CREATING AND RETURNING VALUE TO GROWERS

ANNUAL REPORT 2016

CBH GROUP

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 largest 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 4,100 grain grower member businesses, 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 1,100 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 Western Australia, aided by additional offices in South Australia, Hong Kong, Japan, Vietnam and Russia, is responsible for exporting a range of grains to more than 20 markets across the world.

CONTENTS

Creating & Returning Value to Growers

CBH creates and returns value to growers through the following means:

As a User

As a user of CBH's services, our growers receive a number of benefits including:

- Low fees.
- Patronage rebates.
- Grower focused products, such as Quality Optimisation, Pre-Pay Advantage and Oil Bonification.
- Access to an efficient storage and handling system that operates for the benefit of WA grain growers.
- Grower driven segregations on site.
- Reduction of standing crop risk.
- An honest broker on price in grain markets.

As a Member

Our members:

- Own and control the supply chain and its critical links.
- Have a say on who governs CBH.
- Vote on key issues.

As a Beneficiary

As Part of
Your Community

As beneficiaries of CBH, we help our members to build wealth for the long-term by:

- Increasing the profitability of their farm business.
- Contributing to increasing the value of their farms.

As part of your community, CBH:

- Advocates for WA grain growers with government and markets.
- Supports the development of the grain industry.
- Contributes to the vitality of rural communities.

YOUR CHAIRMAN'S REPORT

In 2016, WA growers delivered an above average harvest, for the third year in a row. Your Board re-confirmed its commitment to maximising value to growers through greater efficiencies in the network via the introduction of the five year Network Strategy. In addition, the Board commenced a comprehensive review of CBH's structure and governance to determine grower preferences."

WALLY NEWMAN CHAIRMAN

The past year saw growers deliver 13.6 million tonnes into the CBH network. This followed on from 13.6 million tonnes the previous season and the record harvest of 15.9 million tonnes in 2013-14.

There's no doubt that 2016 was an interesting year for CBH. In February 2016, the Board received a proposal from Australian Grains Champion Pty Ltd (AGC) to take control of all of the issued share capital of the co-operative. After considerable consultation with external experts on our options and careful consideration, the Board rejected the proposal on the basis that it did not represent value for Western Australian grain growers and this decision was supported by 78 percent of our members who were surveyed in April 2016. The proposal was subsequently withdrawn in September 2016.

The proposal highlighted what we've been well aware of and working on for a number of years now – that as CBH grows and external forces change, we need to continually adapt so we can do it smarter and be best placed to face challenges and capture future opportunities.

Structure and Governance Review

In 2016, we commenced a comprehensive review into the structure and governance of the co-operative.

Throughout the review, we spoke with around 1,700 growers at meetings held across the state and conducted the largest survey ever undertaken by the co-operative, consulting more than 2,600 of our grower members (or around 63 percent) about the structure and governance options for CBH going forward and their preferences.

The review explored the various options, benefits and trade-offs in relation to potential changes to the structure and governance of the co-operative.

As the owners and sole beneficiaries of the CBH business, this review provided our grower members with a critical opportunity to provide input to the Board on the structure and governance of CBH. What this review clearly indicated is that our growers want a co-operative, with most growers supporting a non-distributing co-operative. This doesn't mean we are going to rest on our laurels, however. Over the coming year, we will explore a number of ways to enhance our existing non-distributing co-operative structure, particularly in regards to how we return value to WA growers.

On governance, there was no single issue that stood out for reform but the Board will look at a number of governance elements and potential changes for the future, including encouraging greater diversity on the Board and minimum skill and experience requirements for Member Directors.

It is imperative that any structure or governance changes to CBH truly represent our grower members' needs for a profitable and sustainable future for their business, community, children and future generations and your Board will explore a number of initiatives on the structural enhancement and governance fronts during the first part of 2017, with the goal of implementing any changes before the 2017-18 harvest.

Network Strategy

Throughout the last year, one thing has remained very clear and that is your Board's commitment to delivering on CBH's purpose of creating and returning value to growers.

The key way in which we do this is through our storage and handling network. Over the past 12 months, we've commenced a Network Strategy that will see investment of $750 million over the next five years, focused on the 100 sites that currently receive 90 percent of the annual average crop.

Our network is the core of your co-operative and the best way in which we can create and return value. The Network Strategy is aimed at ensuring we continue to deliver a cost effective and efficient storage and handling service to growers and marketers for generations to come.

Undertook a comprehensive review of our structure and governance

Committed $750 million to the storage and handling network over the next five years

Announced a new oat processing facility for Western Australia

Growth and expansion

Another way we aim to create and return value to our growers is through growing the business through value adding initiatives, mainly in grain processing.

The best example of this is our Interflour investment, which has delivered benefits to the co-operative and our grower members in the past 12 years. Over the past year, Interflour has undertaken a number of projects including construction of a new malting plant in Vietnam and a new flour mill in the Philippines.

In June 2016, your co-operative announced a new oat processing facility for Western Australia which builds on our acquisition of Blue Lake Milling Pty Ltd (BLM), one of Australia's largest suppliers of processed oats. Once complete, the new facility will make BLM the largest independent oat processor in the Australasian region and enable us to better service the increased demand for Australian oats from the Asian market.

Through such growth initiatives, CBH aims to remain globally competitive by capturing additional value for our growers.

Investment in our communities

We remain committed to making a difference in our grower communities and, in 2016, we delivered more than $1.8 million back to our communities. This included a donation of $250,000 to the Lord Mayor's Distress Relief Fund – Esperance Fires Appeal to support those in the Esperance community, following the devastating fires in the region at the end of 2015.

As the largest employer in regional Western Australia, we remain committed to enriching the lives of those living in our regional communities.

Board update

There were no changes to the Board in 2016. Derek Clauson from District 2, Kevin Fuchsbichler from District 3 and Trevor Badger from District 4 were all re-elected in their respective Districts.

Growers Advisory Council

In 2016, four new members were elected to the Growers Advisory Council (GAC). The new members include Frank Panizza from Toodyay, Andrew Nixon from Moora, Natalie Browning from Kondinin and Bill Bailey from Jerramungup. Michelle Barrett from Munglinup and Michael O'Callaghan from Marchagee were both successful in re-nominating and will remain on the GAC for another term.

I thank and recognise the significant contribution of our outgoing Councillors Brendan Williamson from Bruce Rock, Darrin Lee from Mingenew and Ashley Wiese from Narrogin.

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.

Your CBH, Your Future

CBH has grown and evolved over the past 83 years to meet the changing needs of our grower members. We have built a strong and efficient supply chain from paddock to processor that delivers value to our growers, keeping them internationally competitive.

Over the coming year, we will continue to consult and work with growers to ensure that we have the right governance and structure enhancements in place to allow us to continue as a sustainable, efficient, cost-effective and valuable business for our growers both now and for generations to come.

As a Board, we remain committed to delivering on our purpose to create and return value to growers. We will continue to work with management to create greater efficiencies across the business and deliver rebates to our growers by growing and developing our income streams to maximise the value of growers' grain and lowering our cost to serve.

YOUR CEO'S REPORT

"The above-average harvest in 2015-16 produced another healthy surplus for your co-operative. In addition to receiving and handling a large crop, the team at CBH continued to work on our purpose of creating and returning value to growers at every point along the supply chain. Whether working on reducing freight charges, input costs or increasing network efficiency and rebates, the co-operative continued to work on its singular focus of returning value to growers."

DR ANDREW CRANE
CHIEF EXECUTIVE OFFICER

The 2015-16 season was another good year for growers and your co-operative, with production of 13.6 million tonnes and I thank growers and employees for their support and patience throughout the harvest. The volume was a pleasing result, particularly given the dry finish combined with incidents of frost and hail across the state. In addition, our growers in Esperance suffered terrible losses due to unprecedented fires and strong winds across the region in November 2015.

Financial performance

The crop volume ensured the CBH Group performed well in the 2015-16 financial year with a Net Profit After Tax (NPAT) of $49.8 million.

The result is net of the provision of $48.5 million in rebates, or $4.20 per tonne, which will offset storage and handling fees in the 2016-17 harvest through our Grower Patronage Rebate program.

This was a pleasing result which can be largely attributed to another above-average harvest, a solid performance by our Marketing and Trading arm and a continued focus on greater cost savings across the Group. The Group also spent $132.4 million on capital projects and maintenance across the network.

Within these numbers, it should be noted that there was a decline in the performance of Interflour, providing a slight profit of $0.3 million attributable to the CBH Group in 2016. This was largely due to difficult trading conditions and increased competition within the markets in which Interflour operates, coupled with its focus on growth and expansion projects in Vietnam and the Philippines.

A third consecutive year of above-average harvests is credit to the productivity of our growers and some good growing conditions across most, but not all, of the Western Australian wheatbelt. However, we all know that agriculture is a fickle industry and we are not lulling ourselves into any false sense of security. As a grower-owned business, we are well aware of our responsibility to remain prudent stewards of the co-operative. Such responsibility means making well founded management decisions that benefit our growers over the long-term; through both good and bad seasons and high and low grain prices to ensure the business is strong for generations to come.

Delivering on the purpose

Over the last 12 months, your management team has continued to focus on delivering on our purpose of creating and returning value to growers in a number of ways.

Network Strategy

In March and April 2016, we met with almost 900 growers to discuss a new Network Strategy, aimed at improving site turnaround times, tonnes to port, maintaining low fees and focusing capital and maintenance on those sites that currently receive 90 percent of the annual average crop.

Your management team is very aware this strategy needs to deliver a storage and handling system that matches the sophistication and efficiency of your own business. The strategy includes the progressive consolidation of the network over the coming decade. The focus on total grower value throughout this process has secured strong grower support.

To fund the strategy, your Board has committed to a five year maintenance and capital investment plan of $150 million per annum, focused on the core 100 sites.

The investment will deliver one of the world's lowest cost and most efficient grain export supply chains, from paddock to port and ensure you remain competitive on the world market, despite the growth in alternate origins of grain.

Investments

Our strategic investments continue to be an important part of our ability to deliver on our purpose.

Despite a tough trading year for our Interflour operations, the business has still been able to grow and diversify over the past year. The construction of Interflour's InterMalt malting facility in Vietnam, due for completion in 2017, will enable production of 110,000 tonnes of malt annually and will provide a new gateway for WA growers' grain into Vietnam's ever-growing beer market.

In addition, Interflour is expanding its flour milling operations into the Philippines, with the construction of a new 500 tonne per day flour mill, due for completion in early 2017.

Achieved Net Profit After Tax (NPAT) of $49.8 million

Announced $48.5 million in rebates for growers to offset storage and handling charges for 2016-17

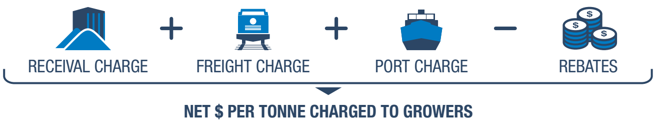
Invested $132.4 million in capital projects and maintenance across the network

Our original acquisition of Asian flour mills twelve years ago, through Interflour, was ground breaking and admired by many as a model of how Australian businesses can invest successfully overseas and bring home the benefits. It has delivered rebates to growers over a number of years and become a well-established business with a strong business model and centralised management. That success has provided the platform for further growth, diversifying into additional value adding pathways, such as malt, and expansion into neighbouring countries.

In addition, we have developed our understanding of value adding to a level where we have been confident to develop our own domestic grain processing business through the acquisition of Blue Lake Milling. Earlier this year, we announced an expansion of this business through the construction of a new processing plant in Western Australia. All of these investments are driven by a single focus on value adding for our growers' grain and bringing the benefits back as rebates off the cost of your export supply chain.

A clear measure

We have a clear measure of performance in place, to help us remain focused on delivering value to current and future generations of growers. That measure is a very simple one and is based on the dollar per tonne charged to growers minus rebates.



One of the initiatives we have put in place over the past year, to make a material difference to this key measure of the dollar per tonne charged to growers, is to Drive Business Efficiency. Through this initiative, we have been able to achieve recurrent annual savings of $16 million across the business and we will look to further reduce costs by $10 million over the coming year.

A voice for growers and co-operatives

Given CBH's scale and unique membership, I believe it is CBH's duty to represent and advocate on behalf of grain growers, for their industry and the co-operative business model.

As CEO of Australia's largest co-operative and the second largest private business (IBISWorld Top 500 Private Companies 2016 List), and the Chair of the Business Council of Co-operatives and Mutuals (BCCM), I have had the opportunity to speak at a number of industry events over the past year on the challenges facing agriculture and our growers and provide suggestions to regulators and government on their role in improving the competitiveness of our industry. It is vitally important that any regulation or legislation recognises and values the scale and contribution of our sector.

In addition, CBH actively participates in a number of domestic and international trade bodies, where we tackle issues on our growers' behalf (for example, trade tariffs and phytosanitary barriers) to ensure efficient and open access to as many markets as possible for WA grain.

Our Board Charter clearly states that part of our purpose is to promote the development and sustainability of the Western Australian grains industry. It is a role that we take very seriously and one we will continue to actively perform well into the future.

Our People

It has been a challenging and demanding year for our people and it is important to recognise that the achievements of the co-operative over the past year would not have been possible without their contribution.

Throughout 2016, we've been focused on a cultural change within the organisation that focusses on greater competitiveness and accountability.

Competitiveness means we all work to ensure that we are benchmarked against industry best practice and have a clear understanding of what success looks like for a competitive, grower-owned supply chain and how each employee contributes to that.

Accountability means we have clearly outlined performance targets that we are expected to achieve, the resources available to actually achieve them and a clear understanding of the personal accountability expected to deliver these results.

Such a focus will ensure that both CBH and our growers will remain internationally competitive in a tough market full of grain supply from many traditional and new origins.

Safety

The safety of your employees 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 with the introduction of site inductions for contractors for the 2015-16 harvest. In 2016, we focused our efforts on the critical risks which, if left uncontrolled, could result in a serious injury or fatality and implemented clear, well documented life-saving controls.

My vision for a safe CBH is that everyone goes home safely at the end of each working day. While that seems both common sense and nothing that any business should not aspire to, unfortunately good safety doesn't just happen. I thank all our employees and growers for playing their role in keeping each other out of harm's way and arriving home safe each day.

Closing comments

CBH is a strong and successful grower owned co-operative. Growers are the owners, users and sole beneficiaries of the business. This report shows how any value created, be it from a run of large harvests or trading or investments, is retained for the benefit of, or returned to, you, the Western Australian grain grower.

FINANCIAL AND OPERATIONAL SUMMARY

Summary Results

		2016	2015
Tonnes handled	mt	13.6	13.6
Revenue	$m	3,270.6	3,720.0
Revenue including pool revenue	$m	3,660.6	4,080.5
Net operating profit/(loss) before interest and tax	$m	68.4	99.5
Net profit/(loss) after tax	$m	49.8	82.7
Capital expenditure	$m	91.6	123.5
Total assets	$m	2,110.1	2,169.2
Debt owing	$m	151.8	211.3
Equity	$m	1,648.1	1,615.2
Return on average equity	%	3.1	5.3
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 $49.8 million
- Announced a rebate of $4.20 per tonne to offset storage and handling charges
- Invested $132.4 million in capital expenditure and maintenance of the network
- Invested $1.8 million into regional communities

Tonnes Handled Million Tonnes

2016	**13.6**
2015	13.6
2014	15.9
2013	9.1
2012	15.1

Net Profit (Loss) After Tax $M

2016	**49.8**
2015	82.7
2014	149.2
2013	131.7
2012	162.6

Rebates* $M

2016	**48.5**
2015	14.3
2014	45.1
2013	30.2
2012	6.3

Capital Reinvestment $M

2016	**91.6**
2015	123.5
2014	113.1
2013	145.4
2012	191.7

**Corresponding to year of announcement*

Year in Review

OPERATIONS

Received 13.6 million tonnes into our storage and handling network.

Invested $132.4 million in capital expenditure and maintenance of the network and established an additional 800,000 tonnes of storage in readiness for the 2016-17 harvest.

Introduced a Network Strategy to deliver an efficient and cost-effective network for the future.

Announced an Operations Rebate of $3.00 per tonne to offset storage and handling charges.

Introduced new storage and handling services to meet the changing needs of growers and marketers.

MARKETING & TRADING

Australia's largest exporter of grain, with a market share of approximately 30 percent of aggregated bulk exports.

Accumulated more than 47 percent of the Western Australian crop.

Provided more than $140 million in pre-payment funding to growers.

Delivered more than 7 million tonnes of grain direct to international customers.

Accumulated and exported 199,000 tonnes of Russian wheat and barley from our Russian-based operation – Granary – established in 2015.

Announced a Marketing and Trading Rebate of $1.20 per tonne to offset storage and handling charges.

INVESTMENTS

$0.3 million Interflour Group profit attributable to the CBH Group.

Blue Lake Milling achieved a profit of $2.4 million.

Announced the construction of a new oat processing facility in Western Australia, as part of Blue Lake Milling.

SUPPORT

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

Provided 400 CBH grower members with free access to DailyGrain's Basic Membership.

PEOPLE

Employee engagement declined to 56 percent, following an organisational restructure in November 2015.

Achieved a reduction in total injuries across the business, which resulted in a 13 percent reduction in our All Injury Frequency Rate.

COMMUNITY

Invested more than $1.8 million into rural communities and a wide range of community and industry organisations.

Launched new partnerships with the Clontarf Foundation and Leeuwin Ocean Adventure Foundation.

Donated $155,000 to eight charities from HMMS forfeited loads proceeds.

Donated $250,000 to the Lord Mayor's Distress Relief Fund – Esperance Fires Appeal and facilitated grain donations from growers to support those in the Esperance community, following fires in the region in late 2015.

Introduced two Grass Roots Fund rounds of infrastructure funding for rural communities to the value of $300,000.

ENVIRONMENT

Became the first Australian co-operative to join the global pledge on the United Nations' Sustainable Development Goals.

Installed 150 kilowatts of solar panels at the Geraldton port terminal and an additional 40 kilowatts of solar panels at our Merredin receival site.

Instigated a new resource recovery and recycling program for PVC tarpaulins, which sees additional value generated for the co-operative from what was a previously problematic waste stream.

Maintained certification to the ISO14001 standard for Environmental Management at all CBH port terminals.

Your Network

Received 13.6 million tonnes into our storage and handling network

Invested $132.4 million in capital expenditure and maintenance of the network

Introduced a Network Strategy to deliver an efficient and cost-effective network for the future

Announced an Operations Rebate of $3.00 per tonne to offset storage and handling charges

Introduced new storage and handling services to meet the changing needs of growers and marketers

CBH recorded harvest deliveries of 13.6 million tonnes in 2015-16. The co-operative remained focused on providing value to growers through its storage and handling network and introduced its Network Strategy, which will result in $750 million invested into capital works and maintenance projects over the next five years. 2016 also saw the successful implementation of new storage and handling services for growers and marketers and the announcement of an Operations Rebate of $3.00 per tonne for WA growers.

OPERATIONS

CREATING VALUE
What we did

CBH received 13.6 million tonnes for the 2015-16 harvest. This followed on from the previous season's harvest of 13.6 million tonnes and the record harvest of 15.9 million tonnes in the 2013-14 season.

CBH maintained majority market share of the 2015-16 Western Australian grain crop, with more than 90 percent of the overall crop delivered into the CBH storage and handling network.

CBH's bulk export market share was more than 98 percent, with exports of close to 12.7 million tonnes out of CBH's four export terminals.

The co-operative completed $132.4 million worth of capital works and maintenance projects in 2015-16, including the addition of over 800,000 tonnes of storage to the network. These included:

- A new site development at Mirambeena (Albany), adding 140,000 tonnes of storage to our network and improving services to growers and customers within the Albany zone.
- Construction of a new 40,000 tonne open bulkhead storage at Merredin.
- The addition of 21,500 tonnes of storage at Wagin, through an additional open bulkhead and upgrade of the existing open bulkheads.
- The construction of over 500,000 tonnes of additional new open bulkhead storage across the entire network, to facilitate the 2016-17 harvest.
- A major upgrade to the sampling, weighing and marshalling facilities and installation of machinery on an existing open bulkhead at Cunderdin.
- Increased throughput capacity at Wagin and Dumbleyung.
- An investment of $5 million into the manufacture of 10 new drive-over grid stacker combinations to enhance our receival handling capabilities.
- Major improvements at Beacon, including a new sampling, weighing and marshalling area, a new 36 metre weighbridge, an upgraded site entry and new site exit.

Major maintenance projects for the year included:

- Completion of a major refurbishment to one of the horizontal storages at Geraldton port terminal in order to extend its life by 30 years and ensure its 54,400 tonnes capacity remains available to the network into the future.
- Completion of the refurbishment of two ship loaders at Kwinana port terminal, which will protect export capability from the Kwinana zone.
- Advancement of the second stage of the Albany port terminal cells refurbishment project, with the focus now on the final four cells. These cells, which form part of a bank of ten 10,000 tonne cells, are the key to segregation and quality management for cargo accumulation in the Albany zone.
- Progression of the refurbishment of the Geraldton steel silo program, which will see the 140,000 tonne asset fully restored by 2020 to support storage and shipping flexibility for the Geraldton zone.
- Continuation of the Kwinana port terminal recladding program to extend asset life and reduce risk, with work currently being completed on removing and replacing the Galbestos cladding on the land side of the terminal.
- Completion of the resealing projects on fixed structures at Tammin, Piawaning and Brookton and sealing of the four new silo storages at Mirambeena to allow for continued fumigation and preservation of grain.
- A further $12 million on civil, electrical, structural and mechanical maintenance programs across the network, at over 60 receival sites, to ensure continued operational efficiencies.

In 2016, CBH introduced a Network Strategy to help ensure growers remain competitive on a global scale. This strategy was communicated to almost 900 growers at meetings held across Western Australia in March and April 2016 and received 77 percent support from those growers attending. The strategy aims to improve site turnaround times and tonnes to port, maintain low fees, and focus capital and maintenance on the 100 sites currently receiving 90 percent of the annual average crop. As part of the Network Strategy, CBH has committed $750 million to the network over the next five years.

CBH announced an Operations Rebate of $3.00 per tonne to assist growers to offset their storage and handling charges.

CBH reduced freight rates in 2016 by an average of 2.5 percent due to falling fuel prices, the certainty from the 12 month interim rail agreement and the use of surge transport during harvest.

CBH's Quality Optimisation system delivered WA growers an average $2.55 per tonne and a total of $21.1 million in additional value for their wheat. CBH also trialled using Quality Optimisation for malting barley at three sites throughout the year and will look to expand trials in 2017.

In November 2015, the co-operative executed Australia's largest ever canola shipment of 90,000 tonnes to Northern Europe.

The co-operative signed a one year extension to the interim rail access agreement with Brookfield Rail, to December 2016, and, in February 2016, referred the dispute with Brookfield Rail Pty Ltd over long-term access to the Grain Freight Rail Network to arbitration under section 26(1) of the Railways (Access) Code 2000.

Through collaboration across the business between Operations and Marketing and Trading, CBH delivered more than $7 million in supply chain efficiencies in 2016.

Following the successful implementation of Long Term Agreements with marketers in 2015, CBH introduced three new storage and handling services and a new pricing structure for the 2016-17 season, to meet the changing needs of growers and marketers. The new services - CBH Integrated, CBH Site Select and CBH Direct - give growers and marketers the ability to use the CBH supply chain in the most efficient and cost-effective way to suit their needs.

In July 2016, CBH ran Australia's longest grain train. The train was 1,336m in length and comprised 88 wagons and two locomotives carrying more than 6,500 tonnes of wheat. CBH will continue to run this train in the future, in an effort to reduce supply chain costs and increase efficiencies across the network.

Following a successful trial in 2015, CBH introduced a lime sand service at its Narrakine and Lake Grace receival sites in 2016, to benefit growers in the South West of Western Australia. This service has assisted CBH to reduce grain freight rates in the southern Tier 3 region by approximately 9 percent.

OBJECTIVES What we are working towards over the next 12 months	OUTLOOK What the outlook is for achieving these objectives
Drive business efficiency	· 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. · In addition to the $16 million in sustainable cost savings across the Group in 2016, CBH aims to reduce its costs by a further $10 million in 2017.
Invest in the network	· 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 implement the Network Strategy over the next 12 months to improve site turnaround times, deliver more tonnes to port and maintain low fees, focusing investment into the 100 sites that currently receive 90 per cent of the annual average crop. · Following the successful implementation of Long Term Agreements with marketers in 2015, and the introduction of new service offerings to growers and customers in 2016, we will continue to look at ways to deliver greater flexibility and efficiencies to users of our network.
Lower transport costs	· 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. · In 2016, CBH reduced freight rates by an average of 2.5 percent, and we anticipate an estimated 4 percent reduction for 2017.

Your Marketer

Australia's largest exporter of grain, with a market share of approximately 30 percent of aggregated bulk exports

Provided more than $140 million in pre-payment funding to growers

Accumulated and exported 199,000 tonnes of Russian wheat and barley from our Russian-based operation - Granary

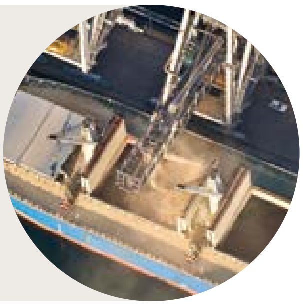
Delivered more than 7 million tonnes of grain direct to international customers

Announced a Marketing and Trading Rebate of $1.20 per tonne to offset storage and handling charges

Despite a difficult trading environment, CBH Marketing and Trading remained the nation's largest exporter of grain and accumulated more than 47 percent of the total Western Australian crop for 2015-16. Your marketer provided pre-payment funding to growers of more than $140 million and delivered more than 7 million tonnes of grain direct to international customers. In addition, CBH's Russian-based office successfully accumulated and exported 199,000 tonnes of Russian wheat and barley in its first year of operation.

MARKETING & TRADING

CREATING VALUE
What we did



CBH Marketing and Trading experienced a challenging year in 2016, with difficult trading conditions across Australia due to worldwide supplies placing pressure on grain prices. In addition, Australian grain continued to face increasing competition in the Asian region from the European Union (EU), Black Sea and South American origin grain, which competed strongly into Australia's traditional markets.

CBH acquired more than 47 percent of the grain delivered in Western Australia and more than 550,000 tonnes in South Australia.

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 7 million tonnes to international customers in 2016.

CBH Marketing and Trading chartered vessels for more than 65 percent of tonnes exported by the division, providing supply chain efficiencies for customers and CBH as a whole.

This co-ordinated approach provides significant supply chain benefits and contributes to maintaining an efficient and low-cost supply chain.

CBH announced a Marketing and Trading Rebate of $1.20 per tonne to assist growers to offset their storage and handling charges.

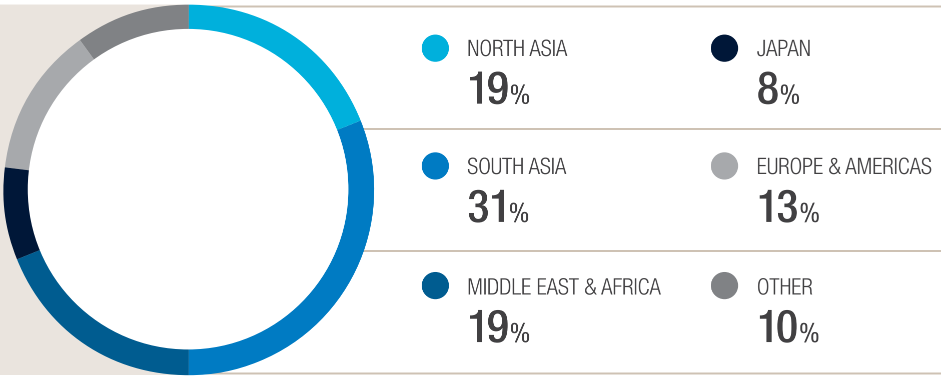
CBH's Pools performed well, with the Lupin Pool outperforming the cash market by providing participants a return of $371 per tonne and the Oat Pool performing well above expectations to deliver participants a return of $385 per tonne.

Our Pre-Pay Advantage product provided more than $140 million in finance to more than 560 farming entities in 2016. In addition, CBH introduced two new marketing products for growers in 2016 – Grain for Fert and Warehouse Advance. These products provide innovative and competitive finance solutions for Western Australian grain growers. The uptake of these products continued to grow in 2016, with 20 percent of applicants being first time users of the products.

In 2016, CBH's Marketing and Trading arm held technical seminars in a number of countries, including Indonesia, Malaysia, Philippines, Vietnam, Japan and China. These seminars provide our customers with valuable quality information about the Australian crop and are an important avenue for promoting our growers' grain.

CBH hosted more than 100 customer delegations in 2016 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.

CBH Marketing & Trading Export Destinations



CBH continued its focus on South Australia as a key supplier of grain for the export market. It is our intention to remain a key acquirer in South Australia and we relocated our Melbourne office to South Australia in 2016, furthering our long-term commitment to our South Australian accumulation and export program.

CBH conducted a grower study tour to China and Vietnam in 2016, 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 these major markets. The eight day study tour by 25 growers visited customers in these countries and included visits to flour mills, malt houses, breweries and ports, including Interflour's facilities in Vietnam.

In its first year of operation, CBH's Russian-based accumulation business in Krasnodar – Granary – successfully accumulated and exported 199,000 tonnes of wheat and barley.

In 2016, CBH Fertiliser opened its doors for business with the establishment of storage facilities in Kwinana and Geraldton. In its first full year of operation, CBH Fertiliser sold in excess of 50,000 tonnes of product to growers and recorded a loss of $1.7 million for the financial year. This result is largely due to significant changes in the fertiliser industry over the past year, including a rapidly declining international market combined with a very competitive domestic market as new entrants, including CBH Fertiliser, jostled to gain market share.

CBH's independent trading and distribution company - CI Trading Limited - performed well last year, returning a profit of $0.6 million. CI Trading Limited was set up in partnership with Interflour to better access trading and distribution opportunities in Vietnam.

OBJECTIVES What we are working towards over the next 12 months	OUTLOOK What the outlook is for achieving these objectives
Drive business efficiency	· Marketing and Trading continued its long-term focus on driving business efficiency by reducing overhead costs by 7.5 percent against budget in 2016. Over the coming year, we will look to further reduce costs through greater efficiencies in the value chain and to work with our suppliers to deliver more cost-effective and efficient solutions in order to maximise the benefit to our growers and customers. · In addition to the $16 million in sustainable cost savings across the Group in 2016, CBH aims to reduce its costs by a further $10 million in 2017.
Invest in the network	· 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.
Strengthen Marketing and Trading	· 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, shipment options and pricing points. · Our international operations in Japan, Hong Kong, Vietnam and Russia better enable us to access trading opportunities in those regions and form part of our strategy to have a local presence in key markets by extending our supply chain closer to the customer. Over the coming year, we will place an Australian staff member in the newly established Krasnodar office in Russia, to help support business integration, compliance, risk management and identify commercial opportunities for the CBH Group. We will also look at increasing the accumulation capability for wheat and barley in the region. · We will look to increase CBH Fertiliser's product range over the next 12 months and continue to increase the transparency of the fertiliser market to provide growers with greater options for fertiliser. · CI Trading, a joint venture between CBH and Interflour in Vietnam, will look at new initiatives for the distribution of wheat and feed barley throughout Vietnam.
Pursue growth to build rebates	· CBH is committed to reducing costs and maximising benefits to growers and returning value to growers through rebates. It is our intention to provide rebates to growers, where it is financially prudent to do so. · It is our intention to ensure investments – including CBH Fertiliser – deliver additional value/returns to current and future growers.

Your Investments

$0.3 million Interflour Group profit attributable to the CBH Group

Blue Lake Milling achieved a profit of $2.4 million

Announced the construction of a new oat processing facility in WA, as part of Blue Lake Milling

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 2016, the co-operative expanded its Interflour investment through continued construction of new development projects in Indonesia, Vietnam and the Philippines and, as part of Blue Lake Milling, announced the construction of a new oat processing facility in Western Australia for the benefit of growers.

INVESTMENTS

CREATING VALUE
What we did

Interflour

Interflour continued to see growth in South East Asian markets throughout 2016, consistent with the changing diets of the region's emerging middle class. Interflour's Vietnam operations continued to perform well, with a strong performance from both the mill and the port. However, particularly tough trading conditions were experienced in Indonesia, Turkey and Malaysia throughout 2016, impacting on the overall profit for the year.

CBH recorded a reduction in the book value of its investment as a result of unrealised foreign currency movements.

CBH's share of Interflour profit was $0.3 million.

Interflour focused on the following development projects in 2016:

- Construction of the first stage of the InterMalt malting facility 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 the first half of 2017.
- Construction of a new 500 tonne per day mill in Subic in the Philippines. The mill is expected to be completed in mid-2017.
- Upgrading the Golden Grand flour mill in Cilegong, Indonesia.

As reported in 2014, CBH committed up to US$17.5 million to the InterMalt project for three years, which will be contributed via a reduction in the planned dividend to be received over this period. 2016 was the third year of the project.

As a result of the funding required for these development projects, no Investment Rebate was announced in 2016.

Blue Lake Milling

2016 was CBH's first full year of ownership of Blue Lake Milling Pty Ltd (BLM), a leading manufacturer of premium Australian oat products operating in South Australia and Victoria.

Due to consecutive years of drought in key oat catchment areas in South Australia and Victoria, CBH sent 32,000 tonnes of Western Australian oats to our BLM processing plants in South Australia and Victoria.

Favourable growing conditions in the 2016 growing season are expected to result in normal production levels in the catchment area. This will allow BLM to service the growing demand for oats.

In 2016, CBH announced the construction of a new 60,000 tonne oat processing facility in Forrestfield, Western Australia for the benefit of growers. The investment allows CBH to leverage BLM's expertise in oat processing while utilising existing infrastructure at CBH's Metro Grain Centre facility. The new plant will enable BLM to service the growing Asian demand for oat products using Western Australian grown oats. Construction of the plant will begin in 2017 and is due for completion in early 2018.

Australian Bulk Stevedoring

Australian Bulk Stevedoring Pty Ltd (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.

In 2016, ABS loaded 14.3 million tonnes of grain and woodchips for the year.

ABS continued to play a critical role in enabling the CBH Group to achieve its grain export requirements for the season.

Newcastle Agri-Terminal

The CBH Group has an 18.9 percent interest in the Newcastle Agri-Terminal (NAT).

In 2016, a targeted sale process was conducted. This was not pursued on the basis that additional value can be derived by retaining an interest in the terminal at this point in time.

Last year, NAT experienced an uplift in tonnes exported and has a significant portion of its 2017 financial year (ending 30 June 2017) already booked. CBH will continue to work with NAT's other shareholders to maximise the value of this investment for our growers.

Lupin Foods Australia

In 2016, CBH ceased operations of Lupin Foods Australia Pty Ltd (LFA) and sold all related intellectual property, lupin stock and various other assets.

The existing LFA facility at CBH's Metro Grain Centre in Forrestfield, Western Australia will be transferred to Blue Lake Milling for construction of the new 60,000 tonne oat processing plant, scheduled to commence in 2017.

OBJECTIVES What we are working towards over the next 12 months	OUTLOOK What the outlook is for achieving these objectives
Pursue growth to build rebates	· CBH implemented a number of growth strategies through our investments in 2016. We will continue to look at suitable growth opportunities through our investments going forward, where they will provide benefit and value to the co-operative and our growers, through reduced costs and/or rebates.


CBH GROUP

Your Support

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

Provided 400 CBH grower members with free access to DailyGrain's Basic Membership

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 2016, as well as ongoing access to the leading WA price discovery platform, DailyGrain.

SUPPORT

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, transferring grain online, as well as product information, prices and payment arrangements offered by CBH's marketing arm.

During the harvest period, between November 2015 and January 2016, the Grower Service Centre received close to 13,000 calls. Outside of the harvest period, total calls were around 11,000. The average time in queue remained on target for 2015-16 at 24 seconds in the harvest period and 50 seconds outside of harvest.

CBH Eastern Australia also ran a dedicated Melbourne-based Grower Service Centre from October to February to assist Eastern Australian growers with their enquiries. In June 2016, this service was relocated to Adelaide as part of our strategy to maintain a strong presence in Western Australia and South Australia, accumulating grain for the export market.

Local support

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

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

DailyGrain

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

In 2016, DailyGrain retained more than 1,500 members and created additional value for growers by providing 400 of these members with free Basic Membership to the service. DailyGrain members received easy access to over 1,000 daily prices from 20 grain buyers for all commodities and grades for 2016.

CBH Super

The CBH Superannuation Fund, which was originally established for CBH employees in 1945, opened up membership to CBH's grower members in 2015 to give them the same benefits and opportunities as enjoyed by its existing members. In the eight months from 1 November 2015 to 30 June 2016, ten additional grower members joined the fund, bringing the number of growers to 53. The Managed option delivered a positive average rate of return for those eight months of 0.19 percent in difficult investment market conditions and a long term five year average annual crediting rate of 8.22 percent.

Your People

Employee engagement declined to 56 percent, following an organisational restructure in November 2015

Achieved a reduction in total injuries across the business, which resulted in a 13 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 2016, employee engagement declined, while the focus on effectively managing high risk activities had a positive effect on the co-operative's all injury frequency rate.

PEOPLE

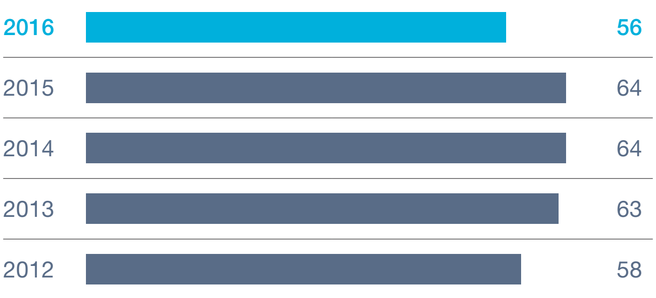
CREATING VALUE
What we did

Culture and employee engagement

Employee engagement declined in 2016 to 56 percent, down from the previous year's result of 64 percent. This is largely as a result of an organisational restructure conducted in November 2015, which saw a 10 percent reduction in the number of permanent employees.

Despite this, employee retention remained high over the year, with voluntary turnover averaging less than six percent over the 12 month period. Retention of new hires within the first two years of employment also remained high, just above our 85 percent target.

Employee Engagement Graph



Ensuring capability for the future

In 2016, CBH further developed the strategy to build the capability of our workforce, with a view to ensuring the co-operative remains competitive in a changing market environment. This strategy focuses on providing clarity and alignment in four key areas:

1. Purpose and strategy.
2. Performance and measurement.
3. Leadership.
4. Systems and processes.

Some of the key activities undertaken in 2016 under this strategy included:

- Five year targets set for the co-operative's key performance measure – cost per tonne charged to growers.
- Review of the employee code of conduct.
- Policy review and simplification.
- Grower data analysis.
- Competitive landscape analysis.
- Implementation of performance management and reporting tools.
- CEO led objective development workshop.
- Enhanced quarterly financial reporting.
- Development of five year cost books.

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 to our growers.

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 injuries across our operations.

In 2016, our safety program continued to focus on the critical risks faced by CBH and incorporated a strong risk-based approach to identifying and eliminating hazards.

In 2016, the co-operative also focused 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, 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, focused on the co-operative's key safety objectives.
- Conducting a refresh of our Life Saving Rules and aligning them to our critical risks.
- Development and implementation of our integrated Health, Safety and Environment Management System.

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 2016 indicating 92 percent of growers surveyed view safety at CBH receival points as part of their responsibility and 88 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 2016, we continued to achieve improved safety results, with the number of all types of injuries per million hours worked reduced by a further 13 percent to 20.1.

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

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.

20 years

Daniel Allison	Graeme Sexton	Robert Wray
Jeffrey Beaver	James Wade	

25 years

Peter Dean	Tom McCagh	Garry Newbey
Ian Flugge	Brett McCarrol	Ryan Norman
Keith Kamen	Graham McLevie	
Richard Kingston	Peter Murdoch	

35 years

Keith Alison	Bruce Heritage	Laurence Thorpe
Robert Anderson	Steve Mizen	Lester Trainor
Douglas Brenton	Ron Rankine	Melbert Waka
Barry Collard	Robert Ricciardi	

40 years

Gary Gawned	Ian Gordon	Dominic Ripepi

Your Community

Invested more than $1.8 million into rural communities and a wide range of community and industry organisations

Launched new partnerships with the Clontarf Foundation and Leeuwin Ocean Adventure Foundation

Donated $155,000 to eight charities from HMMS forfeited loads proceeds

Donated $250,000 to the Lord Mayor's Distress Relief Fund – Esperance Fires Appeal

Introduced two Grass Roots Fund rounds of infrastructure funding for rural communities to the value of $300,000

The CBH Group has a strong commitment to the sustainability of our farming communities and the grain industry. In 2016, we invested more than $1.8 million into rural WA to make a difference in the communities in which we operate.

COMMUNITY

CREATING VALUE
What we did

Grower community investment

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

CBH is committed to supporting art and capacity building programs which will build future contributors and leaders of rural communities, inspire ideas and creativity and promote agriculture. In 2016, we demonstrated this through a range of sponsorships.

Sport and recreation

In 2016, CBH entered into a new partnership with the Leeuwin Ocean Adventure Foundation.

The Leeuwin Ocean Adventure Foundation partnership supports six scholarships for young Western Australians to take part in the Foundation's youth development program, with four scholarships awarded to a young local in each of the major grain growing zones of Albany, Esperance, Geraldton and Kwinana and two scholarships awarded to youths from the City of Kwinana.

In 2016, CBH celebrated 10 years of partnership with Tennis West. The partnership milestone was commemorated with a road show throughout the wheatbelt, involving 10 clubs and schools and 250 participants. Each year, CBH supports the annual Country Tennis Championships and over the last 10 years, CBH has provided in excess of $120,000 in funding to Tennis West.

In 2016, we provided $62,500 to our long-term sponsorship partner, WA Country Football League, bringing the total support to more than $660,000 over 15 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 $230,000 to support country hockey.

Regional capacity building

In 2016, CBH entered into a new partnership with the Clontarf Foundation. Our partnership with the Clontarf Foundation helps to improve the education and vocational opportunities for young Aboriginal men from WA's grain growing communities and directly supports the Clontarf Football Academies located in Geraldton, Katanning, Albany, Esperance, Kwinana and Northam, which are attended by approximately 450 young indigenous students.

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 1,350 farm business entities, covering over 30 shires in Western Australia.

They include:

- Corrigin Farm Improvement Group.
- 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.
- Women In Farming Enterprises.
- West Midlands Group.

A total of 3,373 growers and community members attended the key events held by these grower groups throughout 2016.

In 2016, CBH continued with its 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 entered the second year of 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. Throughout 2016, the partnership supported:

- Five grower and community workshops across Western Australia's grain growing region, attended by 75 participants.
- Four workshops for General Practitioners and health professionals in Western Australia's grain growing regions, attended by 37 participants.
- 21 school sessions, attended by more than 500 students, held throughout grain growing communities in Western Australia.

CBH completed the final year of its three year partnership with the Royal Flying Doctors Service (RFDS) to evaluate the 700 airstrips located across regional WA. Over the past 12 months, the RFDS has completed 2,788 retrievals from grain growing areas.

In late 2015, the new Ronald McDonald House was opened. The co-operative continued its partnership as a Room Sponsor of Room 305 in the new facility. The Ronald McDonald House provides accommodation to regional families of seriously ill children who are being treated at the Princess Margaret Hospital. Since opening the doors to the new building, the CBH Room alone has accommodated 41 families from WA's grain growing communities, who spent a combined total of 169 nights at the Ronald McDonald House.

The Arts

In 2016, CBH partnered with FORM to bring urban artist, Amok Island, to paint the Ravensthorpe silos as part of a state-wide public art project. Three of the Ravensthorpe silos 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. More than 7,000 students from 54 schools in grain growing regions directly benefited from this partnership in 2016.

Promoting the grain industry

In 2016, 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.

Approximately 15,000 Junior Farm Passports were handed out to children who participated in the program at the 2016 Perth Royal Show.

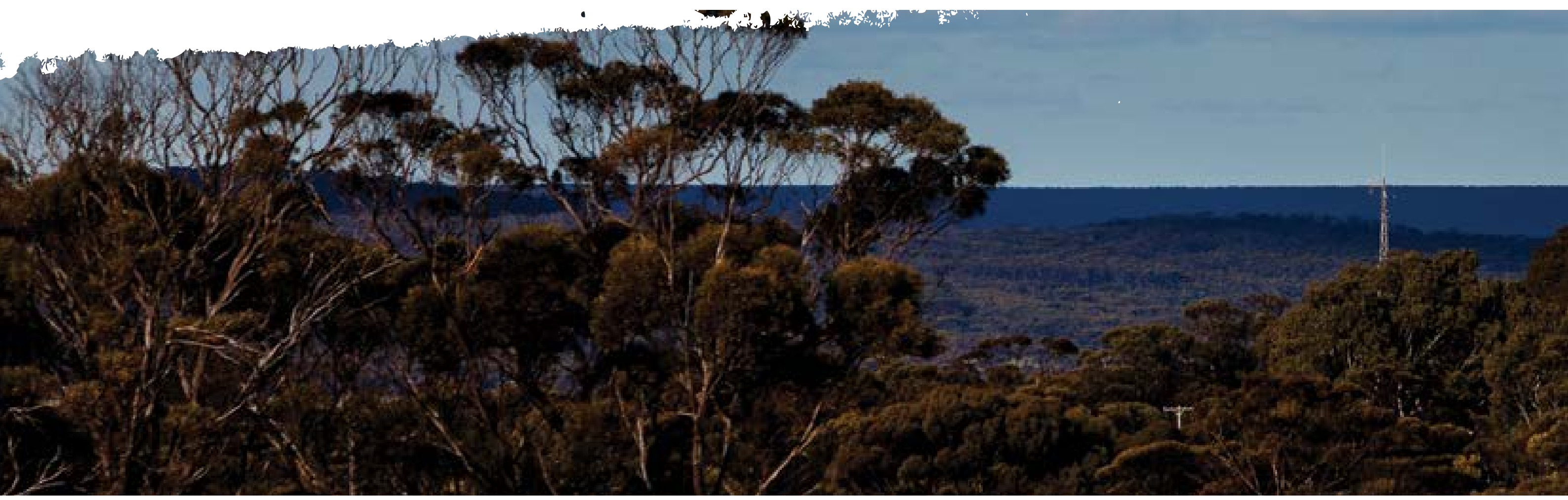
Grassroots Community Fund

A total of $90,000 was granted to more than 50 organisations under the Grass Roots Community Fund in 2016.

Some of the projects and events to receive funds under the Grass Roots Community Fund included:

- Ballidu Progress Group's 'Bike it to Ballidu' event.
- Kalannie Community Resource Centre's "The Dimensions of Women's Wellness" event.
- Perenjori Tourist Bureau's community garden.
- Corrigin Agricultural Society.
- Lake Grace Lego Club.
- Mingenew Community Resource Centre's "Freestyle Now Coaching Jam Session".

In 2016, the Grass Roots Fund introduced two rounds of small scale infrastructure grants, which provided funding of $300,000 to 52 projects. Some of the projects to receive funds under the infrastructure grants were:



- Lighting upgrade to the Bruce Rock Hockey Club.
- Kitchen upgrade for the Lakes Football, Hockey and Netball Club.
- Re-roofing the CWA building for the Nyabing Historical Society.
- Shire of Broomehill-Tambellup's water efficiency program.
- Carnamah Historical Society and Museum's project to save the Macpherson Homestead.
- Repairing shade sails to the Riding for the Disabled Midwest Centre.

Global community

CBH continued its sponsorship of the Crawford Fund in 2016. The Fund promotes and supports international agricultural research and development involving the participation of Australian organisations.

Donations

HMMS

In 2016, CBH presented nine charitable organisations with a total of $155,000 in sale proceeds from grain forfeited under the 2015-16 Harvest Mass Management Scheme (HMMS).

These included:

- Association of Volunteer Bush Fire Brigades of WA Incorporated.
- Breast Care WA.
- Camp Kulin.
- FarmSafe.
- Paraplegic Benefit Fund.
- Red Cross.
- Ronald McDonald House.
- St John Ambulance.

Esperance Bush Fires

In 2016, CBH donated $250,000 to the Lord Mayor's Distress Relief Fund – Esperance Fires Appeal to support those affected by the bush fires that occurred in the region at the end of 2015.

In addition, CBH set up an account for other grain growers to donate into. A total of $100,000 in funds from the donated grain sold was provided to a number of local initiatives, including:

- Beaumont Hall.
- Blaze Aid.
- Cascades Recreation Centre.
- Defibrillators for Condingup, Gibson, Grass Patch and Scadden.
- Fast fill pump trailers for Beaumont, Coomalbidgup, Neeridup and Salmon Gums.
- Grass Patch Community Development Group.
- Munglinup Community Group.
- Neridup Bushfire Brigade.
- Salmon Gums Development Group.
- Scadden Bushfire Brigade.
- Scadden Country Club.
- Scadden Memorial.

Year One Stationery Packs

In 2016, CBH donated 1,008 school stationery packs for Year One students from 54 schools in grain growing regions across Western Australia. This program commenced in 2015 and is run in partnership with CBH's stationery supplier, Quick Corporate.

Grain industry

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

In 2016, CBH sponsored a number of major conferences encouraging discussion and debate about developments, trends and challenges affecting our industry.

Through our membership of the Grain Industry Market Access Forum (GIMAF), CBH has made a substantial contribution to the renewal of the 'Protocol of Phytosanitary Requirements for Australian Wheat and Barley Imports into China' between the Australian and Chinese quarantine authorities. The protocol will deliver greater certainty to exporters through a clearer understanding of import requirements.

In 2016, CBH initiated a proactive communications campaign regarding growers' Maximum Residue Limit (MRL) obligations. In conjunction with the Grain Industry Association of Western Australia (GIWA), CBH sent communications to growers and industry to educate on the importance of conforming to MRL requirements. This is critical to ensuring Western Australian growers are not denied access to international markets and the state retains its strong export reputation.

In 2016, we maintained involvement with the following grain organisations:

- Australian Oilseeds Federation.
- Barley Australia.
- Grain Industry Association of Western Australia.
- Grain Industry Market Access Forum.
- Grain Trade Australia.
- Grain and Plant Products Export Industry Consultative Committee.
- Wheat Quality Australia.

Industry associations and memberships

CBH also maintained a strong,proactive presence amongst the business community in 2016, through our involvement with the following organisations:

- Australian Institute of Company Directors.
- Australian Sino Hundred Year Agriculture and Food Safety Partnership.
- Business Council of Co-operatives and Mutuals.
- Committee for Economic Development of Australia.
- Co-operatives WA.
- International Co-operative Alliance.
- Kwinana Industries Council.
- Western Australian Chamber of Commerce and Industry.
- Western Australian Road Transport Association.

Government engagement

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

In 2016, our efforts were focused on protecting CBH's access to supply chain infrastructure. CBH administered an advocacy program to create government awareness of our concerns regarding vertical integration of Western Australia's rail system via an initial takeover offer for Asciano.

The co-operative continued its efforts to seek fair pricing arrangements for access to the WA grain freight rail network under the Railways Access Code administered by the Economic Regulation Authority. In 2016, an arbitrator was appointed and commenced the arbitration between the parties in order to determine a long-term access agreement. This remains a matter of significant strategic importance to CBH, and we will remain focused on achieving an outcome that provides fair and transparent rail access for our grower members.

CBH engaged closely with State and Local Governments in our announcement of the Network Strategy, and will continue to do so as the strategy is rolled out. With the newly elected members from the Federal Government, CBH has sought to establish new relationships and help influence its agenda for the benefit of our growers.


PIONEER
WATER TANKS
Thank you
CBH
2016
Cranbrook Primary
School

Your Environment

Became the first Australian co-operative to join the global pledge on the United Nations' Sustainable Development Goals

Installed 150 kilowatts of solar panels at the Geraldton port terminal and an additional 40 kilowatts of solar panels at our Merredin receival site

Instigated a new resource recovery and recycling program for PVC tarpaulins, which sees additional value generated for the co-operative

Maintained certification to the ISO14001 standard for Environmental Management at all CBH port terminals

The co-operative believes a sustainable business is one which measures success not just with economic but social and environmental indicators as well. In 2016, we continued our long-term commitment to a sustainability vision designed to deliver value to all stakeholders by protecting, sustaining and enhancing the human and natural resources needed for the future.

SUSTAINABILITY ACTION PLAN

CREATING VALUE
What we did

The key objectives of the CBH Group's Sustainability Action 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.

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 2016, CBH continued to implement a number of initiatives and programs that ensured progress towards these objectives.

SUSTAINABILITY OVERVIEW

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, commodities or activities.	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.	Policy set for review and refresh in 2017.	○○○○
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.	$155,000 to eight worthy charities via this scheme in 2015-16.	●●●●
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 2016 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 packages developed in consultation with Learning and Developement.	●●●○
	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 and 2016.	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 minimum operating requirements for wash down areas.	●●○○
	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, fluro 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, a member of the Remuneration and Nomination Committee and a Director of CBH Superannuation Holdings Pty Ltd.

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 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 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 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. Mark Lewis 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, Chairman of Good Samaritan Industries and an Independent Director of Beyond Bank. 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 Remuneration and Nomination Committee, Communications Committee and Workplace Health and Safety Committee.

Kevin is a grain producer from Bruce Rock with more than 35 years' industry experience. He was an inaugural Director of Bruce Rock Bendigo Community Bank; is a past State President of the International Agricultural Exchange Association; an inaugural board member of the International Rural Exchange; and has successfully registered and commercialised two patents internationally.

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 a member of the Audit and Risk Management Committee.

John is also 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 and the Communications 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 the 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, as well as a CBH Board appointed Director of CBH Pty Ltd which is the sole shareholder of 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 appointed 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 and past Chairman of the Association for Sheep Husbandry, Excellence, Evaluation and Production (ASHEEP).

Simon holds an Executive Certificate in Agribusiness Marketing from Monash University and is a Graduate 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 Asia, New Zealand, UK and USA, including more than 25 years working in the financial services sector with Australian and foreign banks. He holds several board positions with public and private companies across Australia and Asia. He also mentors several senior executives and is Chairman of a charity he founded to assist 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 Group Marketing and Trading) when it merged with CBH Group in 2003. He was responsible for the operation of Grain Pool including 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 a personal commitment to improving employee 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 Holdings 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 eight 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.

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 and Finance from the Securities Institute of Australia (Treasury Stream) and a Bachelor of Commerce (Banking and Finance) from Curtin University, Western Australia. Jason has also completed the Advanced Management Program at INSEAD.

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)).

Brianna Peake

General Manager Grower and External Relations

Brianna Peake joined the CBH Group in 2010 as the Grower Service Centre Manager before transitioning into Corporate Affairs as a Marketing Communications Advisor. In 2013 Brianna took on the role of CBH's Government and Industry Relations Manager and in 2015 became General Manager Grower and External Relations. Brianna is responsible for all Corporate Affairs, Government and Industry Relations and Grower Relations portfolios, including DailyGrain and the Grower Service Centre.

Prior to working for the CBH Group, Brianna was the Business Development Manager for DailyGrain and an Executive Officer of grass roots grower research, development and extension organisation, the Liebe Group.

Brianna holds a Bachelor of Science (Natural Resource Management) from the Faculty of Agriculture, University of Western Australia and most recently became a Fellow of the Australian Rural Leadership Foundation in 2015.

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.

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 Project Management, Information Technology and People and Performance 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.

CORPORATE GOVERNANCE

This statement outlines the main corporate governance practices of the CBH Group's framework of governance for the year ended 30 September 2016.

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 and Company Secretary;
- 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 and safety and ethical standards; and
- 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; and
  - 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; and
- 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. 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	9 years 8 months	24 February 2016	February 2019
T J Bartlett*	28 February 2012	4 years 10 months	23 February 2015	February 2018
D G Clauson	27 February 2013	3 years 10 months	24 February 2016	February 2019
V A Dempster (Deputy Chairman)	2 April 2008	8 years 8 months	26 February 2014	February 2017
K J Fuchsbichler	4 April 2007	9 years 8 months	24 February 2016	February 2019
J P B Hassell	1 April 2009	7 years 8 months	23 February 2015	February 2018
R G Madden	5 April 2006	8 years 8 months***	26 February 2014	February 2017
B E McAlpine	28 February 2012	4 years 10 months	23 February 2015	February 2018
A J Mulgrew*	24 February 2015	1 year 10 months	24 February 2015	February 2017
W A Newman (Chairman)	7 June 2000	16 years 6 months	26 February 2014	February 2017
S R Stead	23 February 2015	1 year 10 months	23 February 2015	February 2018
D S Willis*	30 March 2010	6 years 9 months	24 February 2016	February 2019

* *Independent Director.*

** *Period of office as a Director of CBH as at December 2016.*

*** *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 42 to 45 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 has 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 2016 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 60. 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 John Hassell

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 five times during the financial year ended 30 September 2016.

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;
- assist the Board to review the performance of the CEO and the Company Secretary, at least annually and recommend to the Board performance measures for the CEO and the Company Secretary;
- 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;
- make recommendations to the Board regarding, and regularly review, succession plans for Independent Directors and the CEO;
- oversee the assessment, validation and development of candidates for the purposes of CEO succession planning; and
- recommend the appointment of Independent Directors.

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 Kevin Fuchsbichler

Mr Wally Newman

The Committee met seven times during the financial year ended 30 September 2016.

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; and
  - 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; and
- 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.

The Committee met once during the financial year ended 30 September 2016.

Communications Committee

The primary functions of the Communications Committee are to oversee effective communication between the co-operative, its growers and other stakeholders and to oversee adherence to the Communications Policy.

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.

The Committee met four times during the financial year ended 30 September 2016.

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 Kevin Fuchsbichler

Mr Brian McAlpine

Mr Andy Crane (CEO)

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

The Committee met three times during the financial year ended 30 September 2016.

Share Transfers and Documents Committee

The primary functions of the Share Transfers and Documents Committee are to consent to transfers of shares on behalf of the Board, and to 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 six times during the financial year ended 30 September 2016.

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 audit policy in this regard.

In order to assist in ensuring 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 2016 that it has maintained its independence in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and any applicable code of professional conduct.

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.
- There are additional separate committees that address risks to specific key areas of the operations of the CBH Group, being the Operations Risk Committee and the Marketing and Trading Risk Committee. These 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 2016 Annual General Meeting, the co-operative's members approved Director remuneration at an aggregate amount of $1,244,746 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 2016:

Name	Role	Directors' Fees	Superannuation	Total
Wally Newman	Chairman	176,820	16,798	193,618
Vern Dempster	Deputy Chairman	117,732	11,185	128,917
Trevor Badger	Director	88,389	8,397	96,786
Trent Bartlett	Independent Director	88,389	8,397	96,786
Derek Clauson	Director	88,389	8,397	96,786
Kevin Fuchsbichler	Director	88,389	8,397	96,786
John Hassell (i)	Director	74,190	7,048	81,238
Rodney Madden	Director	88,389	8,397	96,786
Brian McAlpine	Director	88,389	8,397	96,786
Alan Mulgrew	Independent Director	88,389	8,397	96,786
Simon Stead	Director	88,389	8,397	96,786
David Willis	Independent Director; Chairman – Audit and Risk Management Committee	115,099	10,934	126,033
Total		**1,191,044**	**113,149**	**1,304,193**

(i) *John Hassell stepped down as a CBH Director between 6 May 2016 and 4 July 2016 while contesting the seat of O'Connor at the Federal election.*

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 and Vern Dempster each received Director's fees of $20,000 for services to IFG.

The CBH Board has in place a formal appraisal system for the performance of the Board as a whole, and individual Directors. During the year ended 30 September 2016, CBH engaged the Australian Institute of Company Directors (AICD) to conduct a Board review based on the AICD Governance Analysis Tool.

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.

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.

Figure 1: Remuneration Framework

<table>
<tr><th>Objective</th><th>Attract and Retain Top Talent</th><th>Reward Performance Aligned to Business Strategy</th><th colspan="2">Reward Performance Aligned to Longer Term Business Strategy + Retention of Key Talent</th></tr>
<tr><td>Element</td><td>Fixed Remuneration</td><td colspan="3">'At Risk' Remuneration</td></tr>
<tr><td rowspan="2">Component</td><td rowspan="2">Paid Salary, Benefits and Superannuation</td><td colspan="2" rowspan="2">Short Term Incentive</td><td>Long Term Incentive</td></tr>
<tr><td>Retention Bonus</td></tr>
<tr><td rowspan="2">Focus</td><td rowspan="2">Pay for role size, responsibility and competence</td><td rowspan="2">Pay for high performance aligned to individual plan and corporate performance</td><td colspan="2">Retention of key talent</td></tr>
<tr><td colspan="2">Achievement of superior longer term performance metrics</td></tr>
</table>

Executive remuneration

CBH Group remuneration structures are aligned to the external market, considering rolegrading, 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 or desired.

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 2016.

Name	Title	Base Salary $'000	Super $'000	Total Fixed Employment Cost $'000	Other Benefits* $'000
Andrew Crane	Chief Executive Officer	869	35	904	18
Edward Kalajzic	Chief Financial Officer	382	30	412	12
Jason Craig	GM Marketing and Trading	415	30	445	22
David Capper	GM Operations	390	30	420	21

* *Other benefits include company vehicle, parking, industry association memberships, health insurance, life and trauma insurance etc., provided in the course of employment.*

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

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 2016 in respect of the financial year ended 30 September 2016 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	60	34.1	314
Edward Kalajzic	Chief Financial Officer	30	14.8	82*
Jason Craig	GM Marketing and Trading	30	14.4	64
David Capper	GM Operations	30	19.5	83

* *$63,000 STI plus $19,000 discretionary bonus for additional project work.*

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. The LTIs and retention incentives earned during the financial year ended 30 September 2016 are shown in the table below.

Name	Title	Type of Incentive	Maturation Date	Retention Incentive Earned $'000
Andrew Crane	Chief Executive Officer	LTI	Sep 2017	182
Andrew Crane	Chief Executive Officer	Retention	Apr 2017	182
Jason Craig	GM Marketing and Trading	Retention	Jul 2017	51

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 of the co-operative are available at the Annual General Meeting to address specific financial issues raised by members in relation to the audit 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. In addition, during the year ended 30 September 2016, a number of regional meetings were held with growers to discuss CBH's structure and governance review. 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 farming 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. In addition, during the year ended 30 September 2016, a comprehensive grower survey was conducted to understand growers' views on structure and governance issues.

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 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 Business Code of Conduct encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Business Code of Conduct and protects those that report breaches in good faith. The Business Code of Conduct 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 as at the date of this report are as follows:

Mr Andrew Todd (Chairman)

Mrs Michelle Barrett (Deputy Chair)

Mr Bill Bailey

Mrs Natalie Browning

Mr David Cox

Mr Jim Heal

Mrs Linda Hewson

Mr Neville McDonald

Mr Andrew Nixon

Mr Michael O'Callaghan

Mr Frank Panizza

Mr Jeff Seaby

Mr David Slade

Mr Royce Taylor

Mr Barry West

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 2016.

Directors

The following persons held office as Directors of Co-operative Bulk Handling Limited ("CBH") during the financial year ended 30 September 2016:

W A Newman, Chairman
V A Dempster, Deputy Chairman
T N Badger
T J Bartlett
D G Clauson
K J Fuchsbichler
J P B Hassell
R G Madden
B E McAlpine
A J Mulgrew
S R Stead
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 42 to 48 of the Annual 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 2016 and the number of meetings attended by each Director.

	Scheduled Board Meetings		Unscheduled Board Meetings		Audit & Risk Management Committee		Remuneration & Nomination Committee		Investment Committee		Communications Committee		Workplace Health and Safety Committee	
Director	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	8	7	6	6	-	-	7	7	1	1	-	-	-	-
T J Bartlett	8	8	6	5	5	5	7	7	-	-	-	-	-	-
D G Clauson	8	8	6	6	-	-	-	-	1	1	5	5	3	3
V A Dempster	8	8	6	5	3	3	7	7	-	-	-	-	-	-
K J Fuchsbichler	8	8	6	6	-	-	3	3	-	-	5	5	2	2
J P B Hassell	7	7	5	5	-	-	-	-	-	-	-	-	-	-
R G Madden	8	8	6	6	-	-	-	-	1	1	5	3	1	1
B E McAlpine	8	8	6	6	5	5	-	-	-	-	-	-	3	3
A J Mulgrew	8	8	6	6	-	-	4	3	1	1	-	-	-	-
W A Newman	8	8	6	6	-	-	7	7	-	-	5	5	-	-
S R Stead	8	8	6	6	5	5	-	-	-	-	5	5	-	-
D S Willis	8	7	6	6	5	5	-	-	1	1	-	-	-	-

In addition to the above, as the Board's representative on the Share Transfers and Documents Committee, Mr Wally Newman attended each of the six Share Transfers and Documents Committee meetings held during the year. In addition to formal scheduled and unscheduled Board meetings, there were a significant number of Board workshops held during the financial year to consider the Australian Grains Champion proposal and to consider CBH's structure and governance review.

Principal activities

The principal activities undertaken by the Group 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 $49,786,000 (2015: $82,732,000). Noting that harvest production was similar to the prior year, the reduction in profit is primarily driven by the higher grower patronage rebate recognised during the year, which amounted to $62,732,000 (2015: $16,940,000). The Marketing and Trading business recorded an improved result, recording a profit after tax of $6,385,000 (2015 loss: $16,725,000). The Group's subsidiary Blue Lake Milling Pty Ltd also contributed its first full 12 months of earnings following its acquisition by the Group in July 2015.

The Operations business unit received 13.6 million tonnes of grain into its storage facilities in both the current and prior financial year, while exporting 12.7 million tonnes during the financial year compared to 13.2 million tonnes in the previous financial year.

The Marketing and Trading business unit traded 8.0 million tonnes during the financial year compared with 8.5 million tonnes the previous financial year. This contributed to the decrease in revenue for the Group, coupled with lower grain prices compared to the previous financial year.

Grower Returns	Units	2016	2015	2014	2013
Tonnes Received	mt	**13.6**	13.6	15.9	9.1
Profit attributable to members after rebates	$'000	**49,786**	82,732	149,153	131,707
Revenue from continuing operations	$'000	**3,270,597**	3,719,985	3,936,617	2,712,013
Share of profit from associates	$'000	**653**	8,958	12,740	8,438
Rebates*	$'000	**62,732**	16,940	53,614	4,751
Value Return on Capital**	%	**3.0**	5.1	9.8	9.6
Net assets	$'000	**1,648,115**	1,615,223	1,516,066	1,370,188

* *Rebates correspond to the year of accounting recognition.*

** *Value Return on Capital is calculated using profit attributable to members after rebates, divided by the closing net asset position.*

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

- Revenue from continuing operations decreased by 12.1% to $3,270,597,000. The decrease in revenue was mainly driven by a lower number of tonnes traded coupled with lower grain prices compared to previous financial year.
- Net operating cash inflow for the year was $228,890,000 compared to the previous year cash inflow of $47,023,000. The significant increase in operating cash inflow was mainly attributable to the sale of prior year's inventory and further accumulation of stock at lower grain prices during the year.
- The Group has changed its rebate methodology to align the Operations and Investment rebates to the performance of the year, and to be apportioned to growers based on their patronage for that year. Following this change, the Group has recognised returns to growers, in the form of rebates of $62,732,000. Included in this amount are 2014-15 rebates of $14,282,000 (comprising Operations rebate of $0.85 per tonne and Investment rebate of $0.20 per tonne), and 2015-16 rebates provided of $48,450,000 (comprising Operations rebate of $3.00 per tonne and Marketing and Trading rebate of $1.20 per tonne).

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.

Significant events after year end

Subsequent to 30 September 2016, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2016-17 season with various banks:

- Syndicated debt facility of $800,000,000;
- Banking facilities of $600,000,000;
- Packing credit facilities of $125,000,000.

The facilities have been executed and are on similar terms and conditions to prior season facilities.

Other than the matters disclosed above, there are no other subsequent events which requires disclosure.

Likely developments and expected results of operations

Likely developments in, and expected results of, the operations of the Group in subsequent years, to the extent that they would not be considered unreasonably prejudicial to the CBH Group if disclosed, are referred to in the Financial Report and in the Annual Report.

Environmental regulation

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

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.

In November 2015 the Co-operative received a warning letter from the Department of Environmental Regulation in respect of a breach to section 49A(2) of the Environmental Protection Act 1986 following a spill of canola from a CBH shipment at its Kwinana Grain Terminal. The Co-operative has not been prosecuted during the financial year for any breaches of any environmental regulations to which the Co-operative is subject.

Further details regarding the Co-operative's environmental activities and performance can be found in the "Your Environment" section of the Annual Report.

Options

No options over unissued shares in the Co-operative were in existence at the beginning of the financial year or granted during, or since the end of the financial year.

Proceedings on behalf of the company

No proceedings have been brought on behalf of the Co-operative, nor have any applications been made in respect of the Co-operative under section 237 of the Corporations Act 2001.

Indemnification and Insurance

The Co-operative has entered into Deeds of Indemnity, Insurance and Access with each of its Directors, secretaries, certain senior executives, and employees serving as officers for wholly owned or partly owned companies of CBH, for any liabilities incurred in or arising out of the conduct of the business of the Co-operative or a related body corporate or the discharge of the duties of any such person.

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

Non-audit services

KPMG provided non-audit services to the consolidated entity during the financial year and received, or is due to receive, the following amounts for the provision of these services:

	$'000
Tax compliance	33
Risk advisory	25
Other	31
	89

The Directors are satisfied that the provision of the above non-audit services by the external auditor during the financial year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and that all non-audit services were provided in accordance with the CBH Audit Policy and were reviewed by the CBH Audit & Risk Management Committee to ensure that they do not affect the integrity or objectivity of the external auditor.

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 64.

Rounding of amounts

Amounts contained in this report have been rounded to the nearest thousand dollars ($'000) unless otherwise stated (where rounding is applicable) under the option available to the entity under ASIC Instrument 2016/191. The Co-operative is an entity to which the Instrument applies.

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

W A Newman.

W A Newman

Director

Perth

7 December 2016

AUDITOR'S INDEPENDENDNCE 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 2016 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.

KPMG

KPMG

Trevor Hart
Partner
Perth
7 December 2016

FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2016

ABN 29256604947

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	2016 $'000	2015 $'000
Continuing operations			
Revenue from continuing operations	5(a)	**3,270,597**	3,719,985
Other gains/(losses)	5(b)	**125,090**	(173,071)
Raw materials, traded grains and consumables used	6(a)	**(2,520,226)**	(2,618,405)
Employee benefits expense	6(b)	**(191,786)**	(185,941)
Depreciation and amortisation expense		**(104,398)**	(92,530)
Storage, handling and freight expenses	6(c)	**(214,956)**	(224,920)
Marketing and trading expenses		**(186,893)**	(217,114)
Insurance		**(8,393)**	(10,628)
Rent expense		**(12,774)**	(13,676)
Other expenses		**(88,485)**	(93,170)
Finance costs	6(d)	**(16,932)**	(24,389)
Share of profit from associates	12	**653**	8,958
Profit from continuing operations before income tax		**51,497**	75,099
Income tax (expense)/benefit	8	**(1,711)**	7,633
Profit from continuing operations after income tax expense		**49,786**	82,732
Other comprehensive income			
Items that will not be reclassified to the profit or loss			
Actuarial loss on defined benefit plan		**(801)**	(145)
Items that may be reclassified subsequently to the profit or loss			
Net (loss)/gain on cash flow hedge	20(d)	**(277)**	1,329
Foreign currency translation (loss)/gain		**(15,816)**	15,243
Other comprehensive income for the year, net of tax		**(16,894)**	16,427
Total comprehensive income for the year		**32,892**	99,159
Profit for the year attributable to members of the parent entity		**49,786**	82,732
Total comprehensive income for the year attributable to members of the parent entity		**32,892**	99,159

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 2016

	Notes	2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	17	**214,290**	140,360
Trade and other receivables	22	**394,424**	359,397
Derivative financial instruments	27	**81,118**	87,187
Inventories	23	**216,509**	336,717
Income tax receivable		**3,070**	-
Prepayments		**8,403**	24,732
Asset held for sale	13	**-**	13,051
Total current assets		**917,814**	961,444
Non-current assets			
Trade and other receivables	22	**1,200**	-
Investments in associates	12	**116,656**	133,031
Derivative financial instruments	27	**2,125**	2,222
Other financial assets	14	**13,624**	446
Property, plant and equipment	9	**992,026**	993,130
Intangible assets and goodwill	10	**66,678**	78,897
Total non-current assets		**1,192,309**	1,207,726
Total assets		**2,110,123**	2,169,170
Liabilities			
Current liabilities			
Trade and other payables	24	**157,433**	84,288
Interest bearing loans and borrowings	19	**151,758**	211,334
Derivative financial instruments	27	**35,134**	106,257
Income tax payable		**-**	4,835
Provisions	16	**27,277**	28,844
Other liabilities	25	**68,995**	99,101
Total current liabilities		**440,597**	534,659
Non-current liabilities			
Trade and other payables	24	**1,653**	2,152
Derivative financial instruments	27	**6,057**	4,699
Provisions	16	**6,107**	6,315
Deferred tax liability	8	**7,594**	6,122
Total non-current liabilities		**21,411**	19,288
Total liabilities		**462,008**	553,947
Net assets		**1,648,115**	1,615,223
Equity			
Equity attributable to equity owners of the parent			
Contributed equity	20(a)	**5**	5
Reserves	20(d)	**1,414,626**	1,348,422
Retained earnings	20(c)	**233,484**	266,796
Total equity		**1,648,115**	1,615,223

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 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**3,457,034**	3,672,526
Payments to suppliers and employees		**(3,216,705)**	(3,610,546)
		240,329	61,980
Interest received		**13,647**	11,224
Interest and other costs of finance paid		**(16,932)**	(24,389)
Income taxes paid		**(8,154)**	(1,792)
Net operating cash flows	7	**228,890**	47,023
Cash flows from investing activities			
Payments for property, plant and equipment		**(87,606)**	(109,218)
Proceeds from sale of property, plant and equipment		**1,169**	1,300
Payments for intangibles		**(3,955)**	(14,277)
Distributions from associates		**600**	3,241
Payments for investments in other financial assets		**(127)**	(91)
Loans to growers		**(188,014)**	(156,019)
Loans repaid by growers		**166,655**	97,945
Payment of loan from associated entity		**-**	(17,332)
Proceeds from Interflour investment consolidation		**-**	18,290
Net cash outflow on acquisition of subsidiaries		**-**	(44,560)
Net investing cash flows		**(111,278)**	(220,721)
Cash flows from financing activities			
Proceeds of borrowings from other parties		**655,019**	2,018,680
Repayment of borrowings to other parties		**(714,595)**	(1,816,366)
Repayments from/(to) CBH Grain Pools		**14,145**	(46,459)
Net financing cash flows		**(45,431)**	155,855
Net increase/(decrease) in cash and cash equivalents		**72,181**	(17,843)
Cash and cash equivalents at the beginning of the financial year		**140,360**	153,343
Effects of exchange rate changes on cash and cash equivalents		**1,749**	4,860
Cash and cash equivalents at end of year	17	**214,290**	140,360

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 2016

	Ordinary shares Note 20 $'000	Capital levy reserve Note 20 $'000	General reserve Note 20 $'000	Foreign currency translation reserve Note 20 $'000	Cash flow hedge reserve Note 20 $'000	Retained earnings Note 20 $'000	Acquisition reserve Note 20 $'000	Total equity $'000
At 1 October 2015	5	52,587	1,308,948	(12,252)	314	266,796	(1,175)	1,615,223
Profit for the year	-	-	-	-	-	49,786	-	49,786
Other comprehensive income/(expense)	-	-	-	(14,249)	(179)	-	-	(14,428)
Share of associates reserve	-	-	-	(1,567)	(98)	(801)	-	(2,466)
Total comprehensive income/(expense) for the year	-	-	-	**(15,816)**	**(277)**	**48,985**	-	**32,892**
Transfer (to) / from reserves / retained earnings	-	-	82,297	-	-	(82,297)	-	-
At 30 September 2016	**5**	**52,587**	**1,391,245**	**(28,068)**	**37**	**233,484**	**(1,175)**	**1,648,115**

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 2016

	Ordinary shares Note 20 $'000	Capital levy reserve Note 20 $'000	General reserve Note 20 $'000	Foreign currency translation reserve Note 20 $'000	Cash flow hedge reserve Note 20 $'000	Retained earnings Note 20 $'000	Acquisition reserve Note 20 $'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 year	-	-	-	-	-	82,732	-	82,732
Other comprehensive income/(expense)	-	-	-	25,374	-	-	-	25,374
Share of associates reserve	-	-	-	(10,131)	1,329	(145)	-	(8,947)
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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 2016 were authorised for issue in accordance with a resolution of the Directors on 7 December 2016.

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 Group during the financial year comprised grain storage, handling, marketing and trading. In addition the Group has investments in flour and oat 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 a 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 2015 to 30 September 2016.

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

(a) 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.

(b) 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 2016 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 entities controlled by the Group.

(c) Foreign currency

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

(i) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate at the reporting date. Non-monetary items assets and liabilities that are measured at fair value in foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences are generally recognised in profit and loss. However foreign currency differences arising from the translation of qualifying cash flow hedges to the extent that the hedges are effective, are recognised in Other Comprehensive Income (“OCI”).

(ii) Foreign operations

The assets and liabilities of the foreign operations are translated into the presentation currency of the Group at the exchange rate at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of transactions.

The exchange differences arising on the translation are recognised in OCI and accumulated in the translation reserve except to the extent that the translation difference is allocated to Non Controlling Interest (NCI).

When a foreign operation is disposed of in its entirety or partially, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit and loss as part of gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

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

This section 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.

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 include:
  - Bulkwest Pty Ltd and its controlled entities whose main activity is loading of silica sand;
  - CBH Group Holdings Pty Ltd and its controlled entities:
    - Blue Lake Milling - oat milling operations
    - CBH Fertiliser - fertiliser supplier to growers
- Other investments includes Australian Bulk Stevedoring Pty Ltd (50% ownership) which provides stevedoring services, and Westgrains Insurance Pte Ltd which is a captive insurance company.

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 2016

Note 4 Business unit results (continued)

Year ended 30 September 2016	Storage and Handling 100% $'000	Grain Trading and Marketing 100% $'000	Flour Milling (Note 12) 50%(ii) $'000	Other business units 100% $'000	Other Investments 50-100% $'000	Eliminations(i) $'000	Total $'000
Business Unit Revenue							
Sales	437,276	2,739,388	340,842	93,695	8,192	(348,796)	3,270,597
Inter-segment revenue	145,484	18,584	-	-	20	(164,088)	-
Total Business Unit Revenue	582,760	2,757,972	340,842	93,695	8,212	(512,884)	3,270,597
Total Business Unit Results							
Profit/(loss) before tax	45,839	10,116	306	207	1,348	(6,319)	51,497
Income tax benefit/(expense)	-	(3,731)	-	2,164	(144)	-	(1,711)
Profit/(loss) after tax	**45,839**	**6,385**	**306**	**2,371**	**1,204**	**(6,319)**	**49,786**
Other Segmental Information							
Interest revenue	9,492	12,219	-	67	238	(8,364)	13,652
Interest expense	(600)	(23,117)	-	(1,579)	-	8,364	(16,932)
Depreciation and amortisation expense	(97,502)	(4,999)	-	(1,897)	-	-	(104,398)
Share of profit from associates	-	-	306	-	347	-	653
Assets (excluding investments in associates)	1,537,416	793,579	339,489	77,904	14,082	(769,003)	1,993,467
Investment in associates	-	-	-	-	-	116,656	116,656
Total Assets	**1,537,416**	**793,579**	**339,489**	**77,904**	**14,082**	**(652,347)**	**2,110,123**
Total Liabilities	**219,405**	**489,778**	**233,761**	**46,597**	**2,951**	**(530,484)**	**462,008**

(i) 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.

(ii) Included in the Flour Milling segment is 50% of IFG and PAL Group of entities' revenue, assets and liabilities and CBH's share of net profit after tax. 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 2016

Note 4 Business unit results (continued)

Year ended 30 September 2015	Storage and Handling 100% $'000	Grain Trading and Marketing 100% $'000	Flour Milling (Note 12) 50%(iii) $'000	Other business units 100% $'000	Other Investments 50-100% $'000	Eliminations(ii) $'000	Total $'000
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)	2,250	(3,146)	75,629
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
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 expense	(87,217)	(4,496)	-	(819)	-	-	(92,532)
Share of profit from associates	-	-	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**
Total Liabilities	**267,154**	**701,158**	**251,147**	**33,142**	**2,884**	**(701,538)**	**553,947**

(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.

(iii) Flour milling segment includes the total assets and liabilities of CBH Global Limited and its controlled entities. Included in the Flour Milling result is 50% of revenue, assets and liabilities and CBH's share of net profit after tax of IFG and PAL Group of entities. 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 2016

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 CBH's assets.

	2016		2015	
	Revenue $'000	Non-current assets (i) $'000	Revenue $'000	Non-current assets (i) $'000
Australia	**864,824**	**1,190,043**	806,826	1,205,426
Singapore	**517,567**	**-**	652,928	-
Switzerland	**446,835**	**-**	178,689	-
China	**173,413**	**-**	373,442	-
Japan	**169,998**	**70**	335,351	72
France	**163,897**	**-**	65,350	-
Philippines	**160,789**	**-**	150,668	-
Kuwait	**134,297**	**-**	40,071	-
South Korea	**99,852**	**-**	111,487	-
Vietnam	**91,238**	**-**	171,475	-
Other (ii)	**447,887**	**71**	833,698	6
Total	**3,270,597**	**1,190,184**	3,719,985	1,205,504

(i) Non-current assets are excluding financial instruments.

(ii) Other countries include Hong Kong, Netherlands, United Kingdom, Malaysia, Indonesia, United Arab Emirates, Iraq, Thailand, New Zealand and South Africa.

(b) Major customers

There are no customers contributing 10% or more to the Group's revenue for both 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 5 Revenues and other income

(a) Revenue from continuing operations

	2016 $'000	2015 $'000
Grain handling services	**485,541**	503,503
Grain sales*	**2,714,511**	3,193,552
Sales of finished products	**91,523**	16,638
Management fees	**5,499**	5,436
Interest	**13,652**	11,222
Other revenue	**22,603**	6,574
Grower patronage rebates	**(62,732)**	(16,940)
	3,270,597	3,719,985

* Grain sales are primarily executed in USD. The Group enters foreign currency derivative contracts in order to manage its exposure to fluctuations in foreign exchange rates (refer to Note 26 for the Financial Risk Management policies of the Group). The gain/(loss) on these contracts forms part of other income (not revenue from continuing operations), and is disclosed in Note 5(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 receival, storage and handling of grain. Revenue recognition for receival 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 and overseas. Overseas sales are primarily 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 risks and rewards of ownership have passed from the Group to an external party.

(iii) Management fees

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

(iv) Interest

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.

(v) Grower patronage rebates

The Group has changed its rebate methodology to align the Operations and Investment rebates to the performance of the year, and to be apportioned to growers based on their patronage of that year. Growers use rebates to offset storage and handling charges.

Note 5 Revenues and other income (continued)

(a) Revenue from continuing operations (continued)

Recognition and measurement (continued)

(v) *Grower patronage rebates (continued)*

The following table details the recognition of the grower patronage rebates by year:

	2016 $'000	2015 $'000
2015-16 Grower patronage rebates		
Operations rebate	**(40,810)**	-
Marketing and trading rebate	**(7,640)**	-
2014-15 Grower patronage rebates*		
Operations rebate	**(11,562)**	-
Investment rebate	**(2,720)**	-
2013-14 Grower patronage rebates*		
Operations rebate	**-**	(11,519)
Investment rebate	**-**	(5,421)
	(62,732)	(16,940)

* Prior to the change in rebate methodology in 2016, the Operations and Investment rebates were recognised the year following their announcement.

(b) Other gains/(losses)

	Notes	2016 $'000	2015 $'000
Net gain on disposal of property, plant and equipment	9	**681**	1,140
Net realised gain/(loss) on foreign exchange hedging contracts (i)		**28,766**	(244,470)
Unrealised fair value gain/(loss) on derivatives		**64,886**	(53,191)
Realised gain on derivatives		**33,202**	83,566
Other net realised foreign exchange (loss)/gain		**(3,176)**	33,269
Net unrealised (loss)/gain on foreign exchange on non-derivatives		**(6,710)**	472
Amortisation of bank guarantee liability (ii)		**-**	(1,197)
Other		**7,441**	7,340
		125,090	(173,071)

(i) *It is the Group's policy to manage its foreign exchange risk through the use of derivative instruments. The 2016 realised gain on foreign exchange is a result of the appreciation of the AUD against the USD while the 2015 realised loss related to the depreciation of the AUD against the USD in that year. These gains and losses are predominantly offset by USD sales receipts recorded in revenue from continuing operations, refer to Note 5(a). Refer to Note 26 for the Financial Risk Management policies of the Group.*

(ii) *In 2016, there was no reversal of amortisation (2015: $1,197,000) 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 2016

Note 6 Expenses

	2016 $'000	2015 $'000
(a) Raw materials, traded grains and consumables used		
Fair value change on traded inventory at year end	**(42,673)**	(13,316)
Costs of goods sold	**2,562,304**	2,631,767
Changes in other inventories	**595**	(46)
	2,520,226	2,618,405
(b) Employee benefits expense		
Wages and salaries	**170,462**	163,337
Defined contribution accumulation superannuation expense	**13,523**	13,970
Bonuses	**7,801**	8,634
	191,786	185,941
(c) Storage, handling and freight expenses		
Storage and handling	**65,186**	63,980
Freight (i)	**149,770**	160,940
	214,956	224,920

(i) Freight expense includes the amount Co-operative Bulk Handling Limited pays to rail and road transporters to move grain from up-country receival sites to destination sites.

	2016 $'000	2015 $'000
(d) Finance costs		
Bank loans, overdrafts and auction premium	**16,611**	23,633
Payments to CBH Grain Pools	**321**	756
	16,932	24,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 7 Reconciliation of net profit after tax to net cash flows from operations

	2016 $'000	2015 $'000
Net profit from ordinary activities after income tax	**49,786**	82,732
Adjustments to reconcile profit after tax to net cash flows:		
Depreciation and amortisation	**104,398**	92,530
Net profit on disposal of property, plant and equipment	**(681)**	(1,140)
Amortisation of Bank guarantee	**-**	1,197
Share of associates net profits	**(653)**	(8,958)
Unrealised (gain)/loss on foreign exchange and derivatives	**(58,176)**	60,286
Income tax expense/(benefit)	**1,711**	(7,633)
Impairment of property, plant and equipment	**-**	2,715
Net finance costs	**3,280**	-
Working capital adjustments:		
Decrease/(increase) in inventories	**120,207**	(82,913)
Increase in trade and other receivables	**(39,015)**	(65,168)
Increase in provision for impairment of receivables	**1,667**	561
Decrease/(increase) in other assets	**15,129**	(1,308)
Increase/(decrease) in trade and other payables	**74,557**	(37,321)
(Decrease)/increase in provisions	**(1,775)**	2,519
(Decrease)/increase in other liabilities	**(30,106)**	23,880
Net cash inflow from operating activities	**240,329**	61,979
Interest received	**13,647**	11,224
Interest paid	**(16,932)**	(24,389)
Income tax paid	**(8,154)**	(1,791)
Net cash from operating activities	**228,890**	47,023

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 8 Income tax

Major components of income tax expense for the year ended 30 September 2016 and the year ended 30 September 2015 are:

	2016 $'000	2015 $'000
Consolidated statement of comprehensive income		
Current income tax		
Current income tax charge	**430**	6,238
Adjustments in respect of current income tax of previous years	**(191)**	(785)
Deferred income tax		
Relating to origination and reversal of temporary differences	**3,844**	(14,130)
Adjustments in respect of deferred income tax of previous years	**83**	-
Adjustments in respect of unrecognised temporary differences	**(2,455)**	1,044
Income tax expense/(benefit) reported in the consolidated statement of comprehensive income	**1,711**	(7,633)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 8 Income tax (continued)

Deferred Tax	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	30 September 2016 $'000	30 September 2015 $'000	30 September 2016 $'000	30 September 2015 $'000
Deferred income tax assets				
Financial liabilities	**13,247**	33,440	**(20,193)**	(13,279)
Financial assets	**314**	95	**218**	3
Plant and equipment	**101**	1,650	**(1,549)**	746
Accruals and provisions	**1,920**	1,219	**702**	332
Shrinkage stock	**53**	-	**53**	-
Foreign exchange on loans to foreign subsidiaries	**-**	-	**-**	(25)
Other	**551**	306	**245**	195
Carry forward tax losses	**8,520**	1,885	**6,635**	1,395
Less: Unrecognised deferred tax asset	**-**	(2,455)	**2,455**	(1,039)
Gross deferred income tax assets	**24,706**	36,140	**(11,434)**	(11,672)
Deferred income tax liabilities				
Financial assets	**(24,907)**	(30,087)	**5,180**	26,769
Plant and equipment	**(5,559)**	(6,415)	**856**	329
Inventories	**-**	(3,995)	**3,995**	(2,204)
Accrued income	**(390)**	(156)	**(234)**	126
Prepayments	**-**	-	**-**	12
Intangibles	**(1,444)**	(1,609)	**165**	(276)
Gross deferred income tax liabilities	**(32,300)**	(42,262)	**9,962**	24,756
Net deferred tax liability	**(7,594)**	(6,122)		
Deferred tax expense/(benefit)			**(1,472)**	13,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 8 Income tax (continued)

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

	2016 $'000	2015 $'000
Net deferred tax liability		
At the beginning of the financial year	**(6,122)**	(17,874)
Income tax (charge)/credit recorded in the income statement	**(1,472)**	13,084
Deferred taxes acquired (i)	**-**	(1,332)
At the end of the financial year	**(7,594)**	(6,122)

(i) Includes deferred taxes brought into the Group upon acquisition of Blue Lake Milling Pty Ltd in 2015.

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:

	2016 $'000	2015 $'000
Profit from continuing operations before income tax expense	**51,497**	75,099
Less: Parent entity profit (tax exempt)	**(82,297)**	(97,223)
Profit of parent entity eliminated on consolidation	**35,982**	-
Accounting profit/(loss) before income tax from continuing operations	**5,182**	(22,124)
At the Group's statutory income tax rate of 30%	**1,555**	(6,637)
Non-assessable income	**(61)**	(21)
Other assessable income	**48**	20
Non-deductible expenses	**40**	248
Share of equity accounted results of associates	**(240)**	(1,786)
Difference in effective tax rate of overseas subsidiary	**11**	(36)
Prior period adjustments	**(33)**	(452)
Write off of deferred tax assets previously recognised	**820**	-
Deferred tax assets recognised	**(2,206)**	-
Other	**1,777**	1,031
Income tax expense/(benefit)	**1,711**	(7,633)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 8 Income tax (continued)

Recognition and measurement (continued)

(i) Income tax (continued)

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 are 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.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits 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 are 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 2016, there was no recognised deferred tax liability (2015: $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 recorded 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 tax policy requiring 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 $28,400,000 (2015: $6,201,000) of tax losses carried forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

YOUR NETWORK

This section provides information on the Group's property, plant and equipment, intangible assets and goodwill.

Note 9 Property, plant and equipment

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:

30 September 2016	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
Cost								
1 October 2015	1,088,414	8,262	46,528	952,120	52,632	3,295	18,168	2,169,419
Additions	47,272	131	1,498	20,718	2,462	348	15,178	87,607
Disposals	(144)	-	(11)	(306)	(35)	(8)	-	(504)
Transfers	9,233	-	3	6,782	151	-	(16,169)	-
At 30 September 2016	1,144,775	8,393	48,018	979,314	55,210	3,635	17,177	2,256,522
Accumulated depreciation and impairment								
At 1 October 2015	564,873	1,891	40,396	540,916	24,924	3,289	-	1,176,289
Depreciation expense	47,284	850	1,552	33,708	4,481	348	-	88,223
Disposals	-	-	-	-	(8)	(8)	-	(16)
At 30 September 2016	612,157	2,741	41,948	574,624	29,397	3,629	-	1,264,496
Net book value at 30 September 2016	**532,618**	**5,652**	**6,070**	**404,690**	**25,813**	**6**	**17,177**	**992,026**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 9 Property, plant and equipment (continued)

Carrying amounts of property, plant and equipment (continued)

30 September 2015	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
Cost								
At 1 October 2014	1,021,779	8,262	45,754	874,880	46,606	2,713	31,660	2,031,654
Additions	51,632	-	774	38,266	6,165	589	18,417	115,843
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)	-
At 30 September 2015	1,088,414	8,262	46,528	952,120	52,632	3,295	18,168	2,169,419
Accumulated depreciation and impairment								
At 1 October 2014	523,938	1,818	38,394	507,595	21,076	2,707	-	1,095,528
Depreciation expense	39,921	73	1,932	31,822	3,947	589	-	78,284
Disposals	-	-	-	(93)	(139)	(7)	-	(239)
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**	**18,168**	**993,130**

Recognition and measurement

Property, plant and equipment is stated at cost net of accumulated depreciation and any accumulated impairment losses.

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.

Note 9 Property, plant and equipment (continued)

Recognition and measurement (continued)

(i) 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, or 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.

(ii) 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.

(iii) Qualifying assets

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

(iv) 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.

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 from continuing operations. 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.

At 30 September 2016, the net carrying amount of leased assets was $3,963,200 (2015: $4,089,057). During 2016, the Group acquired assets with a carrying amount of $168,564 (2015: Nil) under a finance lease.

(v) Depreciation

Plant and equipment, 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

Note 9 Property, plant and equipment (continued)

Recognition and measurement (continued)

(v) ***Depreciation*** *(continued)*

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.

(vi) 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.

(vii) 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.

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.

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.

(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 lives are made when considered necessary. Rail rolling stock ($136,633,140) is included in plant and equipment, the estimation of the useful lives is based on the total tonnage moved to port via rail each year as a percentage of total tonnage expected to be moved over the life of the locomotives and wagons.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 10 Intangible assets and goodwill

	Goodwill $'000	Software costs $'000	Customer contracts $'000	Capital works in progress $'000	Total $'000
30 September 2016					
Cost					
1 October 2015	18,755	126,403	5,500	5,509	156,167
Additions	-	2,559	-	1,396	3,955
Transfer from capital works in progress	-	1,713	-	(1,713)	-
30 September 2016	18,755	130,675	5,500	5,192	160,122
Accumulated amortisation					
1 October 2015	-	(77,131)	(138)	-	(77,269)
Amortisation	-	(15,625)	(550)	-	(16,175)
30 September 2016	-	(92,756)	(688)	-	(93,444)
Net book value at 30 September 2016	**18,755**	**37,919**	**4,812**	**5,192**	**66,678**
30 September 2015					
Cost					
1 October 2014	575	112,126	-	8,472	121,173
Additions	18,180	8,769	5,500	2,545	34,994
Transfer from capital works in progress	-	5,508	-	(5,508)	-
30 September 2015	18,755	126,403	5,500	5,509	156,167
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**	**5,509**	**78,897**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 10 Intangible assets and goodwill (continued)

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.

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.

Goodwill primarily relates to the acquisition of Blue Lake Milling Pty Ltd ("BLM") in the prior year. There has been no change in the fair value of the assets acquired at acquisition date, which is now final.

The Group has determined the recoverable amount of BLM using the value in use methodology. The calculation of use is most sensitive to the following key assumptions:

- **Oat volumes and prices:** based on budgeted volumes and prices, adjusted for inflation.
- **Cash flows:** projected over a period of five years.
- **Discount rates:** reflect management's estimate of the time value of money and the risks to the CGU that are not already reflected in the cash flows. In determining appropriate discount rates, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for business risk specific to BLM. A pre-tax discount rate of 13.43% was applied to the forecast cash flows.
- **Growth rate:** based on long term growth in agricultural production. A rate of 1.2% was used.

Sensitivity testing of key assumptions indicates that a reasonably possible change in any of the above key assumptions would not result in the carrying value of the CGU materially exceeding its recoverable value.

(ii) 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 consistentwith 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.

Note 10 Intangible assets and goodwill (continued)

Recognition and measurement (continued)

(ii) Intangible assets (continued)

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

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is recorded 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 estimated useful life 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 2016, the Group does not have any development assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

YOUR INVESTMENTS

This section provides information on the subsidiaries, associates and other financial assets of the Group.

Note 11 Investment in controlled entities

The following were controlled entities as at 30 September 2016 and have been included in the consolidated accounts.

			Equity holding	
Name of controlled entity	Country of incorporation	Class of shares	2016 %	2015 %
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 (i)	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**	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 (i)	Australia	Ordinary	**100**	100
CBH Foods Pty Ltd (ii)	Australia	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	Australia	Ordinary	**100**	100
CBH Grain Japan Co. Ltd controlled entity				
CBH Grain North America LLC	USA	Ordinary	**100**	100
CBH Granary SA controlled entity				
LLC Granary	Russia	Ordinary	**100**	100

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

(ii) This entity changed its name from "Lupin Foods Australia Pty Ltd" to "CBH Foods Pty Ltd" during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 11 Investment in controlled entities (continued)

Recognition and measurement

Subsidiaries

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. The financial statements of the subsidiaries are included in the consolidated financial statement from the date on which control commences until the date on which control ceases. The financial statement are prepared for the same reporting year as the parent entity using consistent accounting policies.

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.

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.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related Non-controlling interests (“NCI”). Any resulting gain or loss is recognised in profit and loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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.

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 12 Investments in associates

Details of the Group’s 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 2016 %	2015 %	Principle activities
Interflour Group entities:				
Pacific Agrifoods Limited ("PAL")	British Virgin Islands	**50**	50	Flour milling
Interflour Group Pte Limited ("IFG")	Singapore	**50**	50	Flour milling
Other entities:				
Australian Bulk Stevedoring Pty Ltd	Australia	**50**	50	Stevedoring

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 2016

Note 12 Investments in associates (continued)

	2016 $'000	2015 $'000
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**133,031**	142,401
Associates loan repayment & capital reduction	**-**	(31,023)
Distributions from associates	**(600)**	(3,241)
Share of associates profits after income tax	**653**	8,958
Share of associates movement in reserves	**(2,466)**	(7,703)
Unrealised foreign exchange translation movements	**(13,962)**	24,836
Amortisation of bank guarantee liability	**-**	(1,197)
Carrying amount at the end of the financial year	**116,656**	133,031
Share of associates' profits		
Profit before income tax	**3,442**	13,452
Income tax expense	**(2,789)**	(4,494)
Share of net profits from continuing operations after income tax	**653**	8,958
Retained profits attributable to associates at beginning of the year	**48,170**	39,212
Retained profits attributable to associates at end of the year	**48,823**	48,170

Interflour investment consolidation

During 2016 the Group together with its partner, Origold Profits Limited ("Origold") completed the restructure of its remaining investments in Asia. The restructure which commenced in 2015, creates a simpler and more sustainable group structure with Interflour Group Pte Ltd ("IFG") established as the ultimate holding entity. Both CBH and Origold retained an equal share of 50% of the post consolidated group.

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.

During 2016 the final element of the restructure was completed via an in specie dividend extinguishing the Pacific Agrifoods Limited loan (2015: $34,800,000) which formed part of the 2015 investment carrying value. The net effect of this restructuring transaction on the carrying value of the investment was nil.

At 30 September 2016, the restructure of investments is complete.

Note 12 Investments in associates (continued)

The following table summarises the financial information of the Group's investments in associates as included in its own financial statements, adjusted for fair value adjustments at acquisition, and differences in accounting policies. The investments in associates 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 2016												
Interflour Group (i)	30 Sep	Flour milling	50	330,151	348,827	(335,024)	(132,497)	211,457	681,684	2,466	**306**	**116,362**
Australian Bulk Stevedoring Pty Ltd	30 Sep	Stevedoring	50	1,696	395	(1,344)	(133)	614	7,954	-	**347**	**294**
Total								**212,071**			**653**	**116,656**

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 $105,728,500 adjusted for minority interest of $12,862,301, goodwill of $14,819,242 and other intangible cost of $8,676,559.

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 Sep	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 Sep	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.

Note 12 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 nil (2015: USD 2,150,000).

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.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determine whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Note 13 Assets held for sale

	2016 $'000	2015 $'000
Investment in Newcastle Agri Terminal Pty Ltd	-	13,051

Recognition and measurement

At 30 September 2015 the Group had commenced negotiations with interested parties to divest its investment in Newcastle Agri Terminal Pty Ltd ("NAT"). The negotiations did not proceed and the investment is no longer held for sale. In 2016 this was reclassified to other financial assets (Note 14).

Note 14 Other financial assets

Non-current assets	2016 $'000	2015 $'000
Investment in Newcastle Agri Terminal Pty Ltd	**13,051**	-
Other	**573**	446
	13,624	446

Recognition and measurement

Other financial assets include an unlisted investment in NAT, a bulk agricultural export facility located in Newcastle, which is held at fair value. In 2015, this was classified as an asset held for sale (Note 13), and in 2016, this was reclassified to other financial assets.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

YOUR PEOPLE

This section provides information on benefits provided to key management personnel during the year and amounts that have been provided for at year end.

Note 15 Key management personnel compensation

	2016 $	2015 $
Short-term employee benefits (i)	**6,043,687**	6,407,635
Post-employment benefits (ii)	**361,987**	402,559
Long-term benefits (iii)	**588,476**	977,970
Termination benefits (iv)	**643,249**	-
	7,637,399	7,788,164

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

(i) Short-term employee benefits include director fees, wages, salaries, annual leave provided and non monetary benefits for current employees.

(ii) Post-employment benefits include superannuation benefits paid for directors and current employees.

(iii) Long-term benefits include long term incentives and retention payments, long service leave and sick leave provided for current employees.

(iv) Termination benefits include contractual entitlements on termination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 16 Provisions

	Employee benefits $'000
1 October 2015	35,159
Arising during the year	15,654
Utilised	(16,469)
Other	(960)
30 September 2016	**33,384**
30 September 2016	
Current	27,277
Non-current	6,107
	33,384
30 September 2015	
Current	28,844
Non-current	6,315
	35,159

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.

(ii) Employee benefits

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.

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 corporate bonds with terms to maturity that match, as closely as possible, to the estimated future cash outflows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

CAPITAL MANAGEMENT

This section provides information on the equity and net debt of the Group.

Note 17 Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and on hand	**196,581**	111,374
Cash - futures accounts at call	**17,709**	28,986
	214,290	140,360

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 and Australian Dollars at nil average interest rate for foreign currency accounts and 0.60% on Australian Dollar accounts (2015: nil on balances due in foreign currencies and 1.25% on Australian Dollar accounts).

Recognition and measurement

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 18 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 (i)	150,000	-	31/12/2016
CBH Grain Facility - AUD (i)	150,000	-	31/10/2016
CBH Grain Facility - AUD (i)	150,000	-	30/11/2016
CBH Grain Facility - AUD (i)	150,000	-	31/12/2016
CBH Grain Facility - AUD (i)	125,000	-	12/12/2016
CBH Grain Facility - AUD	100,000	100,000	4/12/2018
CBH Grain Facility - AUD	100,000	50,000	4/12/2018

(i) The Directors have approved the facilities that expire in 2016. These will be renewed as required. Refer to subsequent events Note 34 for details.

Australian dollar credit facilities

The Australian Dollar facilities are a combination of bilateral team loans and packing credit facilities with total facility limits of $925,000,000. As at 30 September 2016, $150,000,000 of the bilateral term loans was drawn down, and there was no draw down on the packing credit facility.

CBH Grain Pty Ltd uses these facilities to fund the 2015-16 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 2.54% (2015: 3.15%).

Note 19 Interest bearing loans and borrowings

	2016 $'000	2015 $'000
Unsecured (current)		
Bank loans (i)	**150,111**	209,598
Finance lease liabilities	**1,647**	1,736
	151,758	211,334

(i) The bank loans are predominantly in Australian Dollars. For additional details refer to Note 19(c).

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 26.

(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 2016 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 2016

Note 20 Contributed equity and reserves

(a) Share capital

(i) Ordinary Shares

	2016 $	2015 $
Shares Issued	**4,964**	5,190
	4,964	5,190

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 paidshare, 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 2014	2,702	1,496	4,198	2.00	5,404
Shares issued (i)	-	135	135	-	-
Shares cancelled (ii)	(107)	(81)	(188)	-	(214)
At 1 October 2015	**2,595**	**1,550**	**4,145**	**2.00**	**5,190**
Shares issued (i)	-	170	170	-	-
Shares cancelled (ii)	(113)	(81)	(194)	-	(226)
At 30 September 2016	**2,482**	**1,639**	**4,121**	**2.00**	**4,964**

(i) During the year 170 ordinary shares (2015: 135) were issued and remained unpaid as at 30 September 2016. 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 1,639 (2015: 1,550).

(ii) During the year 194 member shares (113 paid and 81 unpaid) were cancelled through failure to meet the Active Membership Requirements under Rule 4 of the Co-operative's Rules.

(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. Any surpluses created from excess charges to growers beyond the Groups capital requirements are rebated to growers based on their patronage to the business. 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.

Through 2016, the Board further developed its Capital Management Policy and Capital Management Framework. These will be important guides to managing the capital base of the CBH Group in future financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 20 Contributed equity and reserves (continued)

(c) Retained earnings

	2016 $'000	2015 $'000
Opening balance	**266,796**	281,432
Actuarial loss on defined benefit plan	**(801)**	(145)
Net profit for the period	**49,786**	82,732
Aggregate of amounts transferred to reserves	**(82,297)**	(97,223)
Balance at year end	**233,484**	266,796

(d) Reserves

	2016 $'000	2015 $'000
Capital levy reserve	**52,587**	52,587
General reserve	**1,391,245**	1,308,948
Foreign currency translation reserve	**(28,068)**	(12,252)
Acquisition reserve	**(1,175)**	(1,175)
Cash flow hedge reserve	**37**	314
	1,414,626	1,348,422

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.

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 dividends 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.

Foreign Currency Translation Reserve

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

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.

Note 21 Contingent liabilities

Co-operative Bulk Handling Limited (parent entity) has provided guarantees relating to loan facilities with certain controlled entities (Note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

WORKING CAPITAL

This section provides information on the working capital of the Group.

Note 22 Trade and other receivables

	2016			2015		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables (i)	**138,220**	**-**	**138,220**	121,293	-	121,293
Allowance for doubtful debts (iii)	**(3,240)**	**-**	**(3,240)**	(1,572)	-	(1,572)
Loans to growers (ii)	**143,649**	**-**	**143,649**	136,435	-	136,435
	278,629	**-**	**278,629**	256,156	-	256,156
Other receivables (iv)	**45,591**	**-**	**45,591**	36,742	-	36,742
Related party receivables (v)	**70,204**	**1,200**	**71,404**	66,499	-	66,499
	394,424	**1,200**	**395,624**	359,397	-	359,397

(i) Trade receivables

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

	2016 $'000	2015 $'000
Current	**127,667**	99,163
< 30 days overdue	**7,759**	21,173
30 - 60 days overdue	**1,066**	434
60 - 90 days overdue	**382**	142
> 90 days overdue	**1,346**	381
	138,220	121,293

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.

Note 22 Trade and other receivables (continued)

(i) Trade receivables (continued)

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 $3,240,000 (2015: $1,572,000) 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 $13,239,000 (2015: $27,385,000) and the Pre-Pay Advantage product for $130,410,000 (2015: $109,050,000). These receivables are settled by distributions receivable from the Pools and contracted sales to the Group. At 30 September 2016, the Pre-Pay Advantage interest rate charged to growers was 5.80% (2015: 5.80%).

(iii) Allowance for doubtful debts

The Group has recovered $546,000 during the period (2015: $1,182,000). Movements in the allowance for doubtful debts were as follows:

	2016 $'000	2015 $'000
At 1 October	**1,572**	2,133
Additions for the year	**2,342**	784
Bad debt write off	**(128)**	(163)
Amounts written back	**(546)**	(1,182)
At 30 September	**3,240**	1,572

The allowance for doubtful debts for debts less than 90 days overdue is $1,489,000 (2015: $1,223,000) and over 90 days overdue $1,751,000 (2015: $349,000).

Trade receivables past due but not considered impaired are $7,313,000 (2015: $20,558,000). 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.

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 current policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 26.

Note 22 Trade and other receivables (continued)

(iv) Other receivables

	2016 $'000	2015 $'000
Accrued income receivable within 12 months	**34,358**	23,571
GST receivable	**9,767**	5,214
Other receivables	**1,466**	7,957
	45,591	36,742

(v) Related party receivables

For terms and conditions relating to related party receivables refer Note 30.

Note 23 Inventories

	2016 $'000	2015 $'000
At fair value less cost to sell		
Traded grain	**189,212**	324,297
At lower of cost and net realisable value:		
Raw materials and stores (at cost)	**16,786**	9,900
Work in progress	**329**	265
Finished goods	**8,009**	1,124
Other inventories	**2,173**	1,131
	27,297	12,420
Total inventory	**216,509**	336,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 23 Inventories (continued)

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.

The following shows the net changes in fair value of Level 3 inventory:

	2016 $'000	2015 $'000
1 October 2015	**17,249**	27,602
Purchases	**107,323**	97,784
Sales	**(96,108)**	(105,807)
Written Off	**(386)**	(221)
Change in fair value (unrealised)	**(4,653)**	(2,109)
30 September 2016	**23,425**	17,249

(ii) Finished goods and other inventories

Inventories are measured 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 is valued using either Level 2 or Level 3 fair value measurements (refer to Note 26(d)).

Level 2 is based on the Market Comparison technique and uses exchange-quoted grain prices, if available, or independent broker reports.

Level 3 is also based on the Market Comparison technique and uses realised sale prices, adjusted for market view.

A change in the Level 3 input price for inventories of plus/minus 10% would have a corresponding impact on the financial asset/liability value, and be recognised in profit and loss.

Both Level 2 and 3 valuation techniques use quoted transportation costs to account for location differentials and other unobservable inputs that are not significant to the overall valuations.

Note 24 Trade and other payables

	2016 $'000	2015 $'000
Current		
Trade payables (i)	**22,867**	25,459
Sundry payables and accrued expenses (ii)	**84,904**	57,433
Grower patronage rebates (iii)	**49,662**	1,396
	157,433	84,288
Non-current		
Other payables	**1,653**	2,152

(i) Trade payables

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

(ii) Sundry payables and accrued expenses

Sundry payables and accrued expenses are primarily made up of execution cost accruals relating to the sale of grain.

(iii) Grower patronage rebates

Grower patronage rebates include outstanding Marketing and Trading rebate of $8,853,000 (2015: $1,396,000) and the Operations rebate of $40,810,000 (2015: nil).

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.

Rebates are carried at cost, representing the liability to the Growers based on their patronage. The rebates will be used to offset against future storage and handling charges.

Note 25 Other liabilities

	2016 $'000	2015 $'000
Current		
Deferred revenue (i)	**45,503**	45,520
Other payables (ii)	**23,492**	53,581
	68,995	99,101

(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 2016-17 port terminal shipping fee.

(ii) Other payables relates to the deferred freight fund liability. This liability reflects the surplus accumulated from freight operations carried forward to be redistributed to growers in the form of cash rebates or reduced freight rates in future years. In addition the 2015 balance includes the auction premium refundable to marketers, which is nil in 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

FINANCIAL RISK MANAGEMENT

This section 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.

Note 26 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 managing 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 central treasury, commodity trading and credit management under policies approved by the Board of Directors. The treasury function manages liquidity of the Group whilst commodity trading manages commodity and basis risks as well as associated foreign currency risks. Credit 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 Unit 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 reporting through to the Board as outlined below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 26 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.

The Group also performs stress testing using a number of scenarios.

(i) Commodity price risk

Commodity price risk refers to the Group's exposure to fluctuations in the prices of grain and fertiliser commodities. The Group operates in a variety of grain and fertiliser 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 and fertiliser positions when considered together. Exposures and 99% VaR are as follows:

	2016 $'000	2015 $'000
Net derivative exposure	**(171,366)**	(314,747)
Net physical exposure	**(246,091)**	(19,586)
Undiversified 99th percentile VaR	**(37,182)**	(37,670)
Diversification benefit 99%	**11,024**	11,560
Diversified VaR	**(26,158)**	(26,110)

Traded Commodities are grain books run by the Group for the purpose of generating profits using its own funds. The primary objective of Traded Commodities is to achieve a profit, therefore risk management activities are undertaken for a variety of reasons from eliminating to initiating market risk. However, Traded Commodity positions are required to be maintained within specified limits. The Executive Risk Committee may modify the limits for individual grains and fertiliser on the recommendation of the Marketing and Trading Risk Committee however the aggregate limit for all commodities 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 commodities 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 26 Financial risk management policies (continued)

(a) Market risk (continued)

(ii) Foreign currency risk (continued)

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 as the investment in Asia has a functional currency of USD. The Group does not hedge against this exposure.

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	RUB in AUD equivalent $'000	OTHER* in AUD equivalent $'000	Total AUD equivalent $'000
30 September 2016							
Financial assets							
Cash and cash equivalents	53,841	1,185	10,650	18,983	3,321	467	**88,447**
Trade and other receivables	149,840	-	37,115	4,184	2,205	-	**193,344**
Derivative financial assets	62,157	2,910	7,255	1,969	152	14	**74,457**
	265,838	4,095	55,020	25,136	5,678	481	**356,248**
Financial liabilities							
Derivative financial liabilities	4,755	292	1,366	-	-	9	**6,422**
Trade and other payables	16,999	-	3,372	3,816	2,412	56	**26,655**
	21,754	292	4,738	3,816	2,412	65	**33,077**
Net exposure	**244,084**	**3,803**	**50,282**	**21,320**	**3,266**	**416**	**323,171**

* *Other includes CNY in AUD, GBP in AUD, NZD in AUD, HKD in AUD and CHF in AUD.*

	USD in AUD equivalent $'000	CAD in AUD equivalent $'000	Euro in AUD equivalent $'000	JPY in AUD equivalent $'000	RUB in AUD equivalent $'000	OTHER* 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	2,900	344	**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	377	353	**76,475**
	228,891	9,469	51,474	40,378	3,880	697	**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	36	232	**21,387**
	80,411	2,209	8,358	11,545	36	294	**102,853**
Net exposure	**148,480**	**7,260**	**43,116**	**28,833**	**3,844**	**403**	**231,936**

* *Other includes CNY in AUD, GBP in AUD, NZD in AUD, HKD in AUD and CHF in AUD.*

Note 26 Financial risk management policies (continued)

(a) Market risk (continued)

(iii) Interest rate risk

	2016 $'000	2015 $'000
Net market exposure	**(56,630)**	(109,402)
99% VaR	**(50)**	(50)

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 commodity 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:

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	**214,290**	140,360
Financial liabilities		
Interest bearing liabilities and borrowings	**(151,758)**	(211,334)
Net exposure	**62,532**	(70,974)

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 27(b).

(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 2016, the Group did not hold any collateral (2015: $Nil).

The financial guarantees are disclosed in Note 28(a).

Note 26 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 2016, the Group did not have any exposure from CBH Grain Pools (2015: $1,000,944).

2. **Derivatives other than forward purchase and forward sales contracted with unrated counterparties in the Group's own right**

   The Group is exposed to credit risk with banks, 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 2016. A summary of net position exposures by credit rating is detailed in the table below:

	2016 Fair Value $'000	2015 Fair Value $'000
Credit rating A	**8,432**	4,640
Credit rating AA- and above	**9,760**	-
	18,192	4,640

3. **Forward purchase and sale contracts**

   Forward purchase and sale contracts are undertaken with unrated counterparties, including growers, commodity traders and end-customers. The total face value of open purchase contracts is $385,014,060 (2015: $631,251,381) and the total face value of open sales contracts is $922,351,402 (2015: $1,111,101,114). 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 2016. 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.

(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 on next page reflects the remaining contractual maturities of the Group's 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.

Note 26 Financial risk management policies (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities	Carrying amount $'000	Total contractual cash flows $'000	Less than 6 months $'000	6 - 12 months $'000	1 - 5 years $'000
At 30 September 2016					
Financial liabilities					
Interest bearing loans and borrowings	151,758	152,034	150,296	574	1,164
Trade and other payables	159,086	159,086	157,433	-	1,653
Total non-derivatives	**310,844**	**311,120**	**307,729**	**574**	**2,817**
Derivative financial liabilities					
- (inflow)	(535,275)	(535,275)	(526,172)	(7,698)	(1,406)
- outflow	576,466	576,466	560,074	8,930	7,463
Net derivative financial liabilities	**41,191**	**41,191**	**33,902**	**1,232**	**6,057**
	352,035	**352,311**	**341,631**	**1,806**	**8,874**
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**
Derivative financial liabilities					
- (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**

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 26 Financial risk management policies (continued)

(d) Fair value measurments (continued)

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 following table.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 September 2016				
Financial and non-financial assets				
Derivative instruments				
· Forward exchange contracts and swaps	-	22,368	-	**22,368**
· Commodity futures and options	857	-	-	**857**
· Forward sale and purchase contracts	-	53,232	6,786	**60,018**
Other financial assets	-	-	13,624	**13,624**
Inventories	-	165,787	23,425	**189,212**
Total financial and non-financial assets	**857**	**241,387**	**43,835**	**286,079**
Financial Liabilities				
Derivative instruments				
· Forward exchange contracts and swaps	-	3,282	-	**3,282**
· Commodity futures and options	1,922	-	-	**1,922**
· Interest rate swaps	-	5,656	-	**5,656**
· Forward sale and purchase contracts	-	27,519	2,812	**30,331**
Total financial liabilities	**1,922**	**36,457**	**2,812**	**41,191**
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	-	63,248	10,362	**73,610**
Other financial assets	-	-	446	**446**
Assets held for sale	-	-	13,051	**13,051**
Inventories	-	307,048	17,249	**324,297**
Total financial and non-financial assets	**5,686**	**380,409**	**41,108**	**427,203**
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	-	34,561	1,171	**35,732**
Total financial liabilities	**1,231**	**108,554**	**1,171**	**110,956**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 26 Financial risk management policies (continued)

(d) Fair value measurments (continued)

The following table shows the net changes in fair value of Level 3 Forward sale and purchase contract assets and liabilities:

Forward Sale and Purchase contracts	Total $'000
30 September 2015	**9,191**
Net realised loss	**(5,217)**
30 September 2016	**3,974**

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.

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.

A change in the Level 3 input price for inventories and forward sale and purchase contracts of plus/minus 10% would have a corresponding impact on the financial asset/liability value, and be recognised in profit and loss.

The valuation technique adopted for Inventories (Traded grain) is discussed in Note 23.

Transfers between categories

There were no transfers between Level 1, 2 and Level 3 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) 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. 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 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 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.

Note 27 Derivative financial instruments

	2016 $'000	2015 $'000
Current Assets at fair value		
Forward foreign exchange contracts and swaps	**22,368**	9,989
Forward foreign exchange options	**-**	124
Commodity futures and options	**857**	5,686
Forward sale and purchase contracts	**57,893**	71,388
	81,118	87,187
Non-Current Assets at fair value		
Forward sale and purchase contracts	**2,125**	2,222
	2,125	2,222
Current Liabilities at fair value		
Forward foreign exchange contracts and swaps	**3,262**	69,202
Forward foreign exchange options	**-**	124
Commodity futures and options	**1,877**	1,212
Forward sale and purchase contracts	**29,995**	35,719
	35,134	106,257
Non-Current Liabilities at fair value		
Interest rate swaps	**5,656**	4,572
Commodity futures and options	**45**	20
Forward sale and purchase contracts	**336**	14
Forward foreign exchange contracts and swaps	**20**	93
	6,057	4,699

(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 sale and purchase contracts.

These contracts are held in the currencies in which the Group has exposure (refer to Note 26(a)(ii)) and range in maturity from six months to four 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 2016 is an unrealised gain of $42,052,000 (2015: $20,960,000 unrealised loss). 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.

Note 27 Derivative financial instruments (continued)

(a) Instruments used by the Group (continued)

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.

(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 1.995% to 2.24% 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 options are as follows:

	2016 $'000	2015 $'000
Interest rate swaps 2 - 5 years	**(5,656)**	(4,561)
Interest rate options 1 - 2 years	**-**	(11)
	(5,656)	(4,572)

(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 26(b).

(d) Interest rate risk

Information regarding interest rate risk exposure is set out in Note 26(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 active market is discussed in Note 26(d). 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.

OTHER INFORMATION

This section contains information that is not directly related to specific line items in the financial statements.

Note 28 Parent entity disclosures

	2016 $'000	2015 $'000
Assets		
Current assets	**406,900**	394,417
Non-current assets	**1,259,918**	1,237,864
Total assets	**1,666,818**	1,632,281
Liabilities		
Current liabilities	**213,298**	260,832
Non-current liabilities	**6,107**	6,323
Total liabilities	**219,405**	267,155
Net assets	**1,447,413**	1,365,126
Equity attributable to equity owners of the parent		
Issued capital	**5**	5
Reserves	**933,788**	933,798
Retained earnings	**513,620**	431,323
Total equity	**1,447,413**	1,365,126
Profit or loss for the year	**82,297**	97,223
Total comprehensive income	**82,297**	97,223

(a) Financial guarantees - Parent

The parent has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note 29.

The parent has issued guarantees in relation to loan facilities of its controlled entities.

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 $2.0 billion. As at 30 September 2016, this debt is $150,087,000.

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.

Note 28 Parent entity disclosures (continued)

(b) Capital commitments

Commitments for the acquisition of property, plant and equipment contracted as at the reporting date but not recognised as liabilities payable:

	2016 $'000	2015 $'000
Within one year	**8,387**	18,667

Note 29 Deed of cross guarantee

On 6 September 2016 Co-operative Bulk Handling Limited, Blue Lake Milling Ltd, CBH Pty Ltd and CBH Group Holdings Pty Ltd entered into a Deed of Cross Guarantee ("Deed") under which each entity guarantees the debts of the others. By entering into the Deed, the wholly-owned entities (Blue Lake Milling, CBH Pty Ltd and CBH Group Holdings) have been relieved by the Australian Securities and Investments Commission ("ASIC") from the requirement to prepare a financial report and directors' report under ASIC Instrument 16-0845 ("Order").

Consolidated statements

The above entities represent a 'closed group' for the purposes of the Order, and as there are no other parties to the Deed that are controlled by Co-operative Bulk Handling Limited, they also represent the 'extended closed group'.

Set out below is a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 September 2016 of the closed group.

	2016 $'000
Consolidated statement of comprehensive income	
Revenue from continuing operations	**700,510**
Other income	**7,764**
Expenses from ordinary activities	**(622,762)**
Finance costs	**(733)**
Profit before income tax	**84,779**
Income tax expense	**(744)**
Profit for the period	**84,035**
Other comprehensive income	
Items that may be reclassified to profit or loss	
Changes in the fair value of cash flow hedges	**(179)**
Total comprehensive income for the period	**83,856**
Summary of movements in consolidated retained earnings	
Retained earnings at the beginning of the financial year	**429,717**
Profit for the year	**84,035**
Retained earnings at the end of the financial year	**513,752**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 29 Deed of cross guarantee (continued)

Consolidated statements (continued)

Set out below is a consolidated statement of financial position as at 30 September 2016 of the closed group.

	2016 $'000
Current assets	
Cash and cash equivalents	107,627
Trade and other receivables	273,014
Inventories	20,503
Total current assets	401,144
Non-current assets	
Receivables	2,923
Investments accounted for using the equity method	129,402
Investment in controlled entities	96,722
Property, plant and equipment	1,003,636
Intangible assets	41,738
Total non-current assets	1,274,421
Total assets	1,675,565
Current liabilities	
Trade and other payables	190,199
Borrowings	1,671
Provisions	28,067
Total current liabilities	219,937
Non-current liabilities	
Trade and other payables	1,152
Deferred tax liabilities	1,020
Provisions	6,090
Total non-current liabilities	8,262
Total liabilities	228,199
Net assets	1,447,366
Equity	
Contributed equity	5
Other reserves	933,609
Retained earnings	513,752
Total equity	1,447,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 30 Related party transactions

(a) Parent and ultimate controlling party

The ultimate parent entity in the wholly owned group is Co-operative Bulk Handling Limited.

(b) Transactions with key management personnel

(i) Directors fees

In addition to the directors fees disclosed in Note 15, Mr D S Willis and Mr V Dempster (both directors of the parent entity), each received AUD 20,000 for their roles as directors of Interflour Group Pte Ltd, an associated company, for the year. In the prior year, Mr Willis received USD 14,250 and Mr Dempster received USD 10,750 for their roles as directors of Interflour Group Pte Ltd.

For directors fees received from CBH refer to Note 15.

Total aggregate number of shares held by Directors and Director-related entities is 14 (2015: 17).

(ii) Related party transactions with 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.

	2016 $	2015 $
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	**9,625,974**	10,600,344
Freight and receival fees	**1,261,526**	1,705,063
Fertiliser purchases	**1,398,226**	-
(iii) Balances outstanding (to)/from Directors		
Rebates payable	**(192,478)**	-
There is no balance due from directors to the Group as at year end. Balances owing from directors during the year are priced at arms' length basis and are generally settled within 30 days. None of the balance is secured. No expense has been recognised in current year or prior year for bad or doubtful debts in respect of amount owing by directors.		
(c) Other related party transactions		
(i) Transactions with associates		
The Group has sold grain to Interflour Group Pte Ltd in the ordinary course of business on a commercial basis.	**148,078,933**	141,944,482
(ii) 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%.	**69,692,882**	66,498,744
(iii) Receivables from other related parties		
Newcastle Agri Terminal Pty Ltd ("NAT")	**1,710,670**	**-**
– Amount owing from NAT is not secured and with no fixed repayment date.		

Note 31 Commitments

(a) Operating lease commitments

The Group has entered into commercial leases on certain properties 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:

	2016 $'000	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**11,198**	10,796
Later than one year but not later than five years	**24,215**	25,711
Later than five years	**86,773**	72,587
	122,186	109,094

(b) Non-cancellable operating lease receivables

The Group has sub-leased some of its commercial car park leases on a property to an external party.

Future minimum rentals receivable under non-cancellable operating leases as at the financial year end are as follows:

	2016 $'000	2015 $'000
Within one year	**35**	371
Later than one year but not later than five years	**68**	-
	103	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:

	2016 $'000	2015 $'000
Within one year	**14,121**	18,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 32 Auditor's remuneration

The auditor of the Group for the year ended 30 September 2016 was KPMG Australia.

	2016 $'000	2015 $'000
Amounts received or due and receivable by KPMG Australia, from entities in the consolidated entity.		
Audit of financial statements	**363,145**	372,900
Taxation advisory services	**33,367**	-
Other assurance services	**7,200**	78,906
Other services	**25,000**	-
	428,712	451,806
Amounts received or due and receivable by related overseas offices of KPMG, from entities in the consolidated entity		
Audit of financial reports	**42,714**	36,700
Taxation advisory services	**23,595**	10,085
	495,021	498,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

Note 33 Changes in accounting policies

(a) New accounting standards and interpretations

(i) New and amended accounting standards and interpretations adopted from 1 October 2015

In the current year, the Group applied one amendment to Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) that is mandatorily effective for an accounting period that begins on or after 1 July 2015.

The application of this amendment does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Reference	Description
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

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

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below. They are available for early adoption but have not been applied by the Group. The Group has not yet determined the impact of these amendments.

Reference	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 Financial Instruments (December 2014)	1 January 2018	30 September 2019
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15	1 January 2018	30 September 2019
AASB 16 Leases	1 January 2019	30 September 2020
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 September 2017
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 September 2017
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2018	30 September 2019
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	30 September 2017
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	30 September 2017
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	30 September 2018
AASB 2016-2 Amendments to Australia Accounting Standards – Disclosure Initiative: Amendments to AASB 107	1 January 2017	30 September 2018

Note 34 Events Subsequent to Balance Date

Subsequent to 30 September 2016, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2016-17 season with various banks:

- Syndicated debt facility of $800,000,000;
- Banking facilities of $600,000,000;
- Packing credit facilities of $125,000,000.

The facilities have been executed 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

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. In the Directors' opinion:

   (a) The consolidated financial statements and notes that are set out on pages 66 to 125 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 Group's financial position as at 30 September 2016 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. There are reasonable grounds to believe that the Co-operative and the group entities identified in Note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Co-operative and those group entities pursuant to ASIC Instrument 16-0845.

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

W A Newman
Director
Perth
7 December 2016

KPMG

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 2016, 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 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(a), 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 Ltd 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 2016 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(a).

KPMG

KPMG

Trevor Hart
Partner
Perth
7 December 2016

YOUR FIVE YEAR FINANCIAL AND OPERATIONAL HISTORY

CO-OPERATIVE BULK HANDLING AND ITS CONTROLLED ENTITIES

		2016	2015	2014	2013	2012
Tonnes handled	mt	**13.6**	13.6	15.9	9.1	15.1
All time injury frequency rate		**20**	25	30	28	36
Revenue from continuing operations	$m	**3,271**	3,720	3,937	2,710	2,230
Pools revenue	$m	**390**	361	493	644	860
Other gains and losses	$m	**125**	(173)	132	106	43
Total revenue including other income	**$m**	**3,786**	**3,908**	**4,562**	**3,460**	**3,133**
Net profit contribution from:						
Storage and handling	$m	**46**	97	98	124	131
Marketing, accumulation and trading	$m	**6**	(17)	34	13	20
Flour milling	$m	**0**	8	11	7	7
Other	$m	**(2)**	(6)	6	(13)	4
Profit attributable to members of Co-operative Bulk Handling Limited	**$m**	**50**	**82**	**149**	**131**	**162**
Return on average equity	%	**3.1**	5.3	10.3	10.1	13.3
Rebate*	$m	**48.5**	14.3	45.1	30.2	6.3
Capital reinvestment	$m	**91.6**	123.5	113.1	145.4	191.7
Total assets	$m	**2,110**	2,169	1,980	1,989	2,062
Total liabilities	$m	**462**	(554)	(464)	(619)	(819)
Equity	**$m**	**1,648**	**1,615**	**1,516**	**1,370**	**1,243**
Debt owing	$m	**152**	211	47	303	393

**Corresponding to year of announcement.*

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