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GRAINCORP LIMITED
APPENDIX 4E
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Results for Announcement to the Market

	Up / Down	% Movement		2019 $ M
Revenue from ordinary activities	Up	14.0%	to	**4,849.7**
Profit / (loss) before significant items[1] from ordinary activities after tax attributable to owners of GrainCorp Limited	Down	>100%	to	**(81.7)**
Significant items from ordinary activities net of tax	Down	>100%	to	**(31.3)**
Net profit / (loss) for the period attributable to owners of GrainCorp Limited	Down	>100%	to	**(113.0)**

Dividend Information	Amount per security	Franked amount per security at 30% tax
No dividend will be paid for the year ended 30 September 2019	nil	nil

Additional Information

Net Tangible Assets per share: $5.62 (2018: $6.46)

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 Financial Report for the year ended 30 September 2019.

GrainCorp Limited

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GrainCorp Limited

Annual Report 2019

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GrainCorp

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Annual General Meeting
19 February 2020, 10:00am
Hilton Hotel, Sydney



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

GrainCorp Overview

Our International Operations



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



GrainCorp provides a diverse range of products and services across the food and beverage supply chain, to our valued customers in over 30 countries. GrainCorp has operations in Australia, New Zealand, Asia, North America, Europe and the United Kingdom. These markets collectively represent over 50 per cent of the international export trade in wheat, barley and canola.

In FY19, GrainCorp operated under three reporting segments:

› GrainCorp Grains
› GrainCorp Malt
› GrainCorp Oils

Our Purpose

Enriching lives worldwide with essential ingredients from the land.

Our Integrated Supply Chain

Accumulation
Largest regional accumulation network in Australia.

Storage
Over 20 million metric tonnes (mmt) of country storage and handling capacity.

Marketing
Marketing to local and global markets.

Road & Rail
Full freight connectivity for rapid turnaround.

Ports
Seven 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 to 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

Chairman's Report



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Graham Bradley AM
Chairman

The past year was an extremely challenging one for GrainCorp, resulting in disappointing financial results for the Company, for our people and for our shareholders.

Our results were adversely affected by one of the worst droughts on record in eastern Australia, compounded by significant disruptions in global grain markets. The drought resulted in lower grain production which led to reduced throughput and export volumes for GrainCorp. The disruption in trade flows led to a material decline in commodity values which negatively impacted our positions.

By contrast, our Malt business was relatively unaffected by these factors and continued to perform well, with solid demand from our global customer base.

For the year to 30 September 2019, GrainCorp reported underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of $69 million (FY18: $269 million) and an underlying net loss after tax of $82 million (FY18: $71 million net profit after tax). On a statutory basis, GrainCorp reported a net loss after tax of $113 million. Our results were also adversely affected by costs associated with the proposal from Long-Term Asset Partners Pty Ltd and by restructuring costs arising from operational streamlining.

As a result of the financial performance, the Board has determined that GrainCorp will not pay a dividend for the period.

The Group's safety performance improved considerably this year and I would like to compliment management on the improvements they have made to safety systems and processes in recent years culminating in a record low Recordable Injury Frequency Rate (RIFR) in FY19.

A key objective in recent years has been to improve our ability to manage year-by-year grain production volatility. Extreme variability in seasonal conditions requires GrainCorp to continually adapt our operations in order to serve our grower customers profitably. We have done this by streamlining our country receival and storage network, investing to improve efficiency at key sites, reducing fixed costs and negotiating more flexible rail transport contracts.

In June this year, we announced an important development that will help to smooth cash flow through the cycle. Our Crop Production Contract with White Rock Insurance (SAC) Ltd is a significant innovation and will strengthen the long-term sustainability of the Company. The contract will start in FY20 and is discussed more fully in the CEO's Report.

Strategic direction

Another key priority in recent years has been to improve GrainCorp's return on capital employed by strengthening our core businesses and maintaining a disciplined approach to capital management. This focus will continue in the year ahead.

During 2019, we continued to improve the efficiency of our network of storage sites across Australia's eastern grain belt through targeted investment and improved supply chain processes. Internationally, we expanded our origination network by opening a trading office in India to manage the importation of Australian pulses. We also progressed our supply chain infrastructure in western Canada by starting construction of a new port facility in Vancouver through our 50-50 joint venture, GrainsConnect Canada.



The Board and management have undertaken a comprehensive review of the Company's portfolio of assets to assess a range of strategies to create improved value for shareholders.

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GrainCorp Malt continues to focus on high value growth markets driven by demand for premium beer, craft beer and Scotch whisky. The planned expansion of our malting capacity in Scotland, to serve the growing distilling industry, is expected to complete in calendar year 2021.

LTAP Proposal

On 3 December 2018, GrainCorp received a non-binding, indicative proposal from Long-Term Asset Partners Pty Ltd (LTAP) to acquire 100% of the shares in GrainCorp.

GrainCorp engaged extensively with LTAP over the following five months to assist LTAP in undertaking due diligence and to develop a binding offer capable of consideration by your Board of Directors. LTAP subsequently withdrew its non-binding proposal on 6 May 2019.

Portfolio review

Throughout 2019, the Board and management undertook a comprehensive review of the Company's portfolio of assets to assess a range of strategies to create improved value for shareholders.

As one outcome of the review, in March, we announced the sale of our Australian Bulk Liquid Terminal assets for a total enterprise value of $350 million. When completed, this will unlock significant value for shareholders and release capital to strengthen our balance sheet.

In April, we announced that, as a further outcome of the portfolio review, we would integrate our Grains and Oils businesses into a single business unit and, subject to shareholder and other approvals, demerge our Malt business.

Integration of Grains and Oils is now well advanced and will be beneficial to our customers through improved access to infrastructure and logistics. The integration is also eliminating duplication of costs and streamlining support functions.

The Board believes the proposed demerger of Malt will unlock significant value for shareholders. It will create two high quality, ASX-listed agribusiness companies, each with management teams focused on pursuing independent strategies and growth opportunities. The demerger will be implemented by a scheme of arrangement and will require shareholder approval. Full details of the demerger will be included in a Scheme Booklet which we expect to send to shareholders in the first quarter of calendar year 2020.

Board and management

During the year, we announced several Board and management changes consequent upon the approval of the proposed demerger. I will be appointed Chairman of the demerged Malt company and Mark Palmquist will become its Managing Director & CEO.

In June 2019, the Board appointed Peter Richards as Deputy Chairman of GrainCorp and he will be appointed Chairman of the Company if the demerger vote proceeds.

The Board is undertaking an international and local search for a successor to Mr Palmquist as Managing Director & CEO of GrainCorp following the demerger.

Conclusion

I would like to most sincerely thank all of our people for their enormous commitment during a very difficult period for the Company. I also wish to thank our customers and our shareholders for their continued support.

I want to conclude with a special word of thanks to my Board colleagues. The Board met over 20 times in both formal and informal meetings during the past year and our Directors made extraordinary contributions to address the LTAP proposal, the portfolio review, the proposed demerger and our planning for the future. I sincerely thank each and every one of them.

Graham Bradley AM
Chairman

CEO's Report

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FY19 was an extremely difficult year for GrainCorp with the drought impacting many parts of eastern Australia and causing a substantial drop in grain production.

Our country supply chain and port networks are reliant on grain volumes and, with minimal production, our receivals and exports were down materially on last year.

Compounding the impact of drought, there was an unexpected disruption to international grain trade flows which caused a rapid and material decline in Western Australia feed grain values which, in turn, negatively impacted our positions.

Our Malt business had a good year with increased malt sales in the second half. Malt is well positioned to service the craft beer and distilling markets which continue to experience positive industry growth rates.

Despite the contribution from Malt, the Company reported a significant loss for the year and this is a disappointing outcome for our shareholders.

Safety

The health and safety of our people is paramount and I am pleased to report that our key safety metrics have improved on last year. Our FY19 Recordable Injury Frequency Rate (RIFR) was 7.7 (FY18: 12.2) and Lost Time Injury Frequency rate (LTIFR) was 2.2 (FY18: 4.1). Our Group Safety, Health and Environment Strategy Towards 2020 continues to guide our progress and the initiatives we pursue in this area.

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Mark Palmquist
CEO

Business unit performance

Malt reported EBITDA of $176 million, up from $170 million last year. This was driven by solid customer demand, high capacity utilisation and continued operational efficiency.

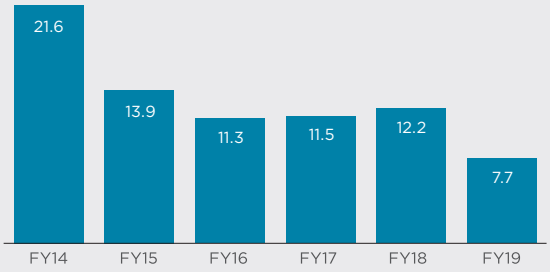
Similar to last year, there was a strong skew in earnings to the second half, reflecting increased beer consumption in the northern hemisphere in the summer months. The first half was negatively impacted by increased barley freight costs in eastern Australia, arising from the drought, and weather issues in Alberta, Canada, which temporarily restricted deliveries.

Grains reported an EBITDA loss of $131 million, down from $68 million EBITDA last year. This primarily reflects the drought's impact on grain production – which led to lower receivals, weaker utilisation of our rail contracts and lower export volumes – and the trade disruption impact on our business.

With grain deficits across much of Queensland and New South Wales, we reversed our port supply chains and trans-shipped 2.3mmt in grain from other states to satisfy East Coast Australia (ECA) demand. This is a rare event and emphasises the severity of the drought and demonstrates GrainCorp's ability to adapt to manage these extreme factors.

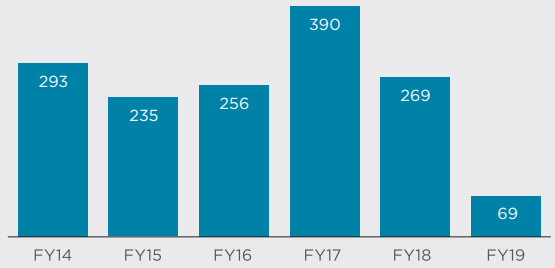
Our existing rail contracts expired at the end of FY19 with new rail contracts, starting in FY20, structured to provide much greater flexibility to manage transportation costs through the crop cycle.

Recordable Injury Frequency Rate (RIFR)[1]

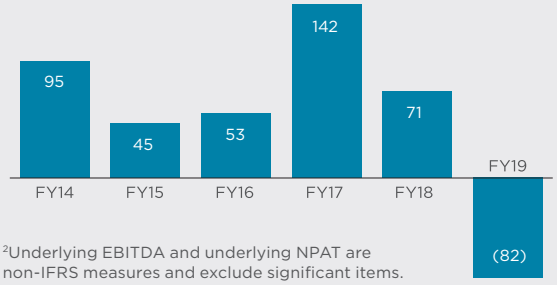


[1]RIFR calculated as number of injuries per million hours worked. Includes permanent and casual employees and GrainCorp controlled contractors. Includes lost time injuries, medical and restricted work injuries.

Underlying EBITDA ($m)[2]



Underlying NPAT ($m)[2]



[2]Underlying EBITDA and underlying NPAT are non-IFRS measures and exclude significant items.

Oils reported EBITDA of $53 million, down from $61 million last year. Bulk Liquid Terminals performed strongly, however oilseed crush margins declined due to limited Australian canola supply resulting from the drought. This in turn elevated the underlying commodity price and required additional freight costs to transport canola seed longer distances to GrainCorp's crush plants.

The Foods business delivered a stable result with improved plant performance.

Key developments

Across the Group, we are strengthening each of our core businesses by improving operational efficiency, reducing complexity and undertaking targeted expansion initiatives. Key developments during the year included:

- GrainsConnect Canada (GCC), our 50-50 joint venture (JV) with Zen-Noh Grain Corporation, opened its fourth terminal in Huxley, Alberta. Each terminal can load over 130 rail cars in under 14 hours, bringing increased efficiency and reliability to growers.
- GCC announced it was building a grain terminal at the Port of Vancouver, in a 50-50 JV with Parrish & Heimbecker, with export capacity of four million tonnes per annum.
- GrainCorp opened a trading office in Delhi to participate in the growing Indian pulse market.
- GrainCorp progressed its malt capacity expansion project in Scotland, through the upgrade of Bairds Malt's Arbroath facility and construction of a new malting plant at Inverness. The expansion will bring Bairds' total annual capacity to over 300,000 tonnes and will build on our strong relationships to remain a supplier of choice across the Scottish distilling industry.

Crop production contract

In June, we announced that GrainCorp had entered into a 10-year Crop Production Contract with White Rock Insurance (SAC) Ltd to help manage the risk associated with the volatility of eastern Australian winter grain production.

The contract is effective for FY20 and will be instrumental in helping to smooth cash flow through the cycle and provide protection in severe drought years. It will also enhance our ability to invest and plan for the long term which, in the past, has been a constraint for the Group.

During the contract term, GrainCorp will receive a payment when eastern Australian winter crop production[3] drops below a set threshold and we will make a payment in strong production seasons when winter crop production exceeds a set threshold. Further details are provided in the announcement lodged with the ASX on 7 June 2019.

Portfolio review

During the year, we announced the following changes to GrainCorp's structure as part of the portfolio review:

- The sale of our Australian Bulk Liquid Terminals business to ANZ Terminals. Divesting these assets to another experienced operator, while establishing a long-term storage agreement, allows GrainCorp ongoing access to the storage needed to support our Oils business, whilst also releasing significant capital.
- The integration of our Grains and Oils businesses, which will provide several benefits to customers including shared grain accumulation & storage, freight/logistics efficiencies and an established end-customer base in eastern Australia. The process began in April and is well advanced.
- The proposed demerger of GrainCorp Malt, which will provide GrainCorp Malt and GrainCorp with increased flexibility to implement independent operating strategies, establish discrete capital structures and drive long-term shareholder value.

Crop outlook

Based on independent crop forecasts, the FY20 crop will again be materially below average in eastern Australia. Forecasts are also pointing to below average crops in Western Australia and South Australia.

We expect low levels of grain carry-in in eastern Australia and a continuation of supply deficits in certain regions due to the drought. To help satisfy ECA demand, we expect further grain trans-shipments from Western Australia, South Australia and Victoria to eastern Australian ports throughout FY20.

We continue to adapt GrainCorp's country network to match the volume and location of grain production while keeping a strong focus on cost control and capital allocation.

Conclusion

I would like to thank our people for their efforts and commitment in what has been an extremely difficult year for the Group, and our other stakeholders for their continued support.

Mark Palmquist
CEO

[3]ABARES' Winter crop production forecast for the Australian states of Queensland, New South Wales and Victoria.

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Across the Group, we are strengthening each of our core businesses by improving operational efficiency, reducing complexity and through targeted expansion initiatives.

Mark Palmquist
CEO

Board of Directors

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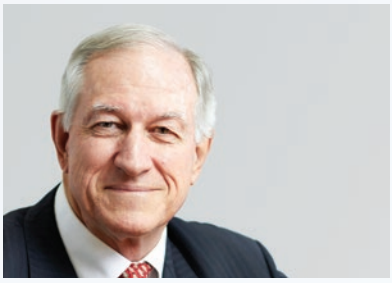

Graham J Bradley AM

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 in May 2017.

Mr Bradley is currently the Non-executive Chairman of HSBC Bank Australia (since 2004), EnergyAustralia Holdings (since 2012) and Virgin Australia International Holdings (since 2012). He is also a Director of The Hongkong & Shanghai Banking Corporation Limited (since 2012), the Non-executive Chairman of Infrastructure NSW (since 2013) and a member of the Advisory Council of the Australian School of Business at UNSW. Mr Bradley was made a member of the Order of Australia in 2009.

Mr Bradley has previously held the position of Managing Director of Perpetual Limited and senior roles at Blake Dawson and McKinsey & Company. He was previously a Director of GI Dynamics until 2017, Chairman of Po Valley Energy Limited until 2016, and Chairman of Stockland Corporation Limited until 2016. Mr Bradley was also previously the President of the Business Council of Australia and Deputy President of the Takeovers Panel, among other notable roles.



Rebecca P Dee-Bradbury

BBus, GAICD

Non-executive Director

Rebecca Dee-Bradbury joined the GrainCorp Board in September 2014. She is Chair of the People Remuneration and Nominations Committee and a member of the Board Audit Committee.

Ms Dee-Bradbury is currently a Non-executive Director of BlueScope Steel Limited (since 2014) and EnergyAustralia Holdings Limited (since April 2017). She is an inaugural member of the Business Advisory Board at Monash Business School and a member of Chief Executive Women (CEW) and the Foundation for Women Company Directors (WCD).

Ms Dee-Bradbury brings to the Board significant experience in strategic brand marketing, business integration and transformation, customer relationship management and innovation. She was previously Chief Executive Officer/President Developed Markets Asia Pacific and ANZ for Mondelez from 2010 to 2014. She was also a Non-executive Director of Tower Limited until her resignation in 2016.



Barbara J Gibson

BSc, MAICD, FTSE

Non-executive Director

Barbara Gibson joined the GrainCorp Board in March 2011. She is Chair of the Safety Health Environment and Governance Committee and a member of the Business Risk Committee.

Ms Gibson is currently a fellow of The Australian Academy of Technology and Engineering. In 2003, Ms Gibson was awarded a Centenary of Federation Medal for services to Australian Society in Medical Technology. She is a member of the Institute of Company Directors.

Ms Gibson is an experienced executive having spent 20 years with Orica Limited. She was also previously a Non-executive Director of Nuplex Industries Limited until her resignation in September 2016 and Chairman of Warakirri Asset Management Pty Limited until her resignation in December 2018.

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

Daniel Mangelsdorf has served as an independent Director of GrainCorp since February 2009, having first been appointed as a major shareholder representative Director in 2005. He 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 currently the Non-executive Chairman of Warakirri Agricultural Trusts, and a Non-executive Director of Warakirri Asset Management Pty Ltd (since 2017) and Warakirri Holdings Pty Ltd (since 2017).



Peter J Housden
BCom, FAICD
Non-executive Director

Peter Housden joined the GrainCorp Board in October 2008. He is Chairman of the Board Audit Committee and a member of the Business Risk Committee.

Mr Housden is currently a Director of Alliance Aviation Services Limited (since 2011). He was appointed Chairman of the Audit and Risk Committee for NSW Trains in November 2018 and retired as Chairman of the Audit and Risk Committee for Sydney Trains concurrently.

Mr Housden has extensive experience acting on public company boards. 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.



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. He is a member of the People Remuneration and Nominations Committee.

Mr McGauchie has farming interests and extensive experience acting as chairman and director on public company boards. He is currently the Chairman of Nufarm Limited (since 2003) and Australian Agricultural Company Limited (since 2010).

Mr McGauchie was previously a Director of James Hardie plc until his retirement in August 2016.

Board of Directors

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Peter I Richards
BCom
Non-executive Director and Deputy Chairman

Peter Richards joined the GrainCorp Board in November 2015. He is a member of the Board Audit Committee and the Safety Health Environment and Governance Committee.

Mr Richards is currently Chairman of EMECO Holdings Limited (a director since 2010) and was appointed Chairman of Cirralto Limited in January 2018, having served as a Non-executive Director since December 2017. He was reappointed Chairman of Elmore Limited (previously IndiOre) in September 2018, having served as a Non-executive Director since April 2017.

Mr Richards has over 40 years' business experience with global companies, having worked in Australia, the UK and US. He 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. He was previously a Director of Baralaba Coal Company Limited until his resignation in September 2017.



Simon L Tregoning
BCom, FAICD
Non-executive Director

Simon Tregoning joined the GrainCorp Board in December 2008. He is a member of the Safety Health Environment and Governance Committee and a member of the People Remuneration and Nominations Committee.

Mr Tregoning was previously a Director of Capilano Honey Limited and Australian Co-operative Foods (Dairy Farmers).

Mr Tregoning has extensive international executive experience and was previously Vice-President of Kimberly Clark Corporation.



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Executive Leadership Team

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Mark L Palmquist
BBus, GAICD
Chief Executive Officer

Mark Palmquist joined the GrainCorp Board as Managing Director & CEO in October 2014. In April 2019 he relinquished his position as Managing Director in anticipation of the proposed demerger of GrainCorp Malt, of which he will become Managing Director & CEO.

Mr Palmquist 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 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.

Alistair Bell
Group Chief Financial Officer

Alistair Bell was appointed Group CFO in November 2010. Mr Bell leads the international finance, treasury, strategy, M&A, customer experience, corporate & investor relations and risk & compliance teams. He is a Director of GrainCorp subsidiary companies and Director of GrainsConnect Canada, a 50/50 joint venture between GrainCorp and Japanese agricultural cooperative Zen-Noh Grain Corporation.

Mr Bell was previously a Director of Allied Mills, a Director of Alzheimer's Australia NSW and 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, he held various CFO, COO and strategy positions with public, private equity and multinational companies spanning various industries.

Stephanie Belton
Group General Counsel

Stephanie Belton was appointed Group General Counsel and Company Secretary in February 2019.

Ms Belton was most recently General Counsel and Company Secretary at SurfStitch Group Limited, and previously held General Counsel and senior management roles at Helloworld Limited, Qantas Airways Limited, and The Peninsular and Oriental Steam Navigation Company. Prior to Ms Belton's corporate roles, she worked in private practice at Linklaters in London.

Ms Belton holds a Bachelor of Laws (Hons) from the University of Strathclyde (Glasgow) and a Master of Business Administration from the University of Oxford. Ms Belton is admitted to practice in New South Wales and Scotland.



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Cate Hathaway
Chief People and Transformation Officer

Cate Hathaway was appointed Chief People & Transformation Officer in April 2019 and is responsible for transformational change, people, safety, environment and technology. She is also a Director of GrainCorp subsidiary companies. Ms Hathaway joined GrainCorp in July 2018 as Group General Manager HR & SHE.

Ms Hathaway has previously held senior executive positions in the banking, building resources and insurance industries, and had responsibility for Australian, Asia Pacific and international operations. She is a graduate member of the Australian Institute of Company Directors (AICD), fellow of the Australian Human Resources Institute (AHRI), a member of AHRI's Diversity and Inclusion Panel, Western Sydney University School of Business External Advisory Committee and Director of the Board of the Environmental Defenders Office. Her qualifications include a Bachelor of Commerce (UWS, Property Economics) and an Executive Master of Business Administration (AGSM).

Klaus Pamminger
Chief Operating Officer

Klaus Pamminger was appointed Chief Operating Officer in April 2019. Prior to this, he was Group General Manager – Grains, responsible for the Grains Operations and Trading businesses in Australia, Singapore, China, Europe and Canada. He was previously Group General Manager, GrainCorp Marketing.

Mr Pamminger is Chairman of GrainsConnect Canada, a Director of GrainCorp subsidiary companies and a Member of AICD.

He joined GrainCorp in 2007 and prior to this worked for several companies in Australia and the US.

Darren Smith
President GrainCorp Malt

Darren Smith was appointed President of GrainCorp Malt in January 2019 and manages malting operations in the US, Canada, the United Kingdom, New Zealand and Australia. Mr Smith joined GrainCorp Malt as Chief Operations Officer in 2014 and has an extensive background in production and sales in the malting industry across North America. He holds a Bachelor of Science in Food Science and brewing accreditations from the Institute of Brewing & Distilling (IBD) in the UK.

Directors' Report

Introduction

The following individuals were Directors of GrainCorp during the financial year 2019 and up to the date of this report:

- G J Bradley AM (Chairman)
- M L Palmquist (Managing Director & CEO)*
- R P Dee-Bradbury
- B J Gibson
- P J Housden
- D J Mangelsdorf
- D G McGauchie AO
- P I Richards (Deputy Chairman)
- S L Tregoning

* Mr M Palmquist was CEO and Managing Director at the commencement of financial year 2019. He resigned as Managing Director with effect from 26 April 2019. He continued to serve as CEO post that date.

Details of the current members of the Board of Directors, including their experience, qualifications special responsibilities and term of office are included on pages 14 to 16 of the Annual Report.

Details of Directors' interests in shares and options of GrainCorp are set out in Section 8 of the Remuneration Report.

Group Company Secretary

Stephanie Belton *LLB, MBA*

Ms Stephanie Belton was appointed Group General Counsel and Company Secretary in February 2019. Ms Belton was most recently General Counsel and Company Secretary at SurfStitch Group Limited, and previously held General Counsel and senior management roles at Helloworld Limited, Qantas Airways Limited, and The Peninsular and Oriental Steam Navigation Company. Prior to Ms Belton's corporate roles, she worked in private practice at Linklaters in London. Ms Belton is admitted to practice in New South Wales and Scotland.

Annerley Squires *BCom, LLB*

Ms Annerly Squires joined GrainCorp as Group Legal Counsel and Company Secretary in November 2018. Ms Squires is responsible for the Group's Company Secretarial function. Prior to commencing at GrainCorp Ms Squires acted as Deputy Company Secretary at Pendal Group Limited and as Senior Legal Counsel and Assistant Company Secretary at Hills Limited. Ms Squires is admitted to practice in New South Wales.

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Board Committee Membership

Membership of each of GrainCorp's Committees of Directors is set out below:

Safety Health Environment and Governance Committee:	• B J Gibson (Chair) • P I Richards • S L Tregoning
People Remuneration and Nominations Committee:	• R P Dee-Bradbury (Chair) • G J Bradley • D G McGauchie • S L Tregoning
Board Audit Committee:	• P J Housden (Chair) • D J Mangelsdorf • R P Dee-Bradbury • P I Richards
Business Risk Committee:	• D J Mangelsdorf (Chair) • P J Housden • B J Gibson • O Weiss (Independent External Adviser)

Each Business Risk Committee meeting is attended by Mr Ottmar Weiss. Mr Weiss joined GrainCorp in September 2008 as an independent external adviser to the Business Risk Committee. Mr Weiss has over 30 years of experience in trading, banking, finance, and risk management. Mr Weiss previously spent over 20 years with Macquarie Bank ultimately becoming Global Head of the Equity Markets Group. He was also member of Macquarie Bank's Executive Committee. Mr Weiss is currently a director of Energy One Limited, an ASX listed energy trading and software development company.

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Board and Board Committee Meetings

The following table sets out the number of meetings of GrainCorp's Board and Board Committees held during the 12 months to 30 September 2019.

	Number of Meetings
Board	17
Board Audit Committee	4
People Remuneration and Nominations Committee	6
Business Risk Committee	4
Safety Health Environment and Governance Committee	4

The number of meetings attended by each member is set out in the table below.

	Board	Board Audit Committee	People Remuneration & Nominations Committee	Business Risk Committee	Safety Health Environment & Governance Committee
G J Bradley	17	3#	6	4#	2#
M L Palmquist	17*	4#	6#	4#	4#
R P Dee-Bradbury	17	4	6	1#	~
B J Gibson	14	~	1#	4	3
P J Housden	17	4	~	4	~
D J Mangelsdorf	17	4	~	4	~
D G McGauchie	14	~	5	~	~
P I Richards	16	4	1#	2#	4
S L Tregoning	15	~	6	~	4
O Weiss^	~	~	~	4	~

* Mr Palmquist attended ten Board meetings in his capacity as Managing Director and CEO until his resignation effective 26 April 2019. He attended the remaining seven Board meetings by invitation

Attended by invitation

~ Not a member of the relevant Board or Committee

^ Independent External Adviser

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Operating and Financial Review

About GrainCorp

Overview

GrainCorp is a diversified food ingredients and agribusiness company 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, Europe and United Kingdom.

For the 2019 financial year, GrainCorp had three operating segments: Grains, Malt and Oils. GrainCorp announced on 4 April 2019 that the Grains and Oils businesses would be combined into an integrated grains and edible oils business.

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 per cent 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 are projected to drive large increases in both global grain demand and global grain trade.

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 supply 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.

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 which 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.

In March 2019, GrainCorp announced that it had entered into an agreement to sell its Australian Bulk Liquid Terminals business. In April 2019, GrainCorp announced a proposal to demerge its Malt business, subject to shareholder and other approvals. The Board believes that both transactions would unlock significant value for shareholders.

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Group Financial Summary

Key Results ($ M)		2015	2016	2017	2018	2019
Revenue		4,085.5	4,158.3	4,575.7	4,253.1	4,849.7
Underlying EBITDA[4]		235.4	255.5	390.1	269.0	68.5
Underlying EBIT[5]		99.1	112.9	243.7	115.8	(73.9)
Net profit after tax		32.1	30.9	125.2	70.5	(113.0)
Dividend (cents per share)[6]		10.0	11.0	30.0	16.0	0.0
Financial Position						
Total assets	$ M	3,673.7	3,575.8	3,598.4	3,974.7	3,875.6
Total equity	$ M	1,821.8	1,742.0	1,860.4	1,942.2	1,836.3
Net assets per ordinary share	$	7.97	7.61	8.13	8.49	8.02
Net debt to net debt and equity[7]	%	29.0	33.4	27.2	32.4	38.2
Core debt to core debt and equity[8]	%	23.4	29.3	19.5	20.9	30.4
Shareholder Returns						
Basic earnings per ordinary share	cents	14.0	13.5	54.7	30.8	(49.4)
Return on equity	%	2.5	3.0	7.8	3.7	(4.4)
Return on invested capital (ROIC)[9]	%	2.5	2.7	6.3	3.5	(2.2)
Dividend per ordinary share[6]	cents	10.0	11.0	30.0	16.0	0.0
Dividend yield per ordinary share[10]	%	1.1	1.4	3.7	3.6	0.0
Business Drivers (million metric tonnes)						
Grains						
Total ECA grain receivals (country + direct-to-port)		8.8	8.8	15.0	6.8	3.1
ECA grain exports handled		3.5	3.0	7.2	2.7	0.3
ECA non-grain handled		2.5	3.0	2.8	2.9	2.9
Total grain sales		6.0	6.7	8.3	6.9	7.1

Segment Results ($ M)	2018 Revenue	2018 Underlying EBITDA	2019 Revenue	2019 Underlying EBITDA
Grains	2,241.9	68.4	2,664.8	(130.7)
Malt	1,152.4	170.3	1,316.5	175.5
Oils	969.1	61.1	1,010.9	52.7
Corporate and eliminations	(110.3)	(30.8)	(142.5)	(29.0)
Total	**4,253.1**	**269.0**	**4,849.7**	**68.5**

[4] 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.

[5] 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.

[6] All dividends were fully franked.

[7] Net debt is total debt less cash.

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

[9] ROIC = Group underlying Net Profit after Tax less interest expense (after tax) associated with core debt / Average net debt (excluding commodity inventory funding) + average total equity. ROIC is a non-IFRS measure.

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

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Group Financial Analysis and Commentary

For the 12 months ended 30 September 2019, GrainCorp reported an underlying net loss after tax of $82 million, down from $71 million net profit after tax in FY18. Underlying earnings before interest, tax, depreciation and amortisation ('EBITDA') was $69 million, down from $269 million in FY18. Revenue from continuing operations was $4,850 million (FY18: $4,253 million).

In addition to the significant adverse impact of the drought conditions, GrainCorp's financial performance was impacted by several significant items and abnormal factors which are shown in table below:

FY19 Significant Items and Abnormal Factors	Impact to EBITDA ($m)
Transaction costs: (i) Costs associated with the Portfolio Review including: a) Proposed demerger of the Malt business unit; and b) Proposed sale of Australian Bulk Liquid Terminals. (ii) Costs associated with the response to the non-binding indicative offer from Long Term Asset Partners' (LTAP) to acquire 100% of the shares in GrainCorp Limited.	(35)
Restructuring costs: One-off costs associated with preparation for the demerger of the Malt business unit.	(7)
Significant Items as shown in note 1.5 to the Financial Statements	**(42)**
Disruption to international grain trade flows impacting Australian wheat and barley markets*. The Grains business experienced a $65 million negative impact to EBITDA in FY19 as a result of the disruption to international grain trade flows which adversely affected Australian feed wheat and barley prices, and, in turn adversely affected our positions.	(65)
Impact of drought on the utilisation of GrainCorp's 'take-or-pay' rail contracts*. The Grains business experienced a $15 million negative impact to EBITDA in FY19 as a result of the under-utilisation of its 'take-or-pay' rail contracts, caused by minimal grain production and export volumes in eastern Australia. These contracts expire at the end of FY19.	(15)
Other costs* – one-off costs associated with: (i) Simplifying Grains' operating model ($3m); and (ii) Devaluation of an investment ($2m).	(5)
Abnormal Factors*	**(85)**
Total Significant Items and Abnormal Factors	**(127)**

* These abnormal factors are unaudited.

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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 13 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.

FY19 Performance

- FY19 EBITDA of $176 million (FY18: $170 million).
- Continued high utilisation of malting plants.
- Solid demand for malt and brewing ingredients from brewing and distilling customers.
- Focus on continuous improvement has resulted in reduction in utility consumption.
- Large skew in earnings to second half, reflecting increased beer consumption in the northern hemisphere in the summer months, lower ECA barley supply, which added cost in 1H19, and a heavy snowstorm in Canada in 1H19 which restricted deliveries.
- US craft beer market (by sales volume) grew 4% in 2018[11].
- In October 2018, announced £51 million investment in Bairds' Scottish malting facilities, adding 79kt of capacity across Arbroath and Inverness sites:
  - reflecting strong sector growth and customer demand;
  - new capacity underpinned by LTAs with key distilling customers; and
  - construction underway and due for completion in calendar year 2021.

Oils

Business Unit Overview

GrainCorp Oils is a leading producer of edible oils in Australasia. It sources and uses locally grown oilseed crops, as well as importing a range of oils, to produce a wide range of food and animal feed products.

GrainCorp Oils' ownership and management of key assets in the oilseed supply chain, along with its 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.

FY19 Performance

- FY19 EBITDA of $53 million (FY18: $61 million).
- Bulk Liquid Terminals: high utilisation, driven by continuing customer demand across a range of product segments.
- Oilseeds: significant decline in crush margin due to the ECA drought's impact on canola supply and freight costs. Australian canola crop production[12] estimates:
  - 2018/19: 2.1mmt (ECA 0.4mmt, WA/SA 1.7mmt).
  - 2017/18: 3.8mmt (ECA 1.6mt, WA/SA 2.2mmt)
- Foods: stable volumes, continued to focus on efficiencies and product innovation.
- Feeds: improved performance with increase in demand for supplementary feed.
- Sale of Australian Bulk Liquid Terminals:
  - Announced in March 2019, an agreement to sell Australian Bulk Liquid Terminals business to ANZ Terminals for enterprise value of $350 million.
  - Will release capital and unlock significant value for shareholders.
  - ACCC currently reviewing transaction, indicative decision date 15 November 2019. Also subject to other conditions.

[11] Brewers Association

[12] Average of ACF and ABARES estimates.

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Grains

Business Unit Overview

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. Ownership of these key supply chain assets allows GrainCorp to source, handle, store and transport grain efficiently and securely, providing vital grain quality assurance to its customers.

Through Grains' origination and marketing teams positioned across four continents, it partners with customers to analyse markets, manage price risk and create additional value at each stage of the supply chain.

- Approximately 145 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 and over 15,000 Australian and international growers.
- 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.

FY19 Performance

ECA volumes (mmt)	FY19	FY18
East Coast Australia (ECA) grain production of GrainCorp's key commodities[13]	7.7	16.7
GrainCorp volumes (mmt)	**FY19**	**FY18**
Total grain sales	7.1	6.9
ECA grain receivals (up-country + direct-to-port)	3.1	6.8
ECA grain exports (bulk + container)	0.3	2.7
ECA grain trans-shipments (through GNC ports)	2.3	0.5
ECA non-grain handled (e.g. sand, cement, sugar, woodchips, fertiliser)	2.9	2.9

- FY19 EBITDA loss of $131 million (FY18: $68 million).
- Drought had a significant adverse impact on east coast Australian (ECA) grain production, leading to lower GrainCorp receivals and exports.
- Global trade tensions disrupted grain trade flows, having negative EBITDA impact of $65 million.
- GrainCorp's port supply chains were reversed (i.e. enabling importing of grain) to manage ECA grain deficits and satisfy domestic demand (2.3mmt in FY19).
- Existing rail contracts, with large fixed cost commitments, expired at the end of FY19 ($15 million negative EBITDA impact in FY19); new rail contracts with greater flexibility and minimal 'take-or-pay', start in FY20.
- Progressed Canadian supply chain via GrainsConnect Canada, a 50-50 JV with Zen-Noh Grain Corporation, with fourth site opened and construction starting on Fraser Grain Terminal at the Port of Vancouver, B.C. (through 50-50 JV with Parrish & Heimbecker).
- Continued to diversify origination, including from Ukraine.
- Opened marketing office in India to participate in pulse market.
- Entered Crop Production Contract – effective for FY20.

[13] Average of ABARES' and ACF's 2018-19 eastern Australian grain production estimates for GrainCorp's key commodities: wheat, barley, canola, chickpeas and sorghum.

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Outlook

GrainCorp Malt expects continued high utilisation of its malting plants and a continuation in solid demand for malt and brewing ingredients from both brewing and distilling customers.

Based on independent crop forecasts, the FY20 winter crop will again be significantly below average in eastern Australia, with the Western Australian and South Australian crops also expected to be below average. GrainCorp's Crop Production Contract, which is linked directly to eastern Australian winter crop production, is effective for FY20.

The Company expects low levels of grain carry-in in eastern Australia and a continuation of supply deficits in certain regions in eastern Australia due to the drought. To help satisfy demand for grain in these regions, GrainCorp expects further grain trans-shipments from Western Australia, South Australia and Victoria throughout FY20.

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 will publish a 2019 Sustainability Report which will be accessible via the GrainCorp website. Below is a summary of the report's key sections and GrainCorp's performance for 2019.

Safety and Health

GrainCorp's Group Safety, Health and Environment (SHE) Strategy Towards 2020, launched in 2017, guides our priorities based on the pillars of Safety, Environment & Sustainability, Leadership & Culture, Health & Wellbeing and Risk Management.

In FY19 we recorded improvements to our key safety metrics with a Recordable Injury Frequency Rate (RIFR) of 7.7 (down from 12.2 last year) and Lost Time Injury Frequency Rate (LTIFR) of 2.2 (down from 4.1). This is a pleasing outcome after a deterioration in these measures last year.

Key safety priorities we have identified for the Group are critical risk management, injury reduction and process safety management. During the year, we made good progress toward our goals in these areas, with some of the associated initiatives outlined below.

Critical Risk Management:

A key part of our risk management process involves the identification of critical risks. We have identified 12 critical risks of relevance to GrainCorp, including operation around grain bunkers, working in confined spaces, electrical safety, fire and explosion, and rail safety, among others.

Risk reviews have been conducted across these categories at our Grains and Oils sites and have been instrumental in the strong improvements we've seen in our safety metrics this year. The next phase in this programme is to improve communications with contractors.

Injury reduction:

In FY19, GrainCorp introduced a programme to encourage SHE conversations and engagements across the Group. The aim is to support and recognise safe acts, maintain a dialogue around how SHE systems are performing, demonstrate commitment from GrainCorp's leadership team and acknowledge the recognition and positive management of hazards and risks.

During the year, approximately 17,000 SHE engagements were undertaken, with each of GrainCorp's businesses strongly embracing the concept.

Process Safety Management (PSM):

PSM procedures are embedded in GrainCorp's project management framework and are guided by four pillars: Commit to Process Safety, Understand Hazard and Risk, Manage Risk and Learn from Experience. These pillars help to isolate specific actions that need to be incorporated into GrainCorp's processes to ensure best practice safety standards.

People

We continued to focus on talent capability, employee engagement and diversity and inclusion, each of which are key foundations of GrainCorp's culture.

Talent Capability & Employee Engagement:

During the year, several initiatives to strengthen employee communications and establish both formal and informal feedback mechanisms were introduced. These include;

- A Voice of the Employee survey was conducted by Australian market research company Ipsos in early 2019. The survey interviewed approximately 70 employees across all geographies, businesses and levels.
- A Culture Survey was undertaken in partnership with Human Synergistics, an Australian company specialising in the development of organisational cultures. Approximately 600 employees across GrainCorp's operations were surveyed.
- Regular conversations are conducted between leaders and their teams regarding change initiatives.

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- An exit interview process was developed and implemented in conjunction with The Interview Group, which specialises in onboarding, stay and exit interviews.

GrainCorp's new Human Capital Management System (HCMS), PeopleHub, was launched in May 2019 for our Australian and New Zealand Grains and Oils employees and will be rolled out to our international Grains operations later this year. The HCMS provides a single resource for all employee data, allowing for greater efficiencies across our people processes.

Diversity and Inclusion (D&I):

GrainCorp aims to foster a diverse and inclusive workplace that facilitates opportunity, respect and innovation, helping our people, customers and communities to prosper and grow.

During the year we assessed GrainCorp's D&I practices against the Australian Human Resource Institute (AHRI) D&I maturity model, with the findings highlighting a need to embed D&I into all our people's mindsets and behaviours. GrainCorp's Diversity & Inclusion Committee's membership was strengthened to include more senior leaders. The governance structure was also adjusted to enable more efficient and effective decision making and resource allocation.

Fostering an inclusive culture:

We believe connection is at the heart of an inclusive culture and to support this we introduced an online platform, Workplace, in the second half of FY19. Workplace is a hub that all employees have access to and serves to connect those in offices with those on sites who might otherwise never meet, effectively allowing for the creation of communities within GrainCorp. Additionally, it allows for a more informal flow of information across the business with members able to share information in real-time on matters of interest. It is also an excellent tool enabling leaders to connect with their teams more frequently and via a less formal medium. Importantly, Workplace gives our people the opportunity to join or create the special interest groups that represent them.

Environment

We continue to strengthen GrainCorp's culture to ensure environmental sustainability is a key consideration in our day-to-day operations.

GrainCorp has introduced compliance registers at key sites globally, to ensure environmental requirements are incorporated into existing processes. Importantly, these changes provide a platform for an auditable system that allows for easier identification of environmental risk areas.

During the year, we also completed a review of the loading and unloading practices of various commodities at our eastern Australian port terminals. Phase one of the review included identifying key environmental issues and developing a project plan to address these risks. Phase two involves the design and installation of engineering controls, a compliance management system and improved environmental risk assessment process.

As a company with processing operations and a large asset footprint, managing energy use and reducing greenhouse gas emissions are key components of GrainCorp's energy strategy.

Renewable energy continues to play an important role in GrainCorp's energy mix and during the year we installed additional solar panels at selected Grains sites across Australia. Our Dubbo site, in regional NSW, was the latest to have panels installed, in October 2018, and is now saving around 37 tonnes of carbon emissions per annum.

GrainCorp has entered an agreement with ReNu, an independent power provider specialising in clean energy products and services, for the provision of solar power solutions at sites in Toowoomba, Dunolly and Moree. The solutions are based on an agreed electricity purchase price from ReNu for all solar power used, with excess power redistributed to the grid for spot pricing.

Waste

An important focus this year has been waste segregation for the purpose of recycling. Grains and Oils implemented a national waste management procurement strategy to improve the efficiencies and cost associated with the collection and disposal of waste. The businesses will also look to reduce the volume of waste sent to landfill through recycling and alternative waste treatment options.

Water

Water is critical to GrainCorp's processing operations and we have a responsibility to optimise the way it is managed. Due to the unique nature of each of our sites, water efficiency is addressed at a local level to ensure management strategies are fit for purpose.

GrainCorp Foods commissioned an independent review into water usage and wastewater treatment at its East Tamaki site in New Zealand. The project identified several engineering improvements with the potential to save approximately 30,000 KL in water, 2,300 GJ in energy and 30,000 KL in wastewater each year. Several projects are underway, including the installation of flow meters which are expected to save nearly 10,000 KL in water per annum.

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Community

We believe GrainCorp's strong ties to the communities in which we live and work help to create a strong organisational culture. To support community involvement, we recently introduced paid volunteer leave as an option for our people to contribute to their communities. We also support local communities through corporate donations, sponsorships and fundraising activities.

Corporate donations were made to organisations during the year, including to the Moorilim Fire Brigade in Central Victoria, the Thunder Bay Christmas Cheer Fund, a volunteer organisation in Canada whose mandate is the provision of toys for children living in poverty, the Goondiwindi Race Club and Port of Brisbane's Police Youth Citizens Club, among others.

Silo art:

In 2015, GrainCorp began allowing its silos to be used as the canvas for public artworks as well as providing financial support for associated legal fees and maintenance and publicity services. The artworks are not only stunning but have reinvigorated some of Australia's small regional towns, with communities reporting an increase in local business activity as well as nationwide media attention.GrainCorp celebrated the three-year anniversary of silo art in December last year.

GrainCorp also provides lighting at its silos in Newcastle in NSW, where they are illuminated in different colours to celebrate days of significance like Breast Cancer Awareness (pink) and National Agriculture Day (green), and works with local councils to allow projections onto silos at sites including Parkes (NSW) and Sunshine (VIC)

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 consider 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

- Climate variability and weather conditions - Weather conditions can cause variability in grain production, which may impact GrainCorp's operating results in several ways; including variability in the volume of grain that GrainCorp stores, handles, transports, trades, exports and uses in its business. GrainCorp is most exposed to climate variability risk in eastern Australia. An integral aspect of GrainCorp's strategy has been to reduce the impact on earnings of cyclical weather conditions, especially the impacts of drought. Over the past decade the Company has been managing this exposure, diversifying its operations into downstream value adding businesses in Australia and overseas. GrainCorp also continues to streamline its country receival and storage network in eastern Australia, investing to improve efficiency at key sites and reducing fixed costs, and has recently negotiated more flexible rail transport contracts. During FY18, GrainCorp commissioned expert environmental research to better assess the potential long-term impact of predicted climate change on grain production in 23 key wheat cropping districts in eastern Australia. The study concluded that, under the most likely climate change trajectories predicted by 40 general circulation models, climate change is likely by both 2030 and by 2050 to have a small positive impact on the wheat yield potential of eastern Australia and no significant negative impact on protein content. The small decrease in average annual rainfall, predicted under the most likely scenario, was offset by higher yield potential resulting from increased atmospheric carbon dioxide levels. The study did predict an increase in yearly weather variability, meaning annual harvests would likely be more volatile.
- Other external factors - GrainCorp's business and financial performance are subject to external factors, including farmer sowing decisions, levels of on-farm storage, 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 and logistics supply chain risks - GrainCorp's operations rely on rail, road and sea transportation to move grain, malt and oil commodities through the supply chain to its customers around the world. 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

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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 risk - 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.
- Industry cyclicality and commodity price risk - 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. Additionally, market factors (such as weather, production, market demand and supply) in international jurisdictions may adversely impact supply and demand dynamics in Australia and, consequently, volumes and margins.
- Hedging and risk management risk - GrainCorp's business is affected by fluctuations in grain and other agricultural commodity prices, transportation costs, energy and utility prices, interest rates and foreign exchange currency rates. GrainCorp's hedging strategies may not be successful in minimising its exposure to these fluctuations. Further, it is possible that GrainCorp's control procedures and 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.
- Changing consumer preferences risk - GrainCorp's business may be affected by changing consumer preferences due to increasing health awareness and demand for product premiumisation. An overall decline in beer consumption has the potential to have a significant effect on the financial performance of GrainCorp's Malt business. Equally, a change in the amount of malt used in beer production due to consumer preferences could adversely impact financial performance. In GrainCorp's Foods business, changing consumer preferences for manufactured oils and fats products could adversely impact financial performance.
- Capital requirements risk - 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 risk - 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.
- Global and regional economic conditions risk - 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, which could have a materially adverse effect on GrainCorp's business and financial performance.
- Customers and supplier risk - Weak global economic conditions and tight credit markets may 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. Equally, loss of customer supply agreements could negatively impact GrainCorp's financial and operational performance.
- Technology and Cyber security risk - GrainCorp may be adversely affected by cyber security risk due to the increasing reliance on information technology systems and increased frequency and magnitude of global cyber events. GrainCorp also relies on its own and third-party information technology infrastructure and systems for its day-to-day operations. Any failure of, or disruption to, information technology infrastructure or systems could limit GrainCorp's ability to carry out its operations.

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- Utility prices and access to reliable water - Electricity and natural gas are key energy inputs for operating GrainCorp's business. Increases in energy prices may adversely impact GrainCorp's financial performance. Water is also a key input in GrainCorp's Malt business. Access to high quality reliable water may be impacted by climate variability, catastrophic drought or wide-spread contamination which may adversely impact 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 risk - 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 risk - 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.
- Global and regional geopolitical and country / sovereign risk - As an international commodity trader, and importer and exporter of agricultural commodities, GrainCorp is vulnerable to geopolitical tensions which may impact global trade flows. These is a risk that GrainCorp's financial performance may be impacted when those tensions affect markets or commodities that GrainCorp participates in. GrainCorp is also vulnerable to country / sovereign risk, such as the imposition of tariff barriers, foreign exchange restrictions, and nationalisation of assets, which could adversely impact GrainCorp's financial performance.

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Additional Disclosures

Earnings per share ('EPS')

Basic EPS from continuing operations decreased 260% to (49.4) cents (2018: 30.8 cents).

Dividends

No dividend has been approved by Directors since 30 September 2019.

Dividend	Date Paid	Fully Franked Dividend per Share	Total Dividend $ M
Final dividend for the year ended 30 September 2018	13 December 2018	8.0 cents	18.3
Interim dividend for the half-year ended 31 March 2019		nil	nil
Final dividend for the year ended 30 September 2019		nil	nil

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 September 2019 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.

In March 2019, GrainCorp entered into an agreement to sell its Australian Bulk Liquid Terminals business to ANZ Terminals Pty Ltd. The transaction is subject to a number of conditions, including regulatory approvals from the Foreign Investment Review Board (FIRB), Australian Competition and Consumer Commission (ACCC), lessors' consents and finalisation of the agreements required for the transition of the business. The sale is currently being reviewed by the ACCC, with a decision date of 15 November 2019.

In April 2019 GrainCorp announced its intention to demerge its international malting business, subject to shareholder and other approvals. GrainCorp intends to send the Scheme Booklet for the proposed demerger to shareholders in the first quarter of calendar year 2020. The 2019 Financial Report does not reflect any accounting implications associated with the proposed demerger of the Malt business.

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Indemnities and insurance

Under the Company's Constitution each Director and Company Secretary of GrainCorp Limited is, to the maximum extent permitted by law, indemnified against any liability incurred by that person as an officer of GrainCorp Limited. The Directors and the Company Secretaries listed on page 20 and individuals who formerly held any of these positions have the benefit of the indemnity. Members of GrainCorp's Executive Team and certain former members of the Executive Team also have the benefit of an indemnity to the fullest extent permitted by law.

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*.

Audit services

Audit services during the year have been provided by PricewaterhouseCoopers (PwC), led by partners Kristin Stubbins and David Ronald. Details of the amounts paid to PwC for audit services are set out in note 5.1 of the Financial Report.

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 non-audit services provided during the year are set out in note 5.1 of the 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 for 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 50 and forms part of this report.

Corporate governance statement

During the year ended 30 September 2019, 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/about-graincorp/company/cgs

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Remuneration Report

1. Introduction

As outlined earlier in this report, FY19 has been an extremely challenging year for GrainCorp. The impact of the challenging external environment, and its effect on our FY19 results, is reflected in our FY19 remuneration outcomes.

The Board commends the Management team and all employees for optimising performance in these difficult circumstances. Management has put in a great effort to manage our operations efficiently, to contribute to the Board's Portfolio Review, to progress our organisational streamlining plans and to deliver the best outcomes for our Shareholders. Despite these efforts, financial performance fell short of our targets and, as a result, no short-term incentives were awarded in FY19 to senior executives.

While a large majority of GrainCorp Shareholders voted in favour of the FY18 Remuneration Report, 18% of shares voted were voted against the Report. Subsequent discussions with our key shareholders indicated concerns were largely unrelated to remuneration structures. Nevertheless, the Board has carefully considered our current remuneration arrangements and determined that, while the arrangements remain appropriate for our business, a change in the Long-Term Incentive (LTI) hurdles will further optimise alignment between performance and reward outcomes. This change is proposed to take effect from FY20 and further detail of the change can be found in Section 2.

2019 remuneration outcomes

Remuneration outcomes for 2019 reflected our poor financial results and demonstrated the strong link between performance and reward outcomes.

Fixed remuneration

There were no changes to Executive Key Management Personnel ('KMP') fixed remuneration or base Board and Committee fees in FY19.

Short-term incentives (STI) outcomes

While many executives performed strongly during the year, Group underlying NPAT did not meet the threshold required to allow for creation of an STI pool. Accordingly, no STI awards were paid in FY19. Details of performance against STI metrics are outlined in Section 5.

Long-term incentives (LTI) outcomes

All LTI awards relating to the 2017 financial year ('FY17') lapsed and no vesting occurred. The relative TSR performance hurdle measured over the three-year performance period to 30 September 2019 was not met. Although the three-year average ROE performance was above the target range, the 10-year average minimum ROE threshold was not met. Accordingly, none of the FY17 LTI grant vested. Further information on the performance against the LTI hurdles is outlined in Section 5.

Changes to LTI hurdles in FY19

As announced in the 2018 Remuneration Report, we changed our LTI plan to improve alignment with our strategy and shareholder returns. The two performance hurdles for the FY19 LTI award are Absolute Total Shareholder Return ('aTSR') and Return on Invested Capital ('ROIC'), both measured over a three-year performance cycle.

Changes to Executive KMP

During FY19, the following changes to Executive KMP occurred.

- Greg Friberg retired on 31 December 2018.
- Darren Smith was appointed President GrainCorp Malt on 1 January 2019.
- Cate Hathaway became a KMP on 4 April 2019 upon appointment to the Chief People and Transformation Officer role.
- Sam Tainsh ceased to be KMP on 4 July 2019.

Demerger of GrainCorp Malt

In April 2019, we announced our intention to demerge our international malting business ('GrainCorp Malt'). Full details of the demerger will be set out in the demerger scheme booklet (Scheme Booklet), scheduled for release in the first quarter of 2020 calendar year.

A summary of the implications of the proposed demerger for the Company's remuneration policies is set out on page 49. This summary is provided for information only and does not comprise part of this Remuneration Report.

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2. Executive remuneration overview

GrainCorp's remuneration approach is designed to attract, retain and motivate our employees.

- Remuneration is one component of the overall value proposition GrainCorp offers to employees. It is complemented with non-cash benefits, work/life flexibility, career and personal skills development.
- Remuneration includes fixed and variable components. They are informed by Company and individual performance, market benchmarks and business capacity to pay.
- Periodically, GrainCorp reviews market data to ensure best practice informs our remuneration structure to:
  - Attract and retain high calibre employees.
  - Align fixed remuneration to median market rates adjusted for individual capability, skill, experience, qualifications, performance, responsibilities, accountabilities and criticality of role to the business.
  - Set variable remuneration and non-financial benefits to incentivise superior performance.
- Remuneration policies and pay outcomes are monitored to confirm and maintain results that are gender neutral, non-discriminatory and free from bias.

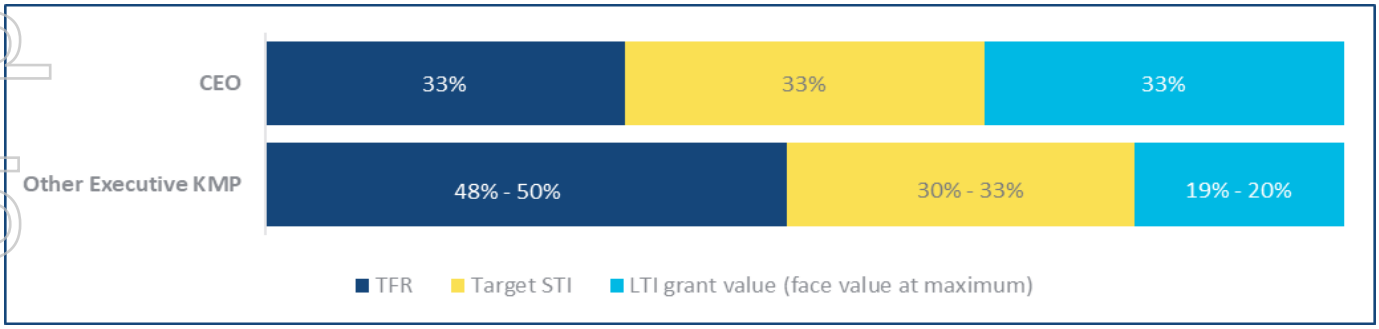
Executive KMP remuneration framework

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

The diagram below provides an overview of our approach.

	Objective			
	Attract and retain executive talent	Motivate and reward outstanding performance		Align to shareholder returns
Remuneration structure	Total Fixed Remuneration ('TFR')	"At-risk" remuneration		
		Short-term incentive ('STI')		Long-term incentive ('LTI')
Remuneration components	Base salary, superannuation and benefits	Annual cash	Deferred rights and cash	Performance rights
Purpose	Reward for role size/complexity, responsibility and competence	Reward for contribution towards annual business goals	Promote retention and alignment to shareholder interests	Reward for superior long-term performance, encourage retention and alignment to shareholder interest

A significant proportion of executive remuneration is 'at-risk' to provide alignment with the Group's strategic objectives and shareholder interests. The percentages of total target remuneration comprising Total Fixed Remuneration ('TFR'), Short-Term Incentive ('STI') at target opportunity and Long-term Incentive ('LTI') grant value (i.e. maximum LTI opportunity) for Executive KMP, are outlined in the table below.



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Executive incentive plans

The following table outlines the executive STI and LTI plans under which awards were made in FY19.

Table 1: Incentive plans

Element	STI	LTI
Opportunity	The Board sets individual STI opportunity as a percentage of TFR. Individual performance is assessed against Group financial, safety, customer and individual KPIs on a scale from 0% to 150% of target.	The Board determines LTI opportunities as a percentage of TFR, converted to performance rights at face value of GrainCorp shares 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. In the context of the Company's announcement on 3 December 2018 that it had received a non-binding indicative proposal (Proposal) and subsequent share price increase, the Board considered the appropriateness of applying the 20-day VWAP for determination of rights for the deferred STI and LTI. As a consequence, for FY19, the face value of GrainCorp shares was based on an 11-day trading period following release of the Company's annual results so as to not disadvantage participants in the event that the Proposal did not proceed, and the share price returned to typical levels.	Performance rights only[14].
Deferral / performance period	For the current CEO, 50% of awarded STI is deferred to rights and vests after 12 months. For executive KMP, 41.2% of awarded STI is deferred to rights and vests 50% after 12 months and 50% after 24 months[15].	No rights vest until performance outcomes against the three-year performance hurdles have been determined.
Pool funding	STI payments are funded from an STI pool determined by the Board, based on GrainCorp's underlying Net Profit after Tax ('NPAT'). Individual STI amounts are adjusted up and down to reflect the size of the STI pool. A minimum (threshold) level of underlying NPAT is required before any payments are made.	n/a
Performance measures	Executive KMP are assessed on a balanced scorecard of measures. For FY19 the measures were: • Group underlying NPAT and business unit EBIT (35%)[16]; • Group and business unit safety, health and environment (15%); • Group customer metrics (15%); • Individual KPIs based on agreed strategic project implementation and other targets (35%). 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.	FY19 awards are divided into two separate tranches, each with one performance hurdle: return on invested capital ('ROIC') (50% of the award) and absolute total shareholder return ('aTSR') (50% of the award). There is also an ongoing service condition. **ROIC** ROIC is defined as earnings divided by invested capital[17]. An average of the three financial year ROIC outcomes is calculated to determine the ROIC over the three-year vesting period.

[14] Performance rights are rights to shares in the company awarded to executives for nil consideration only if certain company-wide performance criteria are met. They do not carry any voting or dividend rights.

[15] The CEO's STI deferral is over a period of 12 months only with 50% of awarded STI deferred.

[16] For the COO and President, Malt the financial measure is split between Group NPAT (15%) and business unit EBIT (20%).

[17] ROIC earnings is GrainCorp's underlying Profit After Tax adjusted for the after-tax effects of interest expense associated with Core Debt. ROIC invested capital is the sum of GrainCorp's average total borrowings net of cash assets and commodity inventory funding and average total shareholders' equity. ROIC is a non IFRS measure.

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<table>
<tr><th>Element</th><th>STI</th><th>LTI</th></tr>
<tr><td>Performance measures, continued</td><td>Assessment of STI measures occurs following the end of the financial year, by the Board in relation to the CEO and by the CEO (and approved by the People Remuneration and Nominations Committee ‘PRNC’) in relation to other Executive KMP.

The scorecard measures, description, weighting and the Board’s assessment of performance in FY19 are provided in Table 4.</td><td>The proportion of rights that may vest for ROIC performance will be determined by the Board, based on the following vesting schedule.

<table><tr><th>Three-year average ROIC performance</th><th>Percentage of ROIC-tested rights to vest</th></tr><tr><td>Below minimum threshold of 6%</td><td>Nil</td></tr><tr><td>Minimum performance 6%</td><td>50%</td></tr><tr><td>Between 6-8%*</td><td>Straight line between 50% and 100%</td></tr></table>*Straight line between target and maximum.

Absolute TSR (“aTSR”)
aTSR is defined as the compound annual growth rate (‘CAGR’) of the Company’s TSR over the three-year vesting period.

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>Absolute TSR</th><th>Percentage of TSR-tested rights to vest</th></tr><tr><td>Below 6%</td><td>Nil</td></tr><tr><td>6-9%</td><td>Straight line between 50% and 100%</td></tr><tr><td>9%</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>Malus</td><td colspan="2">The Board in its discretion may determine that some, or all, of an employee’s deferred STI or unvested 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.

A summary of key employment terms for Executive KMP is outlined in the table below.

Table 2: Employment terms

	CEO[18]	Other Executive KMP
Notice period	Six months	Three to six months
Termination entitlements	Six months’ severance	Not in excess of 52 weeks’ base salary

[18] CEO total termination entitlements cannot be in excess of 52 weeks base salary

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Changes to FY20 STI and LTI Plans

In FY19, the Board reviewed the effectiveness of our STI and LTI schemes to ensure ongoing alignment with our strategic objectives.

STI Plan

The review found that, while the STI plan remains fit for purpose, as the unprecedented drought continues, minimum guaranteed funding of the FY20 STI pool is necessary to enhance the effectiveness of the plan in these extreme circumstances. Consequently, a minimum pool of $6 million will be made available for distribution to participants in the STI Plan, to ensure the retention of employees who are key to the success of the business. This pool will not be subject to the Group level financial performance measures.

LTI Plan

The Board also reviewed the performance hurdles in the current LTI Plan, with a view to creating greater alignment with our business strategy and shareholders and providing a better line of sight for plan participants.

In determining the most appropriate performance hurdles, several perspectives were considered:

- Internal - annual business plans / budgets, long range or strategic plan, GrainCorp's historic performance and management / board opinion on the key factors impacting the selected performance measures.
- External - peer group market practice and historical performance, the broader industry / market historical performance and investor expectations using analyst forecasts.

While the performance / vesting periods will not change, commencing in FY20, the performance hurdles for the LTI plan will be as follows:

- Absolute TSR ("aTSR") - (50%) of grant: defined as the compound annual growth rate, ("CAGR") of the Company's TSR over the three-year vesting period.
  - There is no change to this portion of the performance hurdles.
- Return on Capital Employed ("ROCE") - (50%) of grant: defined as earnings before interest and taxes (EBIT) divided by capital employed. Earnings includes interest on commodity inventory funding[19]. An average of the three financial year ROCE outcomes will be calculated to determine the ROCE over the three-year vesting period.
  - This is a key metric in our strategic plan, is forward focussed and measured and reported regularly. A clear line of sight can be drawn between internal "return performance" and the same external company-wide indicator. It can be benchmarked against global peers.

ROCE

The ROCE vesting schedule for the FY20 grant is outlined in the following table. It is important to note that the ROCE performance hurdle and relevant vesting schedule is intended to reward achievement linked to improving the Company's ROCE performance over time.

ROCE performance	Percentage of ROCE-tested rights to vest
Below minimum of performance range	Nil
Minimum performance 8.6%	50%
Between 8.6% and 11.4%	Straight-line between 50% and 100%

A range of 8.6% to 11.4% is considered appropriate as it is:

- A significant improvement on GrainCorp's historic ROCE performance.
- Aligned to the ROIC performance targets used in previous periods for LTI hurdles.
- Aligned to internal targets used for capital allocation purposes, and
- In line with international benchmarks.

These hurdles have been tested against prior grants from 2011 to 2017 with no material change to the vesting outcomes. The Board will keep the hurdles for future grants under review. Board discretion will be maintained.

[19] ROCE capital employed is identical to ROIC invested capital, being the sum of GrainCorp's average total borrowings net of cash assets and commodity inventory funding and average total shareholders' equity. ROCE is a non IFRS measure.

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3. KMP

In FY19, KMP comprised the non-executive directors ('NED'), the CEO and Group Executives who reported to the CEO and 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.

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 8 of this report.

The table below outlines the KMP for FY19.

Name	Role	Period as KMP during FY19
Non-Executive Directors		
G J Bradley	Chairman and Non-Executive Director	Full year
R P Dee-Bradbury	Non-Executive Director	Full year
B J Gibson	Non-Executive Director	Full year
P J Housden	Non-Executive Director	Full year
D J Mangelsdorf	Non-Executive Director	Full year
D G McGauchie	Non-Executive Director	Full year
P I Richards	Deputy Chairman and Non-Executive Director	Full year
S L Tregoning	Non-Executive Director	Full year
Executive KMP		
M L Palmquist	Chief Executive Officer	Full year[20]
A G Bell	Group Chief Financial Officer	Full year
G A Friberg	President GrainCorp Malt	Until 31 December 2018
D Smith	President GrainCorp Malt	Effective 1 January 2019
K Pamminger	Chief Operating Officer	Full year
S J Tainsh	Group General Manager, Oils	Until 4 July 2019
C Hathaway	Chief People and Transformation Officer	Effective 4 April 2019

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

4. Executive KMP remuneration outcomes

This section details the FY19 KMP remuneration outcomes.

TFR adjustments

At the start of FY19, the Board reviewed the TFR of each of the Executive KMP. Based on the findings from the review, and current market conditions, none of Executive KMP, including the MD & CEO, received a fixed remuneration increase.

STI outcomes

The threshold to allow for creation of the STI pool was not met. As such, no STI is payable in respect of FY19. See Table 4 for assessment of performance by individual.

LTI

All LTI awards relating to the 2017 financial year ('FY17') lapsed. Further information on the performance against the LTI hurdles can be seen in Section 5.

[20] Mr Palmquist resigned as Managing Director on 26 April 2019 in light of his intended appointment as Managing Director & CEO of GrainCorp Malt upon completion of the demerger. Mr Palmquist remains Chief Executive Officer of the Company.

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Remuneration outcomes for FY19

Remuneration for Executive KMP for FY19 and FY18 is shown in the table below.

Table 3: Statutory executive KMP remuneration disclosures

		Short-term benefits			Post-employment		Other long-term benefits[21]				Additional Information		
	Year	Base salary and fees	Non-monetary benefits[22]	STI cash[23]	Superannuation benefits	Termination benefits	STI deferral	LTI awards	Long service leave	Total	Less: current year accruals[24]	Add: previously accrued amounts vested in current year[25]	Actual remuneration Received in FY19
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current Executive KMP													
M L Palmquist	**2019**	**1,313**	**109**	**-**	**-**	**-**	**199**	**(38)**	**21**	**1,604**	**(182)**	**428**	**1,850**
	2018	1,319	126	410	-	-	557	521	21	2,954	(1,099)	828	2,683
A G Bell	**2019**	**658**	**-**	**-**	**21**	**-**	**71**	**(6)**	**11**	**755**	**(76)**	**154**	**833**
	2018	612	-	146	21	-	135	102	11	1,027	(248)	161	940
D Smith[26] 1/1/19 – 30/9/19	**2019[27]**	**463**	**15**	**-**	**10**	**-**	**22**	**39**	**-**	**549**	**(61)**	**61**	**549**
	2018	-	-	-	-	-	-	-	-	-	-	-	-
K Pamminger	**2019**	**683**	**33**	**-**	**21**	**-**	**140**	**(1)**	**18**	**894**	**(157)**	**184**	**921**
	2018	688	4[28]	171	26	-	292	104	18	1,303	(414)	170	1,059
C Hathaway[29] 4/4/19 - 30/9/19	**2019**	**234**	**-**	**-**	**12**	**-**	**-**	**20**	**4**	**270**	**(24)**	**-**	**246**
	2018	-	-	-	-	-	-	-	-	-	-	-	-
Former Executive KMP													
G A Friberg[30] 1/10/18 – 31/12/18	**2019[31]**	**164**	**5**	**-**	**-**	**-**	**30**	**(21)**	**-**	**178**	**(9)**	**206**	**375**
	2018	656	18	206	10	-	196	107	-	1,193	(303)	242	1,132
S J Tainsh 1/10/18 – 4/7/19	**2019[32]**	**490**	**-**	**-**	**16**	**462**	**66**	**(6)**	**12**	**1,040**	**(534)**	**149**	**655**
	2018	593	-	149	25	-	127	105	4	1,003	(236)	144	911
Total	**2019**	**4,005**	**162**	**-**	**80**	**462**	**528**	**(13)**	**66**	**5,290**	**(1,043)**	**1,182**	**5,429**
	2018	3,868	148	1,082	82	-	1,307	939	54	7,480	(2,300)	1,545	6,725

[21] 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.

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

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

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

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

[26] Mr Smith's 2019 remuneration in this table is prorated to reflect his time as a KMP which started on 1 January 2019.

[27] Mr Smith's remuneration has been converted from USD to AUD based on a rate of $0.6809 (average rate from 1 October 2018 to 30 September 2019).

[28] Correction from FY18 for vehicle benefit.

[29] Ms Hathaway's 2019 remuneration in this table is prorated to reflect her time as a KMP which started on 4 April 2019.

[30] Mr Friberg's remuneration has been converted from USD to AUD based on a rate of $0.6809 (average rate from 1 October 2018 to 30 September 2019).

[31] Mr Friberg's 2019 remuneration in this table is prorated to reflect his time as a KMP which ceased on 31 December 2018.

[32] Mr Tainsh's 2019 remuneration in this table is prorated to reflect his time as a KMP which ceased on 4 July 2019.

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5. Company performance and remuneration outcomes

STI awarded in FY19

The table below outlines KMP performance against scorecard measures in FY19. There was strong performance in the safety, health and environment and the customer measures, however, as the Group's NPAT threshold was not met, no Executive KMP received an STI.

Table 4: FY19 STI performance ratings

Executive KMP	Financial measures weighting (%) and performance		Safety, health and environment weighting (%) and performance.	Customer weighting (%) and performance.	Non-financial weighting (%) and performance. Agreed objectives include talent management, project completion
Name Position Title	Group Underlying NPAT	Business Unit EBIT/PBT	Group Safety RIFR Business Unit Safety RIFR/ Environment	Group Customer NPS Business Unit Customer NPS / Customer Action Plans	
Current Executive KMP					
M L Palmquist CEO	(35%) ●	-	(15%) ●	(15%) ●	(35%) ●
A G Bell CFO	(35%) ●	-	(15%) ●	(15%) ●	(35%) ●
D Smith President and CEO GrainCorp Malt	(15%) ●	(20%) ●	(15%) ●	(15%) ●	(35%) ●
K Pamminger GGM Grains	(15%) ●	(20%) ●	(15%) ●	(15%) ●	(35%) ●
C Hathaway Chief People and Transformation Officer	(35%) ●	-	(15%) ●	(15%) ●	(35%) ●
Former Executive KMP					
G A Friberg President and CEO GrainCorp Malt	(15%) ●	(20%) ●	(15%) ●	(15%) ●	(35%) ●
S J Tainsh GGM GrainCorp Oils	(15%) ●	(20%) ●	(15%) ●	(15%) ●	(35%) ●

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

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FY19 STI outcomes

The table below outlines FY19 STI outcomes.

Table 5: FY19 STI outcomes

	STI target as % of fixed remuneration	STI award as % of fixed remuneration	STI forfeited as % of target STI
Current Executive KMP			
M L Palmquist	100%	0%	100%
A G Bell	60%	0%	100%
D Smith	70%	0%	100%
K Pamminger	70%	0%	100%
C Hathaway	60%	0%	100%
Former Executive KMP			
G A Friberg	70%	0%	100%
S J Tainsh	70%	0%	100%

FY19 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%.

Table 6: FY17 LTI TSR performance measure results

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

Table 7: FY17 LTI ROE performance results

Financial year	Minimum of ROE target range	Maximum of ROE target range	Actual ROE performance	Percentage of grant vesting
2017	5.3%	5.8%	7.8%	-
2018	2.3%	2.5%	3.7%	-
2019	0.0%	0.0%	(4.4%)	-
3-year average	2.5%	2.8%	2.4%	-
10-year average minimum ROE threshold	**5.6%**		**2.4%**	

Table 8: FY17 LTI remuneration outcomes

	Amount granted (number of rights)	% of grant that vested	% of grant that was forfeited
Current Executive KMP			
M L Palmquist	145,905	-	100%
A G Bell	28,235	-	100%
D Smith	-	-	-
K Pamminger	28,489	-	100%
C Hathaway	-	-	-
Former Executive KMP			
G A Friberg	30,156	-	100%
S J Tainsh	29,840	-	100%

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Five-year financial performance

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

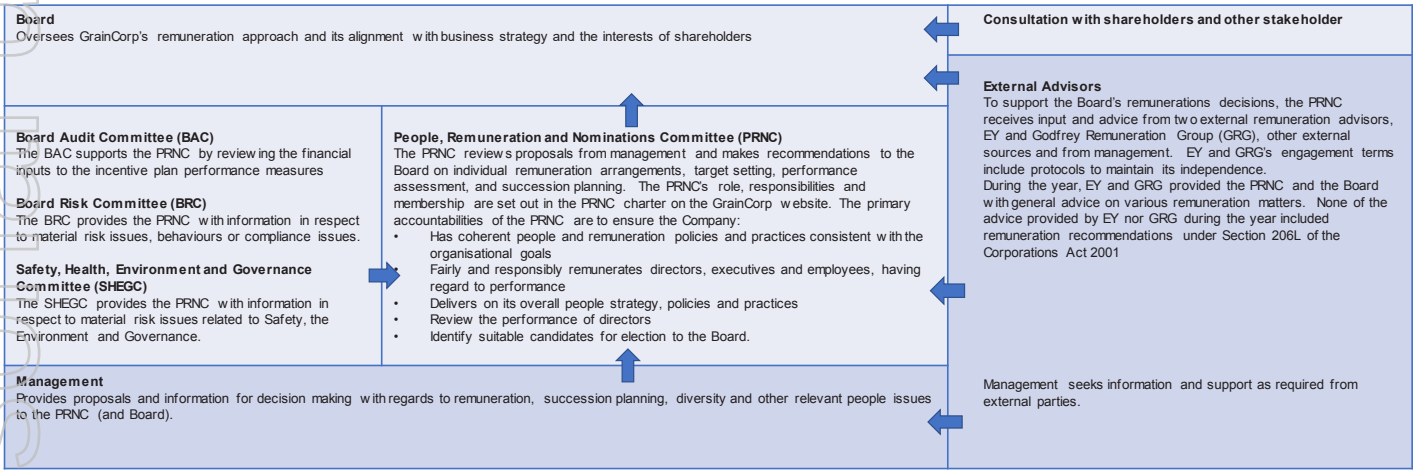
Table 9: Historical company financial performance

		2019	2018	2017	2016	2015
Underlying NPAT	$M	(82)	71	142	53	45
Statutory NPAT	$M	(113)	71	125	31	32
Basic EPS	cents	(49.4)	30.8	54.7	13.5	14.0
Total dividends per Share	cents	Nil	16	30	11	10
Closing Share price (30 September)	$	7.91	7.90	8.16	7.85	9.05

6. Executive remuneration governance

Role of the PRNC

The diagram below shows the interaction of the PRNC with our shareholders, the Board, other committees and the CEO and other Executive Leadership Team (including Executive KMP). Processes are in place to ensure delegation flows from the Board, appropriate input is sought from other committees as issues arise, and then through to the CEO, ELT and into the organisation. At the same time, accountability flows back through from the organisation to shareholders. This process helps to ensure alignment with shareholders.



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7. NED fees framework

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 PRNC regularly reviews NED fee arrangements to confirm fees remain competitive. This includes periodic benchmarking against companies of similar size and complexity to GrainCorp. Following a review undertaken in June 2018, there was no increase to NED base fees nor committee member fees for FY19.

As part of the demerger process, a due diligence committee (DDC) was established in order to undertake a process of due diligence and verification in respect of the information contained in the Scheme Booklet. Two NEDs, Peter Richards and Barbara Gibson, are members of the DDC and participate in the regular meetings of that committee. Mr Richards and Ms Gibson each received an additional fee of $14,000 in recognition of the time commitment and responsibilities required of members of the DDC.

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 FY19, board fees paid, (including the additional DDC fees), totalled $1,565,000 being 78.3% of the available pool.

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 2019 is outlined in Table 10, below. With the exception of the Board Chair, compulsory superannuation contributions are paid in addition to fees.

Table 10: Board fee policy

		FY19 fees ($) exclusive of superannuation
Board		
Non-executive Chair		370,000[33]
NEDs		124,630
Board Committees		
Board Audit Committee	Chair	28,700
	Member	14,000
People Remuneration and Nominations Committee	Chair	21,200
	Member	12,000
Business Risk Committee	Chair	21,200
	Member	11,600
Safety Health Environment & Governance Committee	Chair	21,200
	Member	11,600
Other		
Due Diligence Committee	Member	14,000

[33] Board Chairman's fees are inclusive of superannuation.

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Remuneration for Non-Executive KMP for FY19 and FY18 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	**2019**	**349**	**21**	**-**	**370**
	2018	350	20	-	370
R P Dee-Bradbury	**2019**	**160**	**15**	**-**	**175**
	2018	160	15	-	175
B J Gibson	**2019**	**164**	**16**	**-**	**180**
	2018	157	15	-	172
P J Housden	**2019**	**165**	**16**	**-**	**181**
	2018	165	16	-	181
D J Mangelsdorf	**2019**	**160**	**15**	**-**	**175**
	2018	160	15	-	175
D G McGauchie	**2019**	**137**	**13**	**-**	**150**
	2018	137	13	-	150
P J Richards	**2019**	**157**	**15**	**-**	**172**
	2018	150	14	-	164
S L Tregoning	**2019**	**148**	**14**	**-**	**162**
	2018	148	14	-	162
Total	**2019**	**1,440**	**125**	**-**	**1,565**
	2018	1,427	122	-	1,549

8. 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 FY19

	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	413,094	221,037	104,802	145,905	383,424	54,151
A G Bell	93,753	46,746	20,429	28,235	91,835	19,476
D Smith	-	35,640	9,083	-	26,557	7,741
K Pamminger	101,380	52,713	21,563	28,489	104,041	23,272
C Hathaway	-	25,065	-	-	25,065	-
Former Executive KMP						
G Friberg	110,143	18,937	30,660	46,505	51,915	26,099
S J Tainsh	93,242	47,885	18,222	29,840	93,065	18,846

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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 2019 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 FY19

	Equity granted						Vested in FY19		
	Plan[34]	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 2019	166,886	1-Mar-19	1,267	2021	973	-	-	-
	DEP 2018	54,151	29-Jan-19	404	2019	-	100%	-	54,151
	LTI 2018	162,387	22-Feb-18	709	2020	619	-	-	-
	LTI 2017	145,905	2-Mar-17	918	2019	-	-	100%	-
A G Bell	LTI 2019	33,255	01-Mar-19	253	2021	194	-	-	-
	DEP 2018	13,491	29-Jan-19	99	2019 and 2020	17	50%	-	6,746
	LTI 2018	32,359	22-Feb-18	141	2020	123	-	-	-
	DEP 2017	25,461	31-Jan-18	182	2019	-	50%	-	12,730
	LTI 2017	28,235	2-Mar-17	178	2019	-	-	100%	-
D Smith	LTI 2019	29,760	1-Mar-19	226	2021	173	-	-	-
	DEP 2018	5,880	29-Jan-19	43	2019 and 2020	7	50%	-	2,940
	DEP 2017	9,602	31-Jan-18	69	2019	-	50%	-	4,801
K Pamminger	LTI 2019	36,939	1-Mar-19	281	2021	215	-	-	-
	DEP 2018	15,774	29-Jan-19	116	2019 and 2020	19	50%	-	7,887
	LTI 2018	35,943	22-Feb-18	157	2020	137	-	-	-
	DEP 2017	30,770	31-Jan-18	220	2019	-	50%	-	15,385
	LTI 2017	28,489	2-Mar-17	179	2019	-	-	100%	-
C Hathaway	LTI 2019	25,065	16-Apr-19	177	2021	136	-	-	-
Former Executive KMP									
G A Friberg	DEP 2018	18,937	29-Jan-19	140	2019 and 2020	-	50%	-	9,469
	LTI 2018	32,697	22-Feb-18	143	2020	129	-	50%[35]	-
	DEP 2017	33,260	31-Jan-18	237	2019	-	50%	-	16,630
	LTI 2017	30,156	2-Mar-17	190	2019	-	-	100%	-
S J Tainsh	LTI 2019	34,131	1-Mar-19	259	2021	199	-	-	-
	DEP 2018	13,754	29-Jan-19	101	2019 and 2020	-	50%	-	6,877
	LTI 2018	33,211	22-Feb-18	145	2020	127	-	-	-
	DEP 2017	23,939	31-Jan-18	171	2019	-	50%	-	11,969
	LTI 2017	29,840	2-Mar-17	188	2019	-	-	100%	-

[34] As there have been no STI payments there is no DEP 2019 grant for Executive KMP.

[35] Mr Friberg forfeited 50% of the LTI 2018 grant upon his retirement.

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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	33,500	-	-	33,500
R P Dee-Bradbury	14,100	-	-	14,100
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	10,000	-	-	10,000
S L Tregoning	30,000	-	-	30,000
Executive KMP				
M L Palmquist	123,520	104,802	-	228,322
A G Bell	60,617	20,429	-	81,046
D Smith	10,339	9,083	(2,213)	17,209
K Pamminger	2	21,563	-	21,565
C Hathaway	-	-	-	-
Other Executive KMP				
G Friberg	11,177	30,660	(7,467)	34,370
S J Tainsh	36,508	18,222	-	54,730

Loans to KMP and their related parties

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

This completes the 2019 Remuneration Report.

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Proposed Demerger of GrainCorp Malt – Remuneration Arrangements

The following information outlines how GrainCorp's remuneration policies will change in the event that the proposed demerger proceeds. This summary is provided for information only and does not comprise part of this Remuneration Report.

If the demerger proceeds, responsibility for remuneration policy will be assumed by the separate boards of GrainCorp and GrainCorp Malt. It is envisaged that each board will establish a Board Committee to oversee remuneration policy and decisions. It is also envisaged that current executive remuneration policies will continue in broadly similar form to current policies but may be adapted to the new circumstances of each listed entity. In particular, each board will be responsible for setting targets and hurdles for executive incentive schemes (STI and LTI) tailored to each company's business outlook and strategic priorities.

It will also be necessary to transition existing remuneration arrangements to the two separate companies. In determining the required arrangements consequent upon the demerger, the Board has sought to adhere to the Company's remuneration principles to maintain the balance between the protection of shareholders' interests and the motivation of senior management and to ensure ongoing incentivisation for key executives and employees. Full details of these arrangements will be set out in the proposed demerger Scheme Booklet. The following summarises the proposed arrangements post demerger.

Proposed treatment of existing STI entitlements

On the basis of the current timetable, the demerger will be finalised during the FY20 STI performance period. Accordingly, performance metrics for the FY20 STI will not be finalised until after the demerger.

Treatment of awards for employees holding deferred rights scheduled to vest on 30 September 2020 will be treated as follows:

- GrainCorp employees - to ensure that employees are not disadvantaged or advantaged by the demerger, additional deferred rights will be granted in order to preserve the existing value of the deferred rights.
- GrainCorp Malt employees - to provide alignment of participants with GrainCorp Malt shareholders and to focus participants on GrainCorp Malt's performance following the demerger, existing deferred rights will be cancelled prior to the demerger and new awards will be granted in deferred rights to acquire GrainCorp Malt shares.

Proposed treatment of existing LTI entitlements

Again, on the basis of the current timetable, current unvested LTI awards will be treated as follows:

- FY18 LTI award - this award is scheduled to end on 30 September 2020. Since the majority of the performance period will have elapsed by the time of the demerger, performance will be tested prior to the demerger against the existing performance conditions and performance rights vesting as a result will be settled in GrainCorp Shares pre-demerger, or in cash in lieu at the discretion of the Board.
- FY19 LTI award - since only a short portion of the performance period applicable to this award will have elapsed at the time of the demerger, the applicable performance measures will no longer be appropriate for the new post-demerger GrainCorp business. Accordingly, at demerger, this award will be cancelled, and a new, one off award made to eligible employees by the relevant employing company, being GrainCorp or GrainCorp Malt, in order to encourage retention of senior management and to support alignment with shareholders during the period following the demerger. This arrangement is designed to maintain ongoing incentivisation for key employees under new plans and to ensure that, regardless of whether the employee is going to GrainCorp Malt or staying with GrainCorp, there will be no negative impact from the demerger. Employees will be awarded performance rights that will vest based on performance for the period from grant to 30 September 2021. More detail on the intended remuneration arrangements will be set out in the Scheme Booklet.

In the event that the current timetable for the demerger is materially delayed, the demerger is postponed or the Shareholders do not vote in favour of the demerger, the existing arrangements in relation to Executive remuneration, including all fixed and variable remuneration arrangements, will continue to operate for the duration of FY20 as set out in the remuneration report included in pages 35 to 48.



G J Bradley AM
Chairman

Sydney
14 November 2019

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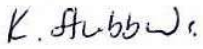
Auditor's Independence Declaration

As lead auditor for the audit of GrainCorp Limited for the year ended 30 September 2019, I declare that to the best of my knowledge and belief, there have been:

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



Kristin Stubbins
Partner
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Sydney
14 November 2019

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Consolidated Income Statement

For the year ended 30 September 2019

	Note	2019 $ M	2018 $ M
Revenue	1.2	4,849.7	4,253.1
Other income / (loss)	1.3	(69.4)	60.7
Goods purchased for resale		(2,946.6)	(2,407.4)
Raw materials and consumables used		(1,228.6)	(1,060.9)
Employee benefits expense	1.4	(336.6)	(345.6)
Finance costs		(54.6)	(45.7)
Depreciation and amortisation	3.3,3.4	(142.4)	(153.2)
Operating leases		(55.1)	(64.4)
Repairs and maintenance		(24.8)	(32.4)
Other expenses	1.4	(152.8)	(129.3)
Share of results of investments accounted for using the equity method	4.4	(5.4)	(1.3)
Profit / (loss) before income tax		**(166.6)**	**73.6**
Income tax benefit / (expense)	1.6	53.6	(3.1)
Profit / (loss) for the year attributable to equity holder of parent entity		**(113.0)**	**70.5**

	Note	Cents	Cents
Earnings per share			
Basic earnings per share	1.7	(49.4)	30.8
Diluted earnings per share	1.7	(49.4)	30.6

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

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Consolidated Statement of Comprehensive Income

For the year ended 30 September 2019

	Note	2019 $ M	2018 $ M
Profit / (loss) for the year		**(113.0)**	**70.5**
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Remeasurements of retirement benefit obligations	3.8	(14.9)	15.5
Income tax relating to these items	1.6	3.0	(2.9)
Items that may be reclassified to profit and loss:			
Changes in fair value of cash flow hedges		(11.5)	(8.0)
Income tax relating to these items	1.6	2.5	3.1
Exchange differences on translation of foreign operations		46.0	56.5
Other comprehensive income for the year, net of tax		**25.1**	**64.2**
Total comprehensive income for the year attributable to owners of GrainCorp Limited		**(87.9)**	**134.7**

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

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Consolidated Statement of Financial Position

As at 30 September 2019

	Note	2019 $ M	2018 $ M
Current assets			
Cash and cash equivalents	2.2	265.3	370.9
Trade and other receivables	3.1	624.0	528.1
Inventories	3.2	738.4	824.5
Derivative financial instruments	2.6	59.0	128.5
Current tax assets		11.1	9.7
		1,697.8	**1,861.7**
Assets classified as held for sale	3.5	209.9	14.7
Total current assets		**1,907.7**	**1,876.4**
Non-current assets			
Trade and other receivables	3.1	0.6	2.3
Derivative financial instruments	2.6	1.9	7.2
Investments in other entities		3.5	5.8
Deferred tax assets	1.6	112.4	29.7
Property, plant and equipment	3.3	1,335.2	1,514.3
Intangible assets	3.4	471.0	502.9
Retirement benefit asset	3.8	2.8	5.2
Investments accounted for using the equity method	4.4	40.5	30.9
Total non-current assets		**1,967.9**	**2,098.3**
Total assets		**3,875.6**	**3,974.7**
Current liabilities			
Trade and other payables	3.6	363.7	395.5
Deferred revenue		11.0	13.3
Borrowings	2.1	633.2	537.9
Derivative financial instruments	2.6	63.9	121.2
Current tax liabilities		0.1	1.5
Provisions	3.7	48.4	58.5
		1,120.3	**1,127.9**
Liabilities directly associated with assets held for sale	3.5	12.2	-
Total current liabilities		**1,132.5**	**1,127.9**
Non-current liabilities			
Trade and other payables	3.6	32.8	44.5
Borrowings	2.1	768.3	762.9
Derivative financial instruments	2.6	5.3	6.9
Deferred tax liabilities	1.6	72.7	68.5
Provisions	3.7	10.5	10.0
Retirement benefit obligations	3.8	17.2	11.8
Total non-current liabilities		**906.8**	**904.6**
Total liabilities		**2,039.3**	**2,032.5**
Net assets		**1,836.3**	**1,942.2**
Equity			
Contributed equity	2.3	1,347.9	1,344.5
Reserves		151.2	117.6
Retained earnings		337.2	480.1
Total equity		**1,836.3**	**1,942.2**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

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Consolidated Statement of Changes in Equity

For the year ended 30 September 2019

	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
At 30 September 2017	**6.5**	**8.3**	**6.8**	**42.7**	**64.3**	**1,343.8**	**450.8**	**1.5**	**1,860.4**
Profit for the year	-	-	-	-	-	-	70.5	-	70.5
Other comprehensive income:									
Exchange differences on translation of foreign operations	0.1	-	-	57.6	57.7	-	(1.2)	-	56.5
Changes in fair value of cash flow hedges	(8.0)	-	-	-	(8.0)	-	-	-	(8.0)
Remeasurements of retirement benefit obligations (note 3.8)	-	-	-	-	-	-	15.5	-	15.5
Deferred tax credit / (expense)	3.1	-	-	-	3.1	-	(2.9)	-	0.2
Total other comprehensive income	**(4.8)**	**-**	**-**	**57.6**	**52.8**	**-**	**11.4**	**-**	**64.2**
Total comprehensive income for the year	(4.8)	-	-	57.6	52.8	-	81.9	-	134.7
Transactions with owners:									
Dividends paid (note 2.4)	-	-	-	-	-	-	(52.6)	-	(52.6)
Share-based payments (note 5.2)	-	-	3.9	-	3.9	-	-	-	3.9
Less: Treasury shares vested to employees	-	-	(3.4)	-	(3.4)	3.4	-	-	-
Treasury shares purchased	-	-	-	-	-	(2.7)	-	-	(2.7)
Total transactions with owners	**-**	**-**	**0.5**	**-**	**0.5**	**0.7**	**(52.6)**	**-**	**(51.4)**
Transactions with non-controlling interest:									
Change in ownership interest	-	-	-	-	-	-	-	(1.5)	(1.5)
At 30 September 2018	**1.7**	**8.3**	**7.3**	**100.3**	**117.6**	**1,344.5**	**480.1**	**-**	**1,942.2**
Profit for the year / (loss)	-	-	-	-	-	-	(113.0)	-	(113.0)
Other comprehensive income:									
Exchange differences on translation of foreign operations	(1.3)	-	-	47.0	45.7	-	0.3	-	46.0
Changes in fair value of cash flow hedges	(11.5)	-	-	-	(11.5)	-	-	-	(11.5)
Remeasurements of retirement benefit obligations (note 3.8)	-	-	-	-	-	-	(14.9)	-	(14.9)
Deferred tax credit / (expense)	2.5	-	-	-	2.5	-	3.0	-	5.5
Total other comprehensive income	**(10.3)**	**-**	**-**	**47.0**	**36.7**	**-**	**(11.6)**	**-**	**25.1**
Total comprehensive income for the year	(10.3)	-	-	47.0	36.7	-	(124.6)	-	(87.9)
Transactions with owners:									
Dividends paid (note 2.4)	-	-	-	-	-	-	(18.3)	-	(18.3)
Share-based payments (note 5.2)	-	-	1.1	-	1.1	-	-	-	1.1
Less: Treasury shares vested to employees	-	-	(4.2)	-	(4.2)	4.2	-	-	-
Treasury shares purchased	-	-	-	-	-	(0.8)	-	-	(0.8)
At 30 September 2019	**(8.6)**	**8.3**	**4.2**	**147.3**	**151.2**	**1,347.9**	**337.2**	**-**	**1,836.3**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Consolidated Statement of Cash Flows

For the year ended 30 September 2019

	Note	2019 $ M	2018 $ M
Cash flows from operating activities			
Receipts from customers		5,451.2	4,630.5
Payments to suppliers and employees		(5,462.7)	(4,626.0)
		(11.5)	4.5
Proceeds from bank loans – inventory funding		(51.5)	223.6
Interest received		4.8	2.9
Interest paid		(53.7)	(45.3)
Income taxes paid		(24.3)	(2.4)
Net (outflow) / inflow from operating activities	2.2	**(136.2)**	**183.3**
Cash flows from investing activities			
Payments for property, plant and equipment		(75.0)	(123.2)
Payments for computer software		(8.6)	(18.7)
Proceeds from sale of property, plant and equipment		2.2	17.2
Payments for investment / business (net of cash acquired)		(13.8)	(1.9)
Proceeds from sale of investments/business		0.6	-
Dividends received		0.4	-
Net (outflow) from investing activities		**(94.2)**	**(126.6)**
Cash flows from financing activities			
Proceeds from borrowings		954.8	686.0
Repayment of borrowings		(818.8)	(715.5)
Dividends paid	2.4	(18.3)	(52.6)
Treasury shares purchased		(0.8)	(2.7)
Net inflow / (outflow) from financing activities		**116.9**	**(84.8)**
Net (decrease) in cash and cash equivalents		**(113.5)**	**(28.1)**
Cash and cash equivalents at the beginning of the year		370.9	388.9
Effects of exchange rate changes on cash and cash equivalents		7.9	10.1
Cash and cash equivalents at the end of the year	**2.2**	**265.3**	**370.9**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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Notes to the Financial Statements

For the year ended 30 September 2019

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 2019 was authorised for issue in accordance with a resolution of the Directors on 14 November 2019. 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
Financial instruments and risk management	2.6
Intangible assets	3.4
Provisions	3.7
Retirement benefit obligations	3.8

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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

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group. Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are generally recognised in profit or loss.

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 consolidated statement of comprehensive income, 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.

d) Changes in accounting policies and disclosures

i. New and amended standards and interpretations

GrainCorp has adopted all the of the new and revised Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. New and revised Standards and amendments thereof and Interpretations effective for the year ended 30 September 2019 that are relevant to the Group include:

AASB 15 *Revenue from Contracts with Customers*

GrainCorp has adopted AASB 15 *Revenue from Contracts with Customers* from 1 October 2018 (the start of the current financial period), which replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and other revenue related accounting interpretations. AASB 15 is based on the principle that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the Group expects to be entitled in exchange for those goods or services.

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d) Changes in accounting policies and disclosures (continued)

The Group undertook a detailed review of its revenue streams across the business including assessment of the significant revenue contracts across the major customers and revenue streams to identify any performance obligations which are impacted by the new standard. The Group has not applied any practical transition expedients.

In accordance with the transition provisions of AASB 15, the Group has adopted the full retrospective transition approach, where any adjustment to historical revenue transactions (that impacts net profit) is to be recorded against opening retained earnings as at 1 October 2018 and comparatives for the prior reporting period to be restated. There were no material financial impacts on the Group following the adoption of this AASB 15 *Revenue from Contracts with Customers,* hence no opening balance or comparative adjustments are required.

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018. AASB 9 includes a model for classification, measurement and derecognition of financial assets and liabilities, an expected credit loss impairment model and introduces new requirements for hedge accounting which have been amended to more closely align hedge accounting with risk management.

The Group performed a review of its current classification and measurement of financial assets and liabilities as well as hedge transactions for compliance with the requirements of the new standard. Based on this, the Group did not identify any material change to the classification or measurement of financial instruments.

The Group has adopted the new hedge accounting model in AASB 9 which requires hedge accounting relationships to be aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. Existing hedges have continued to qualify as hedge relationships following adoption of the new standard.

AASB 9 introduces an expected credit loss model that applied to financial instruments including trade and lease receivables. The Group has applied the standard's simplified approach and has developed an impairment model based on the lifetime expected credit losses. The Group has established a provision matrix based on historical credit losses taking into consideration forward looking factors. Following the review of the expected credit loss model the Group did not identify any material difference in the level of provision required.

The Group has applied AASB 9 retrospectively to items that existed as that date of application being 1 October 2018. The overall impact of adopting the new standard is not material, hence no opening balance adjustment is required.

ii. New and amended standards and interpretations not yet adopted by the Group

AASB 16 *Leases* replaces AASB 117 *Leases* and is applicable to GrainCorp from 1 October 2019. It requires a lessee to recognise all qualifying leases on the balance sheet in the form of a lease liability and right-of-use asset. Upon application of AASB 16, key balance sheet metrics such as gearing and finance ratios, and profit or loss metrics such as earnings before interest, tax, depreciation and amortisation (EBITDA) will be impacted. The consolidated cash flow statement will also be impacted as payments for the principal portion of the lease liability will be presented within financing activities. Refer to note 5.5 Impact of new and revised accounting standards for further details.

e) Tax Governance

GrainCorp is committed to embedding risk management practices to support the achievement of compliance objectives and fulfilment of corporate governance obligations. Tax risk management is governed by both the GrainCorp Corporate Governance Statement and the GrainCorp Group Tax Risk Management Policy, ensuring corporate governance obligations with respect to tax risks are met.

GrainCorp applies professional diligence and care in the management of all risks associated with tax matters and ensure governance and assurance procedures are appropriate while fostering a constructive, professional and transparent relations with tax authorities, based on the concepts of integrity, collaboration and mutual trust.

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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 three 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 Chief Executive Officer, in assessing performance and determining the allocation of resources.

The three operating segments are as follows:

Operating segment	Products and services
Grains	Grain receivals, transport, testing, storage of grains and export / import of grain and other bulk commodities. 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 unallocated corporate costs such as group financing. Segment performance is based on a measure of underlying EBITDA[36].

b) Performance of segments

2019	Grains $ M	Malt $ M	Oils $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total $ M
Reportable segment revenue							
External revenue	2,522.3	1,316.5	1,010.9	4,849.7	-	-	4,849.7
Intersegment revenue	142.5	-	-	142.5	-	(142.5)	-
Total reportable segment revenue	**2,664.8**	**1,316.5**	**1,010.9**	**4,992.2**	**-**	**(142.5)**	**4,849.7**
Reportable segment result	**(125.4)**	**175.5**	**52.7**	**102.8**	**(28.9)**	**-**	**73.9**
Share of results of joint ventures	(5.3)	-	-	(5.3)	(0.1)	-	(5.4)
Underlying EBITDA[36]							68.5
Net interest	(15.3)	-	(2.7)	(18.0)	(32.1)	-	(50.1)
Depreciation and amortisation	(59.4)	(52.3)	(28.7)	(140.4)	(2.0)	-	(142.4)
Significant items (note 1.5)	-	-	-	-	(42.6)	-	(42.6)
Profit / (loss) before income tax from continuing operations	**(205.4)**	**123.2**	**21.3**	**(60.9)**	**(105.7)**	**-**	**(166.6)**
Other segment information							
Capital expenditure	32.3	47.7	13.4	93.4	3.7	-	97.1
Reportable segment assets	1,054.7	1,582.5	844.6	3,481.8	393.8	-	3,875.6
Reportable segment liabilities	(463.6)	(711.1)	(200.8)	(1,375.5)	(663.8)	-	(2,039.3)

[36] 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

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1.1 Segment information (continued)

2018	Grains $ M	Malt $ M	Oils $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total $ M
Reportable segment revenue							
External revenue	2,131.6	1,152.4	969.1	4,253.1	-	-	4,253.1
Intersegment revenue	110.3	-	-	110.3	-	(110.3)	-
Total reportable segment revenue	**2,241.9**	**1,152.4**	**969.1**	**4,363.4**	**-**	**(110.3)**	**4,253.1**
Reportable segment result	**69.1**	**170.3**	**61.8**	**301.2**	**(30.9)**	**-**	**270.3**
Share of results of joint ventures	(0.7)	-	(0.7)	(1.4)	0.1	-	(1.3)
Underlying EBITDA[37]							269.0
Net interest	(12.2)	-	(1.2)	(13.4)	(28.8)	-	(42.2)
Depreciation and amortisation	(63.4)	(55.5)	(32.7)	(151.6)	(1.6)	-	(153.2)
Profit / (loss) before income tax from continuing operations	**(7.2)**	**114.8**	**27.2**	**134.8**	**(61.2)**	**-**	**73.6**
Other segment information							
Capital expenditure	46.1	45.7	45.6	137.4	4.5	-	141.9
Reportable segment assets	1,184.9	1,537.0	845.4	3,567.3	407.4	-	3,974.7
Reportable segment liabilities	(578.2)	(722.8)	(200.3)	(1,501.3)	(531.2)	-	(2,032.5)

c) Geographical information

Non-current assets based on geographical location of assets:[38]	2019 $ M	2018 $ M
Australasia	1,002.6	1,273.3
North America	642.0	622.2
Europe	205.6	157.9
Middle East and North Africa	-	2.1
Asia	0.6	0.7
	1,850.8	**2,056.2**

[37] 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

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

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1.2 Revenue

Total revenue from external customers	2019 Grains $ M	2019 Malt $ M	2019 Oils $M	2019 Total $M	2018 Grains $ M	2018 Malt $ M	2018 Oils $M	2018 Total $M
Reportable segment revenue								
Revenue from sale of commodities	2,386.8	-	336.1	**2,722.9**	1,914.7	-	389.8	**2,304.5**
Revenue from sale of finished goods	-	1,300.3	637.8	**1,938.1**	-	1,138.6	539.3	**1,677.9**
Service and other revenue	124.3	16.2	37.0	**177.5**	204.4	13.8	40.0	**258.2**
Rental income	11.2	-	-	**11.2**	12.5	-	-	**12.5**
Segment revenue from external customers	**2,522.3**	**1,316.5**	**1,010.9**	**4,849.7**	**2,131.6**	**1,152.4**	**969.1**	**4,253.1**
Australasia	1,465.8	97.3	762.0	**2,325.1**	1,212.0	79.3	675.3	**1,966.6**
North America	47.4	798.4	-	**845.8**	59.2	713.1	-	**772.3**
Europe	492.1	217.9	0.9	**710.9**	260.0	185.9	0.9	**446.8**
Asia	378.7	183.2	248.0	**809.9**	441.3	160.3	291.2	**892.8**
Middle East and North Africa	127.4	-	-	**127.4**	65.1	-	-	**65.1**
Other	10.9	19.7	-	**30.6**	94.0	13.8	1.7	**109.5**
Total revenue by location of customer	**2,522.3**	**1,316.5**	**1,010.9**	**4,849.7**	**2,131.6**	**1,152.4**	**969.1**	**4,253.1**
Revenue recognised at point in time	2,507.7	1,310.6	983.1	**4,801.4**	2,109.8	1,145.7	940.1	**4,195.6**
Revenue recognised over time	14.6	5.9	27.8	**48.3**	21.8	6.7	29.0	**57.5**
Total revenue from external customers	**2,522.3**	**1,316.5**	**1,010.9**	**4,849.7**	**2,131.6**	**1,152.4**	**969.1**	**4,253.1**

ACCOUNTING POLICY

Revenue from the sale of goods and services in the ordinary course of activities is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

- **Revenue from sale of commodities** is generated from the trading of bulk commodities overseas and domestically and is recognised at point in time, on the passing of control of goods to the customer in accordance with shipping terms.
- **Revenue from sale of finished goods** is generated from the production and sale of malt, canola oil and other processed goods, and is recognised at point in time, on the passing of control of goods to the customer in accordance with shipping terms.
- **Service and other revenue** is generated through the provision of receival, storage, handling and other services including property rental. Revenue for receival, handling and chartering is recognised at point in time as the service is performed, and for storage over the storage period.
- **Rental income** is recognised over time, on a straight-line basis over the lease term in accordance with AASB 117 *Leases*.
- **A contract liability** is recognised for deferred revenue for obligations under sales contract to deliver goods and services in future periods for which payment has already been received, in accordance with AASB 15 *Revenue from Contracts with Customers*.

Where the period between when payment is received and performance obligations are considered met, is more than 12 months, an assessment will be made for whether a significant financing component is required to be accounted for.

Deferred revenue liabilities unwind as “revenue from contracts with customers”, upon settlement of the obligation, and if a significant financing component associated with deferred revenue exists, this will be recognised as interest expense over the life of the contract. All deferred revenue from 2018 was recognised in the consolidated income statement in 2019.

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1.3 Other income

	2019 $ M	2018 $ M
Net gain / (loss) on fair value remeasurements:		
Net realised gain on financial derivatives	6.5	3.0
Net realised (loss) on foreign currency derivatives	(21.4)	(31.5)
Net realised (loss) on fair value remeasurements	(14.9)	(28.5)
Net unrealised gain / (loss) on financial derivatives	1.2	(6.0)
Net unrealised gain on commodity contracts (forward purchases and sales)	4.2	27.2
Net unrealised (loss) on foreign currency derivatives	(5.4)	(3.5)
Net unrealised (loss) / gain on commodity inventories at fair value less costs to sell	(67.3)	44.4
Net unrealised (loss) / gain on fair value remeasurements	(67.3)	62.1
Net (loss) / gain on fair value remeasurements	**(82.2)**	**33.6**
Net change in fair value of investments	(2.5)	-
Interest income	4.5	3.5
Sundry income	10.8	23.6
Total other (loss) / income	**(69.4)**	**60.7**

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

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.

1.4 Other expenses

	2019 $ M	2018 $ M
Employee benefits expense		
Defined contribution superannuation	10.2	11.2
Other employee benefits	326.4	334.4
Total employee benefits expense	**336.6**	**345.6**
Other expenses		
Consulting[39]	37.6	12.5
Software maintenance	16.7	15.0
Motor vehicle	12.0	12.4
Legal expenses[39]	11.3	4.3
Travel	11.1	10.8
Insurance	8.4	7.6
Communication	4.0	4.6
Impairment expense	-	3.2
Other	51.7	58.9
Total other expenses	**152.8**	**129.3**

[39] Consulting expenses of $37.6m and legal expenses of $11.3m include $35.2m of transaction related costs (significant items) referred to in note 1.5.

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1.4 Other expenses (continued)

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 3.7, and the policy for retirement benefit obligation plans and share-based payments is set out in note 3.8 and 5.2 respectively.
- **Other expenses** are miscellaneous and are recognised as incurred.

1.5 Significant items

Net profit / (loss) after tax include 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.

30 September 2019

		Profit before tax	Tax	NPAT
	Business Unit	$ M	$ M	$ M
Net significant items comprise:				
Transaction related costs[40]	Corporate	(35.2)	9.1	(26.1)
Restructuring costs[41]	Corporate	(7.4)	2.2	(5.2)
Net significant items[42]		**(42.6)**	**11.3**	**(31.3)**

30 September 2018

There were no significant items for the 30 September 2018 financial year.

[40] Relates to costs incurred to support the Board and management in their Portfolio Review including the proposed demerger of the Malt business unit, proposed sale of Australian Bulk Liquid Terminals and response to the non-binding indicative offer from Long Term Asset Partners ('LTAP') to acquire 100% of the shares in GrainCorp Limited.

[41] Relates to one-off costs associated with preparation for the demerger of the Malt business unit.

[42] Significant items do not include abnormal factors of $85m included within the OFR on page 25 of the Annual Report.

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1.6 Taxation

a) Income tax expense

	Note	2019 $ M	2018 $ M
Income tax expense / (benefit) recognised in the consolidated income statement			
Current tax		22.9	13.2
Deferred tax		(79.1)	(12.4)
Under / (over) provision in prior years		2.6	2.3
		(53.6)	**3.1**
Reconciliation to effective tax rate			
(Loss) / profit from continuing operations before income tax expense		(166.6)	73.6
Less: equity accounted loss not subject to taxation	4.4	5.4	1.3
(Loss) / profit subject to tax		(161.2)	74.9
Income tax expense calculated at 30% (2018: 30%)		(48.4)	22.5
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income			
Non-deductible / non-assessable items		(1.8)	(1.3)
Change in US tax rate[43]		-	(18.7)
Under provision in prior years		2.6	2.3
Difference in overseas tax rates		(6.0)	(1.7)
Income tax (benefit) / expense		**(53.6)**	**3.1**
Effective tax rate[44]		**33.2%**	**4.1%**
Tax (credit) / expense relating to items of other comprehensive income			
Change in fair value of cash flow hedges		(2.5)	(3.1)
Remeasurement of retirement benefit obligations		(3.0)	2.9
		(5.5)	(0.2)
Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		44.0	43.7

b) Deferred tax assets and liabilities

Deferred tax assets	2019 $ M	2018 $ M
The balance comprises temporary differences attributable to:		
Retirement benefit obligation	2.8	0.9
Provisions and accruals	28.7	28.6
Tax losses recognised	90.2	37.9
Deferred revenue	7.7	3.9
Other	6.7	5.0
Set-off deferred tax liabilities pursuant to set-off provision	(23.7)	(46.6)
Net deferred tax assets	**112.4**	**29.7**
Movements:		
Opening balance at 1 October	29.7	37.6
Recognised in the income statement	80.7	(7.6)
Recognised in other comprehensive income	2.0	(0.3)
Closing balance at 30 September	**112.4**	**29.7**

[43] On 22 December 2017, US tax reform legislation was enacted which reduced the US Federal Corporate Tax rate from 35% to 21%. The initial impact of this change was to adjust the carrying value of the Group's US deferred tax balances which resulted in a deferred tax credit of $18.7m in FY18.

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

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1.6 Taxation (continued)

Deferred tax liabilities	2019 $ M	2018 $ M
The balance comprises temporary differences attributable to:		
Property, plant and equipment	88.6	89.3
Intangible assets	2.7	0.1
Unrealised gains on derivative contracts	0.1	20.6
Other	5.0	5.1
Set-off deferred tax liabilities pursuant to set-off provision	(23.7)	(46.6)
Net deferred tax liabilities	**72.7**	**68.5**
Movements:		
Opening balance 1 October	68.5	80.6
Recognised in the income statement	1.6	(20.0)
Recognised in other comprehensive income	(3.5)	(0.1)
Exchange differences	6.1	8.0
Closing balance at 30 September	**72.7**	**68.5**

ACCOUNTING POLICY

- **Income taxes**

Income tax expense is calculated at the applicable income tax rate for each jurisdiction 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. There is no expiry date on the unused tax losses for which no deferred tax asset has been recognised. 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 probable not 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.

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1.7 Earnings per share

	2019	2018
Basic earnings per share (cents)	(49.4)	30.8
Diluted earnings per share (cents)	(49.4)	30.6
Weighted average number of ordinary shares – basic	228,799,305	228,647,117
Add: adjustment for calculation of diluted earnings per share (performance rights)	-	1,445,641
Weighted average number of ordinary shares – diluted	228,799,305	230,092,758

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. The performance rights (1,330,731) are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 September 2019. These rights could potentially dilute basic earnings per share in the future. Please refer to note 5.2 for additional details on performance rights.

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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 total 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 targets a core debt gearing ratio of approximately 30%, though this may fluctuate due to changes in underlying capital structure and earnings base.

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. The core debt gearing ratio is as follows:

	2019 $ M	2018 $ M
Total borrowings (note 2.1)	1,401.5	1,300.8
Cash and cash equivalents (note 2.2)	(265.3)	(370.9)
Net debt	1,136.2	929.9
Commodity inventory[45]	(334.2)	(415.7)
Core debt	802.0	514.2
Total equity	1,836.3	1,942.2
Core debt gearing ratio	**30%**	**21%**

2.1 Borrowings

	2019 $ M	2018 $ M
Current		
Commodity inventory funding facilities - secured	463.6	511.5
Trade financing - unsecured	24.8	-
Working capital - unsecured	144.6	26.2
Leases liabilities - secured	0.2	0.2
Total current borrowings	**633.2**	**537.9**
Non-current		
Term debt facilities - unsecured	760.0	754.3
Lease liabilities - secured	8.3	8.6
Total non-current borrowings	**768.3**	**762.9**

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

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

	2019 $ M	2018 $ M
Leased assets	11.2	11.2
Inventory[46]	430.7	475.8
Total assets pledged as security	**441.9**	**487.0**

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

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

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2.1 Borrowings (continued)

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:

	As at 8 November 2019		As at 30 September 2019
2019	Maturity date	Principal facility amount $ M	Amount utilised $ M
Term debt[47]	March 2023	400.0	500.0
Term debt[48]	November 2022	360.0	260.0
Commodity inventory funding[49]	November 2020	1,196.3	463.6
Trade financing	November 2020	35.0	24.8
Working capital[50]	November 2020	160.0	50.0
Working capital[51]	November 2020	355.0	94.6
Total financing arrangements		**2,506.3**	**1,393.0**

	As at 9 November 2018		As at 30 September 2018
2018	Maturity date	Principal facility amount $ M	Amount utilised $ M
Term debt	November 2019	385.0	280.5
Term debt	April 2020	225.0	225.0
Term debt	April 2022	248.8	248.8
Commodity inventory funding[52]	November 2019	1,256.6	511.5
Working capital[53]	November 2019	265.0	26.2
Total financing arrangements		**2,380.4**	**1,292.0**

[47] This is an evergreen facility with an annual option to extend the term by 12 months. Subsequent to balance date, the principal facility amount changed from $500 million to $400 million.

[48] The maturity date and principal facility amount for the term debt facility is as at 8 November 2019. Subsequent to balance date, the maturity date was extended from April 2022 to November 2022 and the principal facility amount changed from $260 million to $360 million and is an evergreen facility.

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

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

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

[52] The maturity date and principal facility amount for the inventory funding facility is as at 9 November 2018. Subsequent to balance date, the maturity date was extended from November 2018 to November 2019 and the principal facility amount changed from $720.3 million to $1,256.6 million. This facility is renewed subsequent to balance date each year to align with the seasonal requirements of the Group.

[53] The maturity date and principal facility amount for the working capital facility is as at 9 November 2018. Subsequent to balance date, the maturity date was extended from November 2018 to November 2019 and the principal facility amount changed from $390 million to $265 million.

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2.2 Cash and cash equivalents

	2019 $ M	2018 $ M
Cash at bank and on hand	254.8	281.2
Deposits at call	10.5	89.7
Total cash and cash equivalents	**265.3**	**370.9**

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	2019 $ M	2018 $ M
(Loss) / profit for the year		**(113.0)**	**70.5**
Net profit on sale of non-current assets		(1.6)	(9.2)
Non-cash employee benefits expense – share-based payments	5.2	1.1	3.9
Share of results of joint ventures not received as dividends	4.4	5.4	1.3
Depreciation and amortisation		142.4	153.2
Impairment expense		-	3.2
Net change in fair value of investments		2.5	-
		36.8	222.9
Changes in operating assets and liabilities (net of acquired entities):			
(Increase) / decrease in inventories		34.6	(21.7)
(Increase) / decrease in deferred tax		(73.0)	(4.0)
(Increase) / decrease in derivatives		4.3	(13.3)
(Increase) in receivables		(94.2)	(63.2)
Increase / (decrease) in trade payables		(31.8)	51.0
Increase in other liabilities		6.5	13.8
Increase / (decrease) in provision for income tax		(2.8)	6.0
(Decrease) in defined benefit pension plan liability		(7.0)	(4.6)
(Decrease) in provisions		(9.6)	(3.6)
Net cash (outflow) / inflow from operating activities		**(136.2)**	**183.3**

b) Net debt reconciliation

	Operating activities		Financing activities			
	Cash and cash equivalents $M	Inventory funding facilities $M	Short-term facilities $ M	Lease liabilities $ M	Term funding facilities $M	Total $M
Net debt as at 1 October 2017	**(388.9)**	**282.2**	**54.2**	**9.0**	**739.6**	**696.1**
Cash flows	28.1	223.6	(29.4)	(0.2)	-	222.1
Foreign exchange movements	(10.1)	5.7	1.4	-	14.7	11.7
Net debt as at 30 September 2018	**(370.9)**	**511.5**	**26.2**	**8.8**	**754.3**	**929.9**
Cash flows	113.5	(51.5)	141.6	(0.3)	(5.4)	197.9
Foreign exchange movements	(7.9)	3.6	1.6	-	11.1	8.4
Net debt as at 30 September 2019	**(265.3)**	**463.6**	**169.4**	**8.5**	**760.0**	**1,136.2**

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2.3 Contributed equity

Consolidated and Company	2019 Number	2019 $ M	2018 Number	2018 $ M
Fully paid ordinary shares	228,855,628	1,347.9	228,855,628	1,347.9
Less: Treasury shares	(1,900)	-	(383,911)	(3.4)
Total consolidated contributed equity	**228,853,728**	**1,347.9**	**228,471,717**	**1,344.5**

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-17	Balance brought forward	228,855,628	1,347.9
30-Sep-18	Total contributed equity - Company	228,855,628	1,347.9
	Less: Treasury shares	(1,900)	-
30-Sep-19	**Total consolidated contributed equity**	**228,853,728**	**1,347.9**

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.

During the year, 99,576 shares were acquired on market for an average price of $7.54 (2018: 336,409 shares; average price $8.03). Under the employee share plans, 656,974 rights were granted or issued during the year (2018: 979,859). At 30 September 2019, the aggregate amount of unvested performance rights of 1,174,278 (2018: 1,457,485) as set out in note 5.2, is partially covered by the Treasury shares above.

2.4 Dividends

	2019 $ M	2018 $ M
Dividends paid in the year:		
Final fully franked dividend for the year ended 30 September 2018 of 8.0 cents (2017: 15 cents)	18.3	34.3
Interim fully franked dividend for the half-year ended 31 March 2019 of 0 cents (2018: 8.0 cents)	-	18.3
Total dividends paid	**18.3**	**52.6**

Dividend not recognised at year end

For the year ended 30 September 2019, no dividend has been proposed (2018: 8.0 cents final dividend).

Franking credits available

	2019 $ M	2018 $ M
Franking credits available for the subsequent financial year	14.9	22.6

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.

No dividend has been approved by the Directors since 30 September 2019, therefore there will be no impact on the franking account (2018: $7.8 million)

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2.5 Commitments and guarantees

a) Financial commitments

	2019 $ M	2018 $ M
Capital expenditure commitments		
Total capital expenditure contracted for at the reporting date but not provided for in payables:		
- Not later than one year	16.2	9.8
Total capital expenditure commitments	**16.2**	**9.8**
Operating lease commitments		
Total non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities:		
- Not later than one year	29.8	52.5
- Later than one year and not later than five years	92.0	69.0
- Later than five years	174.1	169.1
Total non-cancellable operating lease commitments	**295.9**	**290.6**
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	11.3	12.1
Minimum lease payments	16.3	17.1
Future finance charges	(7.8)	(8.3)
Total finance lease liabilities (note 2.1)	**8.5**	**8.8**

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 $0.3 million (2018: $0.8 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. The Group enters into guarantees as part of the normal course of business. At 30 September 2019, these guarantees amounted to $21.7 million (2018: $17.2 million). During the year the Group has also entered into a guarantee amounting to $92.4 million in relation to the Crop Production Contract. The Directors do not believe any claims will arise in respect of these guarantees.

iii. GrainCorp Limited and the wholly owned entities listed in note 4.1 are parties to a deed of cross guarantee as described in note 4.2. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees, to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. No deficiency of net assets existed for the Group as at 30 September 2019.

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

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2.6 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.c))
- **Liquidity risk** (refer to note 2.6.e))
- **Credit risk** (refer to note 2.6.f))

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 Group 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) Classification of financial instruments

GrainCorp classifies its financial instruments into categories in accordance with AASB 9 *Financial instruments* depending on the purpose for which the financial instruments were acquired, which is determined at initial recognition based on the business model.

Financial Assets	2019 $ M	2018 $ M
Financial assets at amortised cost		
Cash and cash equivalents	265.3	370.9
Trade and other receivables	580.2	482.5
Financial assets at fair value through profit and loss		
Equity investments	3.5	5.8
Derivative financial instruments	60.9	135.7
	909.9	**994.9**

Financial Liabilities	2019 $ M	2018 $ M
Financial liabilities at amortised cost		
Trade and other payables	352.7	378.7
Borrowings at amortised cost	1,401.5	1,300.8
Derivative financial instruments	69.2	128.1
	1,823.4	**1,807.6**

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2.6 Financial instruments and risk management (continued)

b) Fair value measurement

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

30 September 2019	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	1.2	2.6	-	3.8
Commodity contracts (forward purchases and sales)	-	-	43.9	43.9
Foreign currency derivatives	-	9.5	-	9.5
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	1.8	-	1.8
Total current derivative financial instrument assets	**1.2**	**13.9**	**43.9**	**59.0**
Commodity inventory at fair value less costs to sell (note 3.2)	-	-	272.9	272.9
Total current financial assets	**1.2**	**13.9**	**316.8**	**331.9**
Non-current assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	0.8	-	-	0.8
Commodity contracts (forward purchases and sales)	-	-	0.6	0.6
Foreign currency derivatives	-	0.3	-	0.3
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	0.2	-	0.2
Total non-current financial assets	**0.8**	**0.5**	**0.6**	**1.9**
Current liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	1.4	0.7	-	2.1
Commodity contracts (forward purchases and sales)	-	-	38.6	38.6
Foreign currency derivatives	-	16.0	-	16.0
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	4.9	-	4.9
Interest rate swap contracts	-	2.3	-	2.3
Total current financial liabilities	**1.4**	**23.9**	**38.6**	**63.9**
Non-current liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity contracts (forward purchases and sales)	-	-	-	-
Foreign currency derivatives	-	0.2	-	0.2
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	3.0	-	3.0
Interest rate swap contracts	-	2.1	-	2.1
Total non-current financial liabilities	**-**	**5.3**	**-**	**5.3**

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2.6 Financial instruments and risk management (continued)

30 September 2018	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	11.5	1.4	-	12.9
Commodity contracts (forward purchases and sales)	-	-	97.8	97.8
Foreign currency derivatives	-	15.0	-	15.0
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	2.8	-	2.8
Total current derivative financial instrument assets	**11.5**	**19.2**	**97.8**	**128.5**
Commodity inventory at fair value less costs to sell (note 3.2)	-	-	326.7	326.7
Total current financial assets	**11.5**	**19.2**	**424.5**	**455.2**
Non-current assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	0.6	-	-	0.6
Commodity contracts (forward purchases and sales)	-	-	2.6	2.6
Foreign currency derivatives	-	0.4	-	0.4
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	1.2	-	1.2
Interest rate swap contracts	-	2.4	-	2.4
Total non-current financial assets	**0.6**	**4.0**	**2.6**	**7.2**
Current liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	11.9	0.4	-	12.3
Commodity contracts (forward purchases and sales)	-	-	85.4	85.4
Foreign currency derivatives	-	21.6	-	21.6
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	1.9	-	1.9
Total current financial liabilities	**11.9**	**23.9**	**85.4**	**121.2**
Non-current liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity contracts (forward purchases and sales)	-	-	2.3	2.3
Foreign currency derivatives	-	0.7	-	0.7
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	0.7	-	0.7
Interest rate swap contracts	-	3.2	-	3.2
Total non-current financial liabilities	**-**	**4.6**	**2.3**	**6.9**

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2.6 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 9 *Financial Instruments.*

The Group enters into certain **cash flow hedges** to hedge exposure to variability in cash flows that are attributable to the risk associated with the cashflows of recognised assets or liabilities and highly probably forecast transactions caused by interest rate and foreign currency movements. 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 the cashflow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated income statement, within other income/loss.

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** 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** 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** financial instruments do not have quoted market prices available. If one or more of the significant inputs is not based on observable market data, the instrument is level 3. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Management considers the valuation of these financial instruments to be an area of **judgement and estimation**.

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2.6 Financial instruments and risk management (continued)

Fair value measurements using significant unobservable inputs (level 3)

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:

	2019		2018	
	Commodity contracts $M	Commodity inventory at fair value $ M	Commodity contracts $M	Commodity inventory at fair value $ M
Opening balance as at 1 October	12.7	326.7	(15.8)	214.1
Gains / (losses) recognised in profit and loss	(6.8)	(68.1)	28.5	44.8
Net acquisitions / (disposals)	-	14.3	-	67.8
Closing balance as at 30 September	**5.9**	**272.9**	**12.7**	**326.7**

Valuation inputs and relationships to fair value

The following summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

- **Commodity contracts and commodity inventory at fair value:** the fair values are calculated by amending market price values obtained from traders and brokers for location and grade differentials. The 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.

	2019 $M	2018 $M
Fair value of derivatives and physical inventory	281.3	340.7
Net effect of a 20% appreciation in price on post-tax profit or loss	(2.3)	17.9
Net effect of a 20% depreciation in price on post-tax profit or loss	2.3	(17.9)

- **Crop production contract:** the fair value of the crop production contract is determined using a valuation model which estimates future cashflows from the contract, discounted to present value. Future cashflows are determined by applying the crop production contract terms to estimated crop production levels for the remainder of the contract term. The fair value calculation is highly subjective given the inability to forecast future weather patterns and crop production levels accurately.

  The fair value calculation uses the following inputs:
  - Cashflows are determined using the crop production contract terms:
    - GrainCorp receives a fixed payment of AUD $15 per tonne for each tonne of actual east coast of Australia winter crop production[54] in any given year which is below the lower production threshold (subject to an annual maximum of $80 million). The lower production threshold is 15.3 million tonnes.
    - GrainCorp pays a fixed payment of $15 per tonne for each tonne above the upper production threshold (subject to an annual maximum of $70 million). The upper production threshold is 19.3 million tonnes.
    - An aggregate net limit of payments to either GrainCorp or the contract counterparty of $270 million over the contract term.
    - An annual contract premium is payable to the counterparty.
  - Historical crop production data published by the Australian Bureau of Agricultural and Resource Economics (ABARES): The historical ABARES dataset indicates a greater likelihood of smaller crop sizes, which in turn increases the likelihood of cash receipts to GrainCorp. This results in a positive (asset) fair valuation on inception. The historical production data used for accounting valuation purposes may not be indicative of future production volumes.
  - Estimated future production growth rates and probabilities are derived from historical crop production data.
  - Risk-adjusted discount rate based on the applicable zero-coupon AUD overnight index swap curve.

  The initial fair value of the crop production contract was estimated as $104.5m (asset). However, in accordance with AASB 9, the initial fair value has not been recognised in the income statement as unobservable data points (as indicated above) were used for the initial fair value measurement. Consequently, the initial fair value has been deferred as disclosed in the following table.

[54] ABARES' winter crop production for the Australian states of Queensland, New South Wales and Victoria.

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2.6 Financial instruments and risk management (continued)

In accordance with AASB 9, after initial recognition GrainCorp shall recognise that deferred difference as a gain or loss in the income statement only to the extent it arises from a change in a factor that market participants would take into account when pricing the contract. Such changes will reflect production payments / receipts, the annual premium, additional actual ABARES production data in future periods, changes in discount rates and changes in production growth rate assumptions over the remainder of the contract term. Derivative asset valuation gains / losses will be recognised in the income statement at the point-in-time when the valuation model inputs change. GrainCorp expects that this would occur over the life of the contract once ABARES crop production data become publicly available for each given year, and as such the deferred amount would be gradually recognised in the income statement.

The fair value of the crop production contract is disclosed in the table below and nets to nil as at 30 September 2019. Sensitivities shown below represent unrealised fair value gains / losses only, and do not represent the potential impact to cash production payments / receipts in any given year. Production payments / receipts are determined based on actual ABARES production in any given year only.

There were no significant inter-relationships between unobservable inputs that materially affect fair value. There is a bank guarantee in place amounting to $92.4 million as disclosed in note 2.5.

Fair value of contract using unobservable data	2019 $M	2018 $M
Crop production derivative	104.5	-
Crop production derivative – deferred initial fair value	(104.5)	-
Net position as presented in the consolidated statement of financial position	-	-

	2019 $M	2018 $M
Fair value of crop production derivative recognised in the statement of financial position	-	-
Effect of a 20% appreciation in discount rate on profit or loss	(0.5)	-
Effect of a 20% depreciation in discount rate on profit or loss	0.6	-
Effect of a 1% appreciation in crop production growth-rates during the contract term on profit or loss	(7.0)	-
Effect of a 1% depreciation in crop production growth-rates during the contract term on profit or loss	6.9	-

c) 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.

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 following table 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.

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2.6 Financial instruments and risk management (continued)

2019	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%**
US Dollar	85.4	2.6	(2.6)	3.4	(3.4)
Canadian Dollar	174.0	8.9	(8.9)	3.3	(3.3)
UK Pound Sterling	(14.4)	(5.4)	5.4	4.4	(4.4)
New Zealand Dollar	(3.7)	(0.3)	0.3	0.1	(0.1)
Euro	35.7	2.5	(2.5)	-	-
Yen	(54.8)	(3.8)	3.8	-	-
Total	**222.2**	**4.5**	**(4.5)**	**11.2**	**(11.2)**

2018	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%**
US Dollar	(121.2)	(11.7)	11.7	3.2	(3.2)
Canadian Dollar	185.9	9.8	(9.8)	3.2	(3.2)
UK Pound Sterling	2.8	(4.1)	4.1	4.3	(4.3)
New Zealand Dollar	(5.1)	(0.4)	0.4	-	-
Euro	6.9	0.5	(0.5)	-	-
Yen	(28.4)	(2.0)	2.0	-	-
Total	**40.9**	**(7.9)**	**7.9**	**10.7**	**(10.7)**

d) 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 swap 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 2019, after taking into account the effect of interest rate swap contracts, approximately 47% ($360.4 million) of the Group's long-term borrowings are at a fixed rate of interest (2018: 47%, $355 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 liabilities with interest at variable rates:

	2019		2018	
	Weighted average interest rate %	Balance $ M	Weighted average interest rate %	Balance $ M
Current instruments				
Working capital facilities	2.27%	(169.4)	2.50%	(26.2)
Commodity inventory facilities	1.92%	(463.6)	2.53%	(511.5)
Interest rate swaps (notional principal amount)	1.06%	238.0	-	-
Non-current instruments				
Term debt facilities	2.67%	(760.0)	2.84%	(754.3)
Interest rate swaps (notional principal amount)	1.83%	122.4	2.04%	355.0
Net exposure to cash flow interest rate risk	**2.27%**	**(1,032.6)**	**2.66%**	**(937.0)**

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2.6 Financial instruments and risk management (continued)

Interest rate 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:

	2019		2018	
	Profit / (loss) $ M	Increase / (decrease) in equity $ M	Profit / (loss) $ M	Increase / (decrease) in equity $ M
+ 100 basis points	(7.7)	3.6	(5.7)	3.5
– 100 basis points	7.7	(3.6)	5.7	(3.5)

e) 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 $465.4 million (2018: $677.4 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.

30 September 2019	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:						
Borrowings[55]	(1,393.0)	(1,413.3)	(633.1)	-	(780.2)	-
Trade and other payables	(198.2)	(198.2)	(198.2)	-	-	-
Other payables	(154.5)	(154.5)	(153.7)	(0.8)	-	-
Finance leases	(8.5)	(16.3)	(0.8)	(1.7)	(2.5)	(11.3)
Derivatives:						
Interest rate swap contracts	(4.4)	(4.4)	(2.3)	-	(2.1)	-
Foreign currency derivatives						
(Outflow)	(24.1)	(872.5)	(722.5)	(101.9)	(48.1)	-
Inflow		848.4	701.6	100.0	46.8	-
Commodity futures and options:						
(Outflow)	(2.1)	(2.1)	(2.1)	-	-	-
Inflow		-	-	-	-	-
Commodity contracts (forward purchases and sales):						
(Outflow)	(38.8)	(677.2)	(675.8)	(1.4)	-	-
Inflow		638.6	637.3	1.3	-	-

[55] 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.

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2.6 Financial instruments and risk management (continued)

30 September 2018	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						
Borrowings[56]	(1,292.0)	(1,313.6)	(537.8)	(519.8)	(256.0)	-
Trade and other payables	(392.0)	(392.0)	(388.0)	(1.5)	(2.5)	-
Finance leases	(8.8)	(17.1)	(0.8)	(1.7)	(2.5)	(12.1)
Derivatives						
Interest rate swap contracts	(3.2)	(3.2)	-	(2.3)	(0.9)	-
Foreign currency derivatives						
(Outflow)	(24.9)	(1,252.6)	(1,163.6)	(63.4)	(25.6)	-
Inflow		1,227.7	1,140.1	62.3	25.3	-
Commodity futures and options:						
(Outflow)	(12.3)	(12.4)	(12.4)	-	-	-
Inflow		0.1	0.1	-	-	-
Commodity contracts (forward purchases and sales):						
(Outflow)	(87.7)	(837.9)	(765.3)	(72.6)	-	-
Inflow		750.2	679.9	70.3	-	-

f) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. GrainCorp employs credit policies which include monitoring exposure to credit risk on an ongoing basis through management of concentration risk and ageing analysis. The Group is exposed to credit risk from its operating activities and financing activities. 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 as set out in the consolidated statement of financial position.

Trade receivables

The credit risk on trade and other receivables which has been recognised on the consolidated statement of financial position is the carrying amount of trade debtors, net of allowances for impairment and further disclosed in note 3.1. 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 2019, 96% (2018: 95%) 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.

The Group applies the simplified approach to provision for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. Under this method, determination of the loss allowance provision and expected loss rate incorporates past experience and forward-looking information. GrainCorp has reviewed the historic bad debt provision balances and write offs in accordance with the changes in AASB 9 and has determined there is no material adjustment on adoption.

Financial instruments and cash deposits

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 ratings 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.

[56] 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.

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2.6 Financial instruments and risk management (continued)

g) 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 and then offset.

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 legally 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:

30 September 2019	Gross amounts $ M	Gross amount offset $ M	Net amount in statement of financial position $ M	Amounts that are not offset $ M	Net amount $ M
Financial assets					
Cash and cash equivalents	265.3	-	265.3	-	265.3
Trade and other receivables	631.1	(6.5)	624.6	-	624.6
Derivative financial instruments	64.6	(3.7)	60.9	(19.9)	41.0
Total assets	**961.0**	**(10.2)**	**950.8**	**(19.9)**	**930.9**
Financial liabilities					
Trade and other payables	359.2	(6.5)	352.7	-	352.7
Derivative financial instruments	72.9	(3.7)	69.2	(19.9)	49.3
Total liabilities	**432.1**	**(10.2)**	**421.9**	**(19.9)**	**402.0**

30 September 2018	Gross amounts $ M	Gross amount offset $ M	Net amount in statement of financial position $ M	Amounts that are not offset $ M	Net amount $ M
Financial assets					
Cash and cash equivalents	370.9	-	370.9	-	370.9
Trade and other receivables	535.6	(5.2)	530.4	-	530.4
Derivative financial instruments	141.4	(5.7)	135.7	(32.7)	103.0
Total assets	**1,047.9**	**(10.9)**	**1,037.0**	**(32.7)**	**1,004.3**
Financial liabilities					
Trade and other payables	397.2	(5.2)	392.0	-	392.0
Derivative financial instruments	133.8	(5.7)	128.1	(32.7)	95.4
Total liabilities	**531.0**	**(10.9)**	**520.1**	**(32.7)**	**487.4**

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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	2019 $ M	2018 $ M
Trade receivables	530.5	425.3
Allowance for impairment	(2.9)	(2.0)
	527.6	423.3
Prepayments	33.9	34.2
Margin deposits	10.4	13.5
Other receivables	52.1	57.1
Total current trade and other receivables	**624.0**	**528.1**

Non-current	2019 $ M	2018 $ M
Loan to joint venture (note 4.5)	0.1	0.2
Other receivables	0.5	2.1
Total non-current trade and other receivables	**0.6**	**2.3**

ACCOUNTING POLICY

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. GrainCorp holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. As at 30 September 2019 the Group has recognised an **allowance for impairment** for $2.9 million (2018: $2.0 million) based on the expected credit loss model. Refer to note 2.6 for details of the Group's credit exposures.

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3.2 Inventories

	2019 $ M	2018 $ M
Raw materials	250.9	296.3
Work in progress	18.6	16.9
Finished goods	174.6	159.3
Trading stock at net realisable value	21.4	25.3
Commodity inventory at fair value less cost to sell	272.9	326.7
Total inventories	**738.4**	**824.5**

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 September 2019 amounted to $2.3 million (2018: $2.4 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.
- **Commodity 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.

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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
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**
Movement						
Transfer between asset categories (note 3.4)	2.5	99.9	1.2	116.2	(227.2)	(7.4)
Additions	2.0	4.4	0.1	40.1	78.0	124.6
Disposals	(7.0)	(0.2)	(0.1)	(0.6)	(2.6)	(10.5)
Depreciation	-	(25.9)	(2.0)	(96.3)	-	(124.2)
Exchange differences	1.6	7.3	0.3	17.4	4.7	31.3
Closing net book value	**114.4**	**262.8**	**21.7**	**1,008.3**	**107.1**	**1,514.3**
At 30 September 2018						
Cost	115.4	467.1	43.9	1,960.9	107.1	2,694.4
Accumulated depreciation and impairment	(1.0)	(204.3)	(22.2)	(952.6)	-	(1,180.1)
Net book value	**114.4**	**262.8**	**21.7**	**1,008.3**	**107.1**	**1,514.3**
Movement						
Transfer between asset categories (note 3.4)	0.1	17.4	2.2	68.3	(95.0)	(7.0)
Transfer to assets held for sale (note 3.5)	(14.8)	(4.2)	-	(128.3)	(4.1)	(151.4)
Additions	1.4	0.3	0.1	14.1	61.4	77.3
Disposals	(0.1)	(0.2)	-	(2.3)	(0.9)	(3.5)
Depreciation	-	(19.9)	(2.0)	(96.4)	-	(118.3)
Exchange differences	0.7	8.1	0.3	13.4	1.3	23.8
Closing net book value	**101.7**	**264.3**	**22.3**	**877.1**	**69.8**	**1,335.2**
At 30 September 2019						
Cost	102.7	489.6	46.5	1,923.8	69.8	2,632.4
Accumulated depreciation and impairment	(1.0)	(225.3)	(24.2)	(1,046.7)	-	(1,297.2)
Net book value	**101.7**	**264.3**	**22.3**	**877.1**	**69.8**	**1,335.2**

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 2019 amounts to $9.4 million (2018: $10.1 million).

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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. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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3.4 Intangible assets

	Computer software $ M	Trade name $ M	Customer relationship $ M	Goodwill $ M	Capital works in progress $M	Total $ M
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**
Movement						
Transfer between asset categories (note 3.3)	10.0	-	-	-	(2.6)	7.4
Additions	6.5	-	-	-	4.9	11.4
Amortisation charge	(18.2)	(0.1)	(10.7)	-	-	(29.0)
Exchange differences	0.6	-	0.1	17.5	0.4	18.6
Closing net book value	**41.6**	**3.3**	**5.9**	**444.7**	**7.4**	**502.9**
At 30 September 2018						
Cost or fair value	135.4	4.7	119.2	444.7	7.4	711.4
Accumulated amortisation and impairment	(93.8)	(1.4)	(113.3)	-	-	(208.5)
Net book value	**41.6**	**3.3**	**5.9**	**444.7**	**7.4**	**502.9**
Movement						
Transfer between asset categories (note 3.3)	11.7	(1.0)	-	-	(3.7)	7.0
Transfer to assets held for sale (note 3.5)	-	-	-	(37.2)	-	(37.2)
Additions	7.1	-	-	-	1.5	8.6
Amortisation charge	(19.9)	-	(4.2)	-	-	(24.1)
Exchange differences	0.3	-	-	13.1	0.4	13.8
Closing net book value	**40.8**	**2.3**	**1.7**	**420.6**	**5.6**	**471.0**
At 30 September 2019						
Cost or fair value	155.6	3.7	122.2	420.6	5.6	707.7
Accumulated amortisation and impairment	(114.8)	(1.4)	(120.5)	-	-	(236.7)
Net book value	**40.8**	**2.3**	**1.7**	**420.6**	**5.6**	**471.0**

Impairment test for goodwill

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

	2019 $ M	2018 $ M
Grains	19.2	19.1
Malt	336.3	323.4
Oils	65.1	102.2
Total goodwill	**420.6**	**444.7**

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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 8.6% to 9.9%. 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 Assets held for sale

GrainCorp operates eight liquid terminals sites across Australia, specialising in storage and handling of bulk liquid fats and oils, fuels and chemicals for a range of customers. In March 2019, GrainCorp entered into an agreement to sell its Australian Bulk Liquid Terminals business to ANZ Terminals Pty Ltd. The transaction is subject to a number of conditions, including regulatory approvals from the Foreign Investment Review Board and Australian Competition and Consumer Commission, lessors' consents and finalisation of the agreements required for the transition of the business. As part of the transaction, GrainCorp will enter into a long-term storage agreement with the purchaser. Assets and liabilities relating to the Liquid Terminals business are carried at the lower of carrying amount and fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

At 30 September 2019, the assets and liabilities relating to the Australian Bulk Liquid Terminals business, and other GrainCorp properties have been classified as held for sale.

	30 September 2019 $ M	30 September 2018 $ M
Property, plant and equipment	165.9	14.7
Other assets	6.8	-
Goodwill	37.2	-
Total assets classified as held for sale	**209.9**	**14.7**

	30 September 2019 $ M	30 September 2018 $ M
Total liabilities directly associated with assets held for sale	**12.2**	**-**

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3.6 Trade and other payables

Current	2019 $ M	2018 $ M
Trade payables	198.2	247.0
Income received in advance	11.8	20.8
Other payables	153.7	127.7
Total current trade and other payables	**363.7**	**395.5**

Non-current	2019 $ M	2018 $ M
Income received in advance	32.0	40.5
Other payables	0.8	4.0
Total non-current trade and other payables	**32.8**	**44.5**

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3.7 Provisions

	Customer claims	Onerous contracts	Employee benefits	Other	Total provisions
	$ M	$ M	$ M	$ M	$ M
At 1 October 2018	**5.9**	**7.4**	**48.1**	**7.1**	**68.5**
Additional provisions	2.7	-	40.0	3.5	46.2
Amounts used	-	(5.6)	(43.4)	(4.8)	(53.8)
Unused amounts reversed	-	-	-	(0.6)	(0.6)
Amounts transferred to assets held for sale	-	-	(1.9)	-	(1.9)
Exchange differences	-	-	0.3	0.2	0.5
At 30 September 2019	**8.6**	**1.8**	**43.1**	**5.4**	**58.9**
Current	8.6	0.6	37.1	2.1	48.4
Non-current	-	1.2	6.0	3.3	10.5

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 2019. 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. The unavoidable costs under the contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting dates, taking into account the risks and uncertainties surrounding the obligation. Management considers the estimation of the provision to be an area of **judgement and estimation.**

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 $37.1 million (2018: $43.1 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 $1.4 million (2018: $1.2 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.

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3.8 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 businesses 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

	2019 $ M	2018 $ M
Present value of the defined benefit obligations	(211.4)	(178.7)
Fair value of defined benefit plans assets	197.0	172.1
Net defined benefit obligation	**(14.4)**	**(6.6)**
Recognised in the consolidated statement of financial position as:		
Retirement benefit asset	2.8	5.2
Retirement benefit obligation	(17.2)	(11.8)
Net defined benefit obligation	**(14.4)**	**(6.6)**

b) Categories of plan assets

	2019 %	2018 %
The major categories of plan assets are as follows:		
Cash	1%	1%
Equity instruments	34%	44%
Debt instruments	64%	54%
Other assets	1%	1%
Total	**100%**	**100%**

c) Reconciliations

	2019 $ M	2018 $ M
Reconciliation of the present value of the defined benefit obligations:		
At 1 October	178.7	193.9
Current service cost	1.2	1.2
Interest cost	5.6	5.8
Scheme participants contributions	0.1	0.1
Remeasurements	33.5	(15.4)
Benefits paid	(11.9)	(17.0)
Past service cost	0.4	-
Exchange differences	3.8	10.1
At 30 September	**211.4**	**178.7**
Reconciliation of fair value of plan assets:		
At 1 October	172.1	167.1
Interest income	5.5	5.1
Remeasurements	18.6	0.1
Contributions by Group companies	9.2	8.0
Scheme participants contributions	0.1	0.1
Actual plan administration expense	(0.3)	(0.3)
Benefits paid	(11.9)	(17.0)
Exchange differences	3.7	9.0
At 30 September	**197.0**	**172.1**

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3.8 Retirement benefit obligations (continued)

d) Amounts recognised in the consolidated income statement

	2019 $ M	2018 $ M
The amounts recognised in the income statement are as follows:		
Current service cost	1.2	1.2
Net interest expense	0.1	0.7
Past service cost	0.4	-
Total expense included in employee benefits expense	**1.7**	**1.9**

e) Amounts recognised in other comprehensive income

	2019 $ M	2018 $ M
Remeasurements of retirement benefit obligations	(14.9)	15.5
Cumulative remeasurements recognised	(31.1)	(16.2)

f) Principal actuarial assumptions

2019	North America	UK	Australia
Principal actuarial assumptions used (expressed as weighted averages):			
Discount rate	2.98%	1.80%	4.10%
Future salary increases	2.00%	3.10%	3.00%

2018	North America	UK	Australia
Principal actuarial assumptions used (expressed as weighted averages):			
Discount rate	3.87%	2.90%	3.90%
Future salary increases	2.00%	3.30%	3.00%

g) Sensitivity analysis

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

	2019 $ M Increase/(decrease)	2018 $ M Increase/(decrease)
Discount rate:		
0.25% increase	(7.7)	(6.6)
0.25% decrease	8.1	6.9
Inflation:		
0.25% increase	3.4	2.5
0.25% decrease	(3.3)	(2.4)

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 2019. 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 2020 are $5.7 million (2019: $7.3 million).

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3.8 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.

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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 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 2019	Equity holdings 2018
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%
CropConnect Holdings Pty Ltd[57]	Australia	100%	-
CropConnect Custodian Pty Ltd[57]	Australia	100%	-
CropConnect Pty Ltd[58]	Australia	100%	-
Grainco Australia Pty Limited	Australia	100%	100%
GrainCorp Australia Pty Ltd	Australia	100%	100%
GrainCorp Commodity Management (Holdings) Pty Ltd	Australia	100%	100%
GrainCorp Commodity Management Pty Ltd	Australia	100%	100%
GrainCorp Foods Australia Pty Ltd	Australia	100%	100%
GrainCorp Holdings Australia Pty Ltd	Australia	100%	100%
GrainCorp Liquid Terminals Australia Pty Ltd	Australia	100%	100%
GrainCorp Oils Holdings Pty Ltd	Australia	100%	100%
GrainCorp 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%

[57] CropConnect Holdings Pty Ltd and CropConnect Custodian Pty Ltd were established on 3 January 2019.

[58] CropConnect Pty Ltd was established on 14 January 2019.

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4.1 Subsidiaries (continued)

Table B: Other subsidiaries

Name of entity	Country of incorporation	Equity holdings 2019	Equity holdings 2018
ABN 36 073 105 656 Pty Ltd[59]	Australia	100%	100%
Australian Grain Handlers Pty Ltd	Australia	-	80%
GSEST Pty Ltd[59]	Australia	100%	100%
Canada Malting Co. Limited	Canada	100%	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%
Schill Malz GmbH Co. KG[60]	Germany	100%	100%
Schill Malz Verwaltungs-GmbH[60]	Germany	100%	100%
Barrett Burston Malting Co (NZ) Limited	New Zealand	100%	100%
GrainCorp Commodity Management (NZ) Limited	New Zealand	100%	100%
GrainCorp Feeds Limited	New Zealand	100%	100%
GrainCorp Foods NZ Limited	New Zealand	100%	100%
GrainCorp Liquid Terminals NZ Limited	New Zealand	100%	100%
GrainCorp Operations Asia Pte Ltd	Singapore	100%	100%
Gardner Smith Africa Pty Ltd[61]	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 (Black Sea) Holdings UK 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%
GrainCorp Ukraine LLC	Ukraine	100%	100%

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

[60] Subject to voluntary liquidation.

[61] De-registered. Subject to completion of winding-up.

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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. These are collectively known as the Closed Group.

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 2019.

Consolidated income statement	2019 $ M	2018 $ M
Revenue	3,730.6	3,187.0
Other income	(74.5)	67.5
Goods purchased for resale	(2,811.2)	(2,235.4)
Raw materials and consumables used	(549.9)	(465.9)
Employee benefits expense	(223.0)	(238.8)
Depreciation and amortisation	(100.4)	(108.6)
Finance costs	(42.5)	(35.9)
Operating leases	(39.9)	(53.8)
Repairs and maintenance	(23.0)	(30.8)
Other expenses	(123.6)	(100.4)
Share of results from investments accounted for using the equity method	(0.1)	(0.6)
(Loss) before income tax	(257.5)	(15.7)
Income tax benefit	84.1	6.3
(Loss) for the year	**(173.4)**	**(9.4)**
Other comprehensive income:		
Changes in the fair value of cash flow hedges	1.0	(2.6)
Remeasurements of retirement benefit obligations	(0.1)	(0.1)
Income tax (expense) / benefit relating to components of other comprehensive income	(0.3)	0.8
Other comprehensive income / (loss) for the year, net of tax	0.6	(1.9)
Total comprehensive (loss) for the year	**(172.8)**	**(11.3)**
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	96.7	158.8
(Loss) for the year	(173.4)	(9.4)
Dividends paid	(18.3)	(52.6)
Remeasurement of retirement benefit obligations	(0.1)	(0.1)
Retained earnings / (losses) at the end of the financial year	**(95.1)**	**96.7**

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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 2019.

Consolidated statement of financial position	2019 $ M	2018 $ M
Current assets		
Cash and cash equivalents	78.9	90.4
Trade and other receivables	392.4	324.6
Inventories	393.4	481.0
Derivative financial instruments	55.4	119.2
Assets classified as held for sale	209.9	14.7
Current tax assets	-	2.6
Total current assets	**1,130.0**	**1,032.5**
Non-current assets		
Trade and other receivables	22.7	117.8
Investment in subsidiaries	447.2	477.1
Investments accounted for using the equity method	1.0	1.1
Investments in other entities	1.0	3.1
Property, plant and equipment	820.9	1,024.0
Deferred tax assets	102.1	13.8
Intangible assets	70.0	95.6
Derivative financial instruments	1.8	3.5
Total non-current assets	**1,466.7**	**1,736.0**
Total assets	**2,596.7**	**2,768.5**
Current liabilities		
Trade and other payables	182.7	206.0
Deferred revenue	11.0	13.4
Borrowings	490.5	378.7
Derivative financial instruments	57.5	117.8
Current tax liabilities	2.5	-
Liabilities directly associated with assets held for sale	12.2	-
Provisions	44.4	49.2
Total current liabilities	**800.8**	**765.1**
Non-current liabilities		
Trade and other payables	18.2	25.3
Borrowings	508.4	514.1
Derivative financial instruments	0.4	5.1
Provisions	7.4	7.1
Retirement benefit obligations	-	-
Total non-current liabilities	**534.4**	**551.6**
Total liabilities	**1,335.2**	**1,316.7**
Net assets	**1,261.5**	**1,451.8**
Equity		
Contributed equity	1,347.9	1,344.5
Reserves	8.7	10.6
Retained earnings / (losses)	(95.1)	96.7
Total equity	**1,261.5**	**1,451.8**

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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.

Statement of financial position	2019 $ M	2018 $ M
Current assets	1.2	0.5
Total assets	1,838.7	1,795.5
Current liabilities	0.5	0.1
Total liabilities	0.5	0.2
Shareholders' equity		
Contributed equity	1,347.9	1,344.5
Share option reserve	4.2	7.3
Capital reserve	8.3	8.3
Retained earnings	477.8	435.2
Total shareholders' equity	1,838.2	1,795.3
Profit for the year	**61.0**	**38.8**
Total comprehensive income	**61.0**	**38.8**

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 2019, the parent entity did not provide any other guarantees (2018: nil), contingent liabilities (2018: nil) or capital commitments (2018: nil).

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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	
				2019	2018
Company	Principal activity	2019	2018	$ M	$ M
GrainsConnect Canada Operations Inc	Grain elevation and storage	50%	50%	39.5	29.8
National Grower Register Pty Ltd	Register management	50%	50%	1.0	1.1
PumpFree Pty Ltd *(in liquidation)*	Liquid oil transportation	23%	23%	-	-
				40.5	**30.9**

b) Movements in carrying amounts

i. Summarised financial information of joint ventures

The tables below provide summarised financial information for joint ventures that are 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.

	GrainsConnect Canada Operations Inc[62]	
	2019	2018
Summarised statement of financial position	$ M	$ M
Current assets	76.1	38.7
Non-current assets	235.0	125.6
Total assets	**311.1**	**164.3**
Current liabilities	175.0	38.3
Non-current liabilities	57.1	66.4
Total liabilities	**232.1**	**104.7**
Net assets	**79.0**	**59.6**
Reconciliation of carrying amounts:		
Balance at beginning of year	59.6	58.2
(Loss) for the year	(10.5)	(1.5)
Capital contributions	26.0	-
Exchange differences in translation of opening balances	3.9	2.9
Closing net assets	**79.0**	**59.6**
Group's share of net assets	**39.5**	**29.8**

	GrainsConnect Canada Operations Inc	
	2019	2018
Summarised statement of comprehensive income	$ M	$ M
Revenue	242.8	115.2
Operating (loss) after tax	**(10.5)**	**(1.5)**
Other comprehensive (loss)	-	-
Total comprehensive (loss)	**(10.5)**	**(1.5)**
Group's share of comprehensive (loss)	**(5.3)**	**(0.7)**

[62] GrainsConnect Canada's current assets includes $8.3m cash and cash equivalents (2018: $10.8m).
GrainsConnect Canada's liabilities includes $25.7m current borrowings (2018: $7.5m) and $57.1 non-current borrowings (2018: $66.4m).

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4.4 Investments accounted for using the equity method (continued)

ii. Individually immaterial joint ventures

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

	2019 $ M	2018 $ M
Reconciliation of carrying amounts:		
Balance at beginning of year	1.1	2.0
Share of (loss) after income tax	(0.1)	(0.6)
Dividends received	-	(0.2)
Return of capital	-	(0.1)
Aggregated carrying amount of individually immaterial joint ventures	**1.0**	**1.1**

iii. Group's share of commitments and contingent liabilities in respect of joint ventures

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

	2019 $ M	2018 $ M
Capital commitments	3.2	23.4
Lease commitments	6.0	4.7
	9.2	**28.1**

ACCOUNTING POLICY

Investments in joint ventures are accounted for using the equity method, whereby the share of profit or loss 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.

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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	
	2019 $'000	2018 $'000
Sales income from GrainsConnect Canada	-	1
Purchases from GrainsConnect Canada	28,739	3,735
Interest income from National Grower Register Pty Ltd ('NGR')	6	9

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	
	2019 $'000	2018 $'000
Loan to NGR (note 3.1)	125	175
Current receivable from GrainsConnect Canada	4,810	11,606

c) KMP compensation

The remuneration disclosures are provided in Section 1 to 8 of the Remuneration Report.

	2019 $'000	2018 $'000
Short-term employee benefits	5,607	6,521
Post-employment benefits	205	204
Long-term benefits	66	54
Share-based payments	515	2,246
Termination benefits	462	-
Total KMP compensation	**6,855**	**9,025**

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 D J Mangelsdorf, D G McGauchie, A G Bell, K Pamminger and G A Friberg. (2018: G J Bradley, D J Mangelsdorf, P J Housden, D G McGauchie, B J Gibson, R P Dee-Bradbury, A G Bell, K Pamminger and G A Friberg).

	2019 $'000	2018 $'000
Current receivables	7,867	13,355
Current payables	-	153

2019: Current receivables include $4,810,000 from GrainsConnect Canada, an entity of which A G Bell and K Pamminger are directors. Current receivables include $2,733,000 from Australian Agricultural Company Ltd, an entity related to D G McGauchie (revenue; $26,621,000), $250,000 from Queensland Commodity Exports Pty Ltd, an entity related to K Pamminger and $66,000 from Warakirrie 2 Pty Ltd, an entity related to D J Mangelsdorf and $8,000 from Daybreak Cropping, an entity related to D Mangelsdorf.

2018: Current receivables include $11,606,000 from GrainsConnect Canada, an entity of which A G Bell and K Pamminger are directors, $1,741,000 from Australian Agricultural Company Ltd, an entity related to D G McGauchie (revenue; $15,909,000), and $8,000 from Warakirri 2 Pty Ltd, an entity related to B J Gibson and D J Mangelsdorf. Current payables include $2,000 payable to Energy Australia Limited, an entity related to R P Dee-Bradbury and G B Bradley, $1,000 to BlueScope Steel Limited, an entity related to R P Dee-Bradbury, $94,000 relating to Warakirri 2 Pty Ltd, an entity related to B J Gibson and D J Mangelsdorf, and $56,000 relating to Daybreak Cropping, an entity related to D J Mangelsdorf.

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5 Additional Notes

5.1 Remuneration of auditor

	2019 $'000	2018 $'000
PwC Australia		
Audit and review of financial reports and other work under the *Corporations Act 2001*	1,103	1,081
Other assurance services[63]	744	26
Total remuneration of PwC Australia	**1,847**	**1,107**
Overseas practices of PwC Australia		
Audit and review of financial reports	1,181	1,119
Other services	43	23
Total remuneration of related practices of PwC Australia	**1,224**	**1,142**
Total auditors' remuneration	**3,071**	**2,249**

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 Shareholder Return ('TSR') and Return on Equity ('ROE') or Return on Investment Capital ('ROIC') 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 8 of the Remuneration Report on pages 35-48.

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

Grant date	2 March 2017	22 February 2018	1 March 2019	16 April 2019
Fair value at grant date (TSR)	$4.52	$1.66	$6.02	$5.29
Fair value at grant date (ROE)	$8.07	$7.07	-	-
Fair value at grant date (ROIC)	-	-	$9.17	$8.82
Estimated vesting date	30 September 2019	30 September 2020	30 September 2021	30 September 2021
Share price at grant date	$8.79	$7.70	$9.82	$9.42
Volatility	20%	20%	25%	25%
Risk free interest rate	1.92%	2.09%	1.68%	1.46%
Dividend yield	3.1%	3.1%	2.5%	2.5%

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
02 Mar 2017	30 Sep 2019	352,807	-	-	(26,491)	(326,316)	-	-
22 Feb 2018	30 Sep 2020	387,389	-	-	(56,876)	-	330,513	-
01 Mar 2019	30 Sep 2021	-	393,883	-	(36,320)	-	357,563	-
16 Apr 2019	30 Sep 2021	-	25,065	-	-	-	25,065	-
		740,196	**418,948**	**-**	**(119,687)**	**(326,316)**	**713,141**	**-**

[63] Other services include costs associated with the investigating accountant's report in the scheme booklet for the proposed demerger of the Malt business unit, company secretarial services and other specified agreed upon procedures.

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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 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	24 Jan 2017	24 Jan 2017	31 Jan 2018	31 Jan 2018	27 Feb 2018	27 Feb 2018	29 Jan 2019	29 Jan 2019
Fair value at grant date	$9.29	$9.01	$7.25	$7.03	$7.77	$7.54	$7.46	$7.27
Estimated vesting date	30 Sep 2017	30 Sep 2018	30 Sep 2018	30 Sep 2019	30 Sep 2018	30 Sept 19	30 Sep 2019	30 Sep 2020
Share price at grant date	$9.48	$9.48	$7.40	$7.40	$7.91	$7.91	$7.58[64]	$7.58[64]
Dividend yield	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	2.5%	2.5%

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
24 Jan 2017	30 Sep 2017 & 30 Sep 2018	133,219	-	(133,219)	-	-	-	-
31 Jan 2018	30 Sep 2018 & 30 Sep 2019	554,233	-	(329,535)	(12,264)	-	212,434	212,434
27 Feb 2018	30 Sep 2018 & 30 Sep 2019	29,837	-	(14,919)	-	-	14,918	14,918
29 Jan 2019	30 Sep 2019 & 30 Sep 2020	-	238,026	-	(4,241)	-	233,785	143,977
		717,289	**238,026**	**(477,673)**	**(16,505)**	**-**	**461,137**	**371,329**

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:

	2019 $ M	2018 $ M
Share-based payments expense	1.1	3.9

[64] In the context of the Company's announcement on 3 December 2018 that it had received a non-binding indicative proposal (Proposal) and subsequent share price increase, the Board considered the appropriateness of applying the 20-day VWAP for determination of rights for the deferred STI. For FY19, the face value of GrainCorp shares was based on an 11-day trading period following release of the Company's annual results so as to not disadvantage participants in the event that the Proposal did not proceed, and the share price returned to typical levels.

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5.3 Share-based payments (continued)

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, ROIC), 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.

5.4 Events subsequent to reporting date

No significant events subsequent to the balance date have occurred.

In March 2019, GrainCorp entered into an agreement to sell its Australian Bulk Liquid Terminals business to ANZ Terminals Pty Ltd. The transaction is subject to a number of conditions, including regulatory approvals from the Foreign Investment Review Board (FIRB), Australian Competition and Consumer Commission (ACCC), lessors' consents and finalisation of the agreements required for the transition of the business. The sale is currently being reviewed by the ACCC, with a decision date of 15 November 2019.

In April 2019 GrainCorp announced its intention to demerge its international malting business, subject to shareholder and other approvals. GrainCorp intends to send the Scheme Booklet for the proposed demerger to shareholders in the first quarter of calendar year 2020. The 2019 Financial Report does not reflect any accounting implications associated with the proposed demerger of the Malt business.

5.5 Impact of new and revised accounting standards

New accounting standards and interpretations that will be applicable to the Group's future reporting periods are detailed below.

AASB 16 Leases

AASB 16 *Leases* is applicable to GrainCorp from 1 October 2019. It provides a new lessee accounting model which requires a lessee to recognise a right of use asset representing its right to use the underlying asset and lease liabilities. The depreciation of the right of use asset and interest on the lease liability will be recognised in the consolidated income statement. Upon application the key balance sheet metrics such as gearing and finance ratios, and profit or loss metrics such as earnings before interest, tax, depreciation and amortisation (EBITDA) will be impacted. The consolidated cash flow statement will also be impacted as payments for the principal portion of the lease liability will be presented within financing activities.

GrainCorp will be adopting the modified retrospective approach whereby prior reporting period will not be restated. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment that are considered of low value. GrainCorp has elected to value opening right of use assets equal to the opening value of lease liabilities, adjusted for prepaid and accrual balances.

The Group has performed a detailed impact assessment of AASB 16. The actual impact on GrainCorp will depend on future economic conditions including borrowing rates, lease portfolio composition, and assessment of any new leases entered into during the period and lease renewal options exercised.

GrainCorp have assessed the estimated impact of AASB 16 on the statement of financial position as at the 1 October 2019 as:

- New lease liabilities of $230 million; and
- New right of use assets of $235 million.

GrainCorp have assessed the estimated pre-tax impact of AASB 16 on the statement of comprehensive income for the year ended 30 September 2020 as:

- Increase in depreciation expense of $32 million;
- Increase in interest expense of $8 million; and
- Reduction in occupancy expense of $33 million.

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Directors' Declaration

In the Directors' opinion:

a) The financial statements and notes set out on pages 51 to 104 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 2019 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 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 57 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
14 November 2019

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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 2019 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 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income 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.

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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 seven components were identified across the Group's three segments and the corporate head office.



Materiality

- For the purpose of our audit we used overall Group materiality of $6.5 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 two 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 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 and the United Kingdom assisted in the audit work performed, acting under instruction from the group audit team.

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. We communicated the key audit matters to the Board Audit Committee.



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Key audit matter	*How our audit addressed the key audit matter*
Sufficiency of the provision for customer claims *Refer to note 3.7* *$8.6 million* The Group's Grains 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. The Group maintains a provision for customer claims that reflects the 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 the Group considers a number of key assumptions including: • The estimation of potential future purchases of grain which 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 in the provision calculations by comparing costs to third party information. • 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.



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Key audit matter	*How our audit addressed the key audit matter*
Goodwill impairment assessment *Refer to note 3.4* *$420.6 million* This was a key audit matter due to the financial size of the goodwill balance and because the assessment of potential impairment involves significant judgement by the Group, including the following key assumptions: • Future cash flows for 2020–2024 • Discount rate • Terminal growth rate The Group performed an impairment assessment over the goodwill balance by: • Determining the group of cash generating units (Group of CGUs) and the amount of goodwill attributed from business combinations. • Calculating the value in use for each Group of CGUs using discounted cash flow models (the models). The models estimated cash flows for each Group of CGUs 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 countries in which the Group of CGUs operates. • Comparing the calculated value in use of each Group of CGUs 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 Groups of CGUs.	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 2020 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 the relevant inputs in the calculation against available market data and industry research. • 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.

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Key audit matter	*How our audit addressed the key audit matter*
Valuation of level 3 financial instruments and commodity inventory held at fair value *Refer to note 2.6* *Level 3 derivative financial instrument assets: $44.5 million;* *Level 3 derivative financial instrument liabilities: $38.6 million;* *Commodity inventory at fair value less costs to sell $272.9 million* At 30 September 2019 a valuation process was performed by the Group to determine the fair value of its financial instruments and commodity inventory. The valuation of level 3 financial instruments and commodity inventory held at fair value was a key audit matter given the significant level of estimation by the Group in calculating fair value of the level 3 financial instruments. **Crop production contract** On 7 June 2019, the Group executed a 10 year agreement ("crop production contract") to manage the risk associated with the volatility of eastern Australian winter crop production. The Group has determined that this crop production contract is a financial instrument and will be accounted for in accordance with the requirements of AASB 9 *Financial Instruments*. This contract is a Level 3 financial instrument and as such judgement is required in estimating the fair value of the instrument and in determining the appropriate model, assumptions and inputs. **Commodity contracts and commodity inventory** The Group held significant commodity contracts and commodity inventory in the Grains and Oils segments. The financial instruments and commodity inventory are deemed Level 3 financial instruments because judgement is required in estimating the fair value and in determining the appropriate models, assumptions and inputs.	We performed a number of procedures including the following: **Crop production contract** • Assessed the Group's key assumptions and inputs adopted in the valuation model used to estimate fair value, being historical production, discount rate and growth assumptions. The discount rate and historical production have been compared to third party information. Key assumptions for growth rates have been compared to historical results and industry forecasts. • Engaged PwC valuation experts to assess the valuation model relating to the crop production contract fair value on inception and as at 30 September 2019. • Considered whether the methodology, disclosures and accounting applied by the Group was consistent with the basis required by Australian Accounting Standards. **Commodity contracts and commodity inventory** • Where possible, the valuation of commodity contracts and commodity inventory was assessed against independent third party prices. • We have tested management's governance and monitoring of its fair value estimates of commodity contracts and commodity inventory. • We have recalculated a sample of management's models used to estimate the commodity contracts and commodity inventory balances.



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Key audit matter	*How our audit addressed the key audit matter*
Taxation *Refer to note 1.6* *Income tax benefit: $53.6 million; Current tax assets: $11.1 million; Current tax liabilities: $0.1 million; Deferred tax assets: $112.4 million; Deferred tax liabilities: $72.7 million* Income tax and deferred tax balances were a key audit matter because the Group operates across multiple jurisdictions with different laws, regulations and authorities. Judgement is also involved in the tax calculations, including the assessment of the recoverability of recorded tax losses. Current and deferred tax balances and income tax expense are both significant in the context of the overall statement of financial position and the statement of comprehensive income of the Group.	We performed a number of procedures including the following: • Tested the Group's current and deferred tax calculations, including the rationale on which current and deferred tax balances are recognised and the mathematical accuracy of the Group's calculations. • Developed an understanding and evaluated the key drivers of the effective tax rate including risks relating to being part of a multinational group. • Engaged PwC tax specialists and read a sample of external advice obtained by the Group to assess the provisions for tax under Australian Accounting Standards. • Assessed the appropriateness of the Group's disclosure in relation to these matters in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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 on the other information that we obtained prior 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 the *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.



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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 35 to 48 of the directors' report for the year ended 30 September 2019.

In our opinion, the remuneration report of GrainCorp Limited for the year ended 30 September 2019 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

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
14 November 2019

David Ronald

David Ronald
Partner

Sydney
14 November 2019

Shareholder Information

Holdings distribution as at 31 October 2019

Range	Securities	%	No. Of Holders	%
100,001 and Over	198,203,773	86.61	36	0.28
50,001 to 100,000	2,203,142	0.96	30	0.23
10,001 to 50,000	9,127,112	3.99	491	3.82
5,001 to 10,000	6,748,168	2.95	953	7.42
1,001 to 5,000	9,875,875	4.32	4,229	32.92
1 to 1,000	2,697,558	1.18	7,106	55.32
Total	**228,855,628**	**100.0**	**12,845**	**100.0**
Unmarketable parcels	**17,555**	**0.01**	**861**	**6.7**

Twenty largest shareholders as at 31 October 2019

Rank	Name	Shares held	Issued Capital
1	HSBC Custody Nominees (Australia) Limited	64,765,421	28.3%
2	J P Morgan Nominees Australia Pty Limited	49,969,173	21.8%
3	Citicorp Nominees Pty Limited	33,596,006	14.7%
4	National Nominees Limited	19,757,945	8.6%
5	BNP Paribas Noms Pty Ltd	7,225,670	3.2%
6	BNP Paribas Nominees Pty Ltd	4,200,910	1.8%
7	UBS Nominees Pty Ltd	3,485,540	1.5%
8	HSBC Custody Nominees (Australia) Limited - A/C 2	2,104,446	0.9%
9	Jarjums Holdings Pty Limited	1,700,000	0.7%
10	HSBC Custody Nominees (Australia) Limited - GSCO ECA	1,334,360	0.6%
11	Citicorp Nominees Pty Limited	1,275,528	0.6%
12	UBS Nominees Pty Ltd	1,139,634	0.5%
13	Mrs Ingrid Kaiser	1,133,976	0.5%
14	HSBC Custody Nominees (Australia) Limited	1,063,250	0.5%
15	UBS Nominees Pty Ltd	834,338	0.4%
16	Pacific Custodians Pty Limited	697,337	0.3%
17	CS Third Nominees Pty Limited	557,796	0.2%
18	Charles and Cornelia Goode Foundation Pty Ltd	400,000	0.2%
19	Beta Gamma Pty Ltd	350,000	0.2%
20	Merrill Lynch (Australia) Nominees Pty Limited	288,872	0.1%
Total		195,880,202	85.6%
Balance of register		32,975,426	14.4%
Grand total		**228,855,628**	**100.0%**

Substantial shareholders

The following organisations disclosed a substantial shareholding notice in GrainCorp Limited by 4 November 2019:

Name	Notice Date	Shares held	Issued Capital
Ellerston Capital	12 August 2019	33,382,431	14.6%
Perpetual Limited	12 June 2019	32,369,968	14.1%
Norges Bank	25 January 2019	14,082,394	6.2%
Dimensional Entities	21 August 2017	13,742,579	6.0%
Vanguard Group	27 August 2019	11,493,404	5.0%

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.

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Corporate Directory

Board of Directors

Graham J Bradley AM
(Chairman)

Peter I Richards
(Deputy Chairman, Non-executive Director)

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)

Simon L Tregoning
(Non-executive Director)

Company Secretary

Stephanie Belton

Annerley Squires

Registered Office

Level 28
175 Liverpool Street
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AUSTRALIA

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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

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