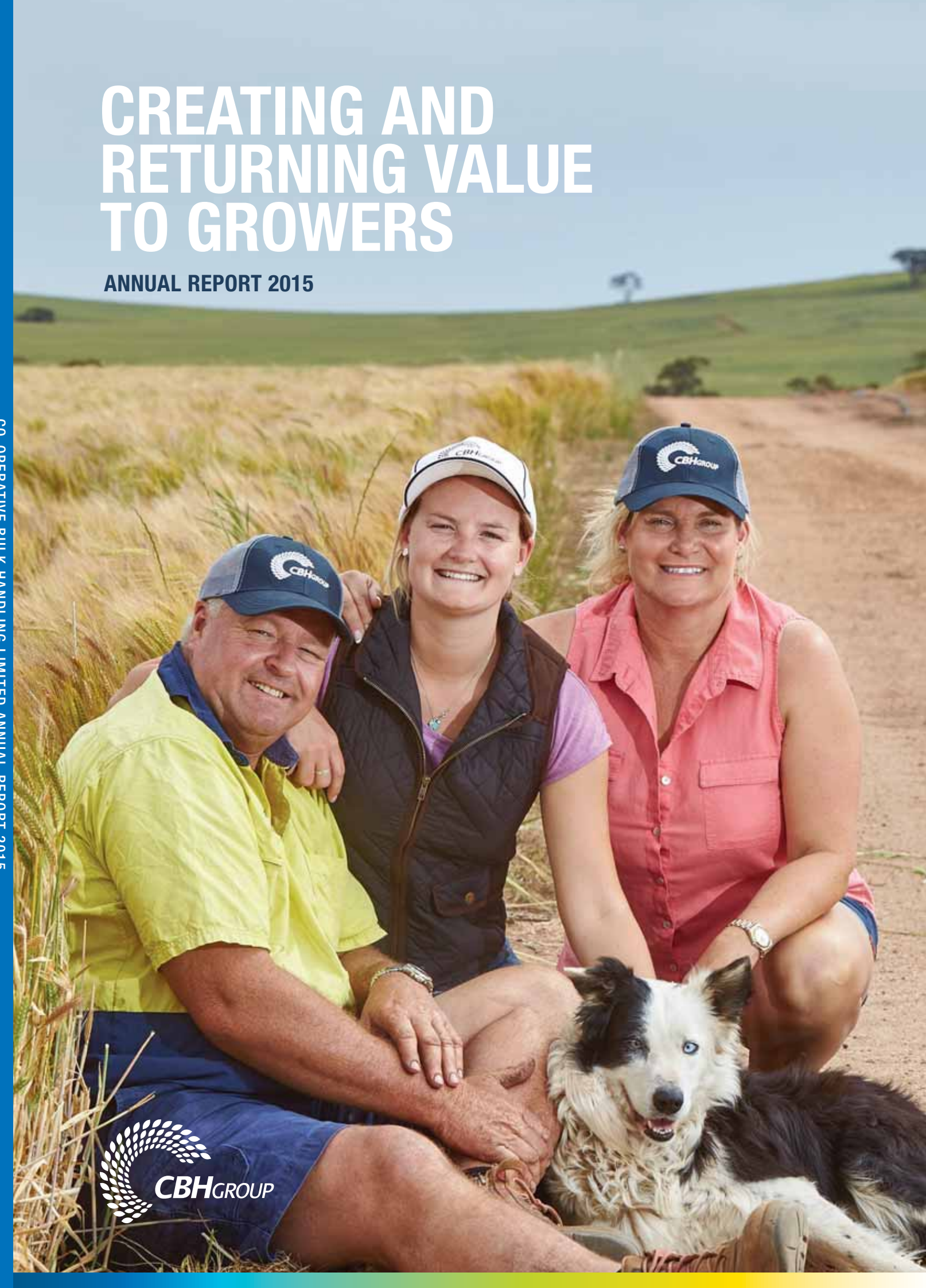


CREATING AND RETURNING VALUE TO GROWERS

ANNUAL REPORT 2015

CO-OPERATIVE BULK HANDLING LIMITED ANNUAL REPORT 2015



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CREATING AND RETURNING VALUE TO GROWERS

The CBH Group is an integrated grain storage, handling and marketing co-operative controlled by growers for their benefit and the benefit of the grain industry in Western Australia. We are Australia's biggest co-operative and a leader in the Australian grain industry, with operations extending along the grain supply chain from storage, handling and transport to marketing, shipping and processing.

Owned and controlled by around 4,200 grain grower members, the core purpose of the CBH Group is to create and return value to growers.

Since being established in Western Australia more than 80 years ago, CBH has constantly evolved, innovated and grown. The Group currently employs approximately 1,200 permanent employees, supported by up to 2,000 casual employees during harvest months.

These employees are located across the state at one of our nine regional offices, 195 receival site locations, four ports, our engineering workshops or at our head office in West Perth.

Our marketing division in West Perth, aided by additional offices in Eastern Australia, Hong Kong, Japan, Vietnam, the United States of America and Russia, is responsible for exporting a range of grains to more than 30 markets across the world.





Grain grower
members **4200**

Receival locations **195**

Global markets **30**

Port terminals **4**

YOUR NETWORK **10**

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YOUR INVESTMENTS **18**

YOUR SUPPORT **22**

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YOUR CHAIRMAN'S REPORT



The past year was my first full year as Chairman of CBH and the state's fourth largest harvest on record, with growers delivering 13.6 million tonnes. This followed on from the previous season's all-time record of 15.9 million tonnes and, at the time of writing, the 2015-16 season is shaping up to provide another above average harvest for growers and your co-operative.

Throughout 2015, your Board has spent a great deal of time re-examining and reconfirming our purpose, and that is to create and return value to growers.

In particular, we are committed to working with management to ensure that your co-operative is sustainable and can provide for both current and future growers.

Remaining competitive

In order to do this, both growers and CBH need to remain competitive against local and global competition. Your Board has set management very clear performance measures to achieve this by focussing on lowering our costs to serve, driving better prices and generating greater returns from investments, where possible.

Investment in our core

The key way we return value to our growers is through our storage and handling network. Over the past 12 months, we've undertaken extensive research to clearly understand what demands will be made on the network in the future and what that network should look like in order to serve growers and marketers for generations to come.

The co-operative has developed a Network Proposal that has been shared and discussed with growers at more than 90 grower meetings across the state in 2015. Over the coming year, we will use this feedback to determine how we can fine tune the Network Proposal to make sure it's internationally competitive and maximises competition for growers' grain.

Our network is the core of your co-operative and the best way in which we can create and return value. As such, we invested \$177.4 million into capital works and maintenance projects in 2015. This included \$51 million spent on our ports, which play a significant role in ensuring WA growers remain competitive by being able to get their grain onto ships and to our customers in a timely and efficient manner. We will continue to invest significant dollars into the network, particularly in good seasons, where it fits in with our Network Proposal.

In 2015, WA growers delivered the fourth largest harvest on record. Your Board reconfirmed its commitment to maximise value to growers through better prices and lowering our costs to serve via greater efficiencies and rebates from investments.

Investments

As mentioned, one of the ways we endeavour to create and return value to our growers is through the generation of rebates from our investments.

In 2015, CBH announced an investment rebate to assist growers to offset their storage and handling charges of \$0.20 per tonne. This was, in large part, due to the continued growth of our Interflour investment.

Over the past 12 months, your co-operative has expanded its investments to include CBH Fertiliser and Blue Lake Milling.

Fertiliser is a major cost of production and we believe we can offer competitive prices by using our co-operative to drive efficiencies in the supply chain.

Blue Lake Milling, a leading manufacturer of premium Australian oat products, offers the opportunity for WA growers to tap into the growing South East Asian oat market and generate an alternative income stream that can increase rebates to help lower storage and handling charges.

Investment in our communities

We remain committed to making a difference in our grower communities and, in 2015, we delivered more than \$1.6 million back to our communities to enrich the lives of those living in regional Western Australia.

Board update

There were a number of changes to the Board in 2015.

Simon Stead was elected in District 5, following the retirement of former Chairman, Neil Wandel.

Brian McAlpine and John Hassell were re-elected in Districts 1 and 3 respectively.

Following the resignation of Samantha Tough in November 2014, the Board welcomed Alan Mulgrew as an Independent Director in February 2015. Mr Mulgrew has brought valuable skills and experience to the Board from his roles as a Chairman, Director and General Manager of a range of public and private companies.

Growers Advisory Council

In 2015, five new members were elected to the Growers Advisory Council (GAC). The new members include Jim Heal from Three Springs, Barry West from Kulin, Royce Taylor from Lake Grace, Dave Cox from Esperance and Neville McDonald from Beaumont.

The successful candidates were selected by a panel consisting of four grower Directors, the GAC Chairman and the CBH Group Government and Industry Relations Manager.

The GAC makes a valuable contribution to the CBH Group and the number of nominations received was particularly pleasing.

I thank and recognise the significant contribution of our outgoing Councillors Terry Counsel from Wubin, Lindsay Tuckwell from Kondinin, Dwight Ness from Newdegate, Tim Bock from Jerramungup and Andrew Fowler from Esperance.

All retiring councillors are eligible to become members of the GAC Alumni, which is growing in numbers and providing valuable information back to your Board and management.

Returning value to growers

I've said in the past that returning value to growers is at the heart of how we, as a co-operative, can make a difference; by returning the value made by the business right back to you, after providing the best quality service and assets for now and into the future. It is something that both I, and your Board, stand by today.

We have made it clear to management that rebates to our growers must form a material part of our vision. It is important that we continue to grow value from our investments, in the form of rebates back to growers to lower the cost to serve, but also control our costs to ensure we remain an increasingly competitive and leading grower co-operative.

As a Board, we will continue to actively work with management to not only optimise the supply chain but to also look at cost efficiencies and ways to develop more income streams to offset costs, all with the intention of maximising the value of growers' grain and lowering our costs to serve.



Wally Newman
Chairman

YOUR CEO'S REPORT



82.7 \$M

Achieved NPAT of
\$82.7 million

81 %

of growers understand
the benefits provided by
their co-operative

Introduced site inductions
for deliverers at all sites
to improve safety

The fourth largest harvest on record produced another healthy surplus for the co-operative in 2015. The team at CBH set about delivering on our purpose of creating and returning value to growers through the development of a long-term Network Proposal and investments into fertiliser and oat milling.



The 2014-15 season was another good year for growers and your co-operative, with production of 13.6 million tonnes; the fourth largest harvest on record. This was a pleasing result, particularly given the stop-start nature of the season and the inclement weather experienced throughout the harvest. I thank growers and staff for their support and patience.

Financial performance

The CBH Group performed well in the 2014-15 financial year with a Net Profit After Tax (NPAT) of \$82.7 million. This result is not just the product of a large harvest. Regardless of the crop size each year, your management team strives to manage costs and operational efficiencies. Such a focus not only ensures we can generate a surplus to fund future capital and maintenance of your supply chain but continue to strengthen your co-operative.

Despite the positive financial result overall, the co-operative reported a loss in its marketing and trading activities for the year, largely due to grain and commodity markets experiencing some of their worst declines since the Global Financial Crisis.

Core focus on growers

As a grower co-operative, our core purpose is to create and return value to our growers. Your management team has had a productive year working with the Board to reconfirm this purpose and has set in place clear measures of performance that will ensure a continued focus on current and future generations of growers.

The clear key measure of performance is the dollar per tonne charge for storage, freight and port fees minus rebates of charges generated from CBH's other investments.

The fact is that we are up against some stiff competition from global competitors in Canada, USA, Argentina and Ukraine. It costs growers in these countries up to \$10 per tonne less to grow grain and they have better rainfall, soil and, in turn, yields compared to Australian growers.

As a grower co-operative, it is imperative that we do everything we can to help our growers remain competitive in this global marketplace.

Delivering on the purpose

Over the past year, we have set about delivering on our purpose in a number of ways.

We have undertaken an extensive analysis of our supply chain and developed a plan to ensure your storage and handling network remains competitive and sustainable now and into the future. We tabled this proposal at a number of meetings with growers throughout the state in 2015 and will now refine it, based on your feedback, with a view to implementing it to further strengthen our network over the coming years.

It has also been a busy year for the team at CBH in terms of value creation through rebates, with our expansion into fertiliser, oat milling and the continued growth of your Interflour investment.

The acquisition of Blue Lake Milling and the introduction of CBH Fertiliser provide an alternative income stream that can generate a rebate to help lower storage and handling charges.

Interflour's performance allowed CBH to announce a rebate to growers of \$0.20 per tonne in 2015 and the continued growth of its milling and processing capacity to meet future demand from the expanding Asian market will continue to deliver benefits to our growers in the long-term.

Championing the co-operative model

As Australia's largest co-operative and the second largest private business (BRW 2015), I believe it is important for CBH to take a lead role in promoting the value that member-owned organisations deliver to the Australian economy.

As Chairman of the Business Council of Co-operatives and Mutuals (BCCM), I have had the opportunity to present at a broad range of industry events throughout the

year about Australia's competitive position in world grain and the role of BCCM in educating both industry and Government about the unique benefits the co-operative model provides to growers and the Australian economy.

Through the work of both BCCM and CBH in the last year, we have seen a much greater recognition of the value we provide our members and industry. We saw this in practice through our exemption from certain requirements under the mandatory code of conduct for port access and the \$13.8 million committed to the development of agricultural co-operatives in Australia through the Federal Government's Agricultural Competitiveness White Paper. Such recognition has also seen the Senate instigate an inquiry into the role of co-operatives and mutuals in the Australian economy, which will provide a valuable opportunity to further champion our sector and its merits.

Grower loyalty

Of course, it is very unlikely the co-operative would be successful if it didn't have the support of those that it is here to serve.

We survey our growers each year to measure your view of your co-operative. In 2015, grower loyalty to CBH remained high, with four out of five growers indicating they obtain good value from CBH. In addition, 81 percent of growers said they understood the benefits they receive from being a member of the co-operative and 88 percent of growers indicated they are committed to working with CBH.

These results tell me that we are on the right path and that we are all working together to achieve our purpose. At the same time, with competition on our doorstep and around the world, we know we can't and won't take that loyalty for granted. Loyalty is hard earned and easily lost.

I believe our growers have a good understanding of the benefits of owning their own supply chain to market and their own marketer, especially when they see what has happened since that control was given up in other states. We remain ever cognisant of what matters to our growers and what attracts and retains their tonnes and loyalty to CBH.

Employee engagement

The achievements of our co-operative model would not have been possible without the dedicated, skilled and engaged team of people working for your business; all of whom are focussed on our purpose to create and return value to our growers.

Each year, we conduct an employee survey to measure how motivated and engaged your employees are through their connection to CBH and its purpose. There is a proven link between employee engagement and productivity and I am pleased to report that engagement at CBH remained strong in 2015.

Safety

The safety of your staff remains a key focus for your co-operative and we continue to see pleasing results in the reduction of injuries across the business.

Last year, we extended our safety program to include contractors, with the roll-out of our SitePass program. In 2015, we further extended our safety program to include all deliverers to our sites with the introduction of site inductions for the 2015-16 harvest.

I thank growers and staff for their continued support on this important issue and for working together to ensure that our people return home safely at the end of each work day.

Closing comments

The CBH Group remains committed to creating and returning value to growers and to do that over the long-term. Over the coming year, your management team will work closely with the Board to do this by seeking to reduce our supply chain costs and expand rebates.



Dr Andrew Crane
Chief Executive Officer

FINANCIAL AND OPERATIONAL SUMMARY

		2015	2014	
Summarised Results	Tonnes handled	mt	13.6	15.9
	Revenue	\$m	3,720.0	3,936.6
	Revenue including pool revenue	\$m	4,080.5	4,429.6
	Net operating profit/(loss) before interest and tax	\$m	99.5	185.3
	Net profit/(loss) after tax	\$m	82.7	149.2
	Capital expenditure	\$m	123.5	113.1
	Total assets	\$m	2,169.2	1,980.2
	Debt owing	\$m	211.3	47.2
	Equity	\$m	1,615.2	1,516.1
	Return on average equity	%	5.3	10.3
	Gearing (net debt to net debt plus equity)	%	0	0

Highlights

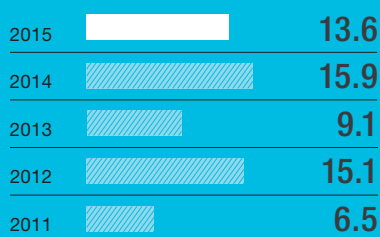
Received 13.6 million tonnes of grain

Posted a Net Profit After Tax of \$82.7 million

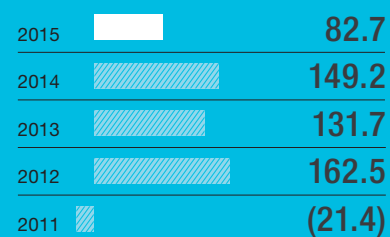
Invested \$177.4 million in capital expenditure and maintenance of the network

Invested \$1.6 million into regional communities

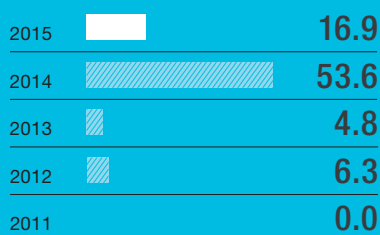
Tonnes Handled (Million Tonnes)



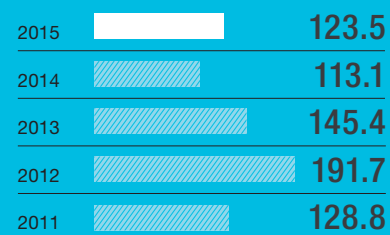
Net Profit (Loss) After Tax (\$M)



Rebates (\$M)



Capital Reinvestment (\$M)



SUMMARISED REVIEW



Received 13.6 million tonnes - the fourth largest harvest on record - and remained Australia's largest exporter of grain for 2015.

Operations

Received 13.6 million tonnes

Invested \$177.4 million in capital expenditure and maintenance on the network

Announced an Operations Rebate of \$0.85 per tonne to offset storage and handling charges

Implemented Long Term Agreements with 10 export customers resulting in 10.2 million tonnes of capacity sold for 5 years

Developed a Network Proposal to deliver an efficient and cost-effective network for the future

Marketing and Trading

Australia's largest exporter of grain, with a market share of more than 30 percent

Accumulated more than 50 percent of the Western Australian crop

Recorded a Net Loss After Tax of \$16.7 million, largely due to declines across all commodity markets

Provided more than \$100 million in pre-payment funding to growers

Delivered more than 6 million tonnes of grain direct to international customers

Executed a record number of 220 shipments to approximately 25 countries

Investments

Announced an Investment Rebate of \$0.20 per tonne to offset storage and handling charges

Profit attributable to Interflour investment of \$8.4 million

Launched CBH Fertiliser to provide growers with the ability to purchase base granular fertiliser products direct from the co-operative

Acquired Blue Lake Milling, a leading manufacturer of premium Australian oat products operating in South Australia and Victoria



Support

Maintained a high level of customer service through the Grower Service Centre

Introduced GRID – a new, secure online system to record farming business details

Improved LoadNet to include the option for growers to view live prices and contract online in real time

DailyGrain successfully implemented its Farm Gate Calculator



People

Retained an employee engagement score of 64 percent

Achieved a reduction in total injuries across the business, which resulted in a 17 percent reduction in our All Injury Frequency Rate

Successfully implemented the SitePass Contractor Safety Management System



Community

Invested more than \$1.6 million into a wide range of community and industry organisations

Launched a new three year partnership with the Black Dog Institute

Donated \$153,000 to nine worthy charities from HMMS forfeited loads proceeds



Environment

Awarded a 'Platinum' award by the Water Corporation for water saving initiatives

Implemented improved hydrocarbon storage programs across a number of CBH sites

Maintained certification to the ISO14001 standard for Environmental Management at all CBH terminals, and broadened our formal environmental management system to eight additional regional sites

Your network

Implemented Long Term Agreements with 10 export customers resulting in 10.2 million tonnes of port capacity sold for 5 years

Developed a Network Proposal to deliver an efficient and cost-effective network for the future

13.6MMT

Received 13.6 million tonnes for the 2014-15 harvest

177.4\$M

Invested \$177.4 million in capital expenditure and maintenance of the network

0.85\$/T

Announced an Operations Rebate of \$0.85 per tonne to offset storage and handling charges

CBH recorded its fourth largest harvest of 13.6 million tonnes in 2015. The co-operative remained focussed on providing value to growers through its storage and handling network and invested \$177.4 million into capital works and maintenance projects for the year. In addition, the co-operative developed a Network Proposal to deliver a network for the future. 2015 also saw the successful implementation of Long Term Agreements with 10 export customers and the announcement of an Operations Rebate of \$0.85 per tonne to growers.

Creating value

What we did:

CBH received 13.6 million tonnes for the 2014-15 harvest, making it the fourth largest harvest on record. This followed on from the record harvest of 15.9 million tonnes in the 2013-14 season.

The co-operative completed \$177.4 million worth of capital works and maintenance projects in 2014-15. These included:

- The commencement of a \$40 million major refurbishment of the Geraldton terminal steel silos that will see the 140,000 tonne capacity silos fully restored by 2018.
- A major refurbishment of one of the horizontal storages at Geraldton terminal that extends its life and capacity.
- Over \$5 million towards the manufacture of new plant and equipment, including 15 trippers, 20 stackers and five drive over grids.
- An investment of \$14.2 million into approximately 405,000 tonnes of additional open bulkhead storage for the harvest period, the majority of which will be used permanently.
- The roll-out of the SitePass Contractor Safety Management System, with over 1,000 contracting companies and 4,300 contractor employees now registered.
- Upgrades to staff accommodation at Dowerin, Mt. Madden and McLevie.
- The completion of a \$5 million, three year program to upgrade timber strut open bulkheads with steel frames.
- The continuation of a program to mitigate the safety risk of using stackers, trippers and conveyors by fitting appropriate guarding.
- The purchase of five elevated work platforms to provide a safer method of reaching elevated areas.
- The purchase of 16 front end loaders to replace older machines.

- The continuation of the roof and wall cladding replacement program at the Kwinana port terminal.

- The implementation of a traffic management program at 32 sites to improve safety, with the intention to apply the program to additional sites, as required.

- An investment in renewable energy at key sites, designed to deliver cost savings and environmental benefits.

- The development of a 20 year asset life cycle model for the storage and handling network.

- Major maintenance shutdowns at four ports and a number of country receival sites.

- The implementation of a number of innovative projects focussed on improving efficiency and service, including automation of multi-loader stackers, laser level measurement, a silo cleaning system and stock pile temperature monitoring.

In 2015, an Operations Rebate of \$0.85 per tonne was announced to assist growers to offset their storage and handling charges.

CBH provided a significant freight rebate to eligible growers from a surplus accumulated during the 2011-12, 2012-13 and 2013-14 seasons.

CBH achieved a number of shipping records throughout the year, with record tonnes shipped across the state in January 2015.

CBH achieved an average vessel turnaround time from arrival to departure of 3.6 days across its four port terminals.

In November 2014, CBH executed Australia's largest ever canola shipment of 77,612 tonnes to Europe.

The co-operative continued proceedings to seek access to the grain freight rail network through the rail access code via the Economic Regulation Authority (ERA), after failing to reach an agreement with Brookfield Rail.

Following the exemption afforded to the co-operative in 2014 from certain requirements of the Federal Government's port access code of conduct for bulk wheat exports, CBH finalised Western Australia's first set of Long Term Agreements (LTAs) with 10 export customers in 2015, with 10.2 million tonnes of capacity sold for 5 years. LTAs allow our marketers to obtain port capacity for five years, thereby providing them with greater long-term certainty for grain shipments.

CBH developed a Network Proposal to help ensure growers remain competitive on a global scale. The Network Proposal seeks to improve our receival and export efficiency, modernise our infrastructure and streamline our processes.

Objective

What we are working towards over the next 12 months

Drive business efficiency

Outlook

What the outlook is for achieving these objectives

1. Our storage and handling fees remain the lowest in Australia for bulk handling and exporting grain and we will continue to drive efficiency in the supply chain to ensure this remains the case going forward.
2. CBH has focussed significant efforts on seeking fair pricing arrangements for access to the WA grain freight rail network, under the Railways Access Code administered by the Economic Regulation Authority.
3. Fair and efficient rail access is of high strategic priority to the co-operative and CBH will continue to focus efforts on this matter until it is resolved.
4. Following the successful implementation of Long Term Agreements with marketers in 2015, we will look to expand our export services offering to customers in 2016.

Develop the right network

1. The Board has set a clear focus for the storage and handling network and that is to achieve high level efficiencies and cost effectiveness for each part of the system – from paddock through to port – and to ensure we remain the network of choice for both growers and customers in an increasingly competitive environment.

In response to this, the co-operative developed a Network Proposal that was shared and discussed with growers at more than 90 grower meetings across the state in 2015.

Over the coming year, we will use this feedback to determine how we can fine tune the Network Proposal to make sure our network remains internationally competitive and maximises competition for growers' grain.
2. Our network is the core of your co-operative and the most important way in which we can create and return value to you. We will continue to invest into the network.

Some of the major projects for 2016 include:
 - The development of a new site at Mirambeena to improve services to growers and customers in the Albany zone.
 - Major investment into the Cunderdin site to increase storage capacity and improve throughput.
 - Improvements to the marshalling, sampling and weighing facilities at Beacon.



Your marketer

Australia's largest exporter of grain, with a market share of more than 30 percent

Executed a record number of 220 shipments to approximately 25 countries

>50%

Accumulated more than 50 percent of the Western Australian grain crop

6 MMT

Delivered more than 6 million tonnes of grain direct to international customers

100 \$M

Provided more than \$100 million in pre-payment funding to growers

Despite a difficult trading environment, CBH Marketing and Trading remained the nation's largest exporter of grain and accumulated more than 50 percent of the total Western Australian crop for 2014-15. Your marketer provided pre-payment funding to growers of more than \$100 million and delivered more than 6 million tonnes of grain direct to international customers.

Creating value

What we did:

CBH Marketing and Trading recorded a Net Loss After Tax of \$16.7 million. The commodity markets in United States Dollar terms experienced some of the worst declines since the Global Financial Crisis, contributing to losses across a number of Marketing and Trading's commodity books and origins. Increased competition from origins in Europe and Russia to destinations in the Middle East and Asia compounded these difficult conditions. These origins had record crops and, combined with low ocean freight rates, extended their reach into Australia's traditional markets. Australian growers, however, benefited from stronger prices domestically as the Australian trade attempted to cover shipping slots at levels above international parity.

Despite the difficult season, CBH acquired more than 6.5 million tonnes (>50 percent) of the grain delivered in Western Australia and close to 1 million tonnes in South Australia. As a result of the difficult trading environment and reduced demand from major markets, CBH limited its third country trading to approximately 300,000 tonnes in 2015.

The co-operative maintained its position as Australia's largest grain exporter, exporting approximately 30 percent of Australia's bulk grain exports and delivering more than 6 million tonnes to international customers in 2015.

Our Pre-Pay Advantage product provided more than \$100 million in finance to more than 500 farming entities in 2015. Further enhancements were made to the product, including increasing the pre-payment from \$100 to \$200 per tonne and providing earlier access to the funds. The uptake of Pre-Pay Advantage continued to grow in 2015, with 28 percent of applicants being first time users of the product.



CBH hosted 29 customer delegations from North Asia, South East Asia and the Middle East in 2015 to help foster and strengthen the relationship with our growers and create a better understanding of the unique supply chain provided by the CBH Group.

Your customer base continued to expand with new business established in Indonesia, Vietnam, Tanzania, Mozambique and Malawi. As a result, CBH conducted its first direct shipment of 50,000 tonnes of wheat into East Africa.

CBH conducted a grower study tour to South East Asia in 2015, to provide an opportunity for growers to better understand some of the major forces affecting their business and see, first hand, the issues and trends occurring in this major market. The eight day study tour by 16 growers visited customers in Indonesia and Vietnam and included a visit to Interflour's recently acquired Golden Grand Mill near Cilegon Port in Indonesia.

In 2015, CBH executed a record number of 220 shipments to international customers. The co-operative continued its focus on selling on cost and freight basis to our international customers and achieved approximately 70 percent of sales. This strategy provides significant logistical benefits to CBH and our growers by ensuring grain is shipped in a timely manner to free up space across the network.

In conjunction with Oldendorff Carriers, CBH hosted the inaugural Grain Shipping Forum in 2015, which focussed on discussing the challenges faced by exporters across Australia. From this, CBH has taken a leading role in working with the Department of Agriculture and other industry participants to seek changes to vessel inspection processes to bring about greater efficiencies in the loading of vessels at all ports across the country.

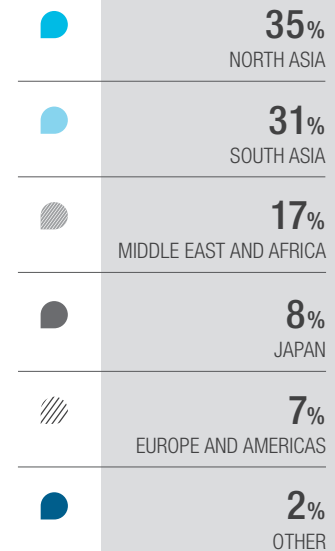
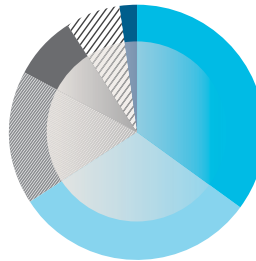
Creating value

What we did:

CBH Marketing and Trading was one of the first marketers to sign up to CBH's Long Term Agreements. This will help to secure significant volumes of grain into the storage and handling network to ensure it remains sustainable and competitive into the future.

In 2015, the co-operative extended its trading footprint to set up an additional grain trading and accumulations business in Krasnodor, Russia. Under the name, Granary, CBH will buy grain from Russian grain growers to sell and ship to our international customers, using the Black Sea's existing supply chains. The Black Sea region is a major competitor against WA grain and has become the international price benchmark for wheat and barley. This new venture complements grain purchased from Australian growers, provides stronger marketing options for our customers, access to real time market intelligence and the opportunity for CBH to gain further scale and generation of rebates for our growers.

CBH Marketing and Trading Export Destinations



Objective

What we are working towards over the next 12 months

Drive business efficiency

1. CBH will continue its focus on selling on cost and freight basis to our international customers in order to ensure grain is shipped in a timely manner to free up space across the network.
2. CBH will look for opportunities to secure additional value through freight operations over the next 12 months. With our expanding trading portfolio, including third origin and fertiliser, further freight opportunities are already being secured for the benefit of the CBH Group.

Develop the right network

1. CBH remains Australia's leading grain exporter and has retained majority market share of the WA crop for a number of years now. Over the coming year, we will continue to focus on providing growers in WA with a competitive range of products and services to suit their business needs, in order to retain our market share and attract tonnes into the storage and handling network.

Diversify Marketing and Trading

1. Over the coming year, CBH will continue to focus on maintaining a strong presence in Western Australia and South Australia, accumulating grain for the export market. It is our intention to remain a key acquirer in these two states in order to provide the co-operative with the ability to offer customers a greater variety of qualities, shipments options and pricing points.
2. The establishment of our Granary operations in Krasnodor, Russia, in conjunction with our already established international operations in Japan, Hong Kong, Vietnam and Portland USA, will better enable us to access trading opportunities in those regions over the coming year and form part of our strategy to have a local presence in the key markets by extending our supply chain closer to the customer.



Your investments

Launched CBH Fertiliser to provide growers with the ability to purchase base granular fertiliser products direct from the co-operative

8.4\$M

Interflour Group profit attributable to the members of CBH

0.20\$/T

Announced an Investment Rebate of \$0.20 per tonne to offset storage and handling charges

Acquired Blue Lake Milling, a leading manufacturer of premium Australian oat products operating in South Australia and Victoria

The CBH Group is committed to making prudent investments along the grain supply chain so that additional value can be captured and returned to our growers. In 2015, an Investment Rebate of \$0.20 per tonne was announced and the co-operative expanded its investment portfolio to include fertiliser and oat milling for the benefit of growers.

Creating value

What we did:

Interflour

Despite tough market conditions throughout 2015, as a result of South East Asian economies adjusting to slower growth and local currency weakness across the South East Asian region, the Interflour Group continued to generate positive returns and delivered a profit of \$16.9 million, of which \$8.4 million is attributable to the CBH Group.

In 2015, an Investment Rebate of \$0.20 per tonne was announced to assist growers to offset their storage and handling charges.

Interflour continued to pursue its objective of growing its daily milling capacity from 5,890 tonnes per day in 2013 to 10,000 tonnes per day by 2018 through a number of key projects. These included:

- Construction of a 360 tonne per day malting facility – InterMalt – in Vietnam at its Cai Mep port. Once finalised, the InterMalt facility is expected to produce 110,000 tonnes of malt annually. InterMalt has been strategically positioned to capitalise on the increasing beer market in Vietnam and will provide a new gateway for WA growers' grain. The facility is due for completion in early 2017.
- Construction of a new 500 tonne per day mill in Subic in the Philippines. The mill is expected to be completed in early 2017.
- Acquisition of the Golden Grand flour mill in Indonesia to provide freight advantages in serving the extensive Java market and adds another 600 tonnes of processing capacity per day to its operations.
- Acquisition of the Da Nang flour mill in northern Vietnam to provide an additional 220 tonnes of milling capacity per day.
- Extension of the Prestasi flour mill in Malaysia by a further 500 tonnes to take the daily processing capacity to 1,300 tonnes per day.



As reported in 2014, CBH committed up to US\$17.5 million to the InterMalt project for 3 years, which will be contributed via a reduction in the planned dividend to be received over this period. 2015 was the second year of the project.

In 2015, CBH, together with its partner, finalised the consolidation of investments in Interflour to create a simpler and more efficient structure. As a result, the majority of entities of the Interflour Holdings Ltd Group and PT Eastern Pearl Flour Mills are now held under a single holding company in Singapore.

Lupin Foods Australia

Lupin Foods Australia (LFA) continued with its 'feed to food' strategy in 2015 with a focus on building retail exposure across Australia.

CBH is currently reviewing how to optimise value from this investment.

Australian Bulk Stevedoring

Australian Bulk Stevedoring (ABS) is a joint venture between the CBH Group and Hudson Shipping Lines and provides stevedoring services to exporters at all Western Australian grain ports. ABS allows the CBH Group to create additional value for growers by tightening the link between growers and customers and providing services at another stage of the supply chain.

During 2014-15, ABS loaded 14.3 million tonnes of grain, woodchips and minerals sands and played a critical role in enabling the CBH Group to achieve its export requirements for the season.

Creating value

What we did:

Newcastle Agri-Terminal

The CBH Group acquired an option to be a minor shareholder in the consortium that constructed the Newcastle Agri-Terminal (NAT) in 2009.

Last year, CBH made the decision not to pursue the development of an up-country network of receival points to feed grain into NAT and, following a review of the strategic fit of this investment within the Group, it has been decided to commence an active sale process.

CBH Fertiliser

In 2015, CBH launched CBH Fertiliser to provide growers with the ability to purchase base granular fertiliser products direct from the co-operative.

Fertiliser is a major cost of production for growers and CBH believes that CBH Fertiliser can offer competitive prices by using the co-operative to drive efficiencies in the supply chain.

CBH Fertiliser will offer growers a limited volume of a select range of fertiliser products to growers in its first year, with collection available from January 2016.

Blue Lake Milling

CBH acquired Blue Lake Milling (BLM) for \$47.0 million in July 2015. BLM is a leading manufacturer of premium Australian oat products, operating in South Australia and Victoria. It has a total annual output capacity of 60,000 tonnes.

The acquisition of BLM provides CBH with oat milling capability to tap into the South East Asian oat market and develop a significant regional presence. More immediately, it offers WA growers another diversified investment that creates an alternative income stream that can generate a rebate to help lower their storage and handling charges.

Objective

What we are working towards over the next 12 months

Build investment rebates

Outlook

What the outlook is for achieving these objectives

-
1. The Board remains committed to reducing costs and maximising benefits to growers and returning value to growers through rebates. It is our intention to enhance and work towards increasing rebates into the future and any value created from our investments will be passed back to growers through lower costs or rebates.



Your support



DailyGrain successfully implemented the Farm Gate Calculator

Maintained a high level of customer service through the Grower Service Centre

Improved LoadNet to include the option for growers to view live prices and contract online in real time

Introduced GRID – a new, secure online system to record farming business details

The CBH Group is committed to providing support to growers throughout the year. Our Grower Service Centre and Business Relationship Manager teams continued to provide valuable assistance to growers in 2015 and DailyGrain successfully introduced the Farm Gate Calculator for the benefit of its members.

Creating value

What we did:

Grower Service Centre

Our Grower Service Centre in West Perth provided Western Australian growers with assistance on all aspects of the CBH Group business, including operational issues, the new online portal LoadNet, transferring grain online as well as product information, prices and payment arrangements offered by CBH's marketing arm.

During the harvest period, between November 2014 and January 2015, the Grower Service Centre received close to 16,000 calls. Outside of the harvest period, total calls were around 11,500. The average time in queue remained on target for 2014-15 at 45 seconds.

The introduction of CBH's new, secure online system to record farming business details – GRID – remained a major focus for the Grower Service Centre in 2015. Two casual GRID specialists were employed to assist growers with the GRID process and assisted over 80 percent of growers to complete GRID.

CBH Eastern Australia also ran a dedicated Melbourne-based Grower Service Centre from October to February to assist Eastern Australian growers with their enquiries.

Local support

The CBH Group's team of 10 Business Relationship Managers and two Key Account Managers, located throughout Western Australia, provided growers with a local contact to assist with their grain marketing needs and to facilitate contact with other areas of CBH where it may help their business.

An additional four Regional Managers provided support for growers in Eastern Australia.



LoadNet

LoadNet is a free online service, offered by CBH, which allows growers to track deliveries and payments, write contracts and optimise and nominate (sell) grain online.

In 2015, significant work was undertaken to improve the look and functionality of LoadNet, including the introduction of the ability for users to view live prices and contract online in real time. As part of this upgrade, it is no longer necessary to use CBH Mobile, as LoadNet can now be accessed from a computer, tablet or mobile.

DailyGrain

DailyGrain remained an industry leader in the provision of price discovery and online grain marketing for Western Australian growers.

In 2015, DailyGrain retained more than 500 members and provided them with easy access to over 1,200 prices from 20 grain buyers for seven commodities over 55 grades.

DailyGrain also completed the successful implementation of its Farm Gate Calculator, which enables users to work costs back to a farm gate level and rank price based on the best price for that location, giving growers a better understanding of the true value of the price quoted within the marketplace.

Your people

Successfully implemented the SitePass Contractor Safety Management System

64%

Retained an employee engagement score of 64 percent

Achieved a reduction in total injuries across the business, which resulted in a 17 percent reduction in our All Injury Frequency Rate

The CBH Group has a strong focus on ensuring our people are committed to our purpose of creating and returning value to growers, as well as returning home safely at the end of each work day. In 2015, employee engagement remained steady and the focus on safety successfully extended to CBH's contractors through the introduction of SitePass.

Creating value

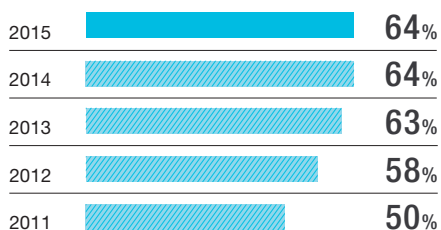
What we did:

Culture and employee engagement

Employee engagement remained strong in 2015, with the co-operative retaining an employee engagement score of 64 percent for the second consecutive year.

Employee retention remained high over the year, with voluntary turnover averaging less than seven percent over the 12 month period. Retention of new hires within the first two years of employment also remained high at over 88 percent, exceeding our 85 percent target.

Employee Engagement



Ensuring capability for the future

In 2015, CBH commenced implementation of a five year strategy to build the capability of our workforce, with a view to maintaining a sustainable, agile co-operative. This strategy focuses on three key areas:

1. Strengthening our leadership
2. Building the mindset and skills for competition
3. Ensuring capability for the future

Some of the key activities undertaken in 2015 under this strategy included:

- The introduction of an individual safety assessment tool to provide CBH's managers and supervisors with insight into their own attitudes and judgement around safety
- Workshops in change management for some of our senior leaders and other employees
- A range of training programs designed to improve skills needed in a more competitive, commercial environment
- Improving our succession planning and talent management process
- Developing front-line leaders, recognising the key role they play in helping our teams deliver value to growers
- Training leaders and teams in performance measurement and the use of problem solving tools which, over time, will enable a strong culture of continuous improvement

In addition, the co-operative continued to have a strong focus on building the core skills of our workforce and, in particular, ensuring that our harvest casuals and on-site employees have the skills and knowledge to operate safely and deliver quality service.

Mental health initiative

In 2015, CBH launched a mental health initiative for employees, in line with the co-operative's partnership with the Black Dog Institute. The initiative saw a number of CBH's employees voluntarily share their personal stories of mental health challenges to help reduce the stigma associated with mental health and encourage others to speak up and seek help when needed.

Safety, health and wellbeing

At CBH, we recognise the importance of providing a safe workplace for employees and those visiting our sites. It is our safety vision that everyone returns home safely at the end of each working day.

CBH has made great strides in recent years to implement changes to the way in which we think about and approach safety and this has led to a significant reduction in lost time and other injuries across our operations.

In 2015, the Board conducted a review of safety and set a clear direction for the next stage of our safety program which focusses on the critical risks faced by CBH and incorporates a strong risk-based approach to identifying and eliminating hazards.

Key critical risks

The key critical risks that have been identified for CBH are:

Working at heights

Working with plant and equipment

Working with electricity

Working in confined spaces

Working with motor vehicles

Working with rail

Fire/explosion from grain dust

Working with dangerous goods

Working with tarpaulins

Working alone

Creating value What we did:

In 2015, the co-operative also focussed on a number of key initiatives to further improve safety across the business. These included:

- Shifting the co-operative's focus towards its critical workplace health and safety risks, as outlined above, reviewing the effectiveness of its controls and verifying that those controls are working as intended
- Implementing a Workplace Health and Safety Strategy and Action Plan, focussed on the co-operative's key safety objectives
- Consulting and engaging with employees on the identification of high risk activities and development of Safe Work Method Statements
- Implementing our Contractor Safety Management System – SitePass. As a result, there are now more than 1,000 businesses and over 4,500 workers' licences and qualifications verified to meet CBH's safety standards
- Reviewing our workplace health and safety governance structure and establishing a new Board Workplace Health and Safety Committee. In addition, the co-operative established working groups focussed on critical risks safety leadership and development, systems and processes and assurance

A side benefit to CBH's continued focus on safety has been the reduction in workers compensation claims for the year. It is also pleasing to note that the focus on safety has been mirrored by growers, with a survey conducted in July 2015 indicating 88 percent of growers surveyed view safety at CBH receipt points as part of their responsibility and 84 percent have made changes to their farming operations to make it safer.

Safety performance

CBH has made great strides in recent years in improving its safety record. In 2015, we continued to achieve improved safety results, with the number of all types of injuries per million hours worked reduced by a further 17 percent reduction to 25.

Acknowledgement of service

Acknowledging years of service is also part of how we recognise our people. The following employees have dedicated 25, 30, 35 and 40 years of service to CBH and we would like to recognise their longstanding commitment to CBH and WA growers.



Kerry Adams	Simon McBeath
Graeme Altus	Paddy Morton
Jeffrey Beaver	David Palmer
Geoffrey Cecil	Leh Tan
Thi Ho	Roger Tolcher



Blake Andrews	Colin Stephen
Kevin Baker	Luke Taplin
Anthony Bunter	Christopher (Huw) Thornton
Stephen Jeeves	Gregory Thornton
Glen Miller	Melbert Waka
John Pendergrast	Giancarlo Zinetti



Awal Alna	Shane McCarrol
Terry Anderson	Jon Merritt
Kathy Bloomfield	Jeffrey Moloney
Charlie Burgess	Dennis Munckton
Jock Carlson	Neil Murray
Kerry DeBonde	Gary Nagle
Geoffrey Desmond	Alan Olsen
Wayne Fernihough	Robert Partington
Gary Gawned	Barry Pearson
Ian Gordon	Mark Petchell
Neville Haines	Edward Power
Trevor Holt	Dom Ripepi
Graeme Howard	Kevin Rodgers
Jim Jardine	Russell Saunders
Brett Jeffrey	Ramla Senihin
Colin Jenkins	Graeme Sexton
Wayne Killen	Brendan Simmons
Bill Kirkwood	Colin Vince
Mick La-Rosa	Harry Warry
James Main	Mark Whyte
Kim Main	Gregory Wood
Robert Markey	



Neil Gray	Brendan Simmons
Keven Jones	Colin Tutt



Your community



Invested more than \$1.6 million into a wide range of community and industry organisations

Launched a new three year partnership with the Black Dog Institute

Donated \$153,000 to nine worthy charities from HMMS forfeited loads proceeds

The CBH Group has a strong commitment to the sustainability of our farming communities and the grain industry. In 2015, we invested more than \$1.6 million into rural WA to make a difference in the communities in which we operate.

Creating value

What we did:

As the largest co-operative in Australia, and the only major grower-owned grain business, we have a strong commitment to the sustainability of our farming communities and the grain industry. We demonstrate this every year through our support and sponsorship of many organisations and community projects. Our goal is to make a difference in the communities in which we operate.

In 2015, your co-operative contributed more than \$1.6 million under its Community Investment Program, to our regional communities across a range of categories.

Grower community investment

These sponsorships focus on events, organisations and projects which contribute towards rural community development and sustainability, wellbeing and safety, and vitality and diversity.

CBH is committed to supporting education, arts and capacity building programs which will build future contributors and leaders of rural communities, inspire ideas and creativity and promote agriculture. In 2015, we demonstrated this through a range of sponsorships, as outlined below.

Sport and recreation

In 2015, we provided \$62,500 to our long-term sponsorship partner, WA Country Football League, bringing the total support to more than \$600,000 over 14 years. The sponsorship directly supports 12 leagues across the state and incorporates all leagues in the core grain growing regions of WA.

We also continued our partnership with Hockey WA to support the CBH Country Week Hockey, which involved over 2,000 participants. Since our partnership began in 2004, CBH has provided \$213,000 to support country hockey.

Regional capacity building

CBH continued to provide significant support to grower directed organisations that aim to lift farm profitability and sustainability in their regions. Combined, these groups have a membership base of over 1,500 farm business entities, cover over 36 shires and hosted approximately 130 events in 2015. They include:

- Facey Group
- Liebe Group
- Mingenew Irwin Group
- Stirlings to Coast Farmers
- South East Premium Wheat Growers Association
- Southern DiRT
- Western Australian No-Tillage Farmers Association
- West Midlands Group

In 2015, CBH commenced a three-year partnership with the Grower Group Alliance to host governance workshops run by the Australian Institute of Company Directors.

The co-operative also sponsored the following:

- RIRDC Rural Women's Award
- Western Australian Farmers Federation Conference
- Grower Group Alliance Conference
- Nuffield Scholarship
- Regional Achievement and Community Awards
- Muresk Grains Industry Scholarship

Health, safety and lifestyle

CBH commenced a three year partnership with the Black Dog Institute to provide grain growing communities with greater access to services that help address the very important and serious issue of mental health.

CBH continued its partnership with the Royal Flying Doctors Service (RFDS) in evaluating the 700 airstrips located across regional WA. Since the commencement of the partnership, the RFDS has completed 2,630 retrievals from grain growing areas. The collection of this data enabled the RFDS to form an alliance with the WA Police Air Wing to share crucial air strip information in 2015.

In 2015, the co-operative also continued its partnership as a Room Sponsor of the Ronald McDonald House. The Ronald McDonald House provides accommodation to regional families of seriously ill children who are being treated at the Princess Margaret Hospital. In 2015, 71 families from 28 of WA's grain growing communities spent a combined total of 1,010 nights in the Ronald McDonald House.

The Arts

In 2015, CBH partnered with FORM to bring two internationally renowned urban artists to the wheatbelt to paint the Avon silos, as part of a state-wide public art project. Eight of the 16 silos at the CBH Avon site were painted as part of the PUBLIC – Art in the Wheatbelt project and have attracted visitors from far and wide.

The co-operative continued its partnership with Musica Viva – a three year partnership that contributes to bringing music education to regional school children. Twenty grain growing schools directly benefited from this partnership in 2015.

Creating value

What we did:

Promoting the grain industry

In 2015, CBH continued its partnership with the Royal Agricultural Society to contribute to the Perth Royal Show educational displays with the Farm2Food and Farm Technology pavilions. Over 18,500 Junior Farm Passports were handed out to children who participated in the program at the 2015 Perth Royal Show.

Grassroots Community Fund

Forty five organisations received funds totalling \$103,060 under the Grassroots Community Fund in 2015.

Some of the projects and events to receive funds under the Grassroots Community Fund were:

- Bolgart's West Oz Blues Festival
- The Literature Centre's Talented Young Writers Program
- Jerdacuttup Community Association's Country Markets
- Hyden Community Fun Day
- Rotary Club Centenary Conference
- Community Arts Network WA – Voices of the Wheatbelt Concert

Global community

CBH continued its sponsorship of the Crawford Fund in 2015. The Fund promotes and supports international agricultural research and development involving the participation of Australian organisations.

Grain industry

We recognise the important work done by grain industry organisations in representing grain growers at all levels of Government and in the wider community.

In 2015, CBH sponsored a number of major conferences encouraging discussion and debate about the latest developments, trends and challenges affecting our industry.

Industry associations and memberships

We maintained a strong, proactive presence amongst the business community in 2015, through our involvement with the following organisations:

- Grain Industry Association of Western Australia
- Grain Trade Australia
- Kwinana Industries Council
- Western Australian Chamber of Commerce and Industry
- Committee for Economic Development of Australia
- Australian Institute of Company Directors
- Business Council of Co-operatives and Mutuals
- Co-operatives WA
- International Co-operative Alliance

Government engagement

The CBH Group engages regularly with all levels of Government – Federal, State and Local – to ensure that growers' interests are understood and taken into account in the Government decision-making process.

In 2015, our efforts were heavily focussed on ensuring the wheat industry continued its transition to deregulation, with CBH being exempted from the highest level of regulation under the Mandatory Code of Conduct for port access due its co-operative structure.

CBH also focussed significant effort on seeking fair pricing arrangements for access to the WA grain freight rail network under the Railways Access Code administered by the Economic Regulation Authority. Unfortunately, a long-term access agreement has not been reached to date. However, fair and efficient rail access is of high strategic priority to the co-operative and CBH will continue to focus its efforts on this matter until it is resolved.

Donations – HMMS

In 2015, CBH presented nine charitable organisations with a total of \$153,000 in sale proceeds from grain forfeited under the 2014-15 Harvest Mass Management Scheme (HMMS).

These included:

- Ronald McDonald House
- St John Ambulance
- Wheatbelt Men's Health
- Australian Men's Shed Association
- SolarisCare
- Princess Margaret Hospital Foundation Charity
- Camp Kulin
- Red Cross
- Youth Focus



Your environment



Awarded a 'Platinum' award by the Water Corporation for water saving initiatives

Broadened our formal environmental management system to eight additional regional sites

Implemented improved hydrocarbon storage programs across a number of CBH sites

The co-operative believes a sustainable business is one which measures success not just with economic but social and environmental indicators as well. In 2015, we continued our long-term commitment to a sustainability vision designed to deliver value to all its stakeholders by protecting, sustaining and enhancing the human and natural resources needed for the future.

Creating value

What we did:

The key objectives of the CBH Group's Sustainability plan centres on ensuring CBH prevents harm to the environment and continually reduces its overall environmental footprint while also striving to involve itself with initiatives designed to have a positive long-term impact within the communities in which it operates.

Sustainability Action Plan

Vision

Delivering value to all our stakeholders by protecting, sustaining and enhancing the natural resources needed for the future.

Guiding Principles

Protecting natural resources

CBH regards protection of the physical environment and conservation of the natural resources as an essential element to the organisation's operations and crucial to the long-term sustainability of agriculture in Australia.

Delivering value to all

CBH is committed to ensuring planning, design and decisions take into account the present and future needs of all our stakeholders. As such, safety, financial, environmental, ethical and social outcomes are considered in everything we do.

Enhancing communities

CBH continues to strive to be involved in building strong and sustainable communities both within the industry and the rural environment we operate in.

Objectives

- Prevent harm to the environment
- Strive to enhance the communities in which we operate
- Reduce greenhouse gas emissions
- Integrate sustainable development principles
- Implement sustainable consumption practices
- Foster more sustainable behaviours and consumption patterns
- Improve water use efficiencies and protect water quality
- Reduce waste produced, maximise resource recovery and recycling

In 2015, CBH continued to implement a number of initiatives and programs that ensured progress towards these objectives.

Sustainability Overview 2015

Objective	Action	Comments	Status
Prevent harm to the environment	Maintain certification to the ISO14001 standard for Environmental Management at CBH Group terminals	Certification held via independent third party audits 2014-2019	●●●○
	Broaden the CBH Group's Environment Management System (EMS) to the receival site network	Nine additional sites operating to the requirements of the ISO14001 standard	Complete
	Prepare environmental plans for 'high risk' sites	Formal management plans for such aspects as noise, dust, storm water management	●●●○
	Implement an Environmental Incident Frequency Rate (EIFR) measure and target	EIFR as total number of environmental incidents x 1,000,000 divided by total hours worked by all employees (and contractors)	●○○○
	Design and develop native vegetation rehabilitation and planting plans to offset native vegetation clearing activities with the intent to protect and enhance local biodiversity	Project sites in place at Moora, Dowerin, Hyden, Chadwick. Since 2010 CBH is tracking with a "positive net gain" i.e. more diversity replaced than lost via CBH activities	●●○○
	Undertake tree retention programs on all relevant sites	Mandatory under our Sustainability Action Plan. Taken into consideration but not formalised as a standard practice	●●●○
	Construct and implement a 'Buy Quiet' policy		○○○○
Strive to enhance the communities in which we operate in	Review Community Investment Program against set objectives	Community Investment Program is reviewed annually and sponsorship activities are tracked. Applications for the Grassroots Fund are accepted three times annually to assist the timing of payments to community groups	●●●●
	Formalise major community partnerships	Formal partnerships in place with Royal Flying Doctors Service, Ronald McDonald House, WA Country Football, Musica Viva, Hockey WA, Black Dog Institute, Royal Agricultural Society and Grower Group Alliance	●●●●
	CBH Grassroots Fund	Provides sponsorship up to \$5,000 via an application process against key criteria	●●●●
	Harvest Mass Management Scheme	\$153,000 donated to nine charities via this scheme in 2014-2015	●●●●
Reduce greenhouse gas emissions	Meet all statutory greenhouse and emission reporting programs	National Greenhouse Reporting System, Australian Bureau of Statistics Energy and Waste reporting	●●●●
	Construct and implement an Energy Management Policy and Plan focusing on future energy requirements and the establishment of efficiency and reduction targets	Key stakeholder group developed Draft Policy designed	●●○○
	Implement greenhouse reduction projects at all CBH EMS certified sites	Projects linked to the Energy Management Policy, Energy Management Action Plan and greenhouse targets/ measures	●●●○
	Install 0.5 megawatts of renewable energy by 2016 and 1 megawatt by 2019	30 kilowatt system established at Moora 500 kilowatt tender released April 2014	●●○○
	Identify vehicle fleet options to reduce environmental footprint of CBH Group fleet	Environmental criteria embedded in CBH Group vehicle selection policy	●●●○
Integrate sustainable development principles	Ensure sustainability objectives are captured within the 'Future Sites Concept'	Energy efficiency strategies factored into original site design at Chadwick	●○○○
	Opportunities for energy efficiency to be considered and reported for each major capital expansion in development specifications		○○○○

Status Key

Target complete	Complete	Mostly achieved	●●●○	Work begun	●○○○
Achieved	●●●●	Work in progress	●●○○	Not achieved	○○○○

Objective	Action	Comments	Status
Implement sustainable consumption practices	Communicate our sustainability objectives, targets and activities to stakeholders (employees, growers, suppliers)	Communications to employees, growers and key suppliers has begun. Environmental and sustainability considerations included in key Request For Price (RFP) and contracts	●●●○
	Develop a purchasing policy giving consideration to environmental and social performance, opportunities to 'buy local' and minimal packaging options	Purchasing Policy now references Sustainability approach	●●○○
	Establish a program to benchmark suppliers	Tender evaluation process in place with criteria and weighting system applied	●●●○
	Implement a 'high risk' product or problem material database	To be implemented from 2015 onwards	○○○○
	Revitalise the 'Sustainable Office Program' focusing on travel, paper use, waste and recycling, water, energy in office settings	Waste and recycling programs in place and communicated	●○○○
	Determine the feasibility of using sustainable e-publishing tools for the majority of distribution, paper and printing processes for all marketing material	PDF and online capabilities available for all regular publications. CBH applications in development	●●●○
Foster more sustainable behaviours and consumption patterns	Implement a tiered training structure for sustainability and environmental aspects relevant to the CBH Group	Training developed and in the process of being implemented in consultation with Learning and Development	●●●○
	Utilise NAV MAN vehicle Technology Solution to support improved driving practices and vehicle selection	Fleet reporting now being tracked	●●●○
	Optimise CONNECT (CBH Intranet for staff) and WEB to communicate with all stakeholders on sustainability issues	Landing pages established for 'sustainability' related communications on CBH CONNECT and CBH external web page	●●●○
	Implement an annual communications and education strategy in support of an international/national environmental significant day (e.g. World Environment Day)	National Tree Day and Bioblitz supported in 2015	Complete
Improve water use efficiencies and protect water quality	Identify and communicate baseline water consumption figures centred on areas of potential wastage	Socialise and communicate a "net positive" water consumption mindset	●●○○
	Determine feasibility of installing rainwater tanks in all new developments	Rainwater tanks installed at some sites, however not in place for all new developments	●○○○
	Undertake feasibility studies of stormwater harvesting options from CBH sites and facilities	Goomalling site collects run off for community use. Pingrup project operational	●●○○
	Undertake formal water audits at major facilities	Kwinana Grain Terminal formally water audited with significant savings achieved. Cee and See Caravan Park audited and water efficiency management plan implemented	●○○○
	Implement water quality guideline for wash down areas on CBH sites focused on best practice controls	Audits to be conducted at CBH sites against the guideline	●●○○
	Review water quality monitoring programs	Water monitoring conducted at all high risk sites. A formal review of all water quality monitoring programs was conducted in 2012 with the next formal review due in 2017	Complete
Reduce waste produced and maximise resource recovery and recycling	Reuse and recycle strategies implemented for major waste streams	Recycling systems established for wall liners, sample bags, PVC tarps, fluoro tubes, oil, paper, cardboard, co-mingled, e-waste, packaging and mobile phones. Reduce waste to landfill by 50% by 2019. Goal is 0% waste to landfill by 2030	●●○○
	Establish baseline waste generation and recycling of all CBH sites	CBH has agreements with several recycle providers. Uptake of reporting has been inconsistent across the Group, due to number of different providers and waste streams requiring managing	●●○○
	Examine opportunities and initiatives to specify product packaging and delivery to reduce site waste		○○○○
	Implement four closed loop recycling programs	Two already implemented. Grain dust at MGC and Kwinana waste oil at major sites	●●○○
	Implement responsible waste days for CBH employees to utilise CBH waste systems for difficult domestic waste items such as car batteries and polystyrene	Battery collection continued at major sites	●●●○

YOUR BOARD OF DIRECTORS



Wally Newman
Chairman

Wally Newman has been a Director of the CBH Board since August 2000, was the Deputy Chairman from 2008-2012 and was elected Chairman-Elect in April 2014 before assuming the role of Chairman in August 2014. He is currently Chairman of the Communications Committee and a member of the Remuneration and Nomination Committee.

Wally is a farmer from Newdegate in Western Australia's grainbelt. A Director of several private companies, he is renowned as the instigator of the popular Newdegate Machinery Field Days and is its former President and a current committee member. Wally has 25 years of local Government experience, including three years as Deputy President of the Lake Grace Shire.

Wally is a Fellow of the Australian Institute of Company Directors.



Vern Dempster
Deputy Chairman

Vern Dempster was elected as a Director of the CBH Board in April 2008. He was appointed Deputy Chairman from April 2013 to April 2014 and re-appointed to the position in August 2014. He is currently a member of the Audit and Risk Management Committee and the Remuneration and Nomination Committee, as well as a CBH Board appointed Director of Interflour Group Pte Ltd.

Vern is a grain and sheep farmer from Northam, located in Western Australia's central grainbelt. He has held various positions with the Western Australian Farmers Federation (WAFF) and was a Director of United Farmers Co-operative from 2000 to 2003.

Vern is a Graduate Member of the Australian Institute of Company Directors.



Trevor Badger
Member Director

Trevor Badger was elected as a Director of the CBH Board in April 2007. He is currently Chairman of the Investment Committee and a member of the Remuneration and Nomination Committee, as well as the CBH Board appointed Chairman of CBH Pty Ltd which is the sole shareholder of the recently acquired Blue Lake Milling Pty Ltd.

Trevor produces grain and sheep on his properties in Pingrup and Mindarabin in Western Australia's South West. He has held executive positions on various grower representative bodies in Western Australia and is currently Chairman of the Lake Chinocup Catchment Resource Management Committee, Deputy Chairman of the Nyabing Pingrup LCDC, and a member of the Minister's Agriculture Advisory Committee (MAAC) which provides advice to the Western Australian Minister for Agriculture, the Hon. Ken Baston MLC.

Trevor is a Graduate Member of the Australian Institute of Company Directors.



Trent Bartlett
Independent Director

Trent Bartlett was appointed as a Director of the CBH Board in February 2012. He is currently Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Management Committee.

Trent is currently Chairman of the Margaret River Busselton Tourism Association and Deputy Chairman of Good Samaritan Industries. He was previously Chief Executive Officer of Capricorn Society, one of Australia's most successful co-operative enterprises, from 2001 to 2011. Prior to that, he held senior executive positions with David Jones Ltd, Aherns and Target Australia, then part of the Coles Myer Group.

Trent is a Fellow of the Australian Institute of Company Directors and an Accredited Facilitator of their Governance Education Programs.



Derek Clauson
Member Director

Derek Clauson was elected as a Director of the CBH Board in February 2013. He is currently Chairman of the Workplace Health and Safety Committee, as well as a member of the Communications Committee and the Investment Committee.

Derek runs a continuous cropping operation at Yelbeni and Bencubbin. He has significant past experience as a Chairman of ASX listed companies and has served as a Director of various companies in the UK, USA, Hong Kong and Singapore. In addition, Derek has served as a Chairman and Deputy Chairman of many agricultural based organisations and has previously served as a Shire President and Deputy Shire President. He also formerly held the position of President of the Western Australian Farmers Federation Grains Council.

Derek is a Fellow of the Australian Institute of Company Directors.



Kevin Fuchsbichler
Member Director

Kevin Fuchsbichler was elected as a Director of the CBH Board in April 2007. He is currently a member of the Communications Committee, as well as Chairman of CBH subsidiary Lupin Foods Australia Pty Ltd.

Kevin is a grain producer from Bruce Rock with more than 35 years' industry experience. He was formerly a Director of Bruce Rock Bendigo Community Bank, is a past State President of the International Agricultural Exchange Association and an inaugural board member of the International Rural Exchange.

Kevin is a Member of the Australian Institute of Company Directors.



John Hassell
Member Director

John Hassell was elected as a Director of the CBH Board in April 2009. He is currently Chairman of the Growers Advisory Council Selection Panel and is the CBH appointed representative on the Co-operatives WA Council.

John is a grain and livestock producer from Pingelly, located in the central grainbelt region of Western Australia. He has held a number of executive positions with the Western Australian Farmers Federation.

John holds a Bachelor of Business in Agriculture from Curtin Muresk Institute of Agriculture and is a Graduate Member of the Australian Institute of Company Directors.



Rod Madden
Member Director

Rod Madden was elected as a Director of the CBH Board in April 2006 and served as a Director until 2012, before being re-elected in 2014. He is currently a member of the Investment Committee, the Communications Committee and the Workplace Health and Safety Committee.

Rod produces grain and sheep on his farm in Morawa. He is currently a Director of North East Farming Futures and was the inaugural Chairman of United Farmers Co-operative between 1992 and 2002, a Director of WAMMCO International between 2003 and 2015, and a previous councillor of Co-operatives WA. In recognition of his contribution to agriculture, in 2002 Rod was awarded the Sir John Monash Gold Medal Award for Agribusiness Co-operative Directors.

Rod is a Fellow of the Australian Institute of Company Directors.



Brian McAlpine
Member Director

Brian McAlpine was elected as a Director of the CBH Board in February 2012. He is currently a member of the Audit and Risk Management Committee and the Workplace Health and Safety Committee.

Brian is an experienced grain farmer from Latham in Western Australia's North East. He is a past President of Liebe Group and a past Councillor of the Dalwallinu Shire.

Brian has completed a Masters of Business Administration (MBA) and a Nuffield Scholarship, and is a Graduate Member of the Australian Institute of Company Directors.



Alan Mulgrew **Independent Director**

Alan Mulgrew was appointed as a Director of the CBH Board in February 2015. He is currently a member of the Investment Committee and the Remuneration and Nomination Committee, as well as a CBH Board appointed Director of CBH Pty Ltd which is the sole shareholder of the recently acquired Blue Lake Milling Pty Ltd.

Alan is currently a Director of Adelaide Airport Ltd, Tesla Corporation Pty Ltd and Queensland Airports Ltd. He has extensive senior executive experience both nationally and internationally, with a strong background in infrastructure, including as former General Manager of Perth Airport and former General Manager of Sydney Airport, among other leadership roles. He also has extensive experience as a Director on other boards, including as former Chairman of each of Western Power, Tourism WA, Western Carbon Pty Ltd and Australian Renewable Fuels.

Alan holds a Bachelor of Arts (Management) and a Diploma in Corporate Finance and is a Graduate of the Australian Institute of Company Directors.



Simon Stead **Member Director**

Simon Stead was elected as a Director of the CBH Board in February 2015. He is currently a member of the Audit and Risk Management Committee and the Communications Committee.

Simon currently runs a mixed sheep, cattle and cropping operation in Cascade and Dalyup in the Esperance port zone. He has previously worked for Wesfarmers and has a long involvement with the South East Premium Wheat Growers Association (SEPWA). Simon is also a founding member of the Association for Sheep Husbandry, Excellence, Evaluation and Production (ASHEEP) and its immediate past Chairman.

Simon holds an Executive Certificate in Agribusiness Marketing from Monash University and is a Member of the Australian Institute of Company Directors.



David Willis **Independent Director**

David Willis was appointed as a Director of the CBH Board in March 2010. He is currently Chairman of the Audit and Risk Management Committee, a member of the Investment Committee and a CBH Board appointed Director of Interflour Group Pte Ltd.

David is a qualified accountant with more than 30 years' experience in the Asia Pacific, UK and USA, including more than 25 years working with Australian and foreign banks. He holds a number of board positions with public and private companies in several sectors and across Australia, New Zealand and Asia. He also acts as an advisor to several companies and is Chairman of a charity assisting disadvantaged youth.

David holds a Bachelor of Commerce (Accounting) and is a Member of the Australian Institute of Company Directors and the Australian Institute of Chartered Accountants.

YOUR SENIOR MANAGEMENT TEAM

Dr Andrew Crane **Chief Executive Officer**

Dr Andrew Crane joined grain marketer, Grain Pool Pty Ltd, in 2001. He was appointed General Manager of Grain Pool (now CBH Marketing and Trading) when it merged with CBH Group in 2003. He was responsible for the operation of Grain Pool including the accumulation, trading and marketing of barley, canola and lupins under a 'single desk' export licence and then the growth of the wheat business following the deregulation of Australia's grain export industry.

In 2008 he became the CBH Group's General Manager, Strategy and Business Development and was appointed Chief Executive Officer in April 2009.

Since joining the CBH Group, Andrew has led the reorganisation of the business to ensure that grower members benefit from the dramatic deregulation of their industry. Key initiatives include partnerships and acquisitions along the grain supply chain, their subsequent integration and improving the efficiency of the broader business. As the CEO, he has led a reconfirmation with members of a competitive co-operative business model, the creation of value return measures and delivery, and valuing employees through commitment to improving safety and engagement.

Prior to joining the CBH Group, Andrew spent 12 years in the European malting industry in various production, operational and marketing management positions.

His last role was as Commercial Director of Pauls Malt Ltd, responsible for raw material sourcing and global sales.

Andrew holds a Bachelor of Science (BSc) in Environmental Studies, a PhD in Agriculture and is a Fellow of the Australian Institute of Company Directors. Andrew is also a Director of Interflour Group Pte Ltd, the Chairman of Business Council of Co-operatives and Mutuals, a member of the Curtin University Council and a member of Rabobank Australia and New Zealand Wholesale Food and Agriculture Advisory Board.

Ed Kalajzic **Chief Financial Officer**

Ed Kalajzic joined the CBH Group in September 2008 as a Business Development Manager before being appointed as Chief Financial Officer in June 2014. He is currently responsible for the financial management of the CBH Group.

Prior to his appointment as Chief Financial Officer, Ed worked within the Strategy and Business Development division, where he was involved in mergers and acquisitions, investment monitoring, and corporate strategy. Over the past seven years, Ed has also been a Director of several of the CBH Group's subsidiaries.

Before joining the CBH Group, Ed worked for PricewaterhouseCoopers for just over three years in the Advisory division where he was primarily involved in the Valuations/Strategy and Transactions teams. Ed is originally from a grain and sheep farm in Cadoux.

Ed holds a Bachelor of Business (Double Major in Accounting and Finance), is a Chartered Accountant, and a Graduate of the Australian Institute of Company Directors.

David Capper **General Manager Operations**

David Capper was appointed General Manager Operations in July 2013 and is responsible for leading CBH's world-class storage and handling, logistics, engineering and shipping services. As General Manager Operations, David's main focus is creating and returning value to growers by ensuring an efficient and cost effective supply chain from paddock to port and maximising the competition for and value of growers' grain delivered to the network.

David has held the positions of Manager of Operations and Strategy Manager, Operations since returning to Western Australia from Indonesia, where he managed a 2,500 tonne per day flour milling operation as Operations Director of PT Eastern Pearl Flour Mills. David is a Graduate of Muresk Institute of Agriculture (Bachelor Degree in Agribusiness (Marketing)).

Jason Craig **General Manager Marketing and Trading**

Jason Craig was appointed General Manager Marketing and Trading in April 2012 and is responsible for the CBH Group's Marketing and Trading division.

Jason joined the CBH Group from its joint venture business, Interflour, where he held the position of President Director of PT Eastern Pearl Flour Mills (EPFM), the fifth largest flour milling business in the world and the second largest in Indonesia.

Prior to this, Jason was the Trading Manager, Proteins, Oilseeds and Oats with the Grain Pool (now known as CBH Marketing and Trading).

He holds a Postgraduate Diploma in Applied Investment & Finance from the Securities Institute of Australia (Treasury Stream) and a Bachelor of Commerce (Banking & Finance) from Curtin University, Western Australia.



FROM LEFT TO RIGHT

- | | | |
|--------------------------|--------------------------|-----------------------|
| <i>1 Dr Andrew Crane</i> | <i>2 Ed Kalajzic</i> | <i>3 David Capper</i> |
| <i>4 Jason Craig</i> | <i>5 Karlie Mucjanko</i> | <i>6 Mat Regan</i> |
| <i>7 Colin Tutt</i> | <i>8 Allyn Wasley</i> | <i>9 David Woolfe</i> |

Karlie Mucjanko

General Manager Grower and External Relations

Karlie Mucjanko joined the CBH Group in 2005 as a Marketing and Communications Advisor before taking on the role of Manager Corporate Affairs in November 2005 until May 2008. She is currently General Manager Grower and External Relations, where she is responsible for the Corporate Affairs, Government and Industry Relations and Grower Relations portfolios which include DailyGrain and CBH Fertiliser.

Prior to joining the CBH Group, Karlie was the Public Relations Manager for the Kondinin Group and the Communications Officer for the Western Australian Farmers Federation.

Karlie holds a MBA (Executive) from the University of WA and a Bachelor of Arts (Communications and English & Comparative Literature) from Murdoch University. She is also a Member of the Australian Institute of Company Directors.

Mat Regan

General Manager Corporate Services

Mat Regan has worked with the CBH Group for 15 years, leading teams in the IT and Grain Quality areas, most recently in the role of Grain Quality Manager where he led the implementation of Quality Optimisation and Supply Chain Optimisation.

Mat was appointed General Manager Corporate Services in May 2014 and is responsible for the Human Resources, IT, Organisational Development and Shared Services portfolios.

He holds a Masters of Information Management from the University of Western Australia, a Bachelor of Science (Computer Science) from Edith Cowan University and is a Member of the Australian Institute of Company Directors.

Colin Tutt

General Manager Supply Chain Innovation

Colin Tutt was appointed to the role of General Manager Supply Chain Innovation in July 2013 to investigate new ideas from around the globe for grain handling and storage, as well as overall supply chain management.

Colin held the role of General Manager Operations from 1994 to 2013. During this time, he managed the CBH Group's world-class storage and handling operations including grain receivals, road and rail transportation, grain storage, sampling, caretaking, freight for shipping and engineering services.

Colin's career at CBH commenced in 1974 as a Receival Point Operator and, as a result, he has gained extraordinary experience and knowledge, particularly in WA grain supply chains. Colin has also travelled overseas to examine other grain handling networks, including spending time at Viterra, Canada, where he gained insight into their more competitive supply chain model.

Colin holds a Diploma in Business Management from Mt Eliza Management College and is a Graduate of the Australian Institute of Company Directors.

Allyn Wasley

General Manager Strategy and Business Development

Allyn Wasley was appointed General Manager Strategy and Business Development in April 2009 after serving six years as Chief Financial Officer of the CBH Group.

Allyn is a Director of Pacific Agrifoods Ltd and Interflour Group Pte Ltd. He is also a Commissioner of PT Eastern Pearl Flour Mill, Chairman of Australian Bulk Stevedoring and a Trustee of CBH Superannuation Holdings Pty Ltd.

Allyn holds a Bachelor of Business in Accounting and a Post Graduate Diploma in Management from Curtin University. He is also a Graduate of the Australian Institute of Company Directors.

David Woolfe

General Manager Legal and Risk, Company Secretary

David Woolfe joined the CBH Group as General Manager Secretarial and Legal in October 2003 and became General Manager Legal and Risk in May 2010. He is currently responsible for the company secretarial, corporate governance, risk and legal functions of the CBH Group.

A qualified lawyer and Chartered Secretary, David was previously a partner at Freehills, where he practised corporate and commercial law for more than 16 years.

David is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Secretaries and Administrators and of the Governance Institute of Australia.

CORPORATE GOVERNANCE

This statement outlines the main corporate governance practices of the CBH Group's framework of governance for the year ended 30 September 2015.

The CBH Group of Companies has in place a Corporate Governance Charter setting out the role, responsibilities and powers of Directors and documenting the way the Board of the co-operative functions. The Corporate Governance Charter is regularly reviewed and updated where necessary.

The CBH website (www.cbh.com.au) contains copies or summaries of key corporate governance policy documents.

Co-operative principles

The CBH Group supports the seven co-operative principles or guidelines by which co-operatives put their values into practice.

The co-operative principles are:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training and information
6. Co-operation among co-operatives
7. Concern for the community

Role and responsibilities of the Board

The Board's role is to govern, rather than manage, the organisation. In governing the co-operative, the Directors must act in the interests of the co-operative as a whole.

The Board of Directors is responsible to members for the performance of CBH and its controlled entities. The Board of each company within the CBH Group is responsible for all matters relating to the running of that company.

The CBH Board is responsible for and has the authority to determine all matters relating to the policies, practices, management and operations of the co-operative. It is required to do all things that may be necessary in order to achieve the co-operative's objectives. The Board has the final responsibility for the successful operations of the co-operative. Without limiting this general role of the Board, the specific or principal functions and responsibilities include:

- providing overall strategic direction for the CBH Group
- determining and approving the appointment and terms and conditions of employment and the terms of removal of the CEO and the Company Secretary
- acting as an interface and ensuring effective communication between the co-operative and its growers
- considering and approving the corporate plan
- determining and approving specific Board policies governing the operations of the CBH Group

- determining and approving the setting and measuring of performance objectives of the CEO
- determining and approving the remuneration and incentives of the CEO and the annual CBH Group wage review
- appointing Independent Directors
- establishing and determining the delegation of its powers and functions in accordance with the CBH Rules
- approving the segmented CBH Group budgets including allocation of capital expenditure
- approving annually the Network Strategy and Network Charges
- monitoring the operational and financial performance of the Group
- reviewing the progress and performance of the co-operative in meeting the objectives of the co-operative
- establishing, reviewing and regularly monitoring the key performance indicators of the co-operative and its subsidiary companies
- approving the financial statements of CBH and CBH Grain Pty Ltd
- monitoring the effectiveness of risk management policies and practices
- monitoring compliance with legislative, environmental, occupational health & safety and ethical standards
- reporting to members and other stakeholders

Role and responsibilities of the CEO

The role of the CEO is to be responsible for the day-to-day management of the CBH Group in accordance with the strategy, policies, budgets and delegations approved by the Board. The CBH Group is managed to achieve the goals agreed and endorsed by the Board.

The CEO's responsibilities, inter alia, include:

- being responsible for the day-to-day management of the CBH Group
- developing, with the Board's approval, the Group's vision and direction
- constructing, with the Executive Management Team, programs to implement the vision
- selecting and negotiating the terms and conditions of appointment of General Managers in consultation with the Remuneration and Nomination Committee
- spokesperson for CBH Group's performance matters and operational announcements
- spokesperson for the Board on policy and strategic issues as delegated by the Chairman or the Board
- providing strong leadership to, and effective management of, the CBH Group in order to:
 - encourage co-operation and teamwork
 - build and maintain staff morale at a high level

- build and maintain a strong sense of staff identity with, and a sense of allegiance to, the CBH Group
- ensuring a safe workplace for all personnel
- forming management committees and working parties from time-to-time to assist in the orderly conduct of the Group's business
- keeping the Board up to date and informed of all major activities of the Group

Board structure

The CBH Rules provide for the following Board structure:

- Nine Member Directors. These Directors are elected from five districts comprised of Districts 1, 2, 3, 4 and 5. There are two Directors elected by Members from each of Districts 1, 2, 3 and 4 and one Director elected by Members from District 5. These Member Directors can have their main grain growing interests in any district.
- The appointment by the Board of up to three Independent Directors as the Board considers appropriate to provide expertise or skills in certain fields that will broaden the overall experience of the Board of Directors.

The Board appoints a representative of the Western Australian Electoral Commission as returning officer to conduct the election of Member Directors in accordance with the CBH Rules.

In respect of the appointment of an Independent Director, the Board approves the key skills and attributes that it is seeking to complement the existing Board. The Remuneration and Nomination Committee considers the appointment or re-appointment of an Independent Director against the criteria approved by the Board and makes a recommendation to the Board with regard to a preferred candidate. The Board makes a final decision as to the Director to be appointed.

The term of office for a Member Director commences from the Annual General Meeting at which he or she is elected or at which his or her election is confirmed and expires at the third Annual General Meeting after election. The term of office for an Independent Director is up to three years, with their appointment to be ratified by members at the next Annual General Meeting following their appointment or re-appointment.

There is no maximum age limit for a Director.

The names of Directors in office at the date of this report, the date they were first appointed, their period in office, the commencement date of their current term and the expiry of their current term is set out in the table below.

Name of Director	Date first appointed	Period of Office **	Current term commenced	Term expires
T N Badger	4 April 2007	8 years 8 months	27 February 2013	February 2016
T J Bartlett*	28 February 2012	3 years 10 months	23 February 2015	February 2018
D G Clauson	27 February 2013	2 years 10 months	27 February 2013	February 2016
V A Dempster (Deputy Chairman)	2 April 2008	7 years 8 months	26 February 2014	February 2017
K J Fuchsbichler	4 April 2007	8 years 8 months	27 February 2013	February 2016
J P B Hassell	1 April 2009	6 years 8 months	23 February 2015	February 2018
R G Madden	5 April 2006	7 years 8 months***	26 February 2014	February 2017
B E McAlpine	28 February 2012	3 years 10 months	23 February 2015	February 2018
A J Mulgrew*	24 February 2015	10 months	24 February 2015	February 2017
W A Newman (Chairman)	7 June 2000	15 years 6 months	26 February 2014	February 2017
S R Stead	23 February 2015	10 months	23 February 2015	February 2018
D S Willis*	30 March 2010	5 years 9 months	27 February 2013	February 2016

* Independent Director

** Period as a Director of CBH as at December 2014

*** Mr Madden was a Director on the Board from 5 April 2006 to 28 February 2012 and then subsequently elected to the Board again with his term commencing on 26 February 2014

All current Directors are Non-Executive Directors and, in addition to their role as a Director of CBH, each Director is also a Director of CBH Grain Pty Ltd. All Directors have formal letters of appointment.

In accordance with CBH's Rules, CBH Directors elect the Chairman and Deputy Chairman. Mr W A Newman is the elected Chairman and Mr V A Dempster is the elected Deputy Chairman.

The roles of Chairperson and Chief Executive Officer are not exercised by the same person.

Details of the background, experience and skills of each of the Directors is contained in pages 36 to 39 of this report.

Induction of new Directors

New Directors are provided with a formal letter of appointment which sets out the key terms and conditions of their appointment, including their duties, rights and responsibilities, the time commitment envisaged in the role and the Board's expectations in respect of involvement with Board Committees.

In addition, new Directors receive a comprehensive induction manual and complete a Director Induction program which includes meeting with the Chairman, CEO, Audit and Risk Management Committee Chairman and key executives. The program also includes site visits to key CBH Group operations as well as CBH related computer training.

Role of individual Directors and conflicts of interest

All Directors have given other Directors standing notice of the nature and extent of their interest in matters that relate to the affairs of companies within the CBH Group. A Director who has a conflict of interest must immediately disclose that interest to the Board and must not be present when the matter is being considered or vote on the matter, unless the Board have passed a resolution to enable the Director to do so.

Meetings of Directors

The Board meets formally at least eight times a year, with additional meetings being held as required. On the invitation of the Board, members of senior management

attend and make presentations at Board meetings. The Board also holds a Board only strategy session. In addition, the Directors spend significant time at Board meetings discussing key strategic issues.

The number of meetings of the co-operative's Board of Directors and of each standing Board Committee held during the financial year ended 30 September 2015 and the number of meetings attended by each Director are set out in the Directors' Report.

Board access to information and independent professional advice

The Board has an Information Protocol which enables Directors to have access to required information to support their Board decision making process. In addition, any Director can request approval from the Chairman or Deputy Chairman, which will not be unreasonably withheld, to seek independent professional advice at the co-operative's expense to support a Director in fulfilling his or her duties and responsibilities as a Director.

Directors and officers insurance and deeds of indemnity and access

In conformity with market practice, the co-operative provides Directors' and Officers' Insurance and Deeds of Indemnity, Insurance and Access to the maximum extent permitted by law.

Knowledge, skills and experience

To assist Directors to maintain an appropriate level of knowledge, skill and experience in the operations of the CBH Group, Directors undertake site visits and attend grower meetings, industry meetings and relevant conferences. Directors also receive papers, presentations and briefings on CBH Group business and on matters which may affect the CBH Group.

Director education

To support Directors in the appreciation of their role and responsibilities, the CBH Board has adopted a policy that all Directors attend the Australian Institute of Company Directors (AICD) Company Directors course. All CBH Directors have attended the AICD course.

Directors are encouraged to continue professional development through attendance at various seminars, courses and conferences. Subject to prior approval, the reasonable cost of these development activities is met by the co-operative.

Committees of the Board

The Board has established the following committees to assist with the discharge of its responsibilities:

- Audit and Risk Management Committee
- Remuneration and Nomination Committee
- Investment Committee
- Communications Committee
- Workplace Health and Safety Committee
- Share Transfers and Documents Committee

All of the above committees review matters on behalf of the Board and operate in accordance with their own charters as approved by the Board. These charters are published on the Corporate Governance section of the CBH website.

It is customary for the CBH Board to review the composition of its committees annually at the first Board meeting following the Annual General Meeting.

Details of Director attendance at committee meetings during the financial year is set out in the table on page 55. Directors that are not members of a particular committee are entitled to attend committee meetings as observers.

Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to provide assistance to the CBH Board in fulfilling its corporate governance and oversight responsibilities in relation to the CBH Group's financial reporting, internal control structure, compliance with laws, regulations, internal policies and industry standards, risk management systems, code of conduct and internal and external audit functions. In doing so, it is the responsibility of the Committee to maintain free and open communication between the committee, external auditors, internal auditors and management of the CBH Group.

The Committee reviews CBH Group financial statements, accounting policies and matters raised as a result of internal and external audit findings. In addition, the Committee reviews risk management policies, risk management reporting and the risk management framework.

The members of the Audit and Risk Management Committee as at the date of this report are as follows:

Mr David Willis (Chairman)
Mr Trent Bartlett
Mr Vernon Dempster
Mr Brian McAlpine
Mr Simon Stead

The Chairman of the Committee is not the Chairman of the Board.

The Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Chief Audit and Risk Officer, internal and external auditors and other persons considered appropriate attend meetings by invitation.

The Committee also meets with the external auditors in the absence of management at the conclusion of each Committee meeting.

The Committee met four times during the financial year ended 30 September 2015.

Remuneration and Nomination Committee

The primary functions of the Remuneration and Nomination Committee are to:

- make recommendations to the Board on remuneration of Directors
- recommend to the Board the appointment and the terms and conditions of employment and the terms of removal of the CEO and Company Secretary
- review the performance of the CEO, at least annually and recommend to the Board performance measures for the CEO
- recommend to the Board the remuneration and incentives of the CEO
- consult with the CEO in setting and measuring performance objectives for General Managers
- consult with the CEO in respect of the appointment or termination of General Managers
- consult with the CEO in the recommendation of the annual CBH Group wage review
- consult with the CEO in respect of the remuneration and incentives for General Managers
- develop and facilitate a process for Board and Director evaluation
- assess the necessary and desirable competencies of Board members
- review Board succession plans
- recommend the appointment of Independent Directors under Rule 32

The members of the Remuneration and Nomination Committee as at the date of this report are as follows:

Mr Trent Bartlett (Chairman)
Mr Trevor Badger
Mr Vernon Dempster
Mr Alan Mulgrew
Mr Wally Newman

The Committee met nine times during the financial year ended 30 September 2015.

Investment Committee

The primary functions of the Investment Committee are to:

- review with management significant investment opportunities on behalf of the CBH Group and make recommendations to the Board; this may include:
 - buying or selling a subsidiary or associated entity
 - beginning new business activities outside the primary activities of CBH or within the primary activities of CBH but outside of WA
 - increasing equity in an existing joint venture or associated entity
- review with management potentially ceasing one of the primary activities of CBH and making recommendations to the CBH Board
- support management, when authorised by the Board, in concluding investments by giving guidance on key negotiation points, reviewing documentation and providing general advice in connection with the investment opportunity

The members of the Investment Committee as at the date of this report are as follows:

Mr Trevor Badger (Chairman)
Mr Derek Clauson
Mr Rodney Madden
Mr Alan Mulgrew
Mr David Willis

Management and external professional advisers may attend the meetings by invitation or request.

The Committee met four times during the financial year ended 30 September 2015.

Communications Committee

The primary function of the Communications Committee is to provide guidance and advice on the Group's communications approach, to ensure consistency in communicating the Board's direction and objectives.

The members of the Communications Committee as at the date of this report are as follows:

Mr Wally Newman (Chairman)
Mr Kevin Fuchsbichler
Mr Rodney Madden
Mr Derek Clauson
Mr Simon Stead

Management and external professional advisers may attend the meetings by invitation or request.

The Committee met five times during the financial year ended 30 September 2015.

Workplace Health and Safety Committee

The primary function of the Workplace Health and Safety Committee is to support and advise the Board in respect of all workplace health and safety matters facing the CBH Group.

The members of the Workplace Health and Safety Committee as at the date of this report are as follows:

Mr Derek Clauson (Chairman)
Mr Rodney Madden
Mr Brian McAlpine
Mr Andy Crane (CEO)

Management and external professional advisers may attend the meetings by invitation or request.

The Committee was established in June 2015 and met twice during the financial year ended 30 September 2015.

Share Transfers and Documents Committee

The primary function of the Share Transfers and Documents Committee is to:

- consent to transfers of shares on behalf of the Board
- approve changes to documents requiring Board approval under the Co-operatives Act 2009 or the CBH Rules

The Committee consists of Board representative, Mr Wally Newman and members of management.

The Committee met seven times during the financial year ended 30 September 2015.

Audit governance and independence

As part of its commitment to safeguarding integrity in financial reporting, the CBH Group has implemented procedures and policies to monitor the independence and competence of the CBH Group's external auditor.

The co-operative's current external auditor is KPMG, who was appointed at the 2015 Annual General Meeting. The appointment and remuneration of the external auditor and its effectiveness, performance and independence is reviewed annually by the Audit and Risk Management Committee.

The Audit and Risk Management Committee considers the appropriateness of engaging the external auditor to provide any non-audit services to ensure that the auditor's independence is not compromised and has adopted an external audit policy in this regard.

In order to ensure the independence of the external auditor, the external audit partner is rotated every five years at a minimum.

KPMG has provided a declaration to the Audit and Risk Management Committee for the financial year ended 30 September 2015 that it has maintained its independence in accordance with the Corporate Law Economic Reform Program

(Audit Reform and Corporate Disclosure) Act 2004 and the rules of the professional accounting bodies.

Risk identification and management

The co-operative is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. These include:

- Risk and internal audit – the Chief Audit and Risk Officer reports to the General Manager Legal and Risk and the Chairman of the Audit and Risk Management Committee and is responsible for monitoring, investigating and reporting on internal control systems
- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly
- Insurance – there is a comprehensive annual insurance program, including external risk surveys
- Financial risk management – there are policies and procedures for the management of market risk, financial risk and treasury operations including exposures to foreign currencies, interest rates and commodity risks
- Compliance – there are systems and processes in place to ensure compliance with laws, regulations, internal policies and industry standards
- Due diligence – there are comprehensive due diligence procedures for acquisitions and divestments
- Crisis management – there are crisis management systems for all key businesses in the Group
- Executive Risk Management Committee – there is a disciplined approach to the identification and management of risk with an Executive Risk Management Committee comprising the Chief Executive Officer, the Chief Audit and Risk Officer and the Executive team, meeting on a fortnightly basis or as required
- Three additional separate committees that address risks to specific key areas of the operations of the CBH Group, being

the Operations Risk Committee, the Marketing and Trading Risk Committee and the Fertiliser Risk Committee. These three committees report to the Executive Risk Committee and provide additional business level governance and risk management oversight

The CBH Group has implemented an enterprise wide risk management approach to the identification, management and reporting of its risks. This entails risk reviews by each division of the co-operative which encompass operational, financial, strategic and compliance risk assessment and quantification.

The internal audit function is independent of the external audit function. The Chief Audit and Risk Officer monitors the internal control framework of the Group and provides reports to the Audit and Risk Management Committee. The Committee endorses the internal audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to business risks. The Committee also reviews internal audit reports and monitors progress with recommendations made in these reports to ensure ongoing improvement in the internal control environment of the Group.

Director remuneration and performance review

The Remuneration and Nomination Committee uses an external advisor to assist in determining the appropriate remuneration levels for the CBH Board by comparing Directors' remuneration for entities of a similar size, nature and complexity to the CBH Group. On the basis of that external advice, the Committee makes recommendations to the Board on remuneration of Directors. The aggregate level of Directors' fees is determined by members.

At the 2014 Annual General Meeting, the co-operative's members approved Director remuneration at an aggregate amount of \$1,168,000 to be divided amongst Directors in such manner as they determine with Directors being entitled to receive, in addition to this amount, statutory superannuation entitlements and reimbursement for reasonable travel and other expenses incurred by them in the performance of their duties. The co-operative does not have a formal scheme for retirement benefits for Directors other than statutory superannuation.

Set out below is the Directors' remuneration for the financial year ended 30 September 2015:

Name	Role	Directors' Fees \$'000	Superannuation \$'000	Total \$'000
Wally Newman	Chairman	171,350	16,278	187,628
Vern Dempster	Deputy Chairman	114,233	10,852	125,085
Trevor Badger	Director	85,635	8,135	93,770
Trent Bartlett	Independent Director	85,635	8,135	93,770
Derek Clauson	Director	85,635	8,135	93,770
Kevin Fuchsichler	Director	85,635	8,135	93,770
John Hassell	Director	85,635	8,135	93,770
Rodney Madden	Director	85,635	8,135	93,770
Brian McAlpine	Director	85,635	8,135	93,770
Alan Mulgrew (i)	Independent Director	51,024	4,847	55,871
Simon Stead (ii)	Director	51,738	4,915	56,653
Samantha Tough (iii)	Independent Director	14,273	1,356	15,629
Neil Wandel (iv)	Director	35,681	3,390	39,071
David Willis	Independent Director; Chairman – Audit and Risk Management Committee	111,699	10,611	122,310
Total		1,149,443	109,194	1,258,637

(i) Alan Mulgrew joined the Board on 24 February 2015

(ii) Simon Stead joined the Board on 23 February 2015

(iii) Samantha Tough resigned from the Board on 28 November 2014

(iv) Neil Wandel resigned from the Board on 23 February 2015

In addition to the above, David Willis and Vern Dempster are Directors of Interflour Group Pte Ltd (IFG) in which CBH holds a 50% interest. During the financial year David Willis, a Director of IFG for the entire financial year, received Director's fees of USD14,250 from IFG; and Vern Dempster, a Director of IFG since January 2015, received Director's fees of USD10,750 from IFG.

The CBH Board has in place a formal appraisal system for the performance of the Board as a whole, and individual Directors.

Executive remuneration and performance review

The remuneration package and performance standards for the CEO and Executive are overseen by the Remuneration and Nomination Committee.

Remuneration framework

The objective of CBH's remuneration framework is to attract and retain talent and reward and align employee activities to CBH's Business Strategy.

At the individual level, packages are comprised of fixed cash and variable incentive components. Fixed remuneration

is comprised of base salary, superannuation and salary sacrificed benefits. Variable remuneration is the Short Term Incentive (STI) Program (i.e. annual bonus) offered to salaried employees and payable based on individual and corporate performance.

The Short Term Incentive (STI) Program outcomes depend upon the performance of the CBH Group's balanced scorecard and the performance of the individual concerned. The more senior an employee is within the Group, the higher the impact of the corporate balanced scorecard on their eligible individual incentive, creating a clear link between the achievement of grower value and the level of incentive earned by the Executive team and senior managers.

Figure 1: Remuneration Framework

Objective	Attract and Retain Top Talent	Reward Performance Aligned to Business Strategy	Reward Performance Aligned to Longer Term Business Strategy + Retention of Key Talent
Element	Fixed Remuneration	'At Risk' Remuneration	
Component	Paid Salary, Benefits and Superannuation	Short Term Incentive	Long Term Incentive
			Retention Bonus
Focus	Pay for role size, responsibility and competence	Pay for high performance aligned to individual plan and corporate performance	Retention of key talent
			Achievement of Superior longer term performance metrics

Annual reviews

Annually the Remuneration and Nomination Committee reviews and recommends to the CBH Board the performance standards and remuneration results for the CEO. The Committee also oversees Executive performance and remuneration results, as managed by the CEO, and annual remuneration movements within the business more generally.

A formal Performance Management Program is in place which is reviewed at least six monthly. Performance improvement plans and processes are available should an Executive be underperforming. Written employment contracts exist for all Executives, which

include provisions for terminating the employment relationship should the Performance Improvement Plan not result in improved performance results.

Talent management and succession management programs are in place to ensure an adequate pool of successors exist for each Executive role.

Executive remuneration

CBH Group remuneration structures are aligned to the external market, considering role grading, labour market conditions and the CBH Group business performance. CBH uses external data sourced from remuneration specialists, such as the Hay Group and Mercer Rewards. Remuneration

models are regularly benchmarked to the median of the Perth market for companies within the Industrial and Services sectors. This ensures remuneration remains fair and market competitive.

In addition, the Remuneration and Nomination Committee seeks advice from external remuneration advisors where required.

Set out below is the remuneration of the CEO, CFO and General Managers of the two key business units for the financial year ended 30 September 2015.

Executives are also entitled to the reimbursement of out of pocket expenses incurred in the course of their employment.

Name	Title	Base Salary \$'000	Super \$'000	Total Fixed Employment Cost \$'000	Other Benefits* \$'000
Andrew Crane	Chief Executive Officer	865	35	900	16
Edward Kalajzic	Chief Financial Officer	333	30	363	11
Jason Craig	GM Marketing and Trading	404	30	434	21
David Capper	GM Operations	351	30	381	26

* Other benefits include company vehicle, parking, industry association memberships, health insurance, life and trauma insurance etc., provided in the course of employment as well as payments upon termination of employment, such as unused leave and contractual entitlement on termination.

Short and Long Term Incentives

In all cases, individual performance is linked to the achievement of the CBH Group strategy. In particular, incentive programs are linked to the creation of grower value.

Short Term Incentives (STI)

STIs are linked to the achievement of key performance indicators on the Group's balanced scorecard and individual performance. A maximum STI target is calculated as a percentage of Total Fixed Employment Cost for Executives and Total Fixed Remuneration for the Chief Executive Officer, as shown in the following table. Total Fixed Remuneration is calculated as Total Fixed Employment Cost plus the value of Other Benefits.

The STI targets, level of achievement and amounts determined to be paid in December 2015 in respect of the financial year ended 30 September 2015 are shown in the table below.

Name	Title	STI Target (% of fixed remuneration)	STI Result (% of fixed remuneration)	Actual STI \$,000
Andrew Crane	Chief Executive Officer	47.5%	44.9%	\$413
Edward Kalajzic	Chief Financial Officer	30%	29.1%	\$107
Jason Craig	GM Marketing and Trading	30%	24.0%	\$103
David Capper	GM Operations	30%	27.7%	\$108

Long Term Incentives (LTIs) and retention payments

LTIs reward the creation of grower value over sustained periods of time and are designed to ensure an optimal balance between short and longer term business performance. Additionally, retention bonuses are used to retain key talent, especially where those individuals factor into CBH's succession planning. Both LTIs

and retention payments are used only in exceptional circumstances. A long term incentive of \$548,552 was paid to Chief Executive Officer Andrew Crane in the financial year ended 30 September 2015. This payment related to performance in respect of the three year period from 1 October 2011 to 30 September 2014 and was calculated based on the average grower value return on capital during the same period.

The LTIs and retention incentives accrued during the financial year ended 30 September 2015 are shown in the table below.

Name	Title	Type of Incentive	Maturation date	Retention Incentive Accrued \$,000
Andrew Crane	Chief Executive Officer	LTI	Sep 2017	182
Andrew Crane	Chief Executive Officer	Retention	Apr 2017	182
Jason Craig	GM Marketing & Trading	Retention	Dec 2017	97

In the case of the CEO, the Board has agreed a retention payment of 59.3% of Total Fixed Reward (value of fixed remuneration and contractual benefits), to be payable in April 2017, plus a LTI of between 0% and 59.3% of Total Fixed Reward, which is linked to the achievement of performance targets, payable on completion of the financial year ending 30 September 2017.

Communication with members

The CBH Group places significant importance on effectively communicating with its grower members. A range of communication mediums are used, including regular updates to all members in respect of the activities of the CBH Group and the grain industry in general.

The Annual Report is available to all members and an invitation to attend the CBH Annual General Meeting is sent to all members where they are given a reasonable opportunity to address issues with the Board. In addition, the auditors to the co-operative are available at the Annual General Meeting to address specific financial issues raised by members if required.

Throughout the year, the CBH Group holds many local and regional meetings with growers to provide advice on co-operative and industry issues. Meetings include pre and post-harvest meetings, proposed capital works meetings, and grower focus groups, where growers are given the opportunity of expressing their views on relevant topical issues. CBH representatives also regularly attend and present at events held by regional grower groups.

In addition, each year the co-operative provides all Western Australian grain growers with a detailed Grower Value Statement which outlines the value created and returned by the co-operative to the Western Australian grain industry, each grower's grain growing zone and to their own grower enterprise.

The CBH Group conducts regular grower surveys, including a quarterly corporate tracking survey, to assess grower attitudes to a range of CBH Group related issues including its grower communication strategy.

The co-operative reviews and updates the contents of its website on a regular basis.

In addition, the Board Communications Committee and the Growers Advisory Council each assist in the effective communication between the co-operative and its grower members.

Code of Conduct

The Board has adopted a Code of Conduct based on the Australian Institute of Company Directors (AICD) model as an appropriate standard of conduct that is to be followed by all CBH Directors.

In addition, a CBH Group Business Code of Conduct has been prepared for the guidance and benefit of all people employed by, contracted by, or acting on behalf of the CBH Group. The Business Code of Conduct, sets out the values and standards of the CBH Group including conducting its business ethically, operating with integrity and honesty, encouraging community initiatives, considering the environment and ensuring a safe, equal and supportive working environment.

The Code encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Code and protects those that report breaches in good faith. The Code is published on the Corporate Governance section of the CBH website.

Growers Advisory Council

The Growers Advisory Council (GAC) comprises growers from various districts throughout the state and is considered by the CBH Board as an important forum in which local, industry and CBH Group specific issues are discussed for the benefit of the co-operative and local regions.

The GAC plays a critical role in providing grower feedback to the CBH Board and management.

The GAC has an annual rotation system for Councillors, whereby on an annual basis approximately 30 percent of Councillors retire and interested growers can apply for a three year term as a GAC Councillor.

Members of the Growers Advisory Council are:

Mr Andrew Todd (Chairman)
Mrs Michelle Barrett (Deputy Chair)
Mr David Cox
Mr Jim Heal
Mrs Linda Hewson
Mr Darrin Lee
Mr Neville McDonald
Mr Michael O'Callaghan
Mr Jeff Seaby
Mr David Slade
Mr Royce Taylor
Mr Barry West
Mr Ashley Wiese
Mr Brendan Williamson
Mr Digby Willmott

DIRECTORS' REPORT

Your Directors submit the financial report of Co-operative Bulk Handling Limited (the “Co-operative”) and its controlled entities (the “Group”) for the financial year ended 30 September 2015.

Directors

The following persons held office as Directors of Co-operative Bulk Handling Limited during the financial year ended 30 September 2015:

W A Newman, Chairman
V A Dempster, Deputy Chairman
T N Badger
T J Bartlett
D G Clauson
K J Fuchsichler
J P B Hassell
R G Madden
B E McAlpine
A J Mulgrew (appointed 24 February 2015)
S R Stead (appointed 23 February 2015)
S J Tough (resigned 28 November 2014)
N J Wandel (resigned 23 February 2015)
D S Willis

A summary of the qualifications, experience and special responsibilities of each of the Directors together with a summary of the qualifications and experience of the Company Secretary is set out on pages 36 and 42 of this financial report.

Principal activities

The principal activities undertaken by the consolidated entity during the financial year comprised grain storage, handling, marketing and trading. In addition the entity has investments in flour and oat processing facilities.

Review of operations

The Group recorded profit from continued operations after income tax of \$82,732,000 (2014: \$149,153,000). The decrease in profit was mainly driven by a lower harvest size in Western Australia, and a weaker trading performance by the Marketing and Trading business unit.

The Operations business unit received 13.6 million tonnes of grain into its storage facilities during the financial year compared to 15.9 million tonnes in the prior year, while exporting 13.2 million tonnes during the financial year compared to 13.8 million tonnes in the previous financial year.

The Marketing and Trading business unit traded 7.9 million tonnes during the financial year compared with 10.8 million tonnes the previous financial year. This contributed to the decrease in revenue for the Group, coupled with lower margins on trading activities.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year.

The following highlight the significant financial and operational items during the financial year:

- Revenue from continuing operations decreased by 6% to \$3,719,985,000. The decrease in revenue was mainly driven by a lower number of tonnes traded.
- Raw materials, traded grains and consumables decreased by 13% to \$2,618,451,000. This is consistent with the decrease in overall volumes traded during the year.
- Net operating cash inflow for the year was \$47,023,000 compared to the previous year cash inflow of \$283,048,000. The significant reduction in operating cash flow was driven by delayed receipts on grain sales due to the shipping profile moving to the following year and an increase in the Prepay Advantage product.

- During the year the Group returned to growers, in the form of rebates, \$16,940,000 (2014: \$53,614,000). Included in these rebates is the investment rebate at \$0.40 per tonne and the operations rebate at \$0.85 per tonne. No Marketing and Trading customer loyalty rebate was returned (2014: \$3.30 per tonne was returned), which is attributable to the loss incurred by Marketing and Trading.
- During the year net financing cash flows of \$202,314,000 in relation to bank loans were received.

Significant events after year end

Subsequent to 30 September 2015, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2015/16 season with various banks:

- Syndicated debt facility of \$950,000,000;
- Banking facilities of \$600,000,000;
- Three year bi-lateral facility of \$250,000,000;
- Packing credit facilities of \$125,000,000.

The facilities are currently in varying stages of execution and are on similar terms and conditions to prior season facilities.

Other than the matters disclosed above, there is no other subsequent event which requires disclosure.

Likely developments and expected results of operations

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to elsewhere in this Financial Report.

Meetings of Directors

The table below sets out the number of Directors' meetings and meetings of the standing board committees of the Co-operative held during the financial year ended 30 September 2015 and the number of meetings attended by each Director.

Name	Scheduled Board Meetings		Unscheduled Board Meetings		Audit & Risk Management Committee		Remuneration & Nomination Committee		Investment Committee		Communications Committee		Workplace Health and Safety Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
T N Badger	9	9	3	3	-	-	3	3	4	4	2	2	-	-
T J Bartlett	9	9	3	3	2	2	9	9	3	2	-	-	-	-
D G Clauson	9	9	3	3	-	-	1	1	4	4	3	3	2	2
V A Dempster	9	9	3	3	4	4	3	3	-	-	-	-	-	-
K J Fuchsichler	9	9	3	3	-	-	6	6	-	-	5	4	-	-
J P B Hassell	9	9	3	3	2	2	-	-	-	-	-	-	-	-
R G Madden	9	9	3	3	-	-	-	-	4	4	5	5	2	2
B E McAlpine	9	9	3	3	4	4	-	-	-	-	2	2	2	2
A J Mulgrew (i)	5	5	-	-	-	-	3	3	1	-	-	-	-	-
W A Newman	9	9	3	3	-	-	9	9	-	-	5	5	-	-
S R Stead (ii)	5	5	1	1	2	2	-	-	-	-	3	3	-	-
S J Tough (iii)	1	1	1	1	-	-	-	-	2	2	-	-	-	-
N J Wandel (iv)	4	4	2	2	-	-	5	5	3	2	-	-	-	-
D S Willis	9	9	3	2	4	4	-	-	4	4	-	-	-	-

(i) Alan Mulgrew joined the Board on 24 February 2015

(iii) Samantha Tough resigned from the Board on 28 November 2014

(ii) Simon Stead joined the Board on 23 February 2015

(iv) Neil Wandel resigned from the Board on 23 February 2015

In addition to the above, as the Board's representative on the Share Transfers and Documents Committee, Mr Wandel attended one and Mr Newman attended five of the seven Share Transfers and Documents Committee meetings held during the year. One of the seven Share Transfers and Documents Committee meetings (held on 25 March 2015) was held subsequent to Mr Wandel's resignation on 23 February 2015 and prior to Mr Newman's appointment on 1 April 2015 to the Share Transfers and Documents Committee.

Grower Returns

	Units	2015	2014	2013	2012
Tonnes received	mt	13.6	15.9	9.1	15.1
Profit attributable to members after rebates	\$'000	82,732	149,153	131,707	162,466
Revenue from continuing operations	\$'000	3,719,985	3,936,617	2,712,013	2,229,534
Share of profit from associates	\$'000	8,958	12,740	8,438	7,000
Rebates	\$'000	16,940	53,614	4,751	6,276
Value Return on Capital*	%	5.1	9.8	9.6	13.1
Net assets	\$'000	1,615,223	1,516,066	1,370,188	1,242,773

* Value Return on Capital is calculated post rebate, based on the closing net asset position.

A more detailed review of the operations of the consolidated entity during the financial year and the results of those operations appear elsewhere in the financial report.

Environmental regulation

The operations of the Co-operative are subject to various Commonwealth and State environmental legislation and regulation.

The Co-operative aims to control the impact of its activities on the environment as far as reasonably possible and to ensure that its operations are conducted in accordance with legislative requirements.

There has been no known breach of any environmental regulations to which the Co-operative is subject.

Indemnification and Insurance

The Co-operative, through Deeds of Indemnity, Insurance and Access has indemnified all Directors for any liabilities incurred as a Director, other than liabilities to the Co-operative or a related body corporate, or liabilities arising out of conduct involving lack of good faith.

A Directors' and Officers' insurance policy is maintained but the terms of the contract prohibit disclosure of the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, KPMG, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify KPMG during or since the financial year.

Auditor's independence declaration

A copy of the declaration given by the Co-operative's external auditor to the Directors in relation to the auditor's compliance with the independence requirements of Australian accounting bodies and the applicable code of professional conduct for external auditors is provided on page 55.

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



Wally Newman
Director

AUDITOR'S INDEPENDENCE DECLARATION

TO MEMBERS OF CO-OPERATIVE BULK HANDLING LIMITED



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of Co-operative Bulk Handling Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'KPMG' in a cursive, stylized font.

KPMG

A handwritten signature in black ink, appearing to be 'T. Hart', written in a cursive style.

Trevor Hart

Partner

Perth – 2 December 2015

FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2015

ABN 29256604947

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 \$'000	2014 \$'000
Continuing operations			
Revenue from continuing operations	6(a)	3,719,985	3,936,617
Other gains and losses	6(b)	(173,071)	131,585
Changes in inventories		46	(192)
Raw materials, traded grains and consumables used	7(a)	(2,618,451)	(3,010,460)
Employee benefits expense	7(b)	(185,941)	(175,287)
Depreciation and amortisation expense	11(b)	(92,530)	(87,719)
Storage, handling and freight expenses	7(d)	(224,920)	(258,291)
Marketing and trading expenses		(217,114)	(259,401)
Insurance		(10,628)	(11,999)
Rent expense		(13,676)	(13,880)
Other expenses		(93,170)	(78,431)
Finance costs	7(e)	(24,389)	(24,768)
Share of profit from associates	15	8,958	12,740
Profit from continuing operations before income tax		75,099	160,514
Income tax benefit/(expense)	10	7,633	(11,361)
Profit from continuing operations after income tax expense		82,732	149,153
Other comprehensive income			
Items that will not be reclassified to the profit or loss			
Actuarial (loss)/gain on defined benefit plan		(145)	175
Items that may be reclassified subsequently to the profit or loss			
Net gain/(loss) on cashflow hedge	23(d)	1,329	(1,015)
Foreign currency translation gain/(loss)		15,243	(2,435)
Other comprehensive income/(expense) for the year, net of tax		16,427	(3,275)
Total comprehensive income for the year		99,159	145,878
Profit for the year attributable to members of the parent entity		82,732	149,153
Total comprehensive income for the year attributable to members of the parent entity		99,159	145,878

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	20	140,360	153,343
Trade and other receivables	25	359,397	209,400
Derivative financial instruments	31	87,187	186,166
Inventories	26	336,717	245,540
Other assets	27	24,732	23,424
Asset held for sale	16	13,051	–
Total current assets		961,444	817,873
Non-current assets			
Trade and other receivables	25	–	11,339
Investments in associates	15	133,031	142,401
Derivative financial instruments	31	2,222	955
Other financial assets	17	446	13,406
Property, plant and equipment	11	998,639	944,598
Intangible assets and goodwill	12	73,388	49,676
Total non-current assets		1,207,726	1,162,375
Total assets		2,169,170	1,980,248
LIABILITIES			
Current liabilities			
Trade and other payables	28	84,287	134,797
Interest bearing loans and borrowings	22	211,334	25,934
Derivative financial instruments	31	106,257	155,091
Income tax payable		4,835	622
Provisions	19	28,844	25,115
Other liabilities	29	99,101	75,215
Total current liabilities		534,658	416,774
Non-current liabilities			
Trade and other payables	28	2,152	1,210
Interest bearing loans and borrowings	22	–	21,279
Derivative financial instruments	31	4,699	602
Provisions	19	6,316	6,443
Deferred tax liability	10	6,122	17,874
Total non-current liabilities		19,289	47,408
Total liabilities		553,947	464,182
Net assets		1,615,223	1,516,066
EQUITY			
Equity attributable to equity owners of the parent			
Contributed equity	23(a)	5	5
Reserves	23(d)	1,348,422	1,234,629
Retained earnings	23(c)	266,796	281,432
Total equity		1,615,223	1,516,066

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers		3,672,526	3,925,864
Payments to suppliers and employees		(3,610,546)	(3,643,669)
		61,980	282,195
Interest received		11,224	13,541
Interest and other costs of finance paid		(24,389)	(21,658)
Income taxes (paid)/refunded		(1,792)	8,970
Net operating cash flows	9	47,023	283,048
Cash flows from investing activities			
Payments for property, plant and equipment		(109,218)	(97,260)
Proceeds from sale of property, plant and equipment		1,300	635
Payments for intangibles		(14,277)	(15,796)
Distributions from associates		3,241	1,455
Payments for investments in other financial assets		(91)	(1,425)
Loans to third parties		(156,019)	(148,024)
Loans repaid by third parties		97,945	154,566
Payments for investments in associate by way of loan		-	(17,024)
Payment of loan from associated entity		(17,332)	4,576
Proceeds from Interflour investment consolidation		18,290	-
Net cash outflow on acquisition of subsidiaries	14	(44,560)	-
Net investing cash flows		(220,721)	(118,297)
Cash flows from financing activities			
Proceeds from borrowings from other parties		2,018,680	1,308,730
Repayment of borrowings to other parties		(1,816,366)	(1,568,292)
Repayments (to)/from CBH Grain Pools		(46,459)	-
Net financing cash flows		155,855	(259,562)
Net decrease in cash and cash equivalents		(17,843)	(94,811)
Cash and cash equivalents at the beginning of the financial year		153,343	247,929
Effects of exchange rate changes on cash and cash equivalents		4,860	225
Cash and cash equivalents at end of year	20	140,360	153,343

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Ordinary shares Note 23 \$'000	Capital levy reserve Note 23 \$'000	General reserve Note 23 \$'000	Foreign currency translation reserve Note 23 \$'000	Cash flow hedge reserve Note 23 \$'000	Retained earnings Note 23 \$'000	Acquisition Reserve Note 23 \$'000	Total equity \$'000
At 1 October 2014	5	52,587	1,211,725	(27,495)	(1,015)	281,432	(1,175)	1,516,064
Profit for the period	–	–	–	–	–	82,732	–	82,732
Other comprehensive income/(expense)	–	–	–	15,243	1,329	(145)	–	16,427
Total comprehensive income/ (expense) for the year	–	–	–	15,243	1,329	82,587	–	99,159
Transfer (to)/from reserves/ retained earnings	–	–	97,223	–	–	(97,223)	–	–
At 30 September 2015	5	52,587	1,308,948	(12,252)	314	266,796	(1,175)	1,615,223

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015 (continued)

	Ordinary shares Note 23 \$'000	Capital levy reserve Note 23 \$'000	General reserve Note 23 \$'000	Foreign currency translation reserve Note 23 \$'000	Cash flow hedge reserve Note 23 \$'000	Retained earnings Note 23 \$'000	Acquisition Reserve Note 23 \$'000	Total equity \$'000
At 1 October 2013	6	52,587	1,119,499	(25,060)	–	224,331	(1,175)	1,370,188
Profit for the period	–	–	–	–	–	149,153	–	149,153
Other comprehensive income/(expense)	–	–	–	(2,435)	(1,015)	175	–	(3,275)
Total comprehensive income/ (expense) for the year	–	–	–	(2,435)	(1,015)	149,328	–	145,878
Transfer (to)/from reserves/ retained earnings	–	–	92,226	–	–	(92,226)	–	–
Shares cancelled	(1)	–	–	–	–	–	–	(1)
	(1)	–	92,226	–	–	(92,226)	–	(1)
At 30 September 2014	5	52,587	1,211,725	(27,495)	(1,015)	281,433	(1,175)	1,516,065

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Overview

Note 1 Corporate information

The consolidated financial statements of Co-operative Bulk Handling Limited (the “Co-operative”) and its controlled entities (the “Group”) for the year ended 30 September 2015 were authorised for issue in accordance with a resolution of the Directors on 2 December 2015.

Co-operative Bulk Handling Limited is a not-for-profit, co-operative limited by shares held by grain growers-deliverers and domiciled in Western Australia.

The principal activities undertaken by the consolidated entity during the financial year comprised grain storage, handling, marketing and trading. In addition the entity has investments in flour and oats processing facilities.

Note 2 Basis of preparation

This general purpose financial report has been prepared in accordance with the requirements of the Co-operatives Act 2009, the Australian Charities and Not-for-profits Commission Act 2012, International Financial Reporting Standards and Australian Accounting Standards. The financial report has also been prepared on an historical cost basis, except for grain inventory held for trading which has been measured at fair value less costs to sell and derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

The financial report covers a period of 12 months from 1 October 2014 to 30 September 2015.

The financial report presents reclassified comparative information where required for consistency with the current year's presentation.

(a) Structure of the notes

The notes are set out in the sections outlined below. Each section explains what accounting policies have been applied and how the amounts within a section are affected by significant estimates and judgements made in calculating the final numbers.

Current grower value

Provides information on the Group's performance, including the results of each individual business unit and details of specific line items in the consolidated statement of comprehensive income.

Your network

Provides information on the Group's property, plant and equipment and intangible assets.

Your investments

Provides information on the subsidiaries, associates and other financial assets of the Group.

Your people

Provides information on benefits provided to key management personnel during the year and amounts that have been provided for at year end regarding benefits of all employees.

Capital management

Provides information on the equity and net debt of the Group.

Working capital

Provides information on the working capital of the Group.

Financial risk management

Discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and how the Group manages these risks.

Other information

Contains information that is not directly related to specific line items in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 2 Basis of preparation (continued)

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

(i) New and amended accounting standards and interpretations adopted from 1 October 2014

In the current year, the Group has applied a number of new and revised Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015.

The new and amended accounting standards and interpretations do not have a material impact on the Group's result.

Reference	Description
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	Amendment to AASB 132 Financial Instruments: Presentation to clarify when an entity has a legally enforceable right to off-set financial assets and financial liabilities permitting entities to present balances net on the Balance Sheet.
AASB 2013-3 Amendment to AASB 136 – Recoverability amount disclosures for Non-financial assets	The amendments result in the recoverable amount of a cash-generating unit with significant goodwill or indefinite long life or reversed assets being disclosed only when an impairment loss has been recognised or reversed, with additional fair value disclosures.
AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments – Part A & B	This is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations.
AASB 2013-4 Amendments to AASB Novation of Derivatives and Continuation of Hedging accounting	AASB 2013-4 makes amendments to AASB 139 to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws and regulations.
Interpretations 21 Levies	Provides clarity on when a liability should be recognised in respect of a levy in accordance with AASB 137.
AASB 2014-1 Part A – Annual Improvements 2010–2012 and 2011-2013 Cycles	This standard sets out amendments to existing Accounting Standards including: operating segment disclosures, clarification of key management personnel when an entity has a management responsible entity, exemptions for joint ventures from business combination requirements and clarification of the scope exception of financial assets and liabilities on a portfolio basis.

(ii) New and amended standards and interpretations issued but not yet effective

The following standards, amendments and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group. The Group has not yet determined the extent of the impact of these amendments as outlined in the table on the next page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 2 Basis of preparation (continued)

(c) New accounting standards and interpretations (continued)

(ii) New and amended standards and interpretations issued but not yet effective (continued)

Reference	Description	Application date of standard	Application date for Group
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards	1 July 2015	1 October 2015
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.	1 January 2016	1 October 2016
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation	Introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. Limited opportunity for presumption to be overcome. Clarifies that revenue-based depreciation for property-based depreciation for property, plant and equipment cannot be used.	1 January 2016	1 October 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or contribution of Assets between an Investor and its Associate or Joint Venture	The amendments require the full gain or loss to be recognised when the assets transferred meet the definition of a business under AASB 3 (whether housed in a subsidiary or not)	1 January 2016	1 October 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 Disclosure of Interest in Other Entities and AASB 128 arising from IASB's narrow scope amendments associated with Investment Entities	1 January 2016	1 October 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	Amendments to existing accounting standards, particularly in relation to: <ul style="list-style-type: none"> IFRS 5 – guidance on changes in method of disposal, IFRS 7 – clarifies 'continuing involvement for servicing contracts', IFRS 7 – clarifies offsetting disclosures are not specifically required in interim financial statements, but may be included under the general requirements of IAS 34, IAS 19 – clarifies that discount rates used should not be in the same currency as the benefits are to be paid, IAS34 – clarifies that disclosures may be incorporated in the interim financial statements by cross-reference to another part of the interim financial report. 	1 January 2016	1 October 2016
AASB 9 Financial Instruments and the relevant amending standards	The Australian Accounting Standards Board has issued the complete AASB 9. The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculation impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 – as amended) and AASB 9 (issued in December 2010 – as amended).	1 January 2018	1 October 2018
IFRS 15 Revenue from Contracts with Customers	The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2018	1 October 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 2 Basis of preparation (continued)

(d) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Co-operative Bulk Handling Limited as at 30 September 2015 and the results of all subsidiaries for the year then ended. Co-operative Bulk Handling Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent entity using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Co-operative Bulk Handling Limited less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the consolidated statement of comprehensive income of the parent entity and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. Refer to Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 2 Basis of preparation (continued)

(e) Foreign currency translation

The consolidated financial statements are presented in Australian dollars (\$A) which is Co-operative Bulk Handling Limited's functional and presentation currency. For each controlled entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Foreign currency transactions are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date and all differences are recognised in the consolidated statement of comprehensive income. Loans to subsidiaries are retranslated at the exchange rate ruling at reporting date and any retranslation difference is taken to a separate component of equity where the loan is determined to be equity in nature.

The functional currency of overseas subsidiaries are American Dollars (USD), Hong Kong Dollars (HKD), Japanese Yen (JPY), Swiss Franc (CHF) and Russian Rouble (RUB).

(ii) Group companies

As at the reporting dates the assets and liabilities of the foreign operations are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and the consolidated statement of comprehensive income is translated at the average exchange rate for the year. The exchange differences arising on the translation are recognised in other comprehensive income and taken directly to a separate component of equity.

On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit and loss.

Note 3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Critical accounting policies for which significant judgements, estimates and assumptions are made are identified at each applicable note.

Current grower value

Note 4 Business unit results

For management purposes, the Group is organised into business units based on its products and services and has reportable segments as follows:

- The storage and handling segment, which receives and exports grain;
- The grain trading and marketing segment which acquires and trades grain. This segment also provides vessel chartering and grain pools management services;
- The flour milling segment which engages in the milling and sale of wheat flour;
- Other business units includes Bulkwest Pty Ltd and its controlled entities, CBH Group Holdings Pty Ltd and its controlled entities; and
- Other investments includes Australian Bulk Stevedoring Pty Ltd (50% ownership), Wheat Australia Pty Ltd and Westgrains Insurance Pte Ltd.

Executive management monitor the results of the business units separately for purposes of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit/loss.

Transfer prices between the segments are done on a commercial basis in a manner similar to transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Year ended 30 September 2015	Storage and Handling 100% \$'000	Grain Trading and Marketing 100% \$'000	Flour Milling (Note 15) 50%(iii) \$'000	Other business units 100% \$'000	Other investments 50-100% \$'000	Eliminations(ii) \$'000	Total \$'000
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Note 4 Business unit results (continued)

Business Unit Revenue

Sales	493,709	3,207,646	462,096	18,387	243	(462,096)	3,719,985
Inter-segment revenue	176,158	7,239	–	–	8,234	(191,631)	–
Total Business Unit Revenue	669,867	3,214,885	462,096	18,387	8,477	(653,727)	3,719,985

Total Business Unit Results

Profit/(loss) before tax	97,223	(24,376)	8,436	(4,758)	2,231		
Minority interest share	–	–	–	–	–		
Operating profit/(loss) before tax	97,223	(24,376)	8,436	(4,758)	2,231		
CBH share of business unit result	97,223	(24,376)	8,436	(4,758)	2,250	(3,146)	75,629
CBH share of income tax benefit/(expense)	–	7,651	–	161	(384)	205	7,633

Net profit/(loss) after tax before adjustments

	97,223	(16,725)	8,436	(4,597)	1,866	(2,941)	83,262
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Adjusted for:

Holding costs (i)	–	–	(530)	–	–	–	(530)
Profit/(loss) after tax	97,223	(16,725)	7,906	(4,597)	1,866	(2,941)	82,732

Other Segmental Information

Interest revenue	16,461	12,896	–	61	244	(18,440)	11,222
Interest expense	(6,424)	(35,926)	(198)	(281)	–	18,440	(24,389)
Depreciation and amortisation	(87,217)	(4,496)	–	(819)	–	–	(92,532)
Share of profit of equity accounted investees	–	–	8,436	–	522	–	8,958
Assets (excluding investments in associates)	1,539,267	997,556	407,729	61,488	13,325	(983,226)	2,036,139
Investment in associates	–	–	–	–	–	133,031	133,031

Total Assets	1,539,267	997,556	407,729	61,488	13,325	(850,195)	2,169,170
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Total Liabilities	267,154	701,158	251,147	33,142	2,884	(701,538)	553,947
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- (i) Holding costs include costs incurred by the companies associated with holding the Group's investments in the Flour Mills.
- (ii) Inter-group revenues are eliminated upon consolidation and reflected in the eliminations column. Segment profit eliminations include inter-group dividends, revenue and expenses. Asset eliminations relate to the inter-group related party transactions eliminated on consolidation. Liability eliminations relate to the inter-group related party transactions eliminated on consolidation. Flour milling segment includes the total assets and liabilities of CBH Global Limited and its controlled entities.
- (iii) Included in this business unit result is 50% share of associate's revenue, assets and liabilities and CBH's share of net profit after tax ("NPAT"). This is eliminated in the eliminations column as Interflour is an equity accounted investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Year ended 30 September 2014	Storage and Handling 100% \$'000	Grain Trading and Marketing 100% \$'000	Flour Milling (Note 15) 50%(iii) \$'000	Other business units 100% \$'000	Other investments 50-100% \$'000	Eliminations(ii) \$'000	Total \$'000
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Note 4 Business unit results (continued)

Business Unit Revenue

Sales	515,142	3,419,886	443,555	1,363	226	(443,555)	3,936,617
Inter-segment revenue	175,854	3,717	–	173	7,763	(187,507)	–
Total Business Unit Revenue	690,996	3,423,603	443,555	1,536	7,989	(631,062)	3,936,617

Total Business Unit Results

Profit/(loss) before tax	92,226	45,930	16,789	(1,212)	2,158	–	–
Minority interest share	–	–	–	–	–	–	–
Operating profit/(loss) before tax	92,226	45,930	16,789	(1,212)	2,158	–	–
CBH share business unit result	92,226	45,930	16,789	(1,212)	2,158	5,905	161,796
CBH share of income tax benefit/(expense)	–	(11,195)	(4,687)	–	(166)	4,687	(11,361)
Net profit/(loss) after tax before adjustments	92,226	34,735	12,102	(1,212)	1,992	10,592	150,435
<i>Adjusted for:</i>							
Holding costs (i)	–	–	(1,281)	–	–	–	(1,281)
Profit/(loss) after tax	92,226	34,735	10,821	(1,212)	1,992	10,592	149,154

Other Segmental Information

Interest revenue	(8,935)	(9,633)	–	(105)	(226)	6,797	(12,102)
Interest expense	1,429	29,168	968	–	–	(6,797)	24,768
Depreciation and amortisation	82,815	4,522	–	382	–	–	87,719
Share of profit of equity accounted investees	–	–	(12,102)	–	(638)	–	(12,740)
Assets (excluding investments in associates)	1,426,510	792,690	315,746	7,059	9,462	(713,620)	1,837,847
Investment in associates	–	–	–	–	–	142,401	142,401
Total assets	1,426,510	792,690	315,746	7,059	9,462	(571,219)	1,980,248
Total Liabilities	207,824	482,203	210,712	761	2,158	(439,477)	464,181

(i) Holding costs include costs incurred by the companies associated with holding the Group's investments in the Flour Mills.

(ii) Inter-group revenues are eliminated upon consolidation and reflected in the eliminations column. Segment profit eliminations include inter-group dividends, revenue and expenses. Asset eliminations relate to the inter-group related party transactions eliminated on consolidation. Liability eliminations relate to the inter-group related party transactions eliminated on consolidation. Flour milling segment includes the total assets and liabilities of CBH Global Limited and its controlled entities.

(iii) Included in the Flour Milling result is 50% of revenue, assets and liabilities and CBH's share of net profit after tax ("NPAT"). This is eliminated in the eliminations column as Interflour is an equity accounted investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 4 Business unit results (continued)

(a) Geographical Information

The Group has operational activities which are managed on a worldwide basis, in addition to the storage and handling operation and facilities managed in Western Australia. In presenting information on the basis of geography, segment revenue is based on the geographical location of customers' country of domicile and segment assets are based on the geographical location of the assets.

	2015		2014	
	Revenue \$'000	Non-current assets (i) \$'000	Revenue \$'000	Non-current assets (i) \$'000
Australia	806,826	1,199,946	1,241,878	1,161,389
Singapore	652,928	–	493,413	–
China	373,442	–	281,549	–
Japan	335,351	72	318,588	25
Hong Kong	248,761	6	181,506	6
Switzerland	178,689	–	278,185	–
Vietnam	171,475	–	148,944	–
Other (ii)	952,513	–	992,554	–
Total	3,719,985	1,200,024	3,936,617	1,161,420

(i) Non-current assets are excluding financial instruments, deferred tax assets and employee benefit assets.

(ii) Other countries include France, Netherlands, United Kingdom, South Korea, Malaysia, Philippines, Indonesia, United Arab Emirates, Iraq, Kuwait and South Africa.

(b) Major customers

There is not a single customer contributing 10% or more to the Group's revenue for both 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 \$'000	2014 \$'000
Note 5 Parent entity disclosures		
(a) Statement of Comprehensive Income – Parent		
Continuing operations		
Revenue from continuing operations	691,829	687,525
Other gains and losses	17,602	14,975
Changes in inventories	46	(192)
Raw materials, traded grains and consumables used	(374)	(122)
Employee benefits expense	(171,952)	(164,288)
Depreciation and amortisation expense	(88,340)	(84,085)
Storage, handling and freight expenses	(222,452)	(255,401)
Insurance	(10,077)	(10,864)
Rent expense	(13,873)	(14,037)
Other expenses	(98,763)	(79,778)
Finance costs	(6,423)	(1,507)
Profit from continuing operations after income tax expense	97,223	92,226
Other comprehensive income		
Items that may be reclassified subsequently to the profit and loss		
Other comprehensive income for the year, net of tax	-	-
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	97,223	92,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 \$'000	2014 \$'000
Note 5 Parent entity disclosures (continued)		
(b) Statement of Financial Position – Parent		
ASSETS		
Current assets		
Cash and cash equivalents	15,805	40,094
Trade and other receivables	13,122	15,572
Inventories	5,927	5,864
Loans to controlled entities	357,478	231,224
Other assets	2,085	2,477
Total current assets	394,417	295,231
Non-current assets		
Investment in controlled entities at cost	122,695	108,919
Trade and other receivables	–	48,269
Investments in associates	92,617	48,762
Intangible assets and goodwill	25,664	23,960
Property, plant and equipment	996,888	950,131
Total non-current assets	1,237,864	1,180,041
Total assets	1,632,281	1,475,272
LIABILITIES		
Current liabilities		
Trade and other payables	51,175	85,782
Interest bearing loans and borrowings	1,736	–
Derivative financial instruments	–	(43)
Provisions	27,379	24,883
Other liabilities	180,542	90,127
Total current liabilities	260,832	200,749
Non-current liabilities		
Other payables	–	640
Provisions	6,323	6,435
Total non-current liabilities	6,323	7,075
Total liabilities	267,155	207,824
Net assets	1,365,126	1,267,448
Equity		
Contributed equity	5	5
Reserves	933,798	933,343
Retained earnings	431,323	334,100
Total equity	1,365,126	1,267,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 \$'000	2014 \$'000
Note 5 Parent entity disclosures (continued)		
(c) Statement of Cash Flows – Parent		
Cash flows from operating activities		
Receipts from customers	734,506	699,586
Payments to suppliers and employees	(501,536)	(569,344)
	232,970	130,242
Interest received	16,466	10,369
Interest and other costs of finance paid	(6,423)	(1,507)
Net operating cash flows	243,013	139,104
Cash flows from investing activities		
Payments for property, plant and equipment and intangibles	(133,306)	(110,016)
Proceeds from sale of property, plant and equipment	1,300	635
(Payments)/repayments for investments in associates by way of loan	–	(15,379)
Payments for investments in controlled entity by way of loan	(140,273)	(83,241)
Dividends received	3,241	13,391
Net investing cash flows	(269,038)	(194,610)
Cash flows from financing activities		
Proceeds from borrowings	1,736	–
Net cash flows from financing activities	1,736	–
Net decrease in cash and cash equivalents held	(24,289)	(55,506)
Cash and cash equivalents at the beginning of the financial year	40,094	95,600
Cash and cash equivalents at the end of the financial year	15,805	40,094

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 5 Parent entity disclosures (continued)

(d) Financial guarantees – Parent

The parent has issued guarantees in relation to loan facilities of its controlled entities, as disclosed in Note 21.

The guarantees provided by CBH to the lenders of CBH Grain Pty Ltd are only exercisable where total indebtedness of CBH Grain Pty Ltd is greater than \$1.9 billion. As at 30 September 2015, this debt is \$201,598,000.

Recognition and measurement

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The parent entity has undertaken guarantees relating to loan facilities with certain controlled entities.

2015	2014
\$'000	\$'000

Note 6 Revenues and other income

(a) Revenue from continuing operations

Grain handling services	503,503	510,650
Grain sales (i)	3,210,190	3,447,525
Construction contract revenue	690	1,418
Management fees	5,436	10,120
Interest	11,222	12,102
Other revenue	5,884	8,416
Grower patronage rebates	(16,940)	(53,614)
	3,719,985	3,936,617

- (i) Grain sales are primarily executed in USD. Throughout the year this line item has benefited from the depreciation of the AUD against the USD. The Group enters foreign currency derivative contracts in order to manage its exposure to fluctuations in foreign exchange rates (refer to Note 30 for the Financial Risk Management policies of the Group). The (loss)/gain on these contracts forms part of other gains and losses (not revenue from continuing operations), and is disclosed in Note 6(b).

Recognition and measurement

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of the amounts of goods and services tax payable to the Australian Taxation Office ("ATO"). The following specific recognition criteria must also be met before revenue is recognised:

(i) Grain handling services

Revenue is earned from the receipt, storage and handling of grain. Revenue recognition for receipt and handling occurs as the service is rendered and for storage, it is recognised over the storage period.

(ii) Grain sales

Revenue is generated from the sale of grain domestically, interstate and overseas and other grain related services. Overseas sales are sold on the basis of Free on Board ("FOB"), Cost and Freight ("CFR") or Cost Insurance and Freight ("CIF"). Revenue is recognised when the significant risk and rewards of ownership have passed from the Group to an external party. Grain sales related services are recognised as revenue as services are rendered. Services revenue relate to chartering and logistics services for CIF and CFR export sales and are recognised at the time the services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 6 Revenues and other income (continued)

(a) Revenue from continuing operations (continued)

(iii) Construction contract revenue

Construction contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

For fixed price contracts, the stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

(iv) Logistic services revenue

Revenue is recognised as the services are rendered.

(v) Management fees

Management fee revenue is recognised according to when the service is provided.

(vi) Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected useful life of the financial instrument) to the net carrying amount of the financial asset.

(vii) Grower patronage rebates

Grower patronage rebates included Operations rebate of \$11,519,000 (2014: \$13,588,000); investment rebate of \$5,420,000 (2014: \$11,902,000); and Marketing and Trading customer loyalty rebates were nil (2014: \$28,124,000) which growers use to offset storage and handling charges.

(viii) Dividends

Dividends are recognised as revenue when the right to receive payment is established, which is generally when shareholders approve the dividend.

	2015 \$'000	2014 \$'000
(b) Other gains and losses		
Net gain/(loss) on disposal of property, plant and equipment	1,140	(300)
Net realised gain/(loss) on foreign exchange hedging contracts (i)	(244,470)	10,850
Unrealised fair value gain/(loss) on derivatives	(53,191)	2,211
Realised fair value gain on derivatives	83,566	83,225
Other net realised foreign exchange gain/(loss) on non-derivatives	33,269	(2,403)
Net unrealised gain on foreign exchange on non-derivatives	472	2,881
Amortisation of bank guarantee liability (ii)	(1,197)	5,648
Other	7,340	29,473
	(173,071)	131,585

(i) It is the Group's policy to hedge its foreign exchange risk. The realised loss on foreign exchange is a result of the depreciation of the AUD against USD during 2015. The AUD/USD fluctuation was not as significant throughout 2014. The 2015 loss is predominantly offset by USD sales receipts that are recorded in revenue from continuing operations, refer to Note 6(a). Refer to Note 30 for the Financial Risk Management policies of the Group.

(ii) In 2015, a reversal of amortisation amounted to \$1,197,000 (2014: \$5,612,000 benefit) relating to bank guarantees provided to PAL during the 2006 to 2010 financial periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 \$'000	2014 \$'000
Note 7 Expenses		
(a) Raw materials, traded grains and consumables used		
Fair value change on traded inventory at year end	(13,316)	(5,971)
Construction contract costs	572	1,558
Costs of goods sold	2,631,195	3,014,873
	2,618,451	3,010,460
(b) Employee benefits expense		
Wages and salaries	163,337	153,191
Defined contribution accumulation superannuation expense	13,970	12,839
Bonuses	8,634	9,257
	185,941	175,287
(c) Depreciation and amortisation		
For details regarding depreciation and amortisation, refer to Note 11(b).		
(d) Storage, handling and freight expenses		
Storage and handling	63,980	77,017
Freight (i)	160,940	181,274
	224,920	258,291
(i) Freight expense includes the amount Co-operative Bulk Handling Ltd pays to rail and road transporters under its Grain Express strategy which commenced in 2009 to move grain from up-country receival sites to destination sites.		
(e) Finance costs		
Bank loans, overdrafts and auction premium	23,633	23,156
Payments to CBH Grain Pools	756	1,612
	24,389	24,768

Recognition and measurement

(i) Borrowing costs

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.

No borrowing costs were capitalised during the current year. Other borrowing costs are recognised as an expense when incurred.

(ii) Qualifying assets

The Group has determined that Qualifying assets are those assets which take longer than twelve months to get ready for their intended use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 8 Auditor's remuneration

During the year KPMG Australia were appointed as auditors of CBH Group. For the year ended 30 September 2014, the auditors were Ernst & Young (Australia).

	2015 \$	2014 \$
<i>Amounts received or due and receivable by KPMG Australia (2014: Ernst & Young Australia), from entities in the consolidated entity or related entities.</i>		
Audit of financial statements	372,900	458,425
Other assurance services	78,906	8,500
	451,806	466,925
<i>Amounts received or due and receivable by related overseas offices of KPMG and Ernst & Young, from entities in the consolidated entity</i>		
Audit of financial statements – KPMG	36,700	–
Taxation advisory services – KPMG	10,085	–
Audit of financial statements – Ernst & Young	30,000	129,800
	528,591	596,725
	2015 \$'000	2014 \$'000

Note 9 Reconciliation of net profit after tax to net cash flows from operations

Net profit from ordinary activities after income tax	82,732	149,154
<i>Adjustments to reconcile profit after tax to net cash flows:</i>		
Depreciation and amortisation	92,530	87,719
Net (profit)/loss on disposal of property, plant and equipment	(1,140)	300
Amortisation of Bank guarantee	1,197	(5,648)
Share of associates net profits	(8,958)	(12,740)
Unrealised loss/(gain)	60,286	(11,210)
Income tax expense/(benefit)	(7,633)	11,361
Impairment of property, plant and equipment	2,715	–
<i>Working capital adjustments:</i>		
Increase in inventories	(82,913)	(14,058)
(Increase)/decrease in trade and other receivables	(65,168)	24,580
(Increase)/decrease in provision for impairment of receivables	561	(2,299)
(Increase)/decrease in other assets	(1,308)	(2,313)
(Decrease)/increase in trade and other payables	(37,321)	69,435
Increase in provisions	2,519	3,984
Increase/(decrease) in other operating liabilities	23,880	(16,070)
Net cash inflow from operating activities	61,979	282,195
Interest received	11,224	13,541
Interest paid	(24,389)	(21,658)
Income tax refund/(paid)	(1,791)	8,970
Net cash from operating activities	47,023	283,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 10 Income tax

Major components of income tax expense for the year ended 30 September 2015 and 2014 are:

	2015 \$'000	2014 \$'000
Consolidated statement of comprehensive income		
<i>Current income tax</i>		
Current income tax charge	6,238	1,569
Adjustments in respect of current income tax of previous years	(785)	(18)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(14,130)	12,057
Adjustments in respect of deferred income tax of previous years	–	(2,724)
Adjustments in respect of unrecognised temporary differences	1,044	477
Income tax (benefit)/expense reported in the consolidated statement of comprehensive income	(7,633)	11,361

Deferred Tax	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	30 September 2015 \$'000	30 September 2014 \$'000	30 September 2015 \$'000	30 September 2014 \$'000
Deferred income tax assets				
Financial liabilities	33,440	46,719	(13,279)	16,152
Financial assets	95	92	3	(545)
Plant and equipment	1,650	904	746	77
Accruals and provisions	1,219	887	332	336
Foreign exchange on loans to foreign subsidiaries	–	25	(25)	8
Other	306	110	195	26
Carry forward tax losses	1,885	490	1,395	(4,349)
Less: Unrecognised deferred tax asset on revenue account	(2,455)	(1,416)	(1,039)	(479)
Gross deferred income tax assets	36,140	47,811	(11,672)	11,226
Deferred income tax liabilities				
Financial assets	(30,087)	(56,856)	26,769	(15,004)
Plant and equipment	(6,415)	(6,744)	329	(4,452)
Inventories	(3,995)	(1,791)	(2,204)	(1,307)
Accrued income	(156)	(282)	126	(282)
Prepayments	–	(12)	12	(1)
Intangibles	(1,609)	–	(276)	–
Other	–	–	–	9
Gross deferred income tax liabilities	(42,262)	(65,685)	24,756	(21,037)
<i>Net deferred tax liability</i>	(6,122)	(17,874)		
Deferred tax expense/(benefit)			13,084	(9,811)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 10 Income tax (continued)

The movement for the year in the Group's net deferred tax position is as follows:

	2015 \$'000	2014 \$'000
Net deferred tax liability		
At the beginning of the financial year	(17,874)	(8,063)
Income tax (charge)/credit recorded in the income statement	13,084	(9,811)
Deferred taxes acquired (i)	(1,332)	–
At the end of the financial year	(6,122)	(17,874)

(i) Includes deferred taxes brought into the Group upon acquisition of Blue Lake Milling Pty Ltd. Refer to Note 14 "Business combinations".

A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:

Profit from continuing operations before income tax expense	75,099	160,515
Less: Parent entity profit (tax exempt)	(97,223)	(92,226)
Accounting profit before income tax from continuing operations	(22,124)	68,289
At the Group's statutory income tax rate of 30%	(6,637)	20,487
Non-assessable income	(21)	(18)
Other assessable income	20	(1,654)
Non-deductible expenses	248	21
Share of equity accounted results of associates	(1,786)	(4,905)
Difference in effective tax rate of overseas subsidiary	(36)	132
Prior period adjustments	(452)	(2,741)
Other	1,031	39
Income tax (benefit)/expense	(7,633)	11,361

Recognition and measurement

(i) Income tax

CBH was retrospectively endorsed by the Australian Taxation Office on 21 March 2014 as a charitable institution by virtue of section 50-5 of the Income Tax Assessment Act 1997 ("ITAA 1997"), with effect from 1 July 2000.

Current tax assets and liabilities for the current year and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current year's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Due to the tax exempt status of CBH, no deferred tax amounts are recognised in the parent entity.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 10 Income tax (continued)

Recognition and measurement (continued)

(i) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

At 30 September 2015, there was no recognised deferred tax liability (2014: \$nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries or associate, as the Group has no liability for additional taxation should such amounts be remitted.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

(ii) Other taxes

An Indirect Tax Sharing Agreement ('ITSA') is in force between CBH (as the Representative member) and members of the GST Group with the effect of managing the GST liability of the Group. The ITSA covers indirect taxes which include the GST and Fuel Tax.

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amounts of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Significant accounting judgements, estimates and assumptions

Uncertainties exist with respect to the interpretation of complex tax regulations, frequent changes in tax laws, and the amount and timing of future taxable income. Given this, the Group adopts a strict tax policy requiring full compliance with all relevant tax laws and regulations and establishes provisions based on reasonable estimates.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

The Group has \$6,201,000 (2014: \$1,548,000) of tax losses carried forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Your network

Note 11 Property, plant and equipment

(a) Carrying amounts of property, plant and equipment

Reconciliations

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

	Land and buildings \$'000	Leasehold properties \$'000	Office furniture and equipment \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Low value assets \$'000	Capital works in progress \$'000	Total \$'000
30 September 2015								
Cost								
1 October 2014	1,021,779	8,262	45,754	874,880	46,606	2,713	40,132	2,040,126
Additions	51,632	–	774	38,266	6,165	589	20,962	118,388
Disposals	(52)	–	–	(200)	(139)	(7)	–	(398)
Acquisition through business combinations	11,685	–	–	10,635	–	–	–	22,320
Transfer from capital works-in-progress	3,370	–	–	28,539	–	–	(31,909)	–
Transfer to intangibles	–	–	–	–	–	–	(5,508)	(5,508)
At 30 September 2015	1,088,414	8,262	46,528	952,120	52,632	3,295	23,677	2,174,928
Accumulated depreciation and impairment								
At 1 October 2014	523,938	1,818	38,394	507,595	21,076	2,707	–	1,095,528
Disposals	–	–	–	(93)	(139)	(7)	–	(239)
Depreciation / amortisation expense	39,921	73	1,932	31,822	3,947	589	–	78,284
Impairment loss	1,014	–	70	1,592	40	–	–	2,716
At 30 September 2015	564,873	1,891	40,396	540,916	24,924	3,289	–	1,176,289
Net book value at 30 September 2015	523,541	6,371	6,132	411,204	27,708	6	23,677	998,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 11 Property, plant and equipment (continued)

(a) Carrying amounts of property, plant and equipment (continued)

	Land and buildings \$'000	Leasehold properties \$'000	Office furniture and equipment \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Low value assets \$'000	Capital works in progress \$'000	Total \$'000
30 September 2014								
Cost								
At 1 October 2013	946,940	8,262	45,006	836,016	39,085	1,985	66,854	1,944,148
Additions	53,029	–	658	20,619	7,453	731	24,543	107,033
Disposals	(59)	–	(6)	(16)	(2,619)	(3)	–	(2,703)
Transfer from capital works-in-progress	21,869	–	96	18,261	2,687	–	(42,913)	–
Transfer to intangibles	–	–	–	–	–	–	(8,352)	(8,352)
At 30 September 2014	1,021,779	8,262	45,754	874,880	46,606	2,713	40,132	2,040,126
Accumulated depreciation and impairment								
At 1 October 2013	486,239	1,745	36,479	476,117	19,627	1,984	–	1,022,191
Disposals	(59)	–	–	(9)	(1,724)	(1)	–	(1,793)
Depreciation / amortisation expense	37,758	73	1,915	31,487	3,173	724	–	75,130
At 30 September 2014	523,938	1,818	38,394	507,595	21,076	2,707	–	1,095,528
Net book value at 30 September 2014	497,841	6,444	7,360	367,285	25,530	6	40,132	944,598

Recognition and measurement

Plant and equipment is stated at cost net of accumulated depreciation and any accumulated impairment losses. All such assets, except freehold land and rail rolling stock, are depreciated over their estimated useful lives on a straight line basis commencing from the time the asset is held ready for use. Rail rolling stock is depreciated on a usage basis (refer to Note 11(b)).

An item of property, plant and equipment and any other significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

(a) Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any such indicator exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 11 Property, plant and equipment (continued)

(a) Impairment of non-financial assets (continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(b) Capital work-in-progress

Work-in-progress is valued at cost plus profit recognised to date based on the value of work completed, less provision for foreseeable losses. Any material losses on contracts are brought to account when identified.

Costs include both variable and fixed costs directly related to specific contracts. Those costs which are expected to be incurred under penalty clauses and warranty provisions are also included.

(c) Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight line basis over the lease term. Lease incentives are recognised in the consolidated statement of comprehensive income as an integral part of the total lease expense.

Significant accounting judgements, estimates and assumptions

(i) Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic, environmental and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

(ii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical and industry experience (for plant and equipment), lease term (for leased equipment) and turnover policies (for motor vehicles). Adjustments to useful life are made when considered necessary. Rail rolling stock (\$143,428,000) is included in plant and equipment, the estimation of the useful lives of the rail rolling stock is based on the total tonnes moved to port via rail each year as a percentage of total tonnes expected to be moved over the life of the locomotives and wagons.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

2015
\$'000

2014
\$'000

Note 11 Property, plant and equipment (continued)

(b) Depreciation and amortisation

Depreciation:

Land and buildings	39,813	37,758
Plant and equipment	31,823	31,487
Office furniture and equipment	1,931	1,915
Motor vehicles	3,947	3,173
Low value assets	589	724
Leasehold properties	73	73
Depreciation	108	–
Total Depreciation	78,284	75,130

Amortisation:

Intangibles	14,246	12,589
Total depreciation and amortisation	92,530	87,719

Recognition and measurement

(i) Depreciation

Plant and equipment, except freehold land, is depreciated over its estimated useful life on a straight line basis commencing from the time the asset is held ready for use. The expected useful lives are as follows:

- Buildings: 10-50 years
- Plant and equipment: 3-40 years
- Motor vehicles: 7-15 years
- Office furniture and equipment: 5-20 years
- Low value assets: Immediate write off

Depreciation of rail rolling stock

The rail rolling stock included in plant and equipment, comprising locomotives and wagons, is depreciated on a usage basis. The usage is assessed based on the tonnes moved to port via rail each year as a percentage of total tonnes expected to be moved over the life of the locomotives and wagons.

(ii) Repairs and maintenance

Plant of the Group is required to be overhauled on a regular basis. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a major component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

(iii) Leasehold properties

The cost of leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the property to the Group, whichever is the shorter. Leasehold properties held at the reporting date are being amortised over a period not greater than 99 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Goodwill \$'000	Software costs \$'000	Customer contracts \$'000	Total \$'000
Note 12 Intangible assets and goodwill				
30 September 2015				
Cost				
1 October 2014	575	112,126	–	112,701
Additions	18,180	8,769	5,500	32,449
Transfer from capital works in progress	–	5,508	–	5,508
30 September 2015	18,755	126,403	5,500	150,658
Accumulated amortisation				
1 October 2014	–	(63,024)	–	(63,024)
Amortisation	–	(14,108)	(138)	(14,246)
30 September 2015	–	(77,132)	(138)	(77,270)
Net book value at 30 September 2015	18,755	49,271	5,362	73,388

	Goodwill \$'000	Software costs \$'000	Total \$'000
30 September 2014			
Cost			
1 October 2013	575	96,329	96,904
Additions	–	7,445	7,445
Transfer from capital works in progress	–	8,352	8,352
30 September 2014	575	112,126	112,701
Accumulated amortisation			
1 October 2013	–	(50,436)	(50,436)
Amortisation	–	(12,589)	(12,589)
30 September 2014	–	(63,025)	(63,025)
Net book value at 30 September 2014	575	49,101	49,676

Recognition and measurement

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 12 Intangible assets and goodwill (continued)

Recognition and measurement (continued)

(i) Goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU"), to which the goodwill relates. When the recoverable amount of the CGU, is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a CGU and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Included in the year is the addition of goodwill in relation to the recently acquired business Blue Lake Milling Pty Ltd. Subsequent to the acquisition, the Group has assessed the recoverability of this CGU. The recoverable amount of this CGU was estimated based on the present value of the future before tax cash flow expected to be derived from this CGU using a weighted average cost of capital ("WACC") pre-tax discount rate of 13.5%.

The recoverable amount of this CGU was estimated to be higher than its carrying amount and no impairment was required.

(b) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised except for R&D development costs and software, and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software

An intangible asset arising from the development of computer software is recognised only when the Group can demonstrate the technical feasibility of completing the development project, its intention to complete and its ability to use the asset to generate future economic benefits. Purchased computer software is recognised from acquisition date. Following the initial recognition of the purchase or development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure capitalised is amortised on a straight line basis over an estimated useful life of four to eight years.

Customer contracts and relationships

An intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation (where applicable) and impairment losses, on the same basis as intangible assets that are acquired separately. The useful live of customer contracts and relationships is 10 years.

Research and development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits;
- the availability of resources to complete the development; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised on a straight line basis over the estimated useful life. At 30 September 2015, the Group does not have any development assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Your investments

Note 13 Investment in controlled entities

The following were controlled entities as at 30 September 2015 and have been included in the consolidated accounts.

Name of controlled entity	Country of incorporation	Class of shares	Equity holding	
			2015 %	2014 %
CBH Grain Pty Ltd	Australia	Ordinary	100	100
Bulkwest Pty Ltd	Australia	Ordinary	100	100
CBH Global Limited	Cyprus	Ordinary	100	100
Grain Pool Pty Ltd (i)	Australia	Ordinary	100	100
CBH Investments Pty Ltd (i)	Australia	Ordinary	100	100
CBH Group Holdings Pty Ltd	Australia	Ordinary	100	100
Westgrains Insurance Pte Ltd	Singapore	Ordinary	100	100
Wheat Australia Pty Ltd	Australia	Ordinary	100	100
CBH Grain Pty Ltd controlled entities				
AgraCorp Pty Ltd	Australia	Ordinary	100	100
CBH Grain Asia Ltd	Hong Kong	Ordinary	100	100
CBH Grain Japan Co. Ltd	Japan	Ordinary	100	100
CBH Grain North America Trading LLC	USA	Ordinary	100	100
CBH Granary SA	Switzerland	Ordinary	100	–
Bulkwest Pty Ltd controlled entities				
CBH Engineering Pty Ltd	Australia	Ordinary	100	100
Bulkeast Pty Ltd (i)	Australia	Ordinary	100	100
DailyGrain Pty Ltd	Australia	Ordinary	100	100
Lupin Foods Australia Pty Ltd	Australia	Ordinary	100	100
CBH Global Limited controlled entities				
Co-operative Bulk Handling (Netherlands) BV	Netherlands	Ordinary	100	100
CBH Indonesia Limited (ii)	Malaysia	Ordinary	100	100
CBH Group Holdings Pty Ltd controlled entities				
CBH Pty Ltd	Australia	Ordinary	100	100
CBH (WA) Pty Ltd	Australia	Ordinary	100	100
CBH Pty Ltd controlled entity				
Blue Lake Milling Pty Ltd (iii)	Australia	Ordinary	100	–
CBH Grain Japan Co. Ltd controlled entity				
CBH Grain North America LLC	USA	Ordinary	100	100
CBH Granary SA controlled entity				
LLC Granary (iii)	Russia	Ordinary	100	–

(i) These entities have remained inactive during the current and prior year.

(ii) Subsequent to the year end, this entity was wound up.

(iii) During the year these entities became controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 13 Investment in controlled entities (continued)

Recognition and measurement

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured.

Significant accounting judgements

CBH Grain Pools

From an accounting perspective, the Group considers that it does not control CBH Grain Pools. Whilst it was determined that the Group does manage the CBH Grain Pools' relevant activities, there is not significant exposure to variable returns. The Group acts as an agent and not as a principal in relation to the sale of pool products, and is remunerated on a fixed "fee for service" arrangement.

Note 14 Business combination

(a) Subsidiaries acquired

On 1 July 2015, the Group acquired 100% of the shares and voting interest in Blue Lake Milling Pty Ltd, an oat milling business in South Australia.

Blue Lake Milling Pty Ltd was acquired as part of a regional oats strategy, enabling the Group to support the development and growth of the oats industry in Western Australia.

(b) Consideration transferred

\$'000

Purchase consideration (refer to (d) below):

Cash paid

47,000

Acquisition-related costs amounting to \$2,517,000 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year, within the other expenses line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 14 Business combination (continued)

(c) Assets acquired and liabilities assumed at the date of acquisition

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Current assets	
Cash and cash equivalents	2,440
Trade and other receivables	11,255
Inventories	8,263
Non-current assets	
Plant and equipment	22,320
Intangible assets: customer contracts	5,500
Deferred tax asset	317
Current liabilities	
Trade payables	(5,372)
Income tax	(626)
Provisions	(1,083)
Financial liabilities	(12,544)
Non-current liabilities	
Deferred tax liability	(1,650)
Net fair value	28,820
Goodwill on consolidation	18,180
Consideration transferred	47,000

There were no acquisitions during the year ended 30 September 2014.

(i) Acquired receivables

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of \$11,255,000 had gross contractual amounts of \$11,262,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is \$7,000.

(ii) Goodwill

Goodwill arose in the acquisition of Blue Lake Milling Pty Ltd (the entity) because the cost of the combination included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the entity. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

(d) Net cash outflow on acquisition of subsidiary

	2015 \$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	47,000
Less: cash and cash equivalent balances acquired	(2,440)
	<u>44,560</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 14 Business combination (continued)

(e) Impact of acquisitions on the results of the Group

(i) Revenue and profit contribution

Included in the profit for the year is \$284,000 for the three month period ended 30 September 2015 since the date of acquisition, attributable to the additional business generated by the entity. Revenue for the year includes \$16,600,000 in respect of the entity.

Had this business combination been effected on 1 October 2014, the revenue of the entity from continuing operations would have been \$59,200,000, and the profit after tax for the year from continuing operations would have increased by \$3,400,000. The Directors of the Co-operative consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit, had the entity been acquired at the beginning of the current year, the Directors have:

- Calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

The fair values of assets and liabilities have been determined on a provisional basis.

Note 15 Investments in associates

Details of the Group's material associates at the end of the reporting period are as follows:

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group		Principal activities
		2015 %	2014 %	
<u>Interflour Group entities:</u>				
Pacific Agrifoods Limited ("PAL")	British Virgin Islands	50.0	50.0	Flour milling
Interflour Group Pte Limited ("IFG")	Singapore	50.0	50.0	Flour milling
PT Eastern Pearl Flour Mills ("EPFM") (i)	Indonesia	–	50.0	Flour milling
<u>Other entities:</u>				
Australian Bulk Stevedoring Pty Ltd	Australia	50.0	50.0	Stevedoring

(i) This investment was transferred to IFG during the year as part of the Interflour investment consolidation.

All of the above associates are accounted for in the consolidated financial statements using the equity method of accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 \$'000	2014 \$'000
Note 15 Investments in associates (continued)		
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	142,401	113,528
Investments in associates	–	17,024
Interflour investment consolidation (ii)	(31,023)	–
Loan repayments and distributions from associates	(3,241)	(6,432)
Share of associates profits after income tax	8,958	12,740
Share of associates movement in reserves	(7,703)	20
Foreign exchange movements	24,836	5,583
Amortisation of bank guarantee liability	(1,197)	–
Reclassification of Wheat Australia to investment in controlled entity	–	(62)
Carrying amount at the end of the financial year	133,031	142,401

(ii) During the year, there was a decrease of \$31,023,000 attributed to the consolidation of Interflour investments which are largely attributable to the EPFM loan repayment. (Refer to Note 22 "Interest bearing loans and borrowings".)

Share of associates' profits

Profit before income tax	13,452	17,701
Income tax expense	(4,494)	(4,961)
Share of net profits from continuing operations after income tax	8,958	12,740
Retained profits attributable to associates at beginning of the year	39,212	26,472
Retained profits attributable to associates at end of the year	48,170	39,212

Interflour investment consolidation

During 2015 the Group together with its partner, Origold Profits Limited ("Origold") commenced the restructure of its investments in Asia. The restructure aims to create a simpler and more sustainable group structure with only one holding entity, Interflour Group Pte Ltd ("IFG"). The restructure is a common control transaction and management has elected to account for the transfer of entities at book value, which has no overall impact on the financial statements.

Previously the investments were held as two groups of entities, Pacific Agrifoods Limited and PT Eastern Pearl Flour Mills.

IFG was established as the main holding entity, and both CBH and Origold retained an equal share of 50% of the post consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 15 Investments in associates (continued)

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents the amounts shown in the associate's financial statements. The investments in associate are accounted for by the group using the equity method of accounting.

Name of company	Reporting date	Principal activity	Ownership Interest %	Current assets \$'000	Non current assets \$'000	Current liabilities \$'000	Non current liabilities \$'000	Net assets/(liabilities) \$'000	Revenue \$'000	Group share of OCI \$'000	Group share of profit/(loss) \$'000	Carrying amount \$'000
As at 30 September 2015												
Interflour Group (i)	30 Sept	Flour milling	50	456,498	349,272	(407,617)	(94,677)	303,476	924,193	(7,703)	8,436	132,484
Australian Bulk Stevedoring Pty Ltd	30 Sept	Stevedoring	50	2,062	313	(1,074)	(144)	1,120	8,162	-	522	547
Total								304,596			8,958	133,031

OCI is the Group's share of other comprehensive income/(expense).

(i) The Interflour Group investment includes Pacific Agrifoods Limited and Interflour Group Pte Limited.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

The carrying value of the Interflour Group includes 50% net assets of Interflour Group \$151,738,000 and financial guarantees \$8,392,000 less adjustments for Goodwill \$7,105,000 and Minority Interest \$20,541,000.

As at 30 September 2014												
Interflour Group (i)	31 Dec	Flour milling	50	352,708	278,784	(361,434)	(59,590)	210,068	887,110	20	12,102	142,046
Australian Bulk Stevedoring Pty Ltd	30 Sept	Stevedoring	50	2,488	242	(1,800)	(192)	738	7,738	-	638	355
Total								210,806			12,740	142,401

OCI is the Group's share of other comprehensive income/(expense).

(i) The Interflour Group investment includes Pacific Agrifoods Limited and Interflour Group Pte Limited.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

The carrying value of Interflour Group includes 50% net assets of Interflour Group \$105,034,000, CBH Loan \$37,968,000, Financial guarantees \$9,589,000 and Goodwill \$4,218,000 less adjustments for Minority Interest \$14,763,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 15 Investments in associates (continued)

The Group receives distributions from the investments in various forms – dividends, repayments of loans and advances of loans. During the year the total amount received from the Interflour Group was USD 2,150,000 (2014: USD 5,000,000).

In 2014, USD 15,500,000 was lent to PAL and used by PAL to repay its debt regarding the acquisition of Interflour Holdings Ltd.

	30 September 2015		30 September 2014	
	AUD'000	USD'000	AUD'000	USD'000
<u>Loans held by associates:</u>				
Loan to/(from) Pacific Agrifoods Limited (i)	(34,800)	(24,422)	37,968	33,209
Loan from PT Eastern Pearl Flour Mills (ii)	–	–	28,139	24,612

(i) Co-operative Bulk Handling Limited has a loan outstanding to PAL that is interest free, has no repayment date reflecting its nature as quasi equity and is included in the investment carrying value.

(ii) The loan from EPFM to Co-operative Bulk Handling (Netherlands) BV was fully extinguished during the year.

Recognition and measurement

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

Unrealised gains and transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are consistent with the policies adopted by the Group.

The Group has loans to associates. These loans have been reclassified as part of the investments in associates at cost as they are considered in substance to form part of the net investment in associates.

As at reporting date, the Co-operative assessed the impairment of investments in associates by comparing the equity accounted value of the investments to expected discounted cash flows from the investments. As a result, no impairments were recognised in any associates this financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

2015 **2014**
\$'000 **\$'000**

Note 16 Assets held for sale

Investment in Newcastle Agri Terminal Pty Ltd	13,051	–
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Recognition and measurement

The Group has sought offers to divest its Investment in Newcastle Agri Terminal Pty Ltd ("NAT"). At reporting date negotiations with interested parties have commenced. The negotiations are commercially sensitive and the outcomes remain uncertain. No impairment loss was recognised on reclassification of the asset at 30 September 2015.

2015 **2014**
\$'000 **\$'000**

Note 17 Other financial assets

Non-current assets

Investment in Newcastle Agri Terminal Pty Ltd	–	13,051
Other	446	355
	446	13,406

Recognition and measurement

In 2014 other financial assets included an unlisted investment in NAT, a bulk agricultural export facility located in Newcastle. In 2015, this was re-classified as an asset held for sale (Note 16).

The Group assesses at each reporting date whether there is objective evidence that an investment is impaired in a way that is material to the Group.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Your people

2015 **2014**
\$'000 **\$'000**

Note 18 Key management personnel compensation

Short-term employee benefits (i)	5,258,192	4,981,169
Post-employment benefits (ii)	293,365	222,802
Long-term benefits (iii)	977,970	1,458,404
Termination benefits	–	324,460
	6,529,527	6,986,835

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

- (i) Short term employee benefits include wages, salaries, annual leave provided and non-monetary benefits for current employees.
- (ii) Post-employment benefits include superannuation benefits paid for current employees.
- (iii) Long term benefits include retention allowances, long service leave and sick leave provided and other retirement benefits for current employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Long-term employee benefits \$'000	Workers compensation (i) \$'000	Total \$'000
Note 19 Provisions			
1 October 2014	31,401	157	31,558
Additional provisions	3,777	(175)	3,602
30 September 2015	35,178	(18)	35,160
30 September 2015			
Current	28,844	–	28,844
Non-current	6,334	(18)	6,316
	35,178	(18)	35,160
30 September 2014			
Current	25,115	–	25,115
Non-current	6,286	157	6,443
	31,401	157	31,558

(i) The workers compensation provision is to provide for premiums that are due under the Workers' Compensation Policy. This policy covers wage replacement and medical benefits to employees injured during the course of employment.

Recognition and measurement

(i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(ii) Employee benefits

Liabilities for wages and salaries and related on costs, are recognised and are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled.

A liability for annual leave, long service leave and sick leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Liabilities for termination benefits are recognised when a detailed plan for terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Capital management

2015 **2014**
\$'000 **\$'000**

Note 20 Cash and cash equivalents

Cash at bank and on hand	111,374	144,344
Cash – futures accounts at call	28,986	8,999
	140,360	153,343

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash-futures accounts at call on deposit are held in United States Dollars, Canadian Dollars, Euro, Chinese Yuan and Australian Dollars at an average interest rate of nil for foreign currency accounts and 1.25% on Australian Dollar accounts (2014: nil on balances due in foreign currencies and 1.75% on Australian Dollar accounts).

Recognition and measurement

Cash at bank and on hand in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

Note 21 Financing facilities

The Group has the following facilities in place at year end. All facilities are expressed in Australian dollars unless otherwise disclosed.

	Total facility amount \$'000	Utilised facility amount \$'000	Facility expiry date
Controlled entities			
CBH Grain Facility – AUD	75,000	–	31/12/2015
CBH Grain Facility – AUD (i)	75,000	–	31/10/2015
CBH Grain Facility – AUD (i)	100,000	–	30/11/2015
CBH Grain Facility – AUD (i)	125,000	–	12/12/2015
CBH Grain Facility – AUD (i)	75,000	–	31/12/2015
CBH Grain Facility – AUD (i)	100,000	80,000	31/12/2015
CBH Grain Facility – AUD (i)	50,000	–	30/11/2015

(i) The Directors have approved the facility that expires in 2015 and these will be renewed when required. Refer to subsequent events note for details.

Australian dollar credit facilities

The Australian Dollar facilities are a combination of syndicated debt, bilateral term loans and packing credit facilities with total facility limits of \$600,000,000. As at 30 September 2015, \$80,000,000 of the bilateral term loans was drawn down, and there was no draw down on the syndicated debt facility and packing credit facility. Refer to subsequent events Note 34 for details.

CBH Grain Pty Ltd uses these facilities to fund the 2014/15 Pools by way of payments to growers and grain trading. Under the financing facilities, the lenders hold fixed and floating securities over the Group's assets. The interest rate is calculated with reference to the Australian Dollar bank bill rate, plus a margin at normal commercial terms. The effective interest rate for the year was 3.15% (2014: 3.55%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Current \$'000	2015 Non- current \$'000	Total \$'000	Current \$'000	2014 Non- current \$'000	Total \$'000
Unsecured						
Bank loans (i)	211,334	–	211,334	–	–	–
Loan from associate (ii)	–	–	–	6,860	21,279	28,139
Loans from growers (iii)	–	–	–	19,074	–	19,074
Total unsecured borrowings	211,334	–	211,334	25,934	21,279	47,213

(i) The bank loans are predominantly in Australian Dollars. For additional details refer to Note 22(c).

(ii) As part of the Interflour investment consolidation, the associate loan was repaid during the year. Refer to Note 15 for additional details.

(iii) Loans from Growers, managed by CBH Grain Pty Ltd, have interest paid at the bank bill rate less a commercial margin.

Recognition and measurement

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(a) Fair value

Unless otherwise disclosed, the carrying amounts of the Group's borrowings approximate fair value.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 30.

(c) Terms and conditions

Bank loans are subject to annual review.

Negative Pledge – CBH Grain Pty Ltd

The bank loans of CBH Grain Pty Ltd are supported by a negative pledge that imposes certain covenants on the Co-operative.

The negative pledge at 30 September 2015 states that (subject to certain exceptions) CBH Grain Pty Ltd will not provide any other security over its assets, and will ensure that the following financial ratios and conditions are met throughout the term of the loan facilities:

(i) The financial indebtedness of CBH Grain Pty Ltd should not exceed the aggregate of:

- 100% of cash on hand;
- 90% of grain sold that is either on hand or in the course of delivery;
- 100% of the mark to market value of grain net open derivative position;
- 80% of the market value of grain that is not sold; and
- 80% of the total value of debtors on terms of 90 days or less;

(ii) The net realised and unrealised grain trading positions should not exceed minus \$50,000,000; and

(iii) The ratio of financial indebtedness plus inventory finance exposure to consolidated equity must be less than or equal to 6.5 times.

(d) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

2015
\$'000

2014
\$'000

Note 23 Contributed equity and reserves

(a) Share capital

(i) Ordinary shares

Shares Issued	5	5
	5	5

The right to vote attaches to membership and not shareholding.

In relation to the distribution of surplus profits, except for the payment of \$2.00 on the cancellation of a paid share, the Bulk Handling Act (1967) and the Co-operative's Rules prohibit the distribution of any surplus or profits to shareholders.

In the event of winding up, the Bulk Handling Act (1967) provides that any surplus shall be distributed in a manner directed by the Treasurer of the State of Western Australia.

Issued and paid up capital is recognised at the fair value of the consideration received.

(ii) Movements in ordinary share capital

	Paid shares number	Unpaid shares number	Total number	Issue Price \$	Share capital \$
At 1 October 2013	2,826	1,369	4,195	\$2.00	5,652
Shares issued	–	188	188	–	–
Shares cancelled	(124)	(61)	(185)	–	(248)
At 1 October 2014	2,702	1,496	4,198	\$2.00	5,404
Shares issued (i)	–	135	135	–	–
Shares cancelled (ii)	(107)	(81)	(188)	–	(214)
At 30 September 2015	2,595	1,550	4,145	\$2.00	5,190

(i) During the year 135 ordinary shares (2014: 188) were issued and remained unpaid as at 30 September 2015. The parent entity retains the right to call on all outstanding ordinary shares at any time in the future. The total number of unpaid ordinary shares is 1,550 (2014: 1,496).

(ii) During the year 186 member shares (106 paid and 80 unpaid) were cancelled through failure to meet the Active Membership Requirements under Rule 4 of the Co-operative's Rules. An additional 2 member shares (1 paid and 1 unpaid) were cancelled due to member resignations.

(b) Capital management

Capital consists of equity and net debt of the Group. The Group's objectives when managing capital are to safeguard the business as a going concern, to maximise benefits for shareholders and to maintain an optimal capital structure in order to reduce the cost of capital. Due to the structure of the business, dividends are not paid to shareholders with sources of capital being through debt finance and retained earnings. Capital management involves the use of forecasting models which facilitates analysis of the Group's financial position including cash flow forecasts to determine future capital and operating requirements.

CBH Grain Pty Ltd holds an Australian Financial Services License and has operated within the requirements as prescribed in the license. This includes demonstrating through the preparation of cash flow forecast projections, that CBH Grain Pty Ltd will have access to sufficient financial resources to meet its liabilities over at least the next three months.

There were no changes in the Group's approach to capital management during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 \$'000	2014 \$'000
Note 23 Contributed equity and reserves (continued)		
(c) Retained earnings		
Opening balance	281,432	224,330
Actuarial loss on defined benefit plan	(145)	175
Net profit for the year	82,732	149,153
Aggregate of amounts transferred to reserves	(97,223)	(92,226)
Balance at year end	<u>266,796</u>	<u>281,432</u>
(d) Reserves		
Capital levy reserve	52,587	52,587
General reserve	1,308,948	1,211,727
Foreign currency translation reserve	(12,252)	(27,495)
Acquisition reserve	(1,175)	(1,175)
Cash flow hedge reserve	314	(1,015)
	<u>1,348,422</u>	<u>1,234,629</u>
Movements:		
<i>Capital levy reserve</i>		
Opening balance	52,587	52,587
Balance 30 September	<u>52,587</u>	<u>52,587</u>
<i>General reserve</i>		
Opening balance	1,211,725	1,119,499
Transfer from retained earnings	97,223	92,226
Balance 30 September	<u>1,308,948</u>	<u>1,211,725</u>
<i>Foreign currency translation reserve</i>		
Opening balance	(27,495)	(25,060)
Currency translation differences arising during the year	25,374	(3,295)
Share of associates translation difference	(10,131)	860
Balance 30 September	<u>(12,252)</u>	<u>(27,495)</u>
<i>Acquisition reserve</i>		
Opening balance	(1,175)	(1,175)
Balance 30 September	<u>(1,175)</u>	<u>(1,175)</u>
<i>Cash flow hedge reserve</i>		
Opening balance	(1,015)	–
Share of associates hedge reserve	1,329	(1,015)
Balance 30 September	<u>314</u>	<u>(1,015)</u>

Under the Bulk Handling Act (1967) the Co-operative is permitted to build up reserves and does not make distributions of these reserves to shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 23 Contributed equity and reserves (continued)

(d) Reserves (continued)

Nature and purpose of other reserves

Capital Levy Reserve

The Capital Levy Reserve was created upon the Co-operative being converted to a tax exempt entity as a result of changes to the Bulk Handling Act in 1971. This exemption removed from the Co-operative the right to pay rebates to shareholders with the funds that would have been paid being transferred to this reserve.

General Reserve

The General Reserve is used to hold the transfer of profits relating to Co-operative Bulk Handling Limited from retained earnings as required by the Bulk Handling Act 1967 and share of actuarial loss or profit of the associates.

Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Cash Flow Hedge Reserve

This reserve records the portion of the gain or loss on a cash flow hedging instrument that is determined to be an effective hedge.

Acquisition Reserve

This reserve records the difference between the consideration paid and the carrying value of the non-controlling interests acquired.

Significant accounting judgements

(i) Loans to overseas subsidiaries in foreign currency

Loans to overseas subsidiaries where there is no intention to recall the payment in the immediate future and there are no fixed repayment term are considered equity in nature.

Loans to overseas subsidiaries in foreign currency are translated at the exchange rate ruling at the reporting date. Any exchange differences arising on the translation are recognised in the foreign currency translation reserve on consolidation if it was determined that the loans are equity in nature. For all other loans, the exchange differences are recognised in the profit and loss.

Note 24 Contingent liabilities

Co-operative Bulk Handling Limited (parent entity) has provided guarantees relating to loan facilities with certain controlled entities (Note 5(d)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Working capital

	2015			2014		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Note 25 Trade and other receivables						
Trade receivables (i)	121,293	–	121,293	45,990	–	45,990
Allowance for doubtful debts (iii)	(1,572)	–	(1,572)	(2,133)	–	(2,133)
Loans to growers (ii)	136,435	–	136,435	50,977	–	50,977
	256,156	–	256,156	94,834	–	94,834
Other receivables (iv)	36,742	–	36,742	88,053	11,339	99,392
Related party receivables (v)	66,499	–	66,499	26,513	–	26,513
	359,397	–	359,397	209,400	11,339	220,739

(i) Trade receivables

At financial year end, the ageing analysis of current trade receivables is as follows:

	2015 \$'000	2014 \$'000
Current	99,163	39,057
< 30 days overdue	21,173	2,715
30 – 60 days overdue	434	482
60 – 90 days overdue	142	106
> 90 days overdue	381	3,630
	121,293	45,990

Recognition and measurement

Trade receivables are generally non-interest bearing and generally have 14-30 day terms. Trade receivables and other receivables, including amounts owing from related parties are initially recognised at fair value and subsequently measured at cost, less an allowance for impairment.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectable are written off.

An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor and default payments are considered objective evidence of impairment.

Significant accounting estimates and assumptions

Management believe recoverability of some of the debts included in trade and other receivables are uncertain as they may relate to irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position and therefore an impairment allowance of \$1,572,000 (2014: \$2,133,000) has been raised. Measures are being undertaken to recover the full value of the relevant receivable, including taking charge over the assets of debtors in default and/or taking legal action.

(ii) Loans to growers

Loans receivable from growers are interest bearing and represent funds advanced to growers based on tonnes delivered to the Co-operative, for delivery into CBH Grain Pools of \$27,385,000 (2014: nil) and the Pre-Pay Advantage product for \$109,050,000 (2014: \$50,977,000). This receivable is secured by and settled by distributions receivable from the Pools and contracted sales to the Group. At 30 September 2015, the interest rate charged to growers was 4.43% (2014: 4.77%) for Grower loans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

25 Trade and other receivables (continued)

(iii) Allowance for doubtful debts

Bad debts are written off when an individual trade receivable or loan to a Grower or Customer is known to be uncollectable. The Group has recovered \$1,182,000 during the period (2014: \$1,217,000). These amounts have been included in other expenses.

Movements in the allowance for doubtful debts were as follows:

	2015	2014
	\$'000	\$'000
At 1 October	2,133	4,432
Additions for the year	784	–
Bad debt write off	(163)	(1,082)
Impairment reversed	(1,182)	(1,217)
At 30 September	1,572	2,133

The allowance for doubtful debts for debts less than 90 days overdue is \$1,223,000 (2014: \$908,000) and over 90 days overdue \$349,000 (2014: \$1,225,000).

Trade receivables past due but not considered impaired are \$20,558,000 (2014: \$4,800,000). These balances have been reviewed and it is expected that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

	2015	2014
	\$'000	\$'000
(iv) Other receivables		
Accrued income receivable within 12 months	23,571	73,319
GST receivable	5,214	8,427
Other receivables	7,957	6,307
	36,742	88,053

Other receivables included accrued income, unearned insurance premium, outstanding insurance loss recoveries, sundry payroll recoveries, outstanding receivables in relation to workers compensation claims and other grain handling revenues and export fees. Accrued income relates to revenue earned not yet invoiced at year end.

Non-current receivables in 2014 of \$11,339,000 represents the value of additional locomotives due from MotivePower Inc following the settlement of a contractual dispute. The locomotives were commissioned in 2015 and this balance was re-classified to Property, Plant & Equipment.

(v) Related party receivables

For terms and conditions relating to related party receivables refer Note 32.

(vi) Fair value and credit risk

Due to the short term nature of current receivables, their net carrying amounts (after allowances for doubtful debts) are estimated to represent their fair values. In respect of non-current receivables, carrying amounts approximate fair value.

The maximum exposure to credit risk is the carrying value of receivables. The Group will, where it is deemed appropriate, require collateral to be provided by third parties. It is not the Group's policy to transfer (on-sell) receivables to special purpose entities.

(vii) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 30.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 \$'000	2014 \$'000
Note 26 Inventories		
At fair value less cost to sell		
Traded grain	324,297	239,492
At lower of cost and net realisable value:		
Raw materials and stores (at cost)	11,289	4,858
Other inventories	1,131	1,190
	12,420	6,048
Total inventory	336,717	245,540

Recognition and measurement

(i) Traded grain

Grain purchased with the purpose of being sold in the near future is measured at fair value less costs to sell, with changes in fair value recognised in the profit and loss.

(ii) Raw materials and stores

Consumables and stores, except for grain held for trading, are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs for completion and the estimated costs necessary to make the sale. Costs are assigned to individual items of stock on the basis of weighted average costs.

Significant accounting estimates and assumptions

(i) Valuation of traded grain

Traded grain is carried at fair value as at reporting date less costs to sell. Traded grain fair value is a Level 2 measurement (refer to Note 30(d)) and is based on the Market Comparison technique. This technique uses exchange quoted grain prices if available, or either independent broker reports or grower bids which are reflective of assumptions that market participants would use when pricing the grain. The adopted valuation technique also uses quoted transportation costs to account for location differentials and unobservable inputs which are not significant to the overall valuations.

	2015 \$'000	2014 \$'000
Note 27 Other assets		
Current		
Prepayments	24,732	23,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

2015
\$'000

2014
\$'000

Note 28 Trade and other payables

Current

Trade payables (ii)	25,458	25,076
Sundry payables and accrued expenses (iii)	58,829	109,721
	84,287	134,797

Non-current

Other payables	2,152	1,210
	2,152	1,210

(i) Fair value

Due to the short term nature of the current payables their carrying value is assumed to approximate fair value.

(ii) Trade payables

Trade payables are non-interest bearing and are usually paid within 30-day terms.

(iii) Sundry payables and accrued expenses

Sundry payables and accrued expenses are primarily made up of execution cost accruals relating to the sale of grain. In 2014 this included the customer loyalty rebate of \$3.30 per tonne, which is nil for 2015.

Recognition and measurement

Current trade payables and other payables are carried at amortised cost representing liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and non-interest bearing and are usually paid within 30 days of recognition.

2015
\$'000

2014
\$'000

Note 29 Other liabilities

Current

Deferred revenue (i)	45,520	25,282
Other payables (ii)	53,581	49,933
	99,101	75,215

- (i) Deferred revenue includes deferred receival fee and freight revenue related to grain movements from upcountry grain depots to port and the long term agreement deposit. The long term agreement deposit relates to an advance deposit payment towards the 2015/16 port terminal shipping fee.
- (ii) Other payables includes the auction premium payable relating to bid premium fees paid to the Co-operative by grain marketers for shipping capacity which will be returned to marketers inclusive of interest and net of administration costs on the basis of actual tonnes shipped. It also includes deferred freight fund liability which relates to surpluses accumulated from freight operations carried forward to be redistributed to growers in the form of cash rebates or reduced freight rates in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Financial risk management

Note 30 Financial risk management policies

The Group's policies with regard to financial risk management are clearly defined and consistently applied. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, commodity risk and interest rate risk) credit risk and liquidity risk. The Group's overall risk management program focuses on minimising the potential adverse effects of financial markets on the financial performance of the Group.

The Group uses derivative financial instruments including (but not limited to) forward foreign exchange contracts and options, interest rate swaps, forward rate agreements and commodity futures and options to manage certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate, commodity and foreign exchange risk and assessments of market impacts for interest rate, foreign exchange and commodity prices using value-at-risk ("VaR") techniques. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through development of future rolling cash flow forecasts.

Day to day risk management is carried out by a central treasury department, commodity trading department and credit management department under policies approved by the Board of Directors. The treasury function manages liquidity of the Group whilst the trading department manages commodity and basis risks as well as associated foreign currency risks. The credit department manages credit limits for all counterparties with the Group. The CBH Board considers and approves the market risk policy framework within which the Group is permitted to operate on recommendation by the CBH Audit and Risk Management Committee ("ARMC").

Primary responsibility for identification and control of the financial risks rests with the Business Risk Management Committees under the authority of the Board via the ARMC and Executive Risk Committee. The Board is responsible for annual review and approval of the Market Risk Policy along with approval of the guidelines within which the Treasury and Trading functions operate. The Board also approves the establishment, adjustment and deletion of counterparties and limits, country and currency limits and the scope of financial instruments and facilities to be used in managing the Group's financial risks. The Market Risk Policy establishes limits and guidelines relating to the market and financial risks of the Group and is overseen by a number of dedicated committees on behalf of the Board as outlined below:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 30 Financial risk management policies (continued)

(a) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impacts on the future performance of the business. The market price movements that the Group is exposed to include interest rates, foreign currency exchange rates and commodity price risk that could adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. The Group has developed policies aimed at managing the volatility inherent in certain of its natural business exposures and in accordance with these policies the Group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial or commodity instruments, indices or prices that are defined in the contract.

The Group measures market risks from its market exposures using (VaR) techniques. VaR is calculated by applying recent volatility (previous two years) against multiple simulations using monte carlo simulations across distributed and correlated price paths over a predetermined hold period and applying this to the market exposure. From the resultant outcomes the 99th percentile adverse case is drawn. 99th percentile VaR therefore creates what the risk outcome could be 99% of the time under normal market conditions. The limitations of VaR are that it does not calculate risk in circumstances of extreme volatility, instead it calculates probable risk in high volatility situations under normal market conditions. VaR does not predict the maximum risk position.

(i) Commodity price risk

Commodity price risk refers to the Group's exposure to fluctuations in the prices of grain commodities. The Group operates in a variety of grain markets and is exposed to commodity price fluctuations from its commodity exposures. Commodity price exposures are created by a differential timing in the buying and selling of grain. The hold period that VaR is calculated over for commodity price risk varies dependent upon the grain type between 5 and 10 days.

The diversification benefit represents the reduction in risks from the correlated movements between physical and derivative positions and the correlated movements of the various grain positions when considered together. Exposures and 99% VaR are as follows:

	2015 \$'000	2014 \$'000
Net derivative exposure	(314,747)	(74,048)
Net physical exposure	(19,586)	(189,245)
Undiversified 99th percentile VaR	(37,670)	(46,993)
Diversification benefit 99%	11,560	12,316
Diversified VaR	(26,110)	(34,677)

Traded Grains are grain books run by the Group for the purpose of generating profits using its own funds. The primary objective of Traded Grains is to achieve a profit, therefore risk management activities are undertaken for a variety of reasons from eliminating to initiating market risk. However, Traded Grain positions are required to be maintained within specified limits. The Executive Risk Committee may modify the limits for individual grains on the recommendation of the Marketing and Trading Risk Committee however the aggregate limit for all grains can only be modified by the Board.

(ii) Foreign currency risk

Foreign currency risk refers to the Group's exposure to fluctuations in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange fluctuations from its foreign currency exposures. Foreign currency exposures are created by the buying and selling of grain in different currencies. The Group manages its exposure to foreign currency risk through utilising forward exchange contracts and options.

The net foreign exchange exposure which includes the cash balances and loans and borrowings is used in the calculation of the combined commodity price risk and foreign currency risk. As a result, the VaR of commodity price risk above includes foreign currency risk.

It is Group policy not to enter into forward contracts until a firm commitment is in place.

As a result of investment in operations in Asia, the Group's statement of financial position can be affected by movements in the US\$/A\$ exchange rates. The Group does not hedge against this exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 30 Financial risk management policies (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

At year end, the group had the following financial instruments denominated in another currency:

	USD in AUD equivalent \$'000	CAD in AUD equivalent \$'000	Euro in AUD equivalent \$'000	JPY in AUD equivalent \$'000	CNY in AUD equivalent \$'000	GBP in AUD equivalent \$'000	NZD in AUD equivalent \$'000	HKD in AUD equivalent \$'000	CHF in AUD equivalent \$'000	RUB in AUD equivalent \$'000	Total AUD equivalent \$'000																																																																																																																																																																																																																								
30 September 2015																																																																																																																																																																																																																																			
Financial assets																																																																																																																																																																																																																																			
Cash and cash equivalents	60,570	2,162	10,612	31,478	94	21	2	92	135	2,900	108,066																																																																																																																																																																																																																								
Trade and other receivables	105,363	67	37,562	6,653	-	-	-	-	-	603	150,248																																																																																																																																																																																																																								
Derivative financial assets	62,958	7,240	3,300	2,247	353	-	-	-	-	377	76,475		228,891	9,469	51,474	40,378	447	21	2	92	135	3,880	334,789	Financial liabilities												Derivative financial liabilities	68,742	2,207	8,303	2,152	62	-	-	-	-	-	81,466	Trade and other payables	11,669	2	55	9,393	179	5	-	8	40	36	21,387		80,411	2,209	8,358	11,545	241	5	-	8	40	36	102,853	Net exposure	148,480	7,260	43,116	28,833	206	16	2	84	95	3,844	231,936	30 September 2014												Financial assets												Cash and cash equivalents	65,171	10,544	1,878	10,233	9	1,022	1	126	-	-	88,984	Trade and other receivables	57,903	-	-	18,509	-	3	-	-	-	-	76,415	Derivative financial assets	142,239	6,033	7,287	6,794	-	-	-	-	-	-	162,353		265,313	16,577	9,165	35,536	9	1,025	1	126	-	-	327,752	Financial liabilities												Interest bearing loans and borrowings	28,139	-	-	-	-	-	-	-	-	-	28,139	Derivative financial liabilities	79,123	10,352	1,736	-	-	5	-	-	-	-	91,216	Trade and other payables	1,368	-	72	14,314	-	216	-	40	12	-	16,022		108,630	10,352	1,808	14,314	-	221	-	40	12	-	135,377	Net exposure	156,683	6,225	7,357	21,222	9	804	1	86	(12)	-	192,375
	228,891	9,469	51,474	40,378	447	21	2	92	135	3,880	334,789																																																																																																																																																																																																																								
Financial liabilities																																																																																																																																																																																																																																			
Derivative financial liabilities	68,742	2,207	8,303	2,152	62	-	-	-	-	-	81,466																																																																																																																																																																																																																								
Trade and other payables	11,669	2	55	9,393	179	5	-	8	40	36	21,387		80,411	2,209	8,358	11,545	241	5	-	8	40	36	102,853	Net exposure	148,480	7,260	43,116	28,833	206	16	2	84	95	3,844	231,936	30 September 2014												Financial assets												Cash and cash equivalents	65,171	10,544	1,878	10,233	9	1,022	1	126	-	-	88,984	Trade and other receivables	57,903	-	-	18,509	-	3	-	-	-	-	76,415	Derivative financial assets	142,239	6,033	7,287	6,794	-	-	-	-	-	-	162,353		265,313	16,577	9,165	35,536	9	1,025	1	126	-	-	327,752	Financial liabilities												Interest bearing loans and borrowings	28,139	-	-	-	-	-	-	-	-	-	28,139	Derivative financial liabilities	79,123	10,352	1,736	-	-	5	-	-	-	-	91,216	Trade and other payables	1,368	-	72	14,314	-	216	-	40	12	-	16,022		108,630	10,352	1,808	14,314	-	221	-	40	12	-	135,377	Net exposure	156,683	6,225	7,357	21,222	9	804	1	86	(12)	-	192,375																																																
	80,411	2,209	8,358	11,545	241	5	-	8	40	36	102,853																																																																																																																																																																																																																								
Net exposure	148,480	7,260	43,116	28,833	206	16	2	84	95	3,844	231,936																																																																																																																																																																																																																								
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Financial assets																																																																																																																																																																																																																																			
Cash and cash equivalents	65,171	10,544	1,878	10,233	9	1,022	1	126	-	-	88,984																																																																																																																																																																																																																								
Trade and other receivables	57,903	-	-	18,509	-	3	-	-	-	-	76,415																																																																																																																																																																																																																								
Derivative financial assets	142,239	6,033	7,287	6,794	-	-	-	-	-	-	162,353		265,313	16,577	9,165	35,536	9	1,025	1	126	-	-	327,752	Financial liabilities												Interest bearing loans and borrowings	28,139	-	-	-	-	-	-	-	-	-	28,139	Derivative financial liabilities	79,123	10,352	1,736	-	-	5	-	-	-	-	91,216	Trade and other payables	1,368	-	72	14,314	-	216	-	40	12	-	16,022		108,630	10,352	1,808	14,314	-	221	-	40	12	-	135,377	Net exposure	156,683	6,225	7,357	21,222	9	804	1	86	(12)	-	192,375																																																																																																																																				
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Derivative financial liabilities	79,123	10,352	1,736	-	-	5	-	-	-	-	91,216																																																																																																																																																																																																																								
Trade and other payables	1,368	-	72	14,314	-	216	-	40	12	-	16,022		108,630	10,352	1,808	14,314	-	221	-	40	12	-	135,377	Net exposure	156,683	6,225	7,357	21,222	9	804	1	86	(12)	-	192,375																																																																																																																																																																																																
	108,630	10,352	1,808	14,314	-	221	-	40	12	-	135,377																																																																																																																																																																																																																								
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

2015
\$'000

2014
\$'000

Note 30 Financial risk management policies (continued)

(a) Market risk (continued)

(iii) Interest rate risk

Net market exposure	(109,402)	65,370
99% VaR	(50)	20

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Group funds its ongoing seasonal grain accumulation and trading operations and is exposed to interest rate fluctuations predominantly from liabilities bearing variable interest rates. The hold period that VaR is calculated over for interest rate risk is 1 day. Exposures and 99% VaR are included above.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	140,360	153,343
Loans to Growers	136,435	50,977
	276,795	204,320
Financial liabilities		
Interest bearing liabilities and borrowings	211,334	28,139
Loan from Growers	-	19,074
	211,334	47,213
Net exposure	65,461	157,107

The Group's policy is to manage the exposure to adverse movements in interest rates through either variation of the physical terms or structure of the various portfolios or through the use of derivative financial instruments. Interest rate derivatives contracts are outlined in Note 30(d).

(b) Credit risk

Credit risk arises from the financial assets of the Group and its guarantees.

The financial assets of the Group comprise cash and cash equivalents, trade and other receivables, derivative instruments and other financial assets. The Group's exposure to credit risk arises from the potential default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed at each applicable note.

The Group does not hold any credit derivatives to offset its credit exposures.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The Group also monitors country risk due to the possibility of a counter party being affected by a country's decree such that specific financial obligations cannot be met in addition to credit limits for individual counterparties. Risk limits are set for each individual customer in accordance with parameters set by the Board. The risk limits are regularly reviewed.

In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant. The Group will, where it is deemed appropriate, require collateral to be provided by third parties. At 30 September 2015, the Group did not hold any collateral (2014: \$Nil).

The financial guarantees are disclosed in Note 5(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 30 Financial risk management policies (continued)

(b) Credit risk (continued)

The Group has significant concentrations of credit risk with respect to the Group's derivative portfolio. The following additional comments apply:

(1) Derivatives contracted with the CBH Grain Pools

For all derivatives contracted with the CBH Grain Pools, CBH Grain Pty Ltd enters into offsetting positions with external counterparties. However, any default in contract by the CBH Grain Pools cannot be offset with the external counterparty. This exposes the Group to credit risk, with a maximum exposure equal to the carrying amount of these derivatives. At 30 September 2015, the total exposure from CBH Grain Pools was \$1,000,944 (2014: \$4,437,520). After consideration of the total net assets of the CBH Grain Pools, the Group has considered the credit risk of contracting with the CBH Grain Pools and believes the risk is acceptable.

(2) Derivatives other than forward purchase and forward sales contracted with external counterparties in the Group's own right

For all derivatives other than forward purchases and forward sales contracted with external counterparties, namely banks, the Group is exposed to credit risk, with a maximum exposure equal to the carrying amount of these instruments. It is Group Policy to only trade with counterparties with a long-term rating of A – or above by Standard and Poor's or equivalent rating agencies.

The Group has assessed credit risk of all counterparties and has no concerns at 30 September 2015. A summary of net position exposures by credit rating is detailed in the table below:

	2015 Fair Value \$'000	2014 Fair Value \$'000
Credit rating A	4,640	18,007
Credit rating AA – and above	–	300
	4,640	18,307

(3) Forward purchase and sale contracts

Forward purchase and sale contracts are undertaken with unrated external counterparties, including growers, grain traders and end-customers. The total face value of open purchase contracts is \$631,251,381 (2014: \$525,047,000) and the total face value of open sales contracts is \$1,111,101,114 (2014: \$1,043,564,000). After consideration of individual counterparty financial positions and current market values, the Group has considered the credit risk of all external counterparties and views the risk as acceptable at 30 September 2015. As such no collateral was held on these contracts.

(4) Cash and cash equivalents

All cash within the Group is held in banks with credit ratings of A and above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 30 Financial risk management policies (continued)

(c) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit funds and the ability to close-out market positions. The Group's objective is to ensure that adequate liquid assets and funding sources are available at all times to meet both short and long term commitments of the Group. The Group's liquidity is managed centrally with subsidiaries forecasting their cash requirements to a central treasury function. Unless restricted by local regulations or bank covenants, subsidiaries pool their cash surpluses to treasury, which will then arrange to fund other subsidiaries' requirements, or invest any net surplus in the market or arrange for necessary external borrowings. The Treasury department aims at maintaining flexibility in funding by keeping committed credit lines available and maintaining cash flow reporting mechanisms to monitor the Group's estimated liquidity position.

The table below reflects the remaining contractual maturities of the Group and parent entities financial liabilities as at year end. For derivative financial instruments which are settled on a net basis, the market value of the net position is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at year end.

	Carrying amount \$'000	Total contractual cash flows \$'000	Less than 6 months \$'000	6 – 12 months \$'000	1 – 5 years \$'000
Contractual maturities of financial liabilities					
At 30 September 2015					
Financial liabilities					
Interest bearing loans and borrowings	211,334	211,683	209,759	–	1,924
Trade and other payables	84,211	84,211	84,211	–	–
Auction premium payable	42,976	42,976	42,976	–	–
Income tax payable	4,835	4,835	4,835	–	–
Total non-derivatives	343,356	343,705	341,781	–	1,924
Gross settled (forward foreign exchange contracts cash flow hedges)					
– (inflow)	(1,242,818)	(1,242,818)	(1,219,425)	(21,308)	(2,085)
– outflow	1,353,774	1,353,774	1,324,828	22,162	6,784
Net derivative financial liabilities	110,956	110,956	105,403	854	4,699
	454,312	454,661	447,184	854	6,623
At 30 September 2014					
Financial liabilities					
Interest bearing loans and borrowings	47,213	48,640	30,551	3,735	14,354
Trade and other payables	135,130	135,130	133,920	–	1,210
Auction premium payable	13,788	13,788	–	13,788	–
Total non-derivatives	196,131	197,558	164,471	17,523	15,564
Derivative financial liabilities					
– (inflow)	(1,731,048)	(1,731,048)	(1,731,048)	–	–
– outflow	1,886,741	1,886,741	1,885,642	497	602
Net derivative financial liabilities	155,693	155,693	154,594	497	602
	351,824	353,251	319,065	18,020	16,166

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 30 Financial risk management policies (continued)

(d) Fair value measurements

The Group uses various methods in estimating the fair value of a financial instrument and non-financial assets (i.e. inventory) carried at fair value. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that is not based on observable market data.

The fair value of the financial instruments and non-financial assets as well as the methods used to estimate the fair value are summarised in the table below.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 September 2015				
Financial and non-financial assets				
Derivative instruments				
– Forward exchange contracts and swaps	–	9,989	–	9,989
– Forward exchange options	–	124	–	124
– Commodity futures and options	5,686	–	–	5,686
– Forward sale and purchase contracts	–	73,610	–	73,610
Inventories	–	324,297	–	324,297
Total financial assets	5,686	408,020	–	413,706
Financial Liabilities				
Derivative instruments				
– Forward exchange contracts and swaps	–	69,297	–	69,297
– Forward exchange options	–	124	–	124
– Commodity futures and options	1,231	–	–	1,231
– Interest rate swaps	–	4,572	–	4,572
– Forward sale and purchase contracts	–	35,732	–	35,732
Interest bearing loans and borrowings	–	211,334	–	211,334
Total financial liabilities	1,231	321,059	–	322,290
30 September 2014				
Financial and non-financial assets				
Derivative instruments				
– Forward exchange contracts and swaps	–	39,122	–	39,122
– Forward exchange options	–	2,059	–	2,059
– Commodity futures and options	27,835	–	–	27,835
– Forward sale and purchase contracts	–	118,105	–	118,105
Inventories	–	244,312	–	244,312
Total financial and non-financial assets	27,835	403,598	–	431,433
Financial liabilities				
Derivative instruments				
– Forward exchange contracts and swaps	–	72,743	–	72,743
– Forward exchange options	–	2,059	–	2,059
– Commodity futures and options	6,683	–	–	6,683
– Interest rate swaps	–	356	–	356
– Forward sale and purchase contracts	–	73,852	–	73,852
Interest bearing loans and borrowings	–	47,213	–	47,213
Total financial liabilities	6,683	196,223	–	202,906

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 30 Financial risk management policies (continued)

(d) Fair value measurements (continued)

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward sales and purchase contracts and foreign exchange contracts not traded on a recognised exchange.

The valuation technique adopted for Inventories (Traded grain) is discussed in Note 26.

Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk (e.g. Credit Default Swap spreads) are not observable, the derivative would be classified as level 3 where the fair value is based on non-observable market inputs. Certain long dated forward commodity contracts where there are no observable forward prices in the market are classified as level 2 as the unobservable inputs are not considered significant to the overall value of the contract.

Transfers between categories

There were no transfers between Level 1 and Level 2 during the year.

Recognition and measurement

Investments and financial assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through the profit or loss, loan and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through the profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets on initial recognition.

Significant accounting estimates and assumptions

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and forward purchases and sales) are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Physical positions comprising some stocks, forward sales and forward purchases do not have exchange quoted prices available, therefore other techniques, such as obtaining bid values from a variety of commodity brokers and trade marketers, are used to determine fair value for these financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015 \$'000	2014 \$'000
Note 31 Derivative financial instruments		
Current Assets		
At fair value		
Forward foreign exchange contracts and swaps	9,989	39,122
Forward foreign exchange options	124	2,059
Commodity futures and options	5,686	27,835
Forward sale and purchase contracts	71,388	117,150
	87,187	186,166
Non-Current Assets		
At fair value		
Forward sale and purchase contracts	2,222	955
	2,222	955
Current Liabilities		
At fair value		
Forward foreign exchange contracts and swaps	69,202	72,743
Forward foreign exchange options	124	2,059
Commodity futures and options	1,212	6,679
Forward sale and purchase contracts	35,719	73,610
	106,257	155,091
Non-Current Liabilities		
At fair value		
Interest rate swaps	4,572	356
Commodity futures and options	20	4
Forward sale and purchase contracts	14	242
Forward foreign exchange contracts and swaps	93	–
	4,699	602

(a) Instruments used by the Group

An existing portfolio of derivatives is held by the Group. These derivatives are primarily:

- Forward foreign exchange contracts, swaps and options;
- Commodity futures and options; and
- Forward sales and purchase contracts.

These contracts are held in the currencies in which the Group has exposure, refer to Note 30(a)(ii) and range in maturity from six months to two years. The derivatives do not qualify for hedge accounting under AASB 139 with movements in the fair value of these derivatives being recognised in the profit and loss for the year. The fair value at 30 September 2015 is an unrealised loss of \$20,960,000 (2014: \$31,429,000 unrealised gain). The subjective assessment of the value of these financial instruments at any given point in time will, in times of volatile market conditions, show substantial variation over the short term.

In addition, CBH Grain Pty Ltd takes out foreign exchange contracts & options and commodity futures & options on behalf of the CBH Grain Pools. This is achieved by the CBH Grain Pools contracting with CBH Grain Pty Ltd for the derivative contract and CBH Grain Pty Ltd contracting with an external counterparty for the opposing position. In the Group's consolidated statement of comprehensive income, these positions are generally offsetting, resulting in a zero impact to profit and loss. However, in the Group's statement of financial position, the Group recognises a derivative asset/liability for the position with the CBH Grain Pools, and an offsetting derivative asset/liability with the external counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 31 Derivative financial instruments (continued)

(b) Interest rate derivatives contracts

In order to protect against rising interest rates in the short term, the Group entered into interest rate swaps at fixed rates ranging from 2.00% to 2.22% and an interest rate option with a strike price of 3.18%.

At the financial year end, the fair value and periods of expiry of the interest rate swaps and option are as follows:

	30 September 2015 \$'000	30 September 2014 \$'000
Interest rate swaps		
2 – 5 years	(4,561)	1
Interest rate options		
1 – 2 years	(11)	–
2 – 5 years	–	(358)
	(4,572)	(357)

(c) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. Information regarding credit risk exposure is set out in Note 30(b).

(d) Interest rate risk

Information regarding interest rate risk exposure is set out in Note 30(a)(iii).

Recognition and measurement

(i) Derivatives

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit and loss as the Group has not adopted hedge accounting.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on the quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Physical positions comprising stocks, forward sales and forward purchases do not have quoted market prices available. Other techniques, such as obtaining bid values from a variety of commodity brokers and trade marketers, are used to determine fair value for these financial instruments. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date for contracts with similar maturity profiles.

The carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the futures contractual cash flows at current market interest rates that is available to the Group for similar financial instruments.

(ii) Offsetting financial instruments

The Group presents its assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements such as International Swaps and Derivatives Associations (“ISDA”) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated. The termination is assessed and only a single net amount is payable in settlement of all transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Other information

Note 32 Related party transactions

(i) Key Management Personnel – Directors

Certain Directors have dealings either in their own name or through director-related entities with Co-operative Bulk Handling Limited and its controlled entities under commercial terms no more favourable than those available to other grain growers and shareholders.

For the year, Directors of the parent entity, Mr D S Willis received USD 14,250 (2014: USD 20,000) and Mr V Dempster received USD 10,750 (2014: nil) from Interflour Group Pte Ltd, an associated company, for their roles as directors of IFG.

Total aggregate number of shares held by Directors and Director-related entities is 17 (2014: 19).

	30 September 2015 \$	30 September 2014 \$
(ii) Related party transactions with Directors		
N J Wandel, K J Fuchsbichler, T N Badger, B McAlpine, J P Hassell, W A Newman, V A Dempster, D Clauson, R G Madden, and S Stead received payments or were due to receive payment for grain deliveries during the financial year	10,600,344	10,162,767
Freight and Receiving Fees	1,705,063	1,469,997
(iii) Identification of Related Parties' Ultimate Parent Entity		
The ultimate parent entity in the wholly owned group is Co-operative Bulk Handling Limited.		
(iv) Transactions with associates		
The Group has sold grain to Interflour Group Pte Ltd and Interflour Vietnam Ltd in the ordinary course of business on a commercial basis.	141,944,482	92,413,242
(v) Receivables from associates		
Amount due to the Group at year end from Interflour Group Pte Ltd under a credit facility with a limit of USD 60,000,000 on 180 day repayment terms with interest charged at LIBOR plus 1.65%.	66,498,744	26,513,019

Note 33 Commitments

(a) Operating lease commitments

The Group has entered into commercial leases on certain property and items of equipment. These leases have an average life of between 1 and 50 years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at the financial year end are as follows:

	2015 \$'000	2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	10,796	10,251
Later than one year but not later than five years	25,711	29,817
Later than five years	72,587	74,355
	109,094	114,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

Note 33 Commitments (continued)

(b) Non-cancellable operating lease receivables

The Group has sub-leased one of its commercial leases on a property to an external party. The lease term is one year. Future minimum rentals receivable under non-cancellable operating leases as at the financial year end are as follows:

	2015 \$'000	2014 \$'000
Within one year	371	–

(c) Capital commitments

Commitments for the acquisition of property, plant and equipment contracted as at the reporting date but not recognised as liabilities payable:

	2015 \$'000	2014 \$'000
Within one year	18,756	3,691
	18,756	3,691

Note 34 Events Subsequent to Balance Date

Subsequent to 30 September 2015, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2015/16 season with various banks:

- Syndicated debt facility of \$950,000,000;
- Banking facilities of \$600,000,000;
- Three year bi-lateral facility of \$250,000,000;
- Packing credit facilities of \$125,000,000.

The facilities are currently in varying stages of execution and are on similar terms and conditions to prior season facilities.

Other than the matters disclosed above, there is no other subsequent event which requires disclosure.

DIRECTORS' DECLARATION

30 SEPTEMBER 2015

1. In the Directors' opinion:

(a) The consolidated financial statements and notes that are set out on pages 57 to 115 are in accordance with the *Co-operatives Act 2009* and the *Australian Charities and Not for profits Commission Act 2012*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2015 and of its performance for the year ended on that date, and
 - (ii) complying with Australian Accounting Standards; and
- (b) there are reasonable grounds to believe that the co-operative will be able to pay its debts as and when they become due and payable.

2. The Directors draw attention to Note 2 of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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



W A Newman

Director

Perth – 2 December 2015



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CO-OPERATIVE BULK HANDLING LIMITED



Independent auditor's report to the members of Co-operative Bulk Handling Limited

Report on the financial report

We have audited the accompanying financial report of Co-operative Bulk Handling Limited (the Co-operative), which comprises the consolidated statement of financial position as at 30 September 2015, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Co-operative and the entities it controlled at the year's end or from time to time during the financial year.

This audit report has also been prepared for the members of the Co-operative in pursuant to *Australian Charities and Not-for-profits Commission Act 2012*, the *Australian Charities and Not-for-profits Commission Regulation 2013* (ACNC) and the *Co-operatives Act 2009* (collectively the *Act and Regulations*).

Directors' responsibility for the financial report

The Directors of the Co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the ACNC and the *Co-operatives Act 2009*. The Directors' responsibility also includes such internal control as the Directors determine 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 note 2(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.



We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards, the ACNC and the *Co-operatives Act 2009*, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Auditor's opinion

In our opinion:

- (a) the financial report of Co-operative Bulk Handling Limited is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and the *Co-operatives Act 2009* including:
 - (i) giving a true and fair view of the Group's financial position as at 30 September 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).


KPMG



Trevor Hart
Partner
Perth – 2 December 2015

YOUR FIVE YEAR FINANCIAL AND OPERATIONAL HISTORY

CO-OPERATIVE BULK HANDLING AND ITS CONTROLLED ENTITIES

		2015	2014	2013	2012	2011
Tonnes handled	mt	13.6	15.9	9.1	15.1	6.5
All time injury frequency rate*		25	30	28	36	
Revenue from continuing operations	\$m	3,720	3,937	2,710	2,230	1,951
Pools revenue	\$m	361	493	644	860	919
Other gains and losses	\$m	(173)	132	106	43	82
Total revenue including other income	\$m	3,908	4,562	3,460	3,133	2,952
Net profit contribution from:						
Storage and handling	\$m	97	98	124	131	(5)
Marketing, accumulation and trading	\$m	(17)	34	13	20	(23)
Flour milling	\$m	8	11	7	7	15
Other	\$m	(6)	6	(13)	4	(8)
Profit attributable to member of Co-operative Bulk Handling Limited	\$m	82	149	131	162	(21)
Return on average equity	%	5.3	10.3	10.1	13.3	(1.9)
Rebate	\$m	16.9	53.6	4.8	6.3	0.0
Capital reinvestment	\$m	123.5	113.1	145.4	191.7	126.9
Total assets	\$m	2,169	1,980	1,989	2,062	1,507
Total liabilities	\$m	(554)	(464)	(619)	(819)	(420)
Equity	\$m	1,615	1,516	1,370	1,243	1,087
Debt owing	\$m	211	47	303	393	182

* The CBH Group commenced recording the All Time Injury Frequency Rate in 2012