21.6**	**158.7**	**182.5**
Non-current assets				
Derivative financial instruments – fair value through profit and loss				
Foreign currency derivatives	-	0.6	-	0.6
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	3.3	-	3.3
Total non-current financial assets	**-**	**3.9**	**-**	**3.9**
Current liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	1.2	-	-	1.2
Commodity contracts (forward purchases and sales)	-	0.3	45.3	45.6
Foreign currency derivatives	-	3.1	-	3.1
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	8.7	-	8.7
Interest rate swap contracts	-	0.4	-	0.4
Total current financial liabilities	**1.2**	**12.5**	**45.3**	**59.0**
Non-current liabilities				
Derivative financial instruments – fair value through profit and loss				
Foreign currency derivatives	-	1.4	-	1.4
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	2.5	-	2.5
Interest rate swaps contracts	-	14.8	-	14.8
Total non-current financial liabilities	**-**	**18.7**	**-**	**18.7**

There were no transfers between fair value hierarchy levels during the year. The following table presents a reconciliation of the carrying value of Level 3 instruments:

	2017		2016	
	Commodity contracts $M	Commodity inventory at fair value $ M	Commodity contracts $M	Commodity inventory at fair value $ M
Opening balance as at 1 October	6.6	106.8	19.1	153.5
Gains / (losses) recognised in profit and loss	(6.3)	32.6	12.6	(5.2)
Net acquisitions and disposals	(16.1)	74.7	(25.1)	(41.5)
Closing balance as at 30 September	**(15.8)**	**214.1**	**6.6**	**106.8**

For personal use only

2.6 Derivative financial instruments and risk management (continued)

ACCOUNTING POLICY

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered. Subsequently, at each reporting date, the gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, unless they qualify for hedge accounting as outlined in AASB 139 Financial Instruments: Recognition and Measurement.

The Group enters into certain **cash flow hedges** to hedge exposure to variability in cash flows that are attributable to a risk associated with a recognised asset or liability. The Group's cash flow hedges include:

- Interest rate swap contracts
- Forward foreign exchange contracts

When a derivative financial instrument is designated as a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in a separate hedge reserve within equity.

Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold, terminated or exercised, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss accumulated in equity is reclassified immediately into the consolidated income statement.

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. Management considers the valuation of these financial instruments to be an area of **judgement and estimation**.

For personal use only

b) Market risk

The Group's activities expose it to the financial risks of changes in (i) commodity prices, (ii) foreign currency and (iii) interest rates.

Commodity price risk – commodity trading

Commodity price risk arises due to grain and edible oil price fluctuations impacting on the value of commodity forward purchase and 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.

2.6 Derivative financial instruments and risk management (continued)

Sensitivity analysis

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.

	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
2017	210.8	15.5	(15.5)
2016	120.5	4.7	(4.7)

Commodity price risk – malt and oils production

The Group enters into forward physical purchase and sales contracts along with commodity derivative contracts to manage the underlying price risks in the purchase of raw materials for malt and oils production and the subsequent sale of malt and oils products. These contracts are entered into and continue to be held for the purpose of delivery of raw materials and subsequent sale of processed malt and oils, and are therefore classified as non-derivative and not fair valued.

Foreign currency risk

The Group has exposure to movement in exchange rates through:

- Commodity futures denominated in foreign currency;
- Export contracts for the sale of grain, edible oils and meal denominated in foreign currency;
- Sale or purchase of malt, edible oils and raw materials in foreign currency; and
- Translation of net investments in foreign subsidiaries denominated in foreign currencies

To manage exposure to this risk, the Group enters into forward exchange contracts, foreign currency options and swap contracts, with the contracted time to mature when the relevant underlying contracts expire.

Expressed in Australian Dollars, the table below indicates exposure and sensitivity to movements in exchange rates on the profit or loss and equity of the Group, based on the global currency exposures at 30 September. The tables are based upon the Group's financial asset and liability profile at 30 September, which fluctuates over the course of normal operations.

2017	Exposure at reporting date $M	Impact on profit / (loss) after tax $ M		Impacts on other components of equity $ M	
Movement in exchange rate		**+10%**	**-10%**	**+10%**	**-10%**
Australian Dollar	(213.0)	(4.6)	4.6	(10.3)	10.3
US Dollar	69.5	1.9	(1.9)	3.0	(3.0)
Canadian Dollar	159.9	8.1	(8.1)	3.1	(3.1)
UK Pound Sterling	0.1	(4.1)	4.1	4.1	(4.1)
New Zealand Dollar	5.5	0.3	(0.3)	0.1	(0.1)
Euro	13.5	0.9	(0.9)	-	-
Yen	(35.0)	(2.5)	2.5	-	-

2016	Exposure at reporting date $M	Impact on profit / (loss) after tax $ M		Impacts on other components of equity $ M	
Movement in exchange rate		**+10%**	**-10%**	**+10%**	**-10%**
Australian Dollar	(74.0)	2.9	(2.9)	(8.1)	8.1
US Dollar	(13.4)	(4.0)	4.0	3.0	(3.0)
Canadian Dollar	181.3	9.7	(9.7)	3.0	(3.0)
UK Pound Sterling	5.9	(3.7)	3.7	4.1	(4.1)
New Zealand Dollar	29.5	(0.5)	0.5	2.6	(2.6)
Euro	(82.6)	(1.2)	1.2	(4.6)	4.6
Yen	(46.9)	(3.3)	3.3	-	-

For personal use only

2.6 Derivative financial instruments and risk management (continued)

Interest rate risk

The Group has exposure to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining between 40% and 75% of long-term borrowings at fixed rates through the use of interest rate swaps contracts.

Under interest rate swap contracts, the Group is entitled to receive interest at variable rates and is obliged to pay interest at fixed rates. The contracts require settlement of net interest receivable or payable at each reset period. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

At 30 September 2017, after taking into account the effect of interest rate swaps, approximately 47%, ($348 million) of the Group's long-term borrowings, are at a fixed rate of interest (2016: 44%, $343 million).

The Group continuously monitors its interest rate exposure with consideration given to cash flows impacting on rollovers and repayments of debt, alternative hedging instruments and the mix of fixed and variable interest rates.

At balance date, the Group had the following mix of financial assets and liabilities with interest at fixed and variable rates:

	2017 $ M	2016 $ M
Fixed rate instruments		
Financial assets	0.2	0.2
Financial liabilities	(356.7)	(351.7)
Net fixed rate instruments	**(356.5)**	**(351.5)**
Variable rate instruments		
Financial assets	388.9	307.6
Financial liabilities	(728.3)	(827.6)
Net variable rate instruments	**(339.4)**	**(520.0)**

At balance date the Group had the following borrowings outstanding exposed to variable interest rate risk:

	2017		2016	
	Weighted average interest rate %	Balance $ M	Weighted average interest rate %	Balance $ M
Current:				
Short-term facilities	1.83%	(54.2)	1.56%	(147.9)
Inventory funding facilities	2.18%	(282.2)	1.89%	(239.7)
Interest rate swaps (notional principal amount)	-	-	1.16%	110.0
	2.12%	(336.4)	1.76%	(277.6)
Non-current:				
Term facilities	2.38%	(739.6)	2.23%	(782.6)
Interest rate swaps (notional principal amount)	1.53%	347.7	1.16%	232.6
	2.38%	(391.9)	2.23%	(550.0)
Net exposure to cash flow interest rate risk		**(728.3)**		**(827.6)**

Sensitivity analysis

At balance date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

	2017 $ M	2016 $ M
Profit / (loss)		
+ 100 basis points	(3.5)	(5.3)
– 100 basis points	3.5	5.3
Increase / (decrease) in equity		
+ 100 basis points	3.5	3.4
– 100 basis points	(3.5)	(3.4)

For personal use only

2.6 Derivative financial instruments and risk management (continued)

c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit facilities. The Group manages liquidity risk by regularly monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. At balance date, the Group had approximately $455.4 million (2016: $308.2 million) of unused credit facilities available for immediate use.

The tables below show the contractual maturities of financial liabilities, including estimated interest payments. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 September 2017	Carrying Value $M	Total $M	Less than 1 year $ M	Between 1 and 2 years $ M	Between 2 and 5 years $ M	Over 5 years $ M
Non-derivatives:						
Bank borrowings [61]	(1,076.0)	(1,093.8)	(336.5)	-	(757.3)	-
Trade payables	(193.8)	(193.8)	(193.8)	-	-	-
Other payables	(147.2)	(147.2)	(142.4)	(1.5)	(3.3)	-
Finance leases	(9.0)	(18.0)	(0.8)	(1.7)	(2.5)	(13.0)
Derivatives:						
Interest rate swap contracts	(5.0)	(5.0)	-	-	(5.0)	-
Foreign currency derivatives						
outflow	(14.3)	(564.8)	(516.7)	(45.6)	(2.5)	-
inflow		550.5	505.5	42.8	2.2	-
Commodity futures and options:						
outflow	(2.4)	(6.6)	(6.6)	-	-	-
inflow		4.2	4.2	-	-	-
Commodity contracts (forward purchases and sales):						
outflow	(40.8)	(431.7)	(423.4)	(8.3)	-	-
inflow		390.9	383.1	7.8	-	-

As at 30 September 2016	Carrying Value $M	Total $M	Less than 1 year $ M	Between 1 and 2 years $ M	Between 2 and 5 years $ M	Over 5 years $ M
Non-derivatives:						
Bank borrowings[61]	(1,170.2)	(1,187.8)	(387.6)	-	(562.2)	(238.0)
Trade payables	(188.5)	(188.5)	(188.5)	-	-	-
Other payables	(144.1)	(144.1)	(138.1)	(1.2)	(4.8)	-
Finance leases	(9.1)	(18.7)	(0.8)	(1.7)	(2.5)	(13.7)
Derivatives:						
Interest rate swap contracts	(15.2)	(15.2)	(0.4)	-	(7.3)	(7.5)
Foreign currency derivatives						
outflow	(15.7)	(502.4)	(404.2)	(76.7)	(21.5)	-
inflow		486.7	392.0	72.8	21.9	-
Commodity futures and options:						
outflow	(1.2)	(1.2)	(1.2)	-	-	-
inflow		-	-	-	-	-
Commodity contracts (forward purchases and sales):						
outflow	(45.6)	110.8	110.8	-	-	-
inflow		(156.4)	(156.4)	-	-	-

[61] The Group's bank borrowings facilities and maturity dates are set out in note 2.1. Cash outflows associated with bank borrowings are inclusive of principal and interest.

For personal use only

2.6 Derivative financial instruments and risk management (continued)

d) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group minimises credit risk associated with trade and other receivables by performing a credit assessment for all customers that wish to trade on credit terms. Credit limits are determined for each individual customer based on their credit assessment. These limits are approved under the credit policy that is approved by the Board. At 30 September, 96% of trade receivables are due within 30 days and the Group does not have any significant credit risk exposure to a single customer or group of customers.

To minimise the credit exposure to financial institutions that are counterparties to derivative contracts and cash, the Group has a panel of authorised counterparties who are principally large banks and recognised financial intermediaries with acceptable credit ratings determined by a rating agency. The Group's net exposure and credit assessment of its counterparties are continuously monitored to ensure any risk is minimised.

The Group may also be subject to credit risk for transactions that are not included in the Consolidated Statement of Financial Position, such as when a guarantee is provided for another party.

The Group's maximum exposure for credit risk is the carrying amount of all trade and other receivables, receivables from joint ventures, derivative asset balances, margin deposits and cash assets which at the balance sheet date is as follows:

	2017 $ M	2016 $ M
Trade receivables	363.3	378.3
Other receivables	54.9	42.6
Amounts receivable from joint ventures	0.2	0.2
Derivative contracts at fair value	64.8	74.6
Margin deposits	4.7	7.8
Bank balances and call deposits	388.9	307.6
Total exposure to credit risk	**876.8**	**811.1**

For personal use only

2.6 Derivative financial instruments and risk management (continued)

e) Offsetting financial assets and liabilities

Agreements with derivative counterparties are based on an International Swaps and Derivatives Association (ISDA) Master Netting Agreement. Under the terms of these agreements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated.

The ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because the Group does not have any legal enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default on the bank loans or other credit events.

The following table presents the recognised financial instruments that are offset, or subject to offsetting arrangements mentioned above, as at 30 September 2017 and 30 September 2016:

30 September 2017	Gross amounts	Gross amount offset	Net amount in statement of financial position	Amounts that are not offset	Net amount
	$ M	$ M	$ M	$ M	$ M
Financial assets					
Cash and cash equivalents	388.9	-	388.9	-	388.9
Trade and other receivables	476.1	(8.8)	467.3	-	467.3
Derivative financial instruments	76.0	(11.2)	64.8	(10.4)	54.4
Total assets	**941.0**	**(20.0)**	**921.0**	**(10.4)**	**910.6**
Financial liabilities					
Trade and other payables	349.8	(8.8)	341.0	-	341.0
Derivative financial instruments	73.7	(11.2)	62.5	(10.4)	52.1
Total liabilities	**423.5**	**(20.0)**	**403.5**	**(10.4)**	**393.1**

30 September 2016	Gross amounts	Gross amount offset	Net amount in statement of financial position	Amounts that are not offset	Net amount
	$ M	$ M	$ M	$ M	$ M
Financial assets					
Cash and cash equivalents	307.6	-	307.6	-	307.6
Trade and other receivables	463.0	(4.0)	459.0	-	459.0
Derivative financial instruments	75.6	(1.0)	74.6	(14.8)	59.8
Total assets	**846.2**	**(5.0)**	**841.2**	**(14.8)**	**826.4**
Financial liabilities					
Trade and other payables	336.6	(4.0)	332.6	-	332.6
Derivative financial instruments	78.7	(1.0)	77.7	(14.8)	62.9
Total liabilities	**415.3**	**(5.0)**	**410.3**	**(14.8)**	**395.5**

For personal use only

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 Trade and other receivables

Current	2017 $ M	2016 $ M
Trade receivables	363.3	378.3
Provision for impairment of trade receivables	(1.7)	(2.5)
	361.6	375.8
Other receivables	54.0	41.5
Prepayments	45.9	32.6
Margin deposits	4.7	7.8
Total current trade and other receivables	**466.2**	**457.7**

Non-current	2017 $ M	2016 $ M
Loan to joint venture (note 4.5)	0.2	0.2
Other receivables	0.9	1.1
Total non-current trade and other receivables	**1.1**	**1.3**

ACCOUNTING POLICY

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Trade receivables are generally due for settlement within 30 days.

A **provision for impairment** is recognised when there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and its fair value, which is estimated as the present value of future cash flows.

For personal use only

3.2 Inventories

	2017 $ M	2016 $ M
Raw materials	190.8	211.6
Work in progress	17.2	22.0
Finished goods	129.9	131.1
Trading stock at net realisable value	22.7	22.8
Commodities inventory at fair value less cost to sell	218.5	111.8
Total inventories	**579.1**	**499.3**

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 September 2017 amounted to $2.9 million (2016: $6.0 million). The expense is included in Other Expenses in the Consolidated Income Statement.

ACCOUNTING POLICY

Inventories are valued at lower of cost and net realisable value unless stated otherwise. Net realisable value is the estimated selling price less variable selling expenses. The method used to determine costs for inventory categories are:

- **Raw materials:** Purchase price of the goods.
- **Finished goods and work in progress:** Purchase price of raw materials, direct labour, other direct costs and production overheads.
- **Trading stock:** Purchase price of direct materials and a portion of variable overhead assigned on a weighted average basis.
- **Commodities inventory:** Grain inventory acquired with the purpose of selling in the near future and generating a profit from fluctuation in price or broker-traders' margin, is measured at fair value less costs to sell, with changes in fair value recognised in the Consolidated Income Statement.

For personal use only

3.3 Property, plant and equipment

	Land $ M	Buildings & structures $ M	Leasehold improvements $ M	Plant and equipment $ M	Capital works in progress $ M	Total $ M
As at 30 September 2015						
Cost	136.0	325.0	42.0	1,570.4	226.7	2,300.1
Accumulated depreciation and impairment	-	(157.6)	(18.5)	(748.5)	-	(924.6)
Net book value	**136.0**	**167.4**	**23.5**	**821.9**	**226.7**	**1,375.5**
Movement						
Transfer to assets held for sale	(11.0)	(1.3)	(0.1)	(3.8)	-	(16.2)
Transfer between asset categories (note 3.4)	1.4	17.4	(0.1)	138.6	(165.1)	(7.8)
Additions	-	11.8	1.0	54.7	205.3	272.8
Disposals	(0.4)	-	(0.1)	(1.5)	(0.7)	(2.7)
Depreciation	-	(18.3)	(1.5)	(91.4)	-	(111.2)
Impairment	(4.3)	(0.1)	(0.1)	(1.0)	(2.1)	(7.6)
Exchange difference	(5.3)	(5.1)	(0.3)	(31.2)	(4.6)	(46.5)
Closing net book value	**116.4**	**171.8**	**22.3**	**886.3**	**259.5**	**1,456.3**
As at 30 September 2016						
Cost	120.7	339.0	41.0	1,715.9	261.6	2,478.2
Accumulated depreciation and impairment	(4.3)	(167.2)	(18.7)	(829.6)	(2.1)	(1,021.9)
Net book value	**116.4**	**171.8**	**22.3**	**886.3**	**259.5**	**1,456.3**
Movement						
Transfer between asset categories (note 3.4)	0.4	16.9	1.5	132.0	(164.2)	(13.4)
Additions	0.6	15.5	0.4	37.0	164.3	217.8
Disposals	(2.5)	(7.0)	(0.1)	(16.3)	(1.7)	(27.6)
Depreciation	-	(20.7)	(1.9)	(94.1)	-	(116.7)
Impairment	-	-	-	(11.2)	-	(11.2)
Exchange difference	0.4	0.8	-	(2.2)	(3.7)	(4.7)
Closing net book value	**115.3**	**177.3**	**22.2**	**931.5**	**254.2**	**1,500.5**
As at 30 September 2017						
Cost	116.4	356.7	42.5	1,814.9	254.2	2,584.7
Accumulated depreciation and impairment	(1.1)	(179.4)	(20.3)	(883.4)	-	(1,084.2)
Net book value	**115.3**	**177.3**	**22.2**	**931.5**	**254.2**	**1,500.5**

Assets held for sale

From time to time, the Directors of GrainCorp resolve to sell certain sites that have been closed to operations based on their historic and expected receivals and production utilisation. As at 30 September 2017, two sites measured at $12.1 million (2016: four sites measured at $19.1 million, including inventory) were actively marketed for sale.

Treatment of inactive sites

From time to time, the Group decides to close or suspend operations at certain sites based on consideration of market and other relevant factors. These sites can become operational in future periods. The Group conducts an impairment assessment for these inactive sites by comparing the carrying value of the assets with the recoverable value calculated at the higher of fair value less cost to sell or value in use. The total value of such sites as at 30 September 2017 amounts to $12.2 million (2016: $14.9 million).

For personal use only

3.3 Property, plant, and equipment (continued)

ACCOUNTING POLICY

› Carrying value

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Subsequent costs are capitalised when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

› Depreciation

Property, plant and equipment assets, other than freehold land, are depreciated on a straight-line basis over the useful lives of the assets. Useful lives are reviewed on an annual basis and have been assessed as follows:

- Freehold buildings: 3-50 years
- Leasehold improvements: Term of lease
- Plant & equipment: 1-50 years

› Assets held for sale

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

Assets held for sale are presented separately from other assets in the Consolidated Statement of Financial Position. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

› Impairment

Tests for impairment on items of property, plant and equipment are conducted in accordance with the policy for impairment of non-financial assets disclosed in note 3.4.

For personal use only

3.4 Intangible assets

	Computer software $ M	Trade name $ M	Customer relationship $ M	Goodwill $ M	Capital works in progress $M	Total $ M
As at 30 September 2015						
Cost or fair value	108.3	4.3	130.5	445.5	-	688.6
Accumulated amortisation and impairment	(54.0)	(2.2)	(86.8)	-	-	(143.0)
Net book value	**54.3**	**2.1**	**43.7**	**445.5**	**-**	**545.6**
Movement						
Transfer to assets held for sale	(0.1)	-	-	-	-	(0.1)
Transfer between asset categories (note 3.3)	6.8	1.0	-	-	-	7.8
Additions	6.7	-	-	-	0.3	7.0
Disposals	(0.5)	-	-	-	-	(0.5)
Amortisation charge	(18.8)	(0.3)	(14.6)	-	-	(33.7)
Exchange difference	(2.6)	(0.1)	(1.7)	(30.4)	-	(34.8)
Closing net book value	**45.8**	**2.7**	**27.4**	**415.1**	**0.3**	**491.3**
As at 30 September 2016						
Cost or fair value	106.0	5.2	117.9	415.1	0.3	644.5
Accumulated amortisation and impairment	(60.2)	(2.5)	(90.5)	-	-	(153.2)
Net book value	**45.8**	**2.7**	**27.4**	**415.1**	**0.3**	**491.3**
Movement						
Transfer between asset categories (note 3.3)	12.2	-	-	-	1.2	13.4
Additions	2.2	-	-	-	3.3	5.5
Acquisitions through business combinations	-	1.1	-	11.8	-	12.9
Disposals	(0.3)	(0.3)	-	-	-	(0.6)
Amortisation charge	(17.7)	(0.1)	(11.3)	-	-	(29.1)
Exchange difference	0.5	-	0.4	0.3	(0.1)	1.1
Closing net book value	**42.7**	**3.4**	**16.5**	**427.2**	**4.7**	**494.5**
As at 30 September 2017						
Cost or fair value	117.6	4.7	115.6	427.2	4.7	669.8
Accumulated amortisation and impairment	(74.9)	(1.3)	(99.1)	-	-	(175.3)
Net book value	**42.7**	**3.4**	**16.5**	**427.2**	**4.7**	**494.5**

Impairment test for goodwill

For purposes of impairment testing, goodwill acquired through business combination is allocated to cash-generating units (CGUs) as below:

	2017 $ M	2016 $ M
Storage & Logistics	11.2	10.1
Marketing	7.8	8.0
Malt	306.1	295.3
Oils	102.1	101.7
Total goodwill	**427.2**	**415.1**

For personal use only

3.4 Intangible assets (continued)

ACCOUNTING POLICY

Goodwill and intangible assets with indefinite lives are tested for **impairment** annually or more frequently if circumstances indicate that an asset may be impaired. In assessing impairment, the recoverable amount of assets is estimated to determine the extent of the impairment loss. The recoverable amount for goodwill is assessed at the Group of CGUs level and is based on value in use (VIU) calculations. Management uses **judgement and estimation** in determining the recoverable amount of assets including expected future cash flows, long term growth rates and discount rates.

In assessing VIU, estimated future cash flows are based on the Group's most recent Board approved business plan covering a period of five years. Projected cash flows are based on past performance and management's future expectations. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2.0% to 2.5%. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

Estimated future cash flows are discounted to present value using pre-tax discount rate of 8.7% to 10.0%. These discount rates reflect the current market assessment of the time value of money and risks specific to the relative segment and its country of operation.

Any reasonably possible change to the above key assumptions would not cause the carrying value of a CGU to exceed its recoverable amount.

3.5 Trade and other payables

Current	2017 $ M	2016 $ M
Trade payables	193.8	188.5
Income received in advance	21.6	25.2
Other payables	142.4	138.1
Total current trade and other payables	**357.8**	**351.8**

Non-current	2017 $ M	2016 $ M
Income received in advance	44.1	33.8
Other payables	4.8	6.0
Total non-current trade and other payables	**48.9**	**39.8**

For personal use only

3.6 Provisions

2017	Customer Claims $ M	Onerous contracts $ M	Employee benefits $ M	Other $ M	Total Provision $ M
Balance at 1 October 2016	16.0	4.5	50.0	7.3	77.8
Additional provisions	0.8	0.1	27.7	19.3	47.9
Amounts used	(11.8)	(0.8)	(25.0)	(15.6)	(53.2)
Unused amounts reversed	-	(0.7)	-	-	(0.7)
Exchange difference	-	-	-	0.3	0.3
Balance 30 September 2017	**5.0**	**3.1**	**52.7**	**11.3**	**72.1**
Current	5.0	0.6	46.9	7.8	60.3
Non-current	-	2.5	5.8	3.5	11.8

Customer claims

Customer claims can arise under contractual terms if the quantity or quality of grain owned by a customer is not available at a specific location. A provision is made for customer claims in relation to grain losses or damages in the normal course of operations. The provision is based on the estimated cost of customer claims, with reference to past experience, the level of historical claims paid, and the current location, grade profile and quantity of physical grain in the network relative to customer ownership as at 30 September 2017. Management considers the estimation of the provision to be an area of **judgement and estimation.**

Onerous contracts

A provision is made for the unavoidable costs of meeting contractual obligations where the costs of meeting those obligations exceed the economic benefits expected to be received from the contract.

Employee benefits

The provision for employee benefits represents sick leave, annual leave and long service leave (LSL) entitlements. It is measured as the present value of expected future payments for the services provided by employees up to the point of reporting date.

For provisions that are expected to be settled 12 months after year end, the Group uses corporate bond rates with maturities aligned to the estimated timing of future cash flows to discount expected future payments.

In calculating the LSL provision, management judgement is required to estimate future wages and salaries, on cost rates and employee service period.

The Group's current provision for employee benefits includes $46.9 million (2016: $44.4 million) in respect to accrued annual leave, vesting sick leave and a portion of long service leave, where employees have completed the required period of service. As the Group does not have an unconditional right to defer settlement, the entire obligation is categorised as a current liability.

Based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. Group long service leave obligations expected to be settled within the next 12 months amount to $0.8 million (2016: $0.6 million).

Other provisions

Other is made up of restructuring, restoration and worker's compensation provisions.

ACCOUNTING POLICY

Provisions are recognised when:

- The Group has a present obligation as a result of past events;
- It is highly likely an outflow of resources will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current markets assessment of the time value of money and the risks specific to the liability.

For personal use only

3.7 Retirement benefit obligations

Defined contribution plan

The majority of employees in Australia and New Zealand are part of a defined superannuation scheme and received fixed contributions from the Group in accordance with statutory requirements.

Defined benefit plan

The Group operates pension plans for some employees of its Malt business in US, Canada, UK and Australia. The plan is funded through contributions to the defined benefit plan as determined by annual actuarial valuations. A defined benefit plan is a pension plan that defines the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

a) Retirement benefit liability recognised in the Consolidated Statement of Financial Position

	2017 $ M	2016 $ M
Present value of the defined benefit obligations	193.9	210.4
Fair value of defined benefit plans assets	(167.1)	(166.3)
Net defined benefit obligation	**26.8**	**44.1**
Recognised in the Consolidated Statement of Financial Position as:		
Retirement benefit asset	2.6	-
Retirement benefit obligation	(29.4)	(44.1)
Net defined benefit obligation	**(26.8)**	**(44.1)**

b) Categories of plan assets

	2017 %	2016 %
The major categories of plan assets are as follows:		
Cash	-	1%
Equity instruments	50%	46%
Debt instruments	49%	52%
Other assets	1%	1%
Total	**100%**	**100%**

c) Reconciliations

	2017 $ M	2016 $ M
Reconciliation of the present value of the defined benefit obligations:		
Balance at the beginning of the year	210.4	209.0
Current service cost	1.7	1.5
Interest cost	5.1	7.4
Scheme participants contributions	0.1	0.1
Remeasurements	(14.8)	46.5
Benefits paid	(8.9)	(12.2)
Past service cost	(1.6)	-
Exchange difference	1.9	(41.9)
Balance as at 30 September	**193.9**	**210.4**
Reconciliation of fair value of plan assets:		
Balance at the beginning of the year	166.3	171.8
Interest income	4.0	6.1
Remeasurements	(2.1)	29.1
Contributions by Group companies	5.9	4.3
Scheme participants contributions	0.1	0.1
Actual plan administration expense	(0.5)	(0.3)
Benefits paid	(8.9)	(12.2)
Exchange difference	2.3	(32.6)
Balance as at 30 September	**167.1**	**166.3**

For personal use only

3.7 Retirement benefit obligations (continued)

d) Amounts recognised in the Consolidated Income Statement

	2017 $ M	2016 $ M
The amounts recognised in the income statement are as follows:		
Current service cost	1.7	1.5
Net interest expense	1.1	1.3
Past service cost	(1.6)	-
Total expense included in employee benefits expense	**1.2**	**2.8**

e) Amounts recognised in other comprehensive income

	2017 $ M	2016 $ M
Remeasurements of retirement benefit obligations	12.7	(17.4)
Cumulative remeasurements recognised	(31.7)	(44.4)

f) Principal actuarial assumptions

2017	North America	UK	Australia
Principal actuarial assumptions used (expressed as weighted averages):			
Discount rate	3.74%	2.70%	3.10%
Future salary increases	2.00%	3.20%	3.00%

2016	North America	UK	Australia
Principal actuarial assumptions used (expressed as weighted averages):			
Discount rate	3.13%	2.30%	3.10%
Future salary increases	2.00%	3.10%	3.00%

g) Sensitivity analysis

Changes in the following principal actuarial assumptions would have the following effect on the defined benefit pension obligation:

	2017 $ M Increase/(decrease)	2016 $ M Increase/(decrease)
Discount rate:		
0.25% increase	(7.8)	(8.1)
0.25% decrease	7.8	8.5
Inflation:		
0.25% increase	3.8	4.0
0.25% decrease	(3.7)	(3.9)

The sensitivity information has been derived for all plans using projected cash flows valued using the relevant assumptions and membership profiles as at 30 September 2017. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

Employer contributions

Based on the recommendations of the plan's actuaries, total employer contributions expected to be paid by the Group for the year ended 30 September 2018 are $6.5 million (2017: $6.4 million).

For personal use only

3.7 Retirement benefit obligations (continued)

ACCOUNTING POLICY

Defined contribution plan

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Defined benefit plan

The asset or liability recognised in the Consolidated Statement of Financial Position in respect of defined plan benefits is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The present value of the pension liability is determined by discounting the estimated future cash flows using interest rates of high quality corporate or government bonds that:

- Are denominated in the currency in which the benefits will be paid; and
- Have terms to maturity approximating the terms of the related pension liability.

The defined benefit obligation is calculated at least annually by independent actuaries using the projected unit credit method, which in simple terms proportions the benefit based on years of service provided. Management consider the valuation of defined benefit plans to be an area of **judgement and estimation** as a number of key assumptions must be adopted to determine the fair value.

Actuarial gains and losses arise when there is a difference between previous estimates and actual experience, or a change to assumptions in relation to demographic and financial trends. Gains and losses are recognised in the period in which they occur, directly in other comprehensive income as remeasurements.

The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate at the beginning of the period to the net defined benefit liability, considering any changes during the period because of contributions and benefit payments. Net interest expense (income), service cost and other expenses related to defined benefit plans are recognised in the Consolidated Income Statement.

For personal use only

4 Group Structure

This section provides information on how the Group structure affects the financial position and performance of the Group. The disclosures detail the types of entities and transactions included in the consolidation and those which are excluded.

4.1 Subsidiaries

The consolidated financial statements of the Group incorporate the assets, liabilities and results of all controlled entities. The Group controls an entity when it has power over the entity, is exposed to, and has the rights to, variable returns from its involvement with that entity and has the ability to affect those returns.

Controlled entities are fully consolidated from the date control is obtained until the date that control ceases.

Non-controlling interests are allocated their share of total comprehensive income and are presented within equity in the statement of Consolidated Statement of Financial Position, separate from the equity of shareholders.

All subsidiaries in the Closed Group and other consolidated entities of the Group are listed below.

Table A: Subsidiaries in the Closed Group (note 4.2)

Name of entity	Country of incorporation	Equity holdings 2017	Equity holdings 2016
Auscol Pty Ltd	Australia	100%	100%
Australia Malt Finco Pty Ltd	Australia	100%	100%
Australia Malt Holdco Pty Ltd	Australia	100%	100%
Barrett Burston Malting Co Pty Ltd	Australia	100%	100%
Barrett Burston Malting Company WA Pty Limited	Australia	100%	100%
Champion Liquid Feeds Pty Limited	Australia	100%	100%
Grainco Australia Pty Limited	Australia	100%	100%
GrainCorp Australia Pty Ltd	Australia	100%	100%
GrainCorp Commodity Management (Holdings) Pty Ltd (formerly Gardner Smith (Holdings) Pty Ltd)	Australia	100%	100%
GrainCorp Commodity Management Pty Ltd (formerly Gardner Smith Pty Limited)	Australia	100%	100%
GrainCorp Foods Australia Pty Ltd (formerly Integro Foods Australia Pty Ltd)	Australia	100%	100%
GrainCorp Holdings Australia Pty Ltd	Australia	100%	100%
GrainCorp Liquid Terminals Australia Pty Ltd (formerly Pacific Terminals (Australia) Pty Ltd)	Australia	100%	100%
GrainCorp Oils Holdings Pty Ltd	Australia	100%	100%
GrainCorp Oilseeds Pty Ltd (formerly Riverland Oilseeds Pty Ltd)	Australia	100%	100%
GrainCorp Operations Limited	Australia	100%	100%
GrainCorp Services Limited	Australia	100%	100%
GrainCorp Warehouse Cashflow Pty Ltd	Australia	100%	100%
Hunter Grain Pty Limited	Australia	100%	100%
Hunter Grain Transport Pty Limited	Australia	100%	100%
Malt Real Property Pty Limited	Australia	100%	100%
Security Superannuation Fund Pty Limited	Australia	100%	100%
Vicgrain (Assets) Pty Limited	Australia	100%	100%
Vicgrain Pty Limited	Australia	100%	100%

For personal use only

4.1 Subsidiaries (continued)

Table B: Other subsidiaries

Name of entity	Country of incorporation	Equity holdings 2017	Equity holdings 2016
ABN 36 073 105 656 Pty Ltd (formerly Globex International Pty Limited)[62]	Australia	100%	100%
Australian Grain Handlers Pty Ltd	Australia	80%	-
Containerlink Pty Limited[63]	Australia	-	100%
GSEST Pty Ltd[62]	Australia	100%	100%
Canada Malting Co. Limited	Canada	100%	100%
Coastal Containers Limited[63]	Canada	-	100%
GrainCorp Canada Inc.	Canada	100%	100%
GrainCorp Operations Canada Inc.	Canada	100%	100%
Gardner Smith Commodities Trading (Shanghai) Co. Ltd	China	100%	100%
Shanghai Grand Port Liquid Storage Terminals Co. Ltd	China	100%	100%
GrainCorp Europe GmbH & Co. KG	Germany	100%	100%
GrainCorp Europe Management GmbH	Germany	100%	100%
Rhein-Ruhr-Malz GmbH[64]	Germany	-	100%
Schill Malz GmbH Co. KG	Germany	100%	100%
Schill Malz Verwaltungs-GmbH	Germany	100%	100%
Thüringer Malz GmbH[64]	Germany	-	100%
Barrett Burston Malting Co (NZ) Limited	New Zealand	100%	100%
GrainCorp Commodity Management (NZ) Limited (formerly Gardner Smith NZ Limited)	New Zealand	100%	100%
GrainCorp Feeds Limited (formerly BLM Feeds Limited)	New Zealand	100%	100%
GrainCorp Foods NZ Limited (formerly Integro Foods NZ Limited)	New Zealand	100%	100%
GrainCorp Liquid Terminals NZ Limited (formerly Pacific Terminals NZ Limited)	New Zealand	100%	100%
GrainCorp Operations Asia Pte Ltd	Singapore	100%	100%
Gardner Smith Africa Pty Ltd	South Africa	100%	100%
Bairds Malt Limited	UK	100%	100%
Bairds Malt (Pension Trustees) Limited	UK	100%	100%
Brewers Select Limited	UK	100%	100%
GrainCorp (Canada) Holdings UK Limited	UK	100%	100%
GrainCorp Europe (UK) Ltd	UK	100%	100%
GrainCorp UK Limited	UK	100%	100%
Malt UK Holdco Limited	UK	100%	100%
Maltco 3 Limited	UK	100%	100%
Mark Lawrence (Grain) Limited	UK	100%	100%
Moray Firth Maltings Limited	UK	100%	100%
Norton Organic Grain Limited	UK	100%	100%
Saxon Agriculture Limited	UK	100%	100%
Scotgrain Agriculture Limited	UK	100%	100%
Ulgrave Limited	UK	100%	100%
GrainCorp Holdings USA	USA	100%	100%
GrainCorp USA	USA	100%	100%
Great Western Malting Co	USA	100%	100%
Malt US Holdco Inc	USA	100%	100%

[62] Subject to member's voluntary liquidation or deregistration.

[63] Deregistered in the current financial year.

[64] Entity merged into Schill Malz GmbH Co. KG.

For personal use only

4.2 Deed of cross guarantee

The Group and subsidiaries included in Table A of note 4.1 have entered a Deed of Cross Guarantee under which each of the companies guarantees the debts of the other and are relieved from the requirement to prepare financial statements under ASIC Class Order No. 2016/785.

Set out below is the consolidated income statement, a summary of movements in consolidated retained earnings and a consolidated statement of financial position for the Closed Group for the year ended 30 September 2017.

Consolidated income statement	2017 $ M	2016 $ M
Revenue	3,377.3	2,895.4
Other income	84.3	52.5
Goods purchased for resale	(2,302.9)	(1,989.4)
Raw materials and consumables used	(449.0)	(447.4)
Employee benefits expense	(240.2)	(252.6)
Depreciation and amortisation	(106.8)	(105.9)
Finance costs	(33.1)	(30.5)
Operating leases	(69.2)	(45.8)
Repairs and maintenance	(49.1)	(37.9)
Other expenses	(111.3)	(107.7)
Share of results from investments accounted for using the equity method	0.6	9.7
Profit / (loss) before income tax	100.6	(59.6)
Income tax expense / benefit	(33.6)	16.2
Profit / (loss) for the year	**67.0**	**(43.4)**
Other comprehensive income:		
Changes in the fair value of cash flow hedges	5.7	(2.9)
Share of other comprehensive (loss) of joint ventures	-	(0.1)
Remeasurements of defined benefit obligations	(0.2)	-
Income tax benefit / expense relating to components of other comprehensive income	(1.6)	0.9
Other comprehensive income / (loss) for the year, net of tax	3.9	(2.1)
Total comprehensive income / (loss) for the year	**70.9**	**(45.5)**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	134.3	200.6
Profit / (loss) for the year	67.0	(43.4)
Dividends paid	(42.3)	(22.9)
Remeasurements of defined benefit obligation	(0.2)	-
Retained earnings at the end of the financial year	**158.8**	**134.3**

For personal use only

4.2 Deed of cross guarantee (continued)

Set out below is the consolidated statement of financial position of the Closed Group as at 30 September.

Consolidated statement of financial position	2017 $ M	2016 $ M
Current assets		
Cash and cash equivalents	150.7	66.8
Trade and other receivables	282.0	298.6
Inventories	311.9	225.7
Derivative financial instruments	43.4	62.1
Assets classified as held for sale	12.1	10.7
Current tax assets	14.8	-
Total current assets	**814.9**	**663.9**
Non-current assets		
Trade and other receivables	140.2	195.4
Investment in subsidiaries	451.8	418.0
Investments accounted for using the equity method	2.1	179.2
Investments in other entities	7.1	12.1
Property, plant and equipment	1,039.3	1,004.6
Deferred tax assets	11.5	47.3
Intangible assets	108.4	101.3
Derivative financial instruments	2.0	1.1
Total non-current assets	**1,762.4**	**1,959.0**
Total assets	**2,577.3**	**2,622.9**
Current liabilities		
Trade and other payables	211.0	192.2
Borrowings	207.9	238.7
Derivative financial instruments	49.1	52.4
Provisions	50.1	55.2
Total current liabilities	**518.1**	**538.5**
Non-current liabilities		
Trade and other payables	16.7	21.4
Borrowings	514.3	558.7
Derivative financial instruments	4.1	9.0
Provisions	9.5	9.3
Retirement benefit obligations	0.1	0.3
Total non-current liabilities	**544.7**	**598.7**
Total liabilities	**1,062.8**	**1,137.2**
Net assets	**1,514.5**	**1,485.7**
Equity		
Contributed equity	1,343.8	1,346.1
Reserves	11.9	5.3
Retained earnings	158.8	134.3
Total equity	**1,514.5**	**1,485.7**

For personal use only

4.3 Parent entity financial information

The financial information of the parent entity is prepared on the same basis as the consolidated financial statements, except as follows:

i. Investments in subsidiaries and associates are carried at cost; and

ii. Dividends received from associates are recognised in the profit and loss.

	2017 $ M	2016 $ M
Statement of financial position		
Current assets	0.4	2.4
Total assets	1,815.1	1,817.8
Current liabilities	0.4	0.4
Total liabilities	7.3	0.6
Shareholders' equity		
Contributed equity	1,343.8	1,346.1
Share option reserve	6.7	4.2
Capital reserve	8.3	8.3
Hedging reserve	-	(0.1)
Translation reserve	-	(0.5)
Retained earnings	449.0	459.2
Total shareholders' equity	1,807.8	1,817.2
Profit for the year	**32.1**	**70.7**
Total comprehensive income	**32.1**	**70.7**

The parent entity is party to the Deed of Cross Guarantee and is subject to the terms of the deed as described in note 4.2. At 30 September 2017, the Group did not provide any other guarantees (2016: nil), contingent liabilities (2016: nil) or capital commitments (2016: nil).

For personal use only

4.4 Investments accounted for using the equity method

a) Carrying amounts

All the joint ventures below are incorporated in Australia, except for GrainsConnect Canada which is incorporated in Canada.

		Ownership interest		Carrying amount	
				2017	2016
Company	Principal activity	2017	2016	$ M	$ M
Allied Mills Australia Pty Ltd	Mixing and milling	-	60%	-	177.8
GrainsConnect Canada Operations Inc[65]	Grain elevation and storage	50%	50%	29.1	3.9
National Grower Register Pty Ltd	Register management	50%	50%	0.9	0.7
Flex Biofuels Pty Ltd	Sales and purchases of biofuels	50%	50%	0.4	0.4
PumpFree Pty Ltd	Liquid oil transportation	23%	23%	0.7	0.8
				31.1	**183.6**

On 31 January 2017, the Group announced the disposal of its 60% interest in Allied Mills. The sale completed on 31 March 2017 for total proceeds of $189.8 million (pre-tax and transaction costs). The sale was based on a locked-box date on 2 October 2016 and no equity accounted profits have been recognised in the reporting period. An after-tax gain for the Group of $3.8 million, net of transaction costs, has been recorded in significant items (refer to note 1.5). The Group has also received the benefit of $35 million of franking credits as a result of the transaction.

b) Movements in carrying amounts

i. Group share of commitments and contingent liabilities in respect of joint ventures

Group's share of joint venture's expenditure commitments:

	2017	2016
	$ M	$ M
Capital commitments	2.2	22.2
Lease commitments	1.4	5.3
	3.6	**27.5**

ii. Summarised financial information of joint ventures

The tables below provide summarised financial information for the joint venture that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint venture and not the Group's share of those amounts.

	Allied Mills Australia Pty Ltd[66]	
	2017	2016
Summarised statement of financial position	$ M	$ M
Current assets	-	180.7
Non-current assets	-	314.6
Total assets	**-**	**495.3**
Current liabilities	-	124.1
Non-current liabilities	-	74.9
Total liabilities	**-**	**199.0**
Net assets	**-**	**296.3**
Reconciliation of carrying amounts:		
Opening net assets 1 October	-	280.8
Profit for the period	-	17.0
Significant items (after tax)	-	(1.4)
Other comprehensive (loss)	-	(0.1)
Closing net assets	**-**	**296.3**
Group share of net assets	**-**	**177.8**

[65] GrainsConnect Canada's carrying value is largely made up of capital contributions to fund the build of four grain elevators in Canada.

[66] The Group disposed of its 60% interest in Allied Mills on 31 March 2017. Please refer to note 4.4(a) for further details.

For personal use only

4.4 Investments accounted for using the equity method (continued)

	Allied Mills Australia Pty Ltd	
Summarised statement of comprehensive income	2017 $ M	2016 $ M
Revenue	-	505.5
Operating profit (after tax)	**-**	**17.0**
Significant items (after tax)	-	(1.4)
Other comprehensive (loss)	-	(0.1)
Total comprehensive income	**-**	**15.5**
Group's share of comprehensive income	**-**	**9.3**

iii. Individually immaterial joint ventures

In addition to the interest in joint ventures disclosed above, the Group also has an interest in several individually immaterial joint ventures that are accounted for using the equity accounting method.

	2017 $ M	2016 $ M
Aggregated carrying amount of individually immaterial joint ventures	31.1	5.8
Aggregated amounts of the Group's share of:		
(Loss) from continuing operations	(0.2)	(0.9)
Significant items (after tax)	-	(0.4)
Total comprehensive (loss)	**(0.2)**	**(1.3)**

ACCOUNTING POLICY

Investments in joint ventures are accounted for using the equity method, whereby the share of profit recognised is the Group's share of the investment's profit or loss based on ownership interest held. A joint venture is an arrangement where the Group has joint control over the activities and joint rights to the net assets.

4.5 Related party transactions

a) Transactions with related parties

Interests held in joint ventures by the Group are set out in note 4.4. Revenue earned by the Group during the year as a result of transactions with joint ventures and other investments the Group holds is as follows:

	Consolidated	
	2017 $'000	2016 $'000
Freight income from Allied Mills Australia Pty Ltd ('Allied Mills')[67]	4,024	7,473
Sales income from Allied Mills[67]	50,265	75,832
Purchases from Allied Mills[67]	698	8,602
Storage income from Allied Mills[67]	3,629	5,995
Sales income from Five Star Flour Mills ('Five Star')	-	73,542
Interest income from National Grower Register Pty Ltd ('NGR')	10	11

[67] Transactions with Allied Mills are shown for the period 1 October 2016 until 31 March 2017, when the Group disposed of its interest in the joint venture and ceased to be a related party. For further details, refer to note 4.4.

For personal use only

4.5 Related party transactions (continued)

b) Outstanding balances in relation to transactions with related parties

Interest held in joint ventures by the Group are set out in note 4.4. Balances outstanding at the end of the financial year are as follows;

	Consolidated	
	2017 $'000	2016 $'000
Loan to NGR (note 3.1)	175	175
Current trade receivable Allied Mills	-	1,241
Current payable Five Star	-	26

c) KMP compensation

The remuneration disclosures are provided in Section 1 to 7 of the Remuneration Report on pages 28-40.

	2017 $'000	2016 $'000
Short-term employee benefits	8,068	6,957
Post-employment benefits	244	246
Long-term benefits	55	556
Share-based payments	2,703	1,179
Termination payments	229	-
Total KMP compensation	**11,299**	**8,938**

d) Other transactions with KMP

Transactions for storage, handling, transport, testing, seed sales and purchase of grain, fertiliser and other agricultural products from Directors or Director related entities took place during both financial years covered by this report and occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers. Below are aggregate amounts due, from and to Directors, any other KMP and their Director related and KMP related entities at balance date. These balances are the result of transactions conducted under normal trading terms and conditions.

Directors and other KMP who transacted business with the Group were G J Bradley, D J Mangelsdorf, M L Palmquist, P J Housden, D G McGauchie, B J Gibson, R P Dee-Bradbury, A G Bell and K Pamminger. (2016: D C Taylor, D J Mangelsdorf, M L Palmquist, P J Housden, D G McGauchie, B J Gibson, D B Trebeck, R P Dee-Bradbury, A G Bell and K Pamminger).

	Consolidated	
Director related and KMP related entities	2017 $'000	2016 $'000
Current receivables	1,668	2,793
Current payables	377	5

2017: Current receivables include $1,668,000 receivable from Australian Agricultural Company Ltd, an entity related to D G McGauchie. Current payables includes $2,000 payable to EnergyAustralia Limited, an entity related to R P Dee-Bradbury and G J Bradley, and $375,000 relating to Warakirri 2 Pty Ltd of which D J Mangelsdorf and B J Gibson are directors.

2016: Current receivables include $1,241,000 relating to Allied Mills Australia Pty Ltd of which M L Palmquist and A G Bell are Directors. $1,236,000 receivable from Australian Agricultural Company Ltd, an entity related to D G McGauchie. $14,000 receivable from Parkhurst Pastoral Pty Ltd of which D C Taylor is a Director. $302,000 receivable from Klaus Trading Services Pty Ltd of which K Pamminger is a Director. Current payables include $4,000 relating to Allied Mills Australia Pty Ltd of which M L Palmquist and A G Bell are Directors, and $1,000 payable to Bluescope Steel Limited, an entity related to R P Dee-Bradbury.

For personal use only

5 Other

5.1 Remuneration of auditor

	2017 $'000	2016 $'000
PwC Australia		
Audit and review of financial reports and other work under the *Corporations Act 2001*	946	955
Other services[68]	30	67
Total remuneration of PwC Australia	**976**	**1,022**
Overseas practices of PwC Australia		
Audit and review of financial reports	977	1,036
Other services[68]	45	49
Total remuneration of related practices of PwC Australia	**1,022**	**1,085**
Total auditors remuneration	**1,998**	**2,107**

5.2 Share-based payments

The Group operates Long Term Incentive and Short Term Incentive Plans. Fully paid ordinary shares issued under these plans rank equally with all other existing fully paid ordinary shares.

a) Long Term Incentive Plan (LTIP)

Under the Group's LTIP, senior executives have the opportunity to be rewarded with fully paid ordinary shares, provided the LTIP meets minimum pre-determined hurdles for Total Share Holder Return ('TSR') and Return on Equity ('ROE') covering a three-year period, as set by the People Remuneration and Nominations Committee. These shares are purchased on market or issued to the trustee once the LTIP vests.

Full details of the LTIP plan are included in Sections 1 to 7 of the Remuneration Report on pages 28-40.

The fair value of performance rights are determined using an option pricing model with the following inputs:

Grant date	17 December 2014	18 December 2015	2 March 2017
Fair value at grant date (TSR)	$3.42	$2.93	$4.52
Fair value at grant date (ROE)	$7.23	$7.48	$8.07
Estimated vesting date	30 September 2017	30 September 2018	30 September 2019
Share price at grant date	$7.90	$8.05	$8.79
Volatility	20%	20%	20%
Risk free interest rate	2.20%	2.05%	1.92%
Dividend yield	3.0%	2.5%	3.1%

Set out in the table below is a summary of the number of rights granted under the LTIP. The exercise price on outstanding options is zero.

Grant date	Expiry date	Balance at start of year	Granted during year	Exercised during the year	Forfeited during year	Expired during year	Balance at end of year	Exercisable at end of year
17 Dec 2014	30 Sep 2017	278,208	-	-	-	(278,208)	-	-
18 Dec 2015	30 Sep 2018	355,977	-	-	-	-	355,977	-
02 Mar 2017	30 Sep 2019	-	368,528	-	-	-	368,528	-
		634,185	**368,528**	**-**	**-**	**(278,208)**	**724,505**	**-**

[68] Other services include company secretarial services and specified agreed upon procedures.

For personal use only

5.2 Share-based payments (continued)

b) Deferred Equity Plan ('DEP')

All senior executives are required to have a portion of their short-term incentives deferred and paid subject to executives remaining with the Company for subsequent periods.

For the Managing Director & CEO the 50% deferred component of STI is paid 12 months following the initial STI awards as rights. For other Executives, the deferred component is paid over two years as rights i.e. 50% deferred component at the end of year one and 50% of deferred component at the end of year 2.

The fair value of rights are determined using an option pricing model with the following inputs:

Grant date	22 December 2015	24 January 2017	24 January 2017
Fair value at grant date	$7.77	$9.29	$9.01
Estimated vesting date	30 September 2017	30 September 2017	30 September 2018
Share price at grant date	$8.11	$9.48	$9.48
Dividend yield	2.5%	3.1%	3.1%

Set out below is a summary of the number of rights granted under the DEP:

Grant date	Expiry date	Balance at start of year	Granted during year	Exercised during the year	Forfeited during year	Expired during year	Balance at end of year	Exercisable at end of year
22 Dec 2015	30 Sep 2016 & 30 Sep 2017	326,530	-	(164,319)	(4,277)	-	157,934	157,934
24 Jan 2017	30 Sep 2017 & 30 Sep 2018	-	345,383	-	(6,608)	-	338,775	201,322
		326,530	**345,383**	**(164,319)**	**(10,885)**	**-**	**496,709**	**359,256**

c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses in the Consolidated Income Statement were as follows:

	2017 $ M	2016 $ M
Share-based payments expense	4.4	3.0

ACCOUNTING POLICY

The grant date fair value of equity-settled share-based payments is recognised as an expense proportionally over the vesting period, with a corresponding increase in equity.

The fair value of instruments with market-based performance conditions (e.g. TSR) is calculated at the date of grant using the Monte Carlo simulation model which is a commonly used valuation technique. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per instrument.

The fair value of instruments with non-market-based performance conditions (e.g. ROE), service conditions and retention rights is calculated using the Black-Scholes option pricing model.

The amount recognised as an expense over the vesting period is adjusted to reflect the actual number of instruments that vest. The expense is recognised in full if the awards do not vest due to market condition not being met.

For personal use only

5.3 Acquisitions during the reporting period

On 29 September 2017, the Group acquired a 100% of the assets in Cryer Malt for a total purchase price of $13.8 million, which includes $3.2 million deferred consideration to be paid in three annual instalments. Cryer Malt is the largest distributor of craft brewing ingredients in Australia and New Zealand. The acquisition provides the Group with enhanced access to the growing craft brewing sector and expands its presence in the global craft malt sector.

The purchase consideration has been allocated provisionally to tangible assets and liabilities, with the balance of the purchase price being allocated to goodwill ($10.2 million) and brand names ($1.1 million). Transaction costs of $0.2 million were incurred, net of tax, in relation to the acquisition and have been expensed in the year.

5.4 Events subsequent to reporting date

No significant events subsequent to the balance have occurred.

For personal use only

5.5 Impact of new and revised accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2017 reporting periods and have not been early adopted by the Group. 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	The standard includes a model for classification and measurement of financial assets and liabilities, a single, forward-looking 'expected loss' impairment model and introduces a reformed approach to hedge accounting.	An assessment has been performed and changes to classification of financial assets and liabilities and hedging are not expected to have a significant impact on the financial statements. Currently, allowances for doubtful receivables are recognised by assessing each receivable balance for collectability based on analysis of various historical factors. The new standard requires application of the expected credit loss model which requires consideration of current and forecast credit conditions. Based on an initial assessment performed, the Group has determined that on transition to AASB 9 there will be a charge to opening retained earnings (after tax) reflected by an increase in allowances for doubtful receivables and reduced deferred tax liability balances. These amounts are immaterial to the Group at 30 September 2017. Post-transition, the Group expects earlier recognition of impairment on receivable balances.	1 January 2018	1 October 2018
AASB 15 Revenue from contracts with customers	Requires revenue to be recognised on satisfaction of the performance obligations specified under contracts.	An assessment has been performed on existing revenue streams and the new standard is not expected to have a significant impact on the financial statements	1 January 2018	1 October 2018
AASB 16 Leases	AASB 16 removes the distinction between operating and finance leases, recognising all lease assets and liabilities on balance sheet, with limited exceptions for short-term leases and leases of low value assets.	The standard will impact accounting for the Group's operating leases. At the reporting date, the Group has non-cancellable operating lease commitments of $286.6M as disclosed in note 2.5. On transition and moving forward, for operating leases for which payments are currently expensed, the Group will recognise a right of use asset and a corresponding liability for the principal amount of the lease payments in the balance sheet. This will result in depreciation and interest expense in the statement of profit and loss, replacing operating lease expense. Some existing operating leases will be covered by the lease recognition exception for short-term and low value lessees, and other contracts currently recognised may relate to service arrangements that no longer meet lease requirements of AASB 16. Management have not yet forecasted the financial impact of this standard and will work to finalise this in the lead up to adoption of the new standard.	1 January 2019	1 October 2019

For personal use only

Directors' Declaration

In the Directors' opinion:

a) The financial statements and notes set out on pages 42 to 91 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 30 September 2017 and of its performance for the financial year ended on that date; and

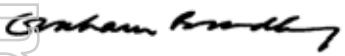
b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 4.2 will be able to meet any obligation or liabilities to which they are, or may become, subject to by virtue of a deed of cross guarantee described in note 4.2.

The Basis of Preparation note as disclosed on page 48 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



G J Bradley AM
Chairman

Sydney
21 November 2017

For personal use only



For personal use only

Independent auditor's report

To the members of GrainCorp Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of GrainCorp Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 September 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 September 2017
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

A total of 8 components were identified across the Group's four segments and the corporate head office.

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.



Materiality

- For the purpose of our audit we used overall Group materiality of $7.8 million, which represents approximately 5% of the Group's adjusted weighted average profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- This benchmark was considered appropriate, because, in our view, profit/loss before tax is the metric against which the performance of the Group is most commonly measured. A weighted average of the current and four previous years was used due to the fluctuations in profit/loss from year to year driven by the cyclical nature of the business (weather conditions and crop quality). We adjusted for significant items as they were infrequently occurring or unusual items impacting profit.
- We selected a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.
- Overall Group materiality is allocated to the identified components based on their relative contribution to the consolidated Group results. For each component we decided which balances should be tested based on their relative significance to the financial report and the allocated component materiality.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Local component auditors in the United States, Canada, and the United Kingdom assisted in the audit work performed, acting under instruction from the group audit team.
- Each year the engagement leaders of the group audit team visit each significant overseas component to assist with the assessment of whether the audit procedures have been performed consistently with the audit instructions provided. On these visits the engagement leader meets with local management and the overseas component audit team and performs a detailed review of the audit procedures for all significant audit risks identified.

For personal use only



For personal use only

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Sufficiency of the provision for customer claims *Refer to note 3.6* *$5.0 million* GrainCorp's Storage & Logistics division receives, stores, transports and exports grain on behalf of its customers. Under contractual terms, customer claims can arise for damages or losses of grain, or due to the required grain quality/grade not being available at a specified location. Due to the nature of grain handling activities, claims can occur from time to time. Storage & Logistics maintains a provision for customer claims that reflects the probable liability for claims in relation to customer stock quantity, quality or freight for out of position stock. This was a key audit matter as there is significant judgement in the Group estimating the provision. In determining the sufficiency of the provision for customer claims GrainCorp considers a number of key assumptions including: • Estimation of potential future purchases of grain that may be required to settle claims. • Additional costs (e.g. transport costs) that would be incurred to satisfy customer obligations. • The current location of grain relative to customer ownership across the network; and • The grade profile of grain in the network relative to customer ownership.	We performed a number of procedures including the following: • Evaluated the volume and location of the physical and customer ownership balances used in the provision calculations through the comparison of the Group's calculations to supporting documentation and by attending a sample of physical stock counts. • Evaluated the expected costs (e.g. transport costs) in the provision calculations by comparing costs to existing contractual arrangements. • Evaluated the grade profile of grain in the network relative to customer ownership. • Evaluated the Group's historical ability to forecast customer claims by comparing last year's provision to subsequent actual claims.
Goodwill impairment assessment *Refer to note 3.4* *$427.2 million* This was a key audit matter due to the financial size of the goodwill balance ($427.2 million as at 30 September 2017) and because the assessment of potential impairment involves significant judgement by the Group, including the following key assumptions: • Future cash flows for 2018–2022 • Discount rate • Terminal growth rate The Group performed an impairment assessment over the goodwill balance by: • Determining the group of cash generating units (CGU) and the amount of goodwill attributed from business combinations.	We performed a number of procedures including the following: • Assessed whether the group of CGUs were consistent with our understanding of the Group's operations and internal Group reporting. • Considered whether the methodology applied in the models was consistent with the basis required by Australian Accounting Standards. • Compared the cash flow forecasts for 2018 in the models to those in the latest Board approved budgets. • Evaluated the Group's ability to forecast future results for impairment models by comparing budgets with reported actual results for the previous year. • Compared the Group's key assumptions for growth rates in the model forecasts to historical results and economic and industry forecasts. • Evaluated the discount rates in the models, with the assistance of PwC experts by assessing the reasonableness of he relevant inputs in the calculation against available market data and industry research.



For personal use only

Key audit matter	*How our audit addressed the key audit matter*
• Calculating the value in use for each CGU using discounted cash flow models (the models). The models estimated cash flows for each CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Group's discount rates, taking into account the specific country in which the CGU operates. • Comparing the calculated value in use of each CGU to their respective carrying amounts. Goodwill is formally tested by the Group annually regardless of whether there is an indicator of impairment, a requirement under Australian Accounting Standards. The majority of the balance, acquired through business combinations, is allocated to the Malt and Oils CGUs.	• Evaluated the appropriateness of the terminal growth rate in the models by comparison to the long term average growth rates of the countries that the Group operates in.
Valuation of financial instruments held at fair value *Refer to note 2.6* *Total derivative financial instrument assets: $64.8million* *Total derivative financial instrument liabilities: $62.5million* At 30 September 2017 a valuation process was performed by the Group to determine the fair value of its financial instruments. The valuation of financial instruments was a key audit matter given the significant level of estimation by the Group in calculating fair value of the derivative financial instruments. **Commodity contracts** The Group held significant commodity trading assets and liabilities subject to commodity risk, arising predominantly in the Marketing, Oils and Malt divisions. To manage this risk the Group entered into a number of financial instruments, primarily commodity derivative contracts. These arrangements aim to provide increased certainty as to the expected margin to be delivered by GrainCorp sales and purchases through the use of futures, options and over-the-counter contracts. **Foreign currency derivatives** The Group was exposed to transactional currency risk in instances where Group entities entered into transactions not denominated in their functional currency, as is typical in this market. To manage this risk the Group entered into forward exchange contracts and foreign currency options.	We performed a number of procedures including the following: • Tested key year-end reconciliations between underlying source systems and spreadsheets used. • Obtained confirmation of the Group's financial instruments directly from the counterparties and tested that all confirmed arrangements had been recorded by the Group. • Tested the calculation of fair value movements on a sample of derivatives during the period to check these movements were recognised in the consolidated income statement or deferred in accordance with the Group's accounting policy detailed in note 2.6. **Commodity contracts** • Where possible, the valuation of derivatives were agreed to independent third party prices. These included the recalculation on a sample basis of the fair value of forward contracts, futures and options. • Assessed the adjustments made to third party prices to take account of specific locations or contractual conditions. This included re-performing a sample of calculations using independent third party prices (from other commodity brokers) as well as testing the mathematical accuracy of the Group's analysis. • Assessed the valuation of a sample of option and futures derivatives, assisted by PwC valuation experts by evaluating the Group's key assumptions and valuation inputs and re-performing the valuation. **Foreign currency derivatives** • Assessed the valuation of a sample of option and futures derivatives, assisted by PwC valuation experts by evaluating the Group's key assumptions and valuation inputs and re-performing the valuation.

For personal use only

Key audit matter	How our audit addressed the key audit matter
Retirement Benefit Plan *Refer to note 3.7* *$26.8. million* The total fair value of plan assets recognised at year end was $167.1 million, and the total present value of pension obligations was $193.9 million, which are both significant in the context of the overall statement of financial position of the Group. The valuation of the pension obligation liabilities requires judgement by the Group in determining appropriate assumptions such as financial trends, demographic trends, discount rates and the impact of any changes in individual pension plans. Movements in these assumptions can have a material impact on the determination of the liability. The Group uses external actuaries to assist in assessing these assumptions. There is also judgement involved in the measurement of the fair value of certain pension assets. This was a key audit matter due to the financial size of the balances and because their calculation involves significant judgement by the Group.	We performed a number of procedures for a selection of plans including the following: • Assessed, with the assistance of PwC actuarial experts, if the assumptions used in calculating the pension plan liabilities, including financial and demographic assumptions, were consistent with the specific plans' terms and, where applicable, with relevant national and industry benchmarks. • Assessed the Group's third party actuaries' independence and competence. • For pension plan assets, obtained third party confirmations of ownership and valuations of individual pension assets and if material assessed any limitations in recognition based on the requirements of the Accounting Standards. • Re-performed a sample of the valuations of pension assets independently, recalculating valuations based on observable inputs. • Considered the appropriateness of the related disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 September 2017 comprises the Chairman's Review, Managing Director & CEO's Review, Board of Directors and Executives, Directors' Report, Operating and Financial Review, Additional Disclosures, Shareholder Information and Corporate Directory (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

For personal use only

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 28 to 40 of the directors' report for the year ended 30 September 2017.

In our opinion, the remuneration report of GrainCorp Limited for the year ended 30 September 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Kristin Stubbins
Partner

Sydney
21 November 2017

David Ronald
Partner

Sydney
21 November 2017

Shareholder Information

Holdings distribution as at 31 October 2017

Range	Securities	%	No. Of Holders	%
100,001 and Over	196,878,107	86.0	40	0.3
50,001 to 100,000	2,097,188	0.9	31	0.2
10,001 to 50,000	9,619,729	4.2	521	4.0
5,001 to 10,000	6,986,394	3.1	986	7.5
1,001 to 5,000	10,483,496	4.6	4,494	34.0
1 to 1,000	2,790,714	1.2	7,130	54.0
Total	**228,855,628**	**100.0**	**13,202**	**100.0**
Unmarketable parcels	**9,070**	**0.00**	**731**	**5.5**

Twenty largest shareholders as at 31 October 2017

Rank	Name	Shares held	Issued Capital
1	HSBC Custody Nominees (Australia) Limited	67,278,991	29.4%
2	J P Morgan Nominees Australia Limited	48,246,895	21.1%
3	Citicorp Nominees Pty Limited	29,976,407	13.1%
4	National Nominees Limited	16,618,295	7.3%
5	BNP Paribas Nominees Pty Ltd	8,546,762	3.7%
6	BNP Paribas Noms Pty Ltd	6,865,348	3.0%
7	UBS Nominees Pty Ltd	6,244,555	2.7%
8	Jarjums Holdings Pty Ltd	1,700,000	0.7%
9	AMP Life Limited	1,578,166	0.7%
10	Citicorp Nominees Pty Limited	1,444,850	0.6%
11	Mrs Ingrid Kaiser	1,133,976	0.5%
12	BNP Paribas Nominees Pty Ltd	886,000	0.4%
13	UBS Nominees Pty Ltd	731,500	0.3%
14	HSBC Custody Nominees (Australia) Limited – A/C 2	594,458	0.2%
15	HSBC Custody Nominees (Australia) Limited	456,564	0.2%
16	Pacific Custodians Pty Limited	408,665	0.2%
17	Invia Custodian Pty Limited	407,821	0.2%
18	Milton Corporation Limited	362,290	0.2%
19	HSBC Custody Nominees (Australia) Limited GSCO ECA	354,490	0.2%
20	Menegazzo Enterprises Pty Ltd	241,783	0.1%
Total		194,077,816	84.8%
Balance of register		34,777,812	15.2%
Grand total		**228,855,628**	**100.0%**

Substantial shareholders

The following organisations disclosed a substantial shareholding notice in GrainCorp Limited by 9 November 2017:

Name	Notice Date	Shares held	Issued Capital
Perpetual Limited	29 August 2017	34,255,995	15.0%
Ellerston Capital	19 October 2017	26,185,042	11.4%
Yarra Funds Management	2 May 2017	16,994,207	7.4%
Dimension Entities	21 August 2017	13,742,579	6.0%

Voting rights

On a show of hands, every member present in person or by proxy shall have one vote, and upon each poll, each share shall have one vote.

For personal use only

This page has been left blank intentionally.

For personal use only

Corporate Directory

Board of Directors

Graham J Bradley AM
(Chairman)

Mark L Palmquist
(Managing Director & CEO)

Rebecca P Dee-Bradbury
(Non-executive Director)

Barbara J Gibson
(Non-executive Director)

Peter J Housden
(Non-executive Director)

Donald G McGauchie AO
(Non-executive Director)

Daniel J Mangelsdorf
(Non-executive Director)

Peter I Richards
(Non-executive Director)

Simon L Tregoning
(Non-executive Director)

Company Secretary

Amanda Luhrmann

Gregory Greer

Registered Office

Level 28
175 Liverpool Street
Sydney NSW 2000
AUSTRALIA

Tel: + 61 2 9325 9100
Fax: + 61 2 9325 9180

Company website
www.graincorp.com.au

Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Tel: +61 2 8280 7111

For personal use only

For personal use only

Level 28, 175 Liverpool Street
Sydney NSW 2000
T+ 61 2 9325 9100
F+ 61 2 9325 9180

graincorp.com.au