ANNUAL REPORT 2017

The CBH Group is an integrated grain supply chain co-operative owned and controlled by approximately 4,200 Western Australian grain growing businesses.

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. Our core purpose is to sustainably create and return value to current and future Western Australian grain growers.

WHO WE ARE

How we sustainably create and return value to you

AS A USER

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

- Low fees
- Patronage rebates
- Access to an efficient storage and handling system that focuses on fast turnaround time and grower driven segregations
- Grower focused products and services, such as Quality Optimisation, Pre-Pay Advantage, Direct to Vessel and Oil Bonification
- Driving a competitive grain market through price and product offerings

AS A MEMBER

As members, our growers:

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

AS A BENEFICIARY

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

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

Co-operative principles

Co-operatives are organisations that are owned, controlled and used by their members. They exist to deliver benefits to their members and are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity.

CBH supports the seven co-operative principles by which co-operatives put their values into practice. These are:

VOLUNTARY AND OPEN MEMBERSHIP

DEMOCRATIC MEMBER CONTROL

MEMBER ECONOMIC PARTICIPATION

CONCERN FOR THE COMMUNITY

AUTONOMY AND INDEPENDENCE

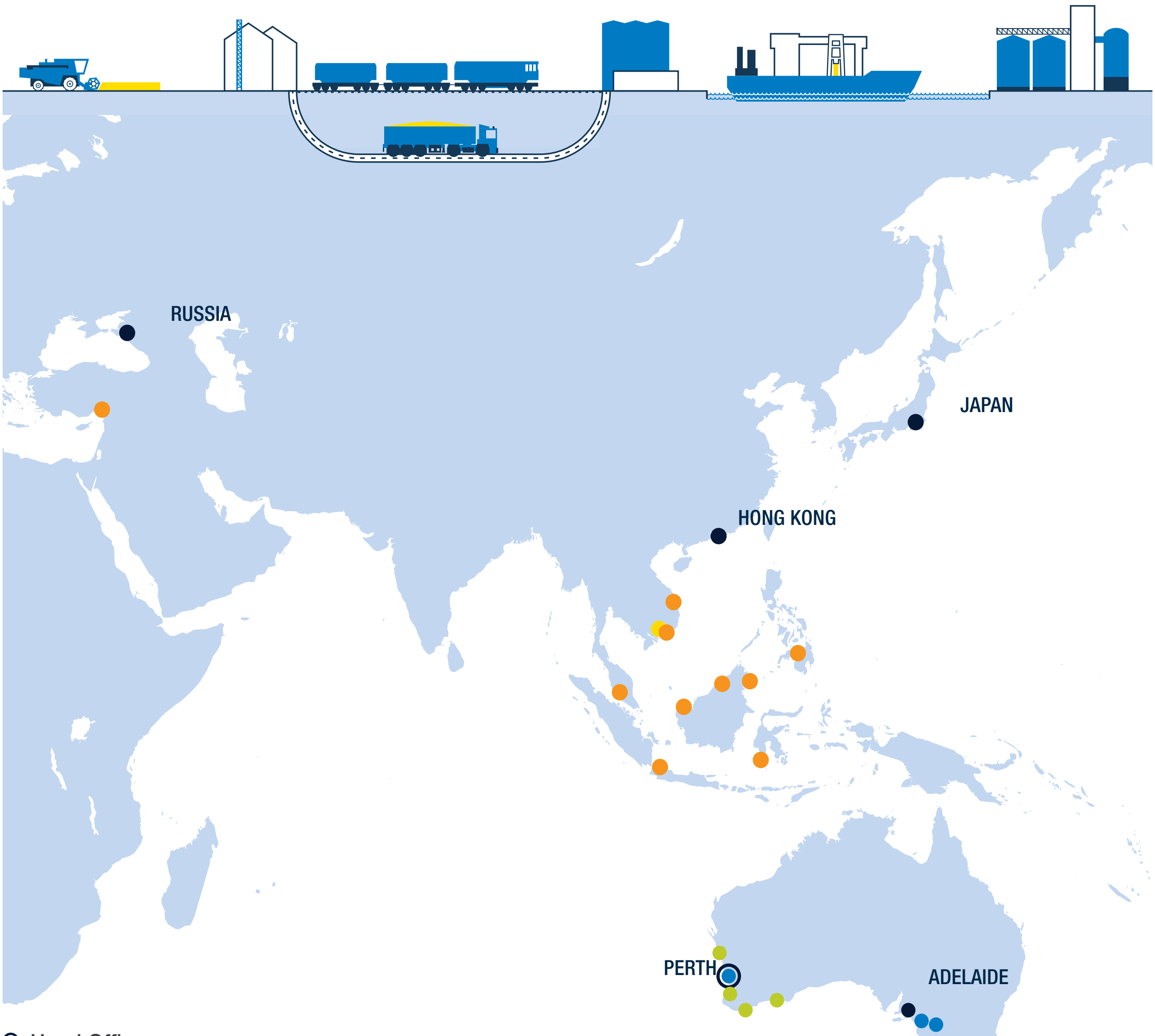
EDUCATION, TRAINING AND INFORMATION

CO-OPERATION AMONG CO-OPERATIVES

WHAT WE DO AND WHERE WE OPERATE

2016-17

Paddock	Storage	Logistics	Port	Marketing and Trading	Chartering	Processing
4,200 grower member businesses	**16.6** million tonnes received	**8.7** million tonnes moved by rail **5.7** million tonnes moved by road	**15.0** million tonnes exported	**9.4** million tonnes traded	**6.3** million tonnes chartered	**1.6** million tonnes processed at Interflour Group and BLM



- Head Office
- Port
- Office
- Flour Mill (Interflour)
- Oat Mill (BLM)
- Malting Plant (Intermalt)

CHAIRMAN'S REPORT

Wally Newman
CHAIRMAN

On behalf of the Board, I am pleased to present the CBH Group's 2017 Annual Report. During the year a number of records were broken, the biggest of which was the receival of 16.6 million tonnes of grain, the largest amount ever received in the history of CBH and a great outcome for growers.

While the record crop set a challenge for your supply chain and our people, both responded extremely well to safely manage the large volumes of grain through the network and to our global customers.

While many of us enjoyed good growing conditions during the season, the weather continued to play a part. The early 2017 rains affected some farms as well as road and rail movements and the August/September frosts had significant impacts on yield in areas that were hit. Despite these incidents, the safe and efficient management of the record harvest demonstrates how co-operation between growers and CBH can exceed expectations.

A record rebate for patronage

In 2016-17, CBH provided growers a record total rebate of $156 million or up to $12.75 per tonne – the largest amount ever returned and a significant benefit for growers that highlights the value which the co-operative structure provides. Of the $156 million rebated, Operations returned $100 million, Marketing and Trading returned $48 million, and your investments portfolio returned $8 million. Importantly, the rebate is over and above funding allocated for capital investment, maintenance and the Network Strategy.

CBH also introduced enhancements to the rebate program this year with more options and flexibility as well as increasing visibility through a new portal on LoadNet®, which has been well received by growers. While a record rebate was paid this year, the rebate amount will fluctuate from year to year and it is unlikely we will be able to match this level of rebate in the coming year.

In 2016-17, CBH invested $97.3 million of capital in the network and maintenance which includes the Network Strategy. In total, 25 Network Strategy projects delivered 300,000 tonnes of additional storage capacity during the year. While CBH did not make as much progress as forecast, the Board and management are determined that in the implementation of the strategy all projects will be well researched, meet specifications and the spend is well targeted.

Protecting collective equity

Last year, growers provided a strong mandate for CBH to strengthen the protection of the collective equity that has built up in the co-operative over many generations for the benefit of current and future generations. As a result, CBH will seek to implement a minimum voting participation threshold for significant decisions such as a winding up, takeover or corporatisation of the co-operative.

Currently these types of changes require a minimum of 75 per cent member support, but only of those members who vote on the change as there is no minimum voting participation threshold. The Board will take a proposal to the 2018 Annual General Meeting to introduce a new CBH rule requiring a greater than 50 per cent minimum voting participation for significant changes to the co-operative to ensure that those changes represent the genuine will of members.

Supporting communities, building leaders

During the year, the Board introduced a Regional Capacity Building framework that aims to build strong grain industry and community leaders. The intention is to develop a pathway for growers to attain leadership roles in society including CBH Director positions. As part of the framework, growers are provided with a number of leadership and governance training opportunities, and we strongly encourage female and younger grower participation in these opportunities as they arise.

We remain committed to making a difference in our grain grower communities. In 2016-17, we provided more than $1.4 million through our Community Investment Fund to events, organisations and partnerships, which seek to support the communities in which we operate. Of particular note, CBH was proud to lead its first Regional Mental Health Campaign which launched in August 2017. Directors John Hassell, Simon Stead, Brian McApline and myself participated in the campaign which sought to raise awareness around suicide that unfortunately impacts too many of our regional communities.

Growers Advisory Council

The Growers Advisory Council (GAC) is an important conduit between our growers, the CBH Board and management, and provides a valuable resource of knowledge to road test ideas and gather insights. CBH welcomed five new members to the GAC from 1 July 2017. The new members include Gareth Rowe from Walkaway, Kirrilee Warr from Yuna, Chris Antonio from Grass Valley, Helen Woodhams from Kojonup and Bryan Kilpatrick from Wagin.

On behalf of CBH I sincerely thank the six outgoing members: Digby Willmott from Cunderdin, Linda Hewson from Katanning, David Slade from Mount Barker, Andrew Todd from Dowerin, Jeff Seaby from Mukinbudin and Michael O'Callaghan from Marchagee. We appreciate being on the GAC takes time and dedication, and I would like to personally thank those members leaving for their valuable contribution and commitment, and strongly encourage their continued input through the GAC Alumni.

Farewell to Andy Crane

During the year, Andy Crane stepped down as Chief Executive Officer after eight years in the role and 16 years with CBH. After an extensive global search, Jimmy Wilson joined the co-operative in August 2017, taking the time to meet our people, growers and customers, before formally commencing as Chief Executive Officer on 1 October 2017. We welcome Jimmy and wish him all the best in his new role.

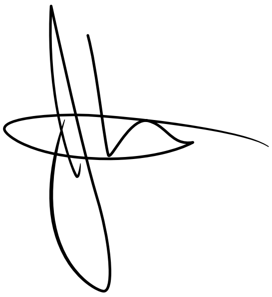
I would like to commend Andy on a job well done and thank him for all his efforts during his time with CBH. Andy and Jimmy have worked very well together on Jimmy's introduction into the organisation with a transition which has been nothing short of exceptional.

Over Andy's tenure, CBH has weathered many changes and challenges, from deregulation and innovation to increasing international competition and more. Your co-operative is well placed to embrace opportunities and build on the strong foundations Andy leaves behind. Thank you Andy, for your absolute dedication and passion for CBH. You have positioned this organisation for its best years ahead and you will be sorely missed.

On behalf of the Board, I thank all our growers who have made this year so successful, and again look forward to earning your continued support.

Thank you.

CEO'S REPORT



Jimmy Wilson
CHIEF EXECUTIVE OFFICER

I am proud to bring you my first Annual Report as the new Chief Executive Officer of the CBH Group. Last year was a period of considerable and important progress at your co-operative, at both a strategic and operational level.

I am privileged to have the opportunity to lead this iconic co-operative and leader in the grain industry, and I look forward to continuing to strengthen the organisation's robust operations. CBH has capped off an exceptional year that included safely and efficiently handling a substantial crop, making inroads in the implementation of the Network Strategy and delivering a record rebate to our growers.

The record harvest demonstrated the agility and capability of the CBH supply chain as the team remained committed to our core purpose of sustainably creating and returning value to Western Australia's grain growers.

Ensuring our people return home

The health and safety of our people remains the number one priority for CBH. We have continued our focus on managing our critical risks, which has helped to further reduce total recordable injuries, with a significant downward trend in the past decade. During the year, we achieved a 49 per cent reduction in total recordable injuries compared to the previous year, which is a significant result.

While we came in below target for our All Injury Frequency Rate (AIFR), we will continue to look for ways to ensure the safety of our people. This is central to our operations, and without this discipline we cannot deliver our other key objectives.

Disciplined capital management

A strong performance and disciplined capital management, combined with the 16.6 million tonne crop, generated revenue for the Group of nearly $3.5 billion (excluding Pool revenue) and Net Profit After Tax (NPAT) of $91.3 million. In particular, the Marketing and Trading division performed well in a continuing competitive international market, trading 9.4 million tonnes and recording an improved surplus before rebate of $58.2 million.

CBH's investments recorded an improvement in profitability. At Interflour Group, profit generated from the business has been re-invested in growth projects including the US$70 million Intermalt malting facility in Vietnam and the US$30 million Mabuhay Interflour Mill in Subic Bay, the Philippines.

Delivering on our purpose

The success of your co-operative is measured by the value that we can generate and return to our growers.

In my first month at CBH, I had the opportunity to meet and talk with growers, and understand their priorities and concerns. From these discussions, it was clear what growers wanted – reduced costs and an efficient network that provides consistently good service. This in turn, would enable them to be more competitive against emerging markets.

The growing grain production from origins such as the Black Sea and Argentina is placing pressure on prices. These producers are also beginning to target our contestable markets such as Asia, and in particular South East Asia, where urbanisation and evolving diets will drive demand for the next decade and beyond.

With more than 90 per cent of your grain exported to more than 30 countries, CBH will seek to ensure you can compete internationally and maximise value wherever possible from the supply chain.

There are three key areas of focus for CBH:

- Reduce paddock to port costs while increasing network agility, integrity and efficiency
- Increase market transparency and deliver more Marketing and Trading services
- Maximise returns from current investments and be disciplined with future investments, ensuring high returns and synergy with existing operations.

By targeting these three key areas, we can extract the most value for growers, particularly from our storage and handling activities. This will help to give you a competitive advantage in the global market.

Gearing up for the future

Part of CBH's objective of further reducing growers' paddock to port costs is the implementation of the Network Strategy. During the year, our work focused on the 100 Network Strategy sites, which received 94 per cent of the record 16.6 million tonne harvest.

In addition we reviewed our crop predictions to better understand what storage will be required in the future. This analysis found the average crop size is growing and as a result, we have brought forward the planning and implementation of a number of key projects to better adapt to the changing needs of growers.

Structuring for success

It is essential we have the right people in the right roles, and they strive to deliver outcomes aligned with the CBH strategy. We are committed to the inverted triangle organisational design principle where we enable and support employees who perform frontline duties, operate or maintain equipment, or interact with growers and customers.

Accordingly, CBH's Lead Team works for the people who work in our co-operative. The Lead Team's purpose is to unlock the potential in our people and enable them to do their job effectively at the frontline. This is an exciting time for our co-operative as we move forward together with clear objectives to extract maximum value from the supply chain.

My predecessor, Andy Crane, leaves behind a rich legacy that has helped CBH become Australia's largest co-operative.

I am looking forward to helping to drive and shape the next phase of development of your supply chain. There are numerous synergies between CBH and my experience in the resources industry in developing, operating and innovating international supply chains. Both sectors deal with bulk commodities and at its simplest, it is about how you get the product to market in the most efficient way.

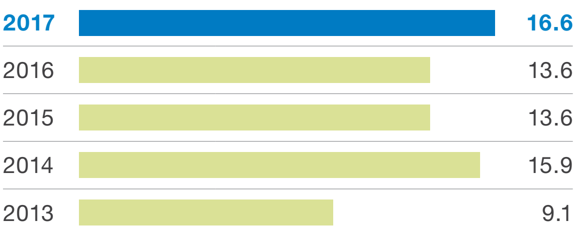
Thank you to all our people for welcoming me, and for your dedication and passion to this iconic co-operative, and to you, our growers, for your loyalty and ongoing support.

OPERATIONAL AND FINANCIAL OVERVIEW

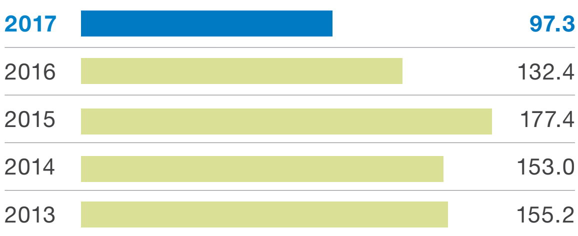
Summary Results

		2017	2016
Tonnes handled	mt	**16.6**	13.6
Revenue	$m	**3,476.9**	3,270.6
Revenue including pool revenue	$m	**3,839.8**	3,660.6
Earnings before interest, tax, depreciation and amortisation (pre rebate)	$m	**357.4**	221.9
Earnings before interest and tax (pre rebate)	$m	**255.2**	117.5
Taxation and net interest	$m	**(7.6)**	(5.0)
Group surplus before rebates	$m	**247.6**	112.5
Rebates	$m	**(156.3)**	(62.7)
Net profit / (Loss) after tax	$m	**91.3**	49.8
Capital expenditure	$m	**70.3**	91.6
Total assets	$m	**2,172.5**	2,110.1
Debt owing	$m	**1.5**	151.8
Equity	$m	**1,735.1**	1,648.1
Return on average equity	%	**5.4**	3.1
Gearing (net debt to net debt plus equity)	%	**0**	0

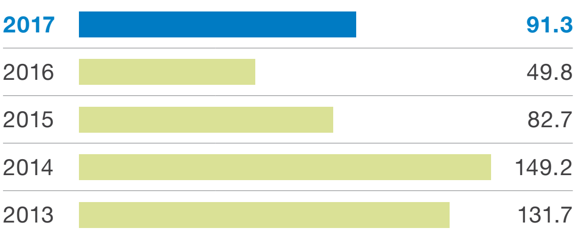
Tonnes handled
Million Tonnes



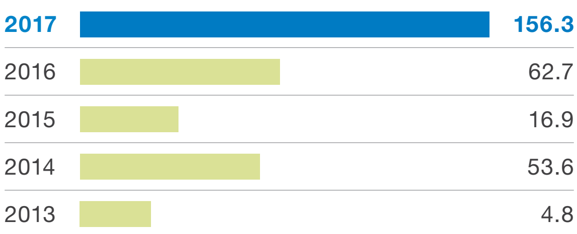
Capital investment and maintenance
$M



Net Profit (Loss) After Tax
$M



Rebates
$M



CBH LEAD TEAM

Jimmy Wilson

CHIEF EXECUTIVE OFFICER

Jimmy commenced as Chief Executive Officer in October 2017. He has a wealth of experience in supply chain management across multiple resource commodities. Jimmy was President of BHP Billiton Iron Ore and Member of the Group Management Committee at BHP Billiton from 2012 to 2016. Prior to this, Jimmy led BHP Billiton's Energy Coal, Stainless Steel and Nickel West division in Australia after managing BHP Billiton's Chrome and Aluminium operations in South Africa.

Ed Kalajzic

CHIEF FINANCIAL OFFICER

Ed joined CBH in September 2008 as Business Development Manager and was appointed to Chief Financial Officer in 2014. Ed's experience ranges from mergers and acquisitions, investment monitoring, corporate strategy and financial management. Originally from a grain and sheep farm in Cadoux, Ed has an in-depth understanding of the Western Australian grain industry.

David Capper

GENERAL MANAGER
OPERATIONS

David has held the position of General Manager Operations since July 2013 and is responsible for leading CBH's world-class storage, handling, logistics and shipping services. David's focus is on creating and returning value to growers through an efficient and cost effective supply chain. His prior experience includes Operations Director with PT Eastern Pearl Flour Mills, before returning to Western Australia and taking on the role of Manager of Operations and Strategy Manager, Operations.

Brianna Peake

GENERAL MANAGER
GROWER & EXTERNAL RELATIONS

Brianna joined CBH in 2010 and was appointed to General Manager Grower and External Relations in 2015. Her responsibilities include CBH's Corporate Affairs, Government and Industry Relations and Grower Relations including the Grower Service Centre. Prior to being appointed to the Lead Team, Brianna held the roles of Government and Industry Relations Manager, Marketing Communications Advisor and Grower Service Centre Manager.

Jason Craig

GENERAL MANAGER
MARKETING & TRADING

Jason was appointed General Manager Marketing and Trading in April 2012 and is responsible for CBH's Marketing and Trading division. Jason has vast experience in domestic and international grain markets, and customer relationships through his previous roles of President Director with PT Eastern Pearl Flour Mills and as a Trading Manager with the Grain Pool (now CBH Marketing and Trading).

David Woolfe

GENERAL MANAGER
LEGAL & RISK AND COMPANY SECRETARY

David joined CBH in October 2003 and in his current role of General Manager Legal and Risk and Company Secretary he is responsible for the company secretarial, corporate governance, risk and legal functions of the Group. David is a qualified lawyer and Chartered Secretary with over 30 years of corporate and commercial law experience as well as being a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Secretaries and Administrators, and the Governance Institute of Australia.

Mat Regan

GENERAL MANAGER
TRANSFORMATION & TECHNOLOGY

Mat was appointed General Manager Transformation and Technology in 2017 and is responsible for information technology and overseeing CBH's transformation to a low cost, efficient supply chain from paddock to port. He has worked with CBH for over 15 years, most recently as General Manager Corporate Services and Grain Quality Manager. During this time Mat led the implementation of Quality Optimisation and Supply Chain Optimisation.

Kelly McKenzie

GENERAL MANAGER
PEOPLE & PERFORMANCE

Kelly joined CBH in June 2009, and was appointed Group Manager People and Performance in 2015 and General Manager in 2017. Her responsibilities include human resources, employee relations, benefits and payroll, learning and organisational development and change management. Kelly has over 20 years' experience in human resources and leadership roles supporting leaders to recruit, retain and develop high performing employees.

Andrew Porter

GENERAL MANAGER
PROJECT DELIVERY

Andrew was appointed General Manager Project Delivery in 2017 and is responsible for the delivery of capital projects. Prior to joining CBH, Andrew worked for mining services firm Calibre managing Rio Tinto's large scale projects, and is experienced in safety management, planning and resource management, risk assessments, strategy development and continuous improvement.

Ben Macnamara

GENERAL MANAGER
PLANNING, STRATEGY & DEVELOPMENT

Ben was appointed General Manager Planning, Strategy and Development in December 2017, having joined CBH in August 2014 and most recently serving as Commercial and Business Development Manager. Prior to commencing at CBH, Ben worked for an investment advisory firm and an international professional services firm.

OPERATIONS

Highlights

- Safely and efficiently handled a record 16.6 million tonne harvest
- $97.3 million capital investment and maintenance in your network
- Operations rebate of $100 million or $6 per tonne

The 2016-17 harvest was the largest CBH has ever received, with total grain delivered to your co-operative reaching 16.6 million tonnes. The amount was a 22 per cent increase on the 13.6 million tonnes delivered in 2015-16 and a four per cent increase on the previous record of 15.9 million tonnes delivered in the 2013-14 harvest.

During the harvest, 23 sites achieved all-time highs for the most grain received in one day and 30 sites broke total harvest receival records. Over the year, we also established a series of new grain transport records including the all-time monthly shipping record of 1.9 million tonnes in January 2017 and the all-time monthly rail movement record of 964,000 tonnes to port in March 2017. The successive records demonstrated the ability of the supply chain to respond to a record harvest.

In addition, your network held up under pressure from a number of incidents during the year including widespread flooding in February 2017 that impacted our road and rail capacity in the Kwinana, Albany and Esperance zones. Although there was an increase in vessel turnaround time during the period, our supply chain recovered well and our marketing customers were supportive of our response. Without the appropriate infrastructure and dedication of our regional and port teams, we would not have been able to meet the challenges that events such as these present while continuing to provide good service.

CBH signed a one year extension to our current interim access agreement with Arc Infrastructure (formerly Brookfield Rail). The agreement provided access for the 12 months to 31 December 2017, while arbitration for long-term access continues. The extended interim agreement allowed use of the Tier 1 and Tier 2 rail lines including the Miling line.

Returning our operating surplus

The record harvest resulted in a significant increase to the division's surplus, which led to an Operations rebate of $100 million or $6 per tonne. The rebate is in addition to the $97.3 million capital and maintenance investment invested into the network including funds committed for the Network Strategy.

During the year, CBH reduced freight rates by an average of four per cent, which was the result of recent larger than average harvests bringing the cost per tonne down.

While we are pleased with our ability to return a strong rebate and keep our fees flat, future rebates will be strongly influenced by the size of the harvest which can fluctuate from year to year.

Better connecting our growers to customers

In 2016-17, CBH storage and handling market share for the Western Australian crop was 94 per cent, with a bulk export market share of 98.4 per cent or 15 million tonnes exported from our four port terminals. We have continued to increase total available shipping capacity through our shipping stem, aided by initiatives including better berth utilisation and increased capacity to bring grain from our upcountry network to port.

In its first year, our new Direct to Vessel (DTV) service, which enables growers to deliver contracted grain direct to vessels ready to ship, was well received with five marketers and 359 growers using the offering to export 197,000 tonnes of grain. The service was designed to encourage exporters to ship during harvest, allowing our storage and handling system to operate more effectively, and reward growers who sell, deliver and nominate their grain to facilitate the loading of those vessels. In total, $748,000 was rebated to growers and $689,000 rebated to marketers from the DTV service, which will be expanded in 2017-18.

Maintaining our sites and ensuring grain quality

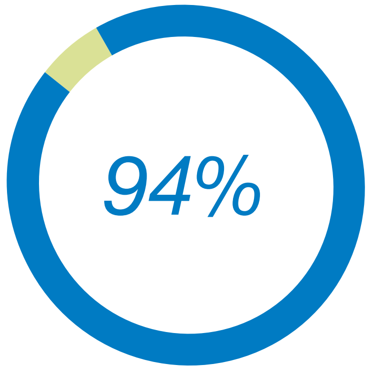
CBH completed a range of capital works and maintenance projects during 2016-17, enhancing the network's storage capacity, and improving receival and out-loading efficiency. In preparation for the record harvest, we built an additional 800,000 tonnes of storage which was a mix of temporary, emergency storage and expansion projects. Work included adding open bulk heads at Wagin and Merredin, and opening the new Mirambeena site near Albany. New equipment at sites such as Dumbleyung and Beacon further improved turnaround times during the harvest.

During the year, CBH established an Asset Management Improvement Plan and master site plan project for the 100 Network Strategy sites, which will seek to enhance and standardise our service across the network. We decentralised maintenance planning by recruiting local maintenance planners, enabling zone-based teams to respond to maintenance projects more efficiently.

CBH successfully maintained all Australian Grain Centre Quality Accreditations, enabling fair recognition and payment for your crop quality. We also successfully implemented and managed a new chemical residue management system across the network to protect the reputation of Western Australian grain in the international market.

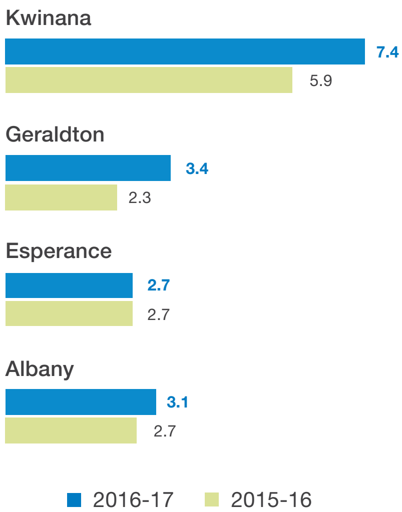
Network Strategy 100 sites

2016-17 receivals



Grain received

(million tonnes)



New CBH site welcomes first grain

CBH opened a greenfields receival site, Mirambeena, near Albany, with the first load of grain - 55 tonnes of malting barley - received on 22 November 2016.

The site offers strategically located capacity that will improve our harvest delivery service as well as increase export capacity in the Albany zone. Previously, the zone had been challenged by a lack of near-to-port harvest receival capacity which, in some cases, meant growers needed to travel inland to deliver their grain.

Mirambeena has initial capacity of 140,000 tonnes that is made up of two 30,000 tonne open bulk heads and four 20,000 tonne cells, with opportunity to increase capacity in the future. In addition, there is 60,000 tonnes of emergency storage adjacent to the main site.

NETWORK STRATEGY

CBH's Network Strategy provides a clear plan for the future. By focusing maintenance and capital investment on the core 100 sites that receive more than 90 per cent of the annual crop, CBH can deliver a lower paddock to port supply chain cost and more tonnes to port when it is needed most.

After gaining your support in mid-2016, we started implementing the strategy to provide you with the network of the future and the lowest cost supply chain. With the record 16.6 million tonne harvest, 94 per cent of the crop was delivered to the 100 Network Strategy sites.

A key aspect of a significant and complex project such as the Network Strategy is our employees who are tasked with implementing the strategy. During the year, we brought in people with additional expertise which has positioned us well to deliver the Network Strategy effectively and efficiently.

Making progress, upgrading sites

In 2016-17, CBH focused on the construction and upgrade of 25 key projects, which have delivered 300,000 tonnes of additional storage capacity. Works included weighbridge replacements at Canna and Marchagee, storage and site upgrades at Gairdner, Konnongorring, Koorda, Ongerup and Quairading, and an equipment upgrade at Cascade. We also carried out civil works to improve roadways and storage pavements at a number of our sites.

During the year we reviewed our crop predictions to better understand future storage requirements, and modelling shows the crop production is growing faster than expected in certain areas. Our 10-year growth rate is now growing above the previously modelled 1.3 per cent; this has led us to adjust the strategy.

Following the review, we have revised our timeframes and brought forward a number of projects. A significant amount of work will begin across the network after the 2017-18 harvest. We will also continue our network-wide sustainability works including shutdowns, road works and mechanical and electrical programs.

Expansion and enhancement projects completed

Beacon - upgrade to marshal, sample, weigh

Cunderdin - upgrade to marshal, sample, weigh and machinery

Mirambeena - greenfield site near Albany

Wagin, Merredin - new open bulk heads

Wagin, Dumbleyung - new equipment

>500,000 tonnes of emergency storage for the 2016-17 harvest

Major assets rejuvenated

Geraldton port - port refurbishment

Trayning, Gairdner - resealing projects

Kwinana port - replacement of asbestos cladding

Projects underway

Geraldton Zone

Canna - weighbridge replacement

Marchagee - weighbridge replacement

Geraldton - steel silo refurbishment

Kwinana Zone

Konnongorring - site upgrade

Koorda - site upgrade

York - site upgrade

Albany Zone

Gairdner - storage upgrade

Albany Port - track remediation

Mirambeena - storage upgrade

Esperance Zone

Cascade - equipment upgrade

Projects in planning*

Geraldton Zone

Narngulu - greenfield site development

Perenjori - new open bulk head storage and machinery

Geraldton - horizontal storage refurbishment

Latham - marshal, sample, weigh

Kwinana Zone

McLevie - site upgrade

Kellerberrin - equipment upgrade

Calingiri - storage upgrade and expansion

Narrakine - storage upgrade and expansion

Kwinana Port - fire hydrant upgrade, shiploader optimisation

Avon - storage upgrade

Merredin - marshal, sample, weigh

Cunderdin - storage upgrade

Bulyee - site upgrade

Wickepin - storage and equipment upgrade

Albany Zone

Broomehill - storage expansion and equipment upgrade

Jacup - site enhancement

Pingrup - sample station relocation and storage upgrade

Hyden - storage and equipment upgrade

Newdegate - storage expansion and equipment upgrade

Esperance Zone

Mount Madden - chute upgrade

Grass Patch - storage upgrade and expansion

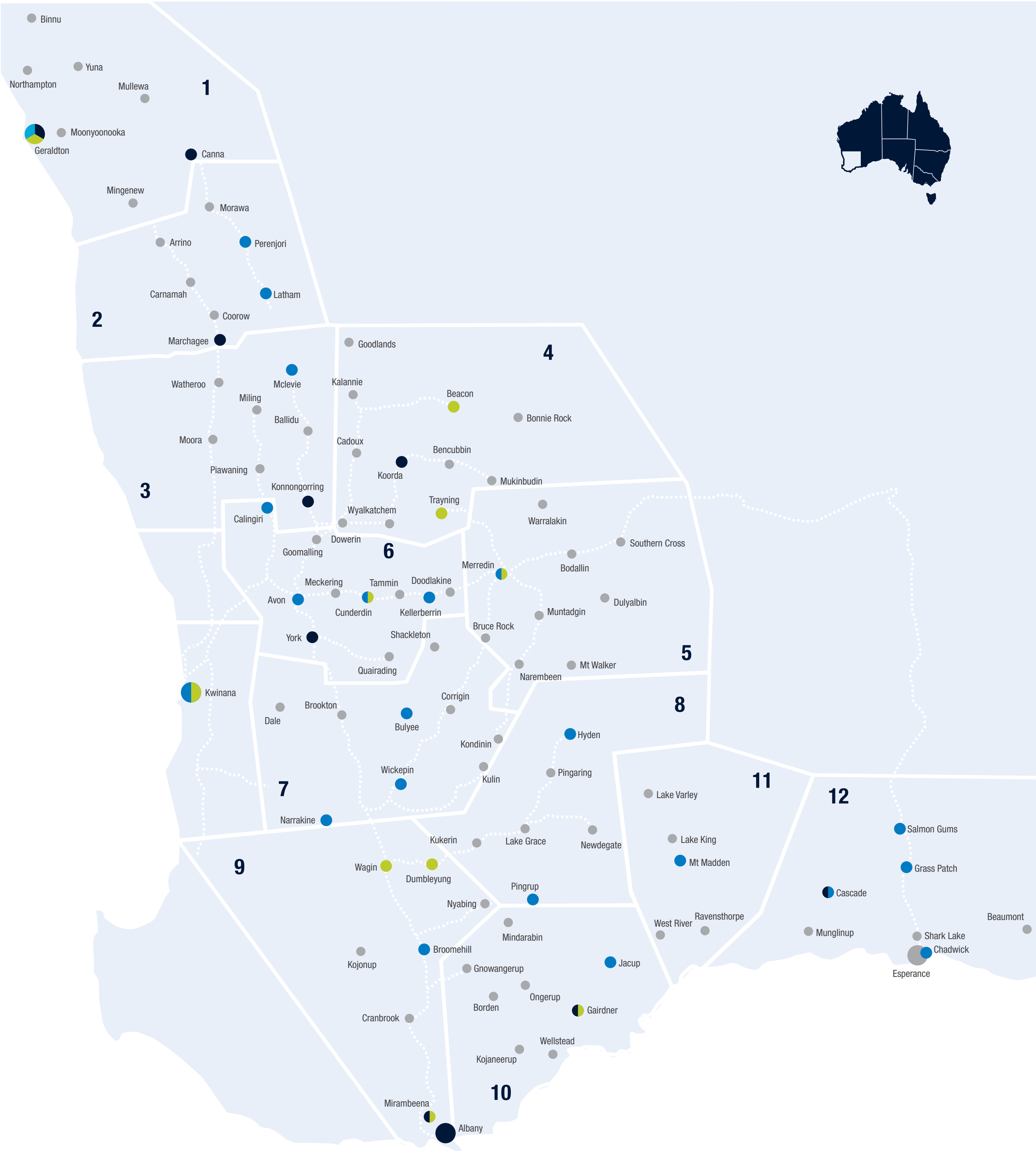
Cascade - storage upgrade

Salmon Gums - belt upgrade and weighbridge

Chadwick - early works

*subject to approval of the business plan.

Network Strategy Progress



- Completed projects - expansion, enhancements and major asset rejuvenation
- Projects underway
- Projects in planning
- Network Strategy sites

MARKETING AND TRADING

Highlights

- Australia's largest exporter of grain with market share of 25 per cent of Australian grain exports
- Market share of more than 46 per cent of the Western Australian crop and 13 per cent of the South Australian crop
- Largest ever Marketing and Trading rebate of $48 million or $6.25 per tonne

In an often volatile global grain market, the role of your Marketing and Trading division is to attract tonnes to the network by buying grain from you to supply to international customers in more than 30 countries.

Improved trading conditions were experienced in the 2016-17 season following a record Australian crop. CBH Marketing and Trading was able to capitalise on this large crop, successfully trading 9.4 million tonnes of grain during the 2016-17 season. While prices at harvest were at historical lows, the larger accumulation volume saw CBH pay more than $2.5 billion to growers for cash and pools products.

While Australian grain continues to face increasing competition from the European Union, Black Sea and South American regions, CBH has held market share in your important Asian markets.

Delivering your largest rebate on record

One of our key objectives is to return value to you through rebates when we make a surplus. In 2016-17, Marketing and Trading returned $48 million or $6.25 per tonne to Western Australian growers who sold to us during the season. This is the largest rebate paid by your marketer since the start of the rebate program, which rewards you for your loyalty to the co-operative.

In recent years, Marketing and Trading has focused on optimising its equity base through a robust capital management plan to more efficiently support cash flow and borrowings. During this time, Marketing and Trading paid a lower percentage of its surplus in rebates reflecting the strong capital management discipline.

In the 2016-17 financial year, your Board determined that the current equity base is sufficient to support the business of Marketing and Trading, and for future surpluses to be rebated to growers.

Attracting tonnes to the network

Pools

The record harvest in Western Australia combined with a large crop from the Black Sea region saw the pools requiring to compete in a very difficult market. Pools maintained a front end sales program with a greater percentage sold earlier in the year. This impacted participation in the mid-year rally in prices on the back of local production concerns. Despite the environment, the three pool products finalised to date – Canola Harvest, Wheat Managed and Wheat Accelerator – have all delivered strong results to participants.

Pre-Pay Advantage

Now in its seventh year, Marketing and Trading's Pre-Pay Advantage product provided more than $100 million of working capital finance to more than 400 farming entities. New products, Warehouse Advance and Grain for Fert, both in their second year, were again popular. CBH's suite of pre-pay products continue to offer competitive and low fuss financing options to enable growers to grow their business.

Accumulation

Marketing and Trading acquired approximately 46 per cent of Western Australian grain delivered to CBH in what is the country's most transparent market. On average, Marketing and Trading generally accumulates about half of the Western Australian crop, a mark that was not achieved this year. Marketing and Trading will seek to be more competitive, particularly in accumulating wheat, in future seasons.

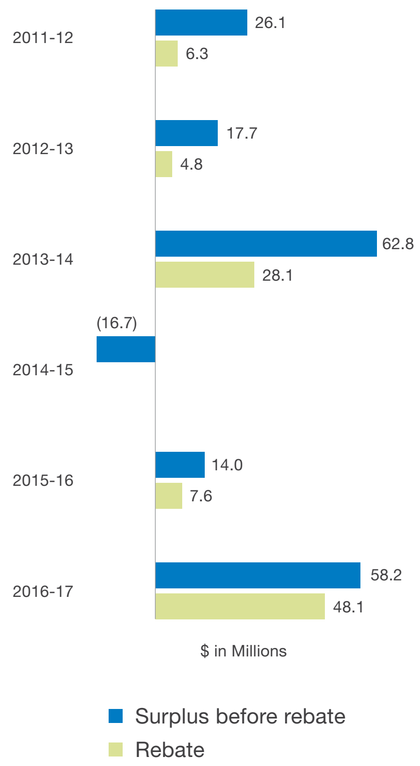
In South Australia, Marketing and Trading continued to operate a profitable business and was the second largest accumulator of grain with 13 per cent market share. South Australian grain is of comparable quality and has similar export customers to Western Australia, providing the ability to maintain reliable supply of products to CBH customers.

Connecting you to global customers

Your co-operative remains Australia's largest grain exporter, exporting more than nine million tonnes – 25 per cent of Australia's bulk grain exports – to 200 customers in more than 30 countries. Marketing and Trading chartered approximately 155 vessels, shipping about six million tonnes on a cost and freight (CFR/CIF) basis. This demonstrates Marketing and Trading's strong links to end-user customers.

In 2016-17, Marketing and Trading held technical grain quality seminars in a number of key markets. The seminars provide customers with valuable quality information about the Western Australian crop and are an important avenue to promoting your grain. In addition, Marketing and Trading developed new markets including the feed oat market in China, with more than 50,000 tonnes sold as well as the first direct country sales to Bahrain, Mauritius and Myanmar. Marketing and Trading also re-established oat markets in Peru and Sri Lanka that enabled a record oat crop to be marketed.

Marketing and Trading surplus and rebates by year



Competition coming for South East Asia

South East Asia's demand for wheat is growing but increasing competition for this lucrative market is heading your way.

The Black Sea wheat market – in particular southern Russia and the Ukraine – had a bumper harvest in 2017. According to the US Department of Agriculture, Russian production is expected to outstrip last year's record season of 73 million tonnes to reach 83 million tonnes. Total production for all former Soviet Union countries is expected to top 139 million tonnes.

It is a significant turnaround from Russia in particular as 20 years ago the country was importing some 30 million tonnes of wheat to now where it has an exportable surplus of about 40 million tonnes.

The Black Sea's location near the Middle East has seen it march into markets in that region, however, it has set its sights on Asia, and in particular the South East Asia region – a traditional wheat market for Australia. Indonesia, the Philippines, Malaysia, Thailand and even Japan have started accepting wheat from the Black Sea with an especially aggressive push into the flour and feed sectors in Indonesia.

Western Australia has several distinct advantages in the competition for South East Asian markets. The consistent quality of Western Australian wheat is renowned all over the world and South East Asia is our closest neighbour, giving us an edge in geographical proximity. The close location provides CBH with a key advantage for your supply chain, which remains highly competitive as we continue to drive efficiencies to keep costs low at every point. This in turn allows CBH to return value to you, helping you to be competitive on the global stage.

The annual Grower Study Tour was again held during the year with the largest ever number of growers participating. The tour offers growers the opportunity to learn more about the markets in which grain is sold and CBH's grain processing investments. In July 2017, 43 Western Australian growers attended a six-day tour in Vietnam which included the opening of Interflour's US$70 million Intermalt facility in Cai Mep.

CBH Fertiliser

CBH Fertiliser continued to grow during 2016-17 with approximately 65,000 tonnes sold, an increase from 50,000 tonnes in the first full year of operation the previous year. A wider product range and focus on providing swift on-site turnaround times was well received by growers. While contributing a small negative result to the Group, the business improved significantly on the previous year's performance, and continues to find a balance between providing competitive tension in the market for your benefit and achieving an operating profit.

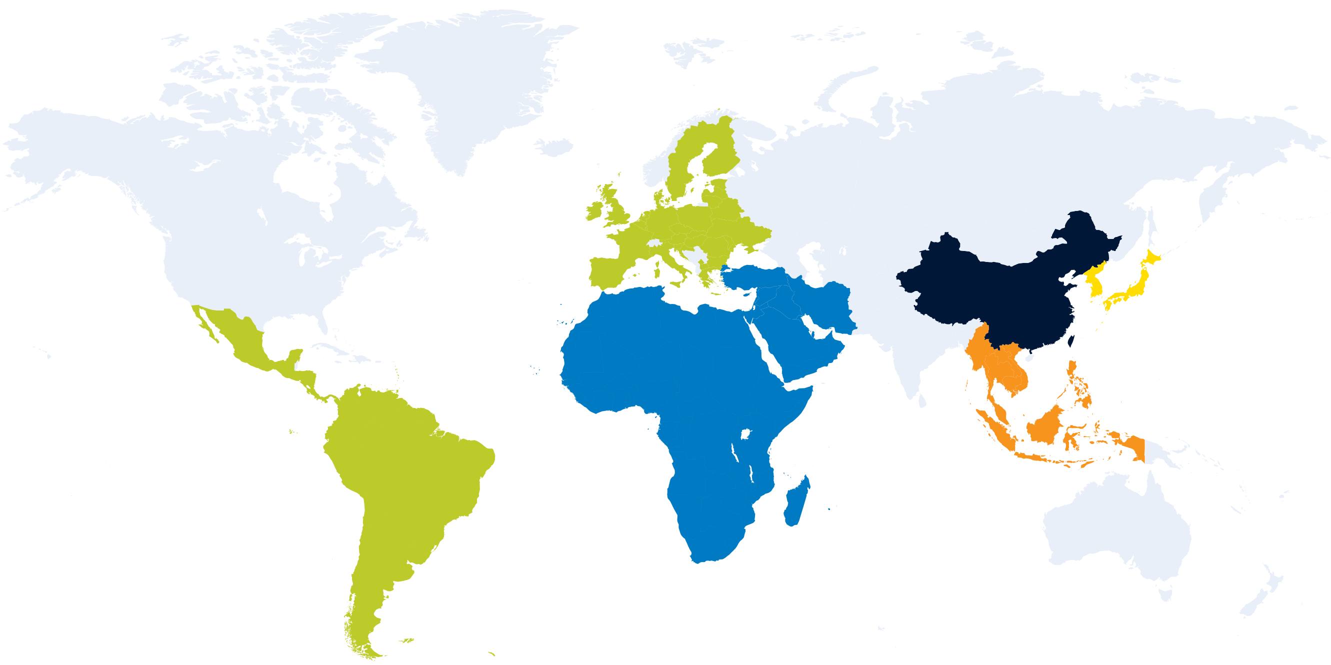
Granary (Russia)

In our second year of operations, Granary, CBH's Russian-based accumulation business in Krasnodar, accumulated and exported approximately 60,000 tonnes of wheat and barley of the 200,000 tonnes Marketing and Trading purchased from the Black Sea region. Granary continues to provide CBH valuable insights into one of our greatest competitor origins, the Black Sea, for your benefit.

CI Trading Limited

CI Trading was established in partnership with Interflour three years ago to enable CBH better access to Vietnamese end users. Activities include domestic wheat trading, broking wheat bran pellets on behalf of Interflour, and working with Marketing and Trading to sell into Vietnam's flour and feed mills. In 2016-17, the business performed well returning a profit.

CBH Marketing and Trading Export Markets



	South East Asia	North Asia	Europe and Americas	Japan and Korea	Middle East and Africa	Other
2016-17	**31%**	**25%**	**16%**	**14%**	**11%**	**3%**
2015-16	35%	17%	13%	13%	19%	3%
2014-15	34%	26%	7%	13%	17%	3%

INVESTMENTS

Highlights

- US$70 million Intermalt malting facility commissioned by Interflour
- All investments recorded an improvement in profitability

CBH's investments continue to be an important part of our purpose of sustainably creating and returning value. They enable us to deliver rebates in years of good performance, gain invaluable market knowledge and diversify revenue.

Our acquisition of Asian flour mills 12 years ago, through Interflour, was ground breaking and we have since continued our downstream grain processing investment strategy with Blue Lake Milling and Interflour's new malting business, Intermalt. In 2016-17, our investments provided you with a total rebate of $8.3 million or $0.50 per tonne.

Interflour Group

Interflour marked a new phase of growth during 2016-17. In July 2017, Interflour celebrated the opening of the US$70 million Intermalt facility in Vietnam. This facility will provide Western Australian grain growers with more access to the fast growing Asian beer market.

Located at Interflour's port facility in Cai Mep, Vietnam, Intermalt will be the largest malting plant in South East Asia. It has the capacity to produce 110,000 tonnes of malt a year and will service major brewers in the region.

In another major capital investment, Interflour completed construction of the US$30 million Mabuhay Interflour Mill in Subic Bay, the Philippines, with commencement of commissioning in August 2017. Once fully operational, the mill will produce up to 500 tonnes of flour a day for the Philippine market.

Interflour's performance improved during the 2016-17 financial year compared to the prior year, despite tough trading conditions. Interflour did not return a dividend to CBH in the financial year as profit from the business was used to grow Intermalt's operations and for the construction of the Philippines flour mill.

Blue Lake Milling

A growing demand for oats and favourable growing conditions resulted in a solid performance from Blue Lake Milling (BLM) in 2016-17, its second full year of CBH ownership. The company is a leading manufacturer of premium Australian oat products with operations in South Australia and Victoria. In trading, the business performed in line with expectations. Profit was up on the previous year, which was impacted by a shortage of locally grown oats.

Construction of BLM's new 60,000 tonne oat processing facility at CBH's Metro Grain Centre in Forrestfield, Western Australia, continued on schedule and budget. The facility will enable BLM to service the growing demand for oats products in Asia using primarily Western Australian oats. The facility is scheduled for completion in early 2018.

Australian Bulk Stevedoring

A joint venture between CBH and Hudson Shipping Lines, Australian Bulk Stevedoring (ABS) provides stevedoring services to exporters at all Western Australian grain ports. Our investment in ABS assists you to control the supply chain from your paddock to the loading of a vessel. In 2016-17, ABS loaded 16.6 million tonnes of grain and woodchips, the highest volume recorded as a result of the substantial harvest.

Newcastle Agri-Terminal (NAT)

CBH has an 18.9 per cent interest in Newcastle Agri-Terminal which operates a storage and export facility for bulk agricultural products. NAT shipped approximately 900,000 tonnes in the year to 30 June 2017, a record tonnage for the facility located within the Port of Newcastle in New South Wales.

Western Australian grain growers break into Asian beer market

In July 2017, CBH joined Interflour in celebrating the opening of the US$70 million Intermalt facility in Vietnam.

CBH Chairman Wally Newman and then Chief Executive Officer Andy Crane attended the ceremony together with CBH Directors and senior leaders including Interflour Group Managing Director and Chief Executive Officer Greg Harvey, Intermalt General Manager James Kirton and representatives from the Vietnamese Government.

Forty-three Western Australian grain growers also had the opportunity to attend the opening as the event coincided with CBH's Grower Study Tour.

The opening of the facility marked a new phase for the business as it moves into barley processing and provides Western Australian barley growers more access to Vietnam's beer market – the fastest growing beer market in Asia.

Vietnam's beer consumption grew at an average of six to nine per cent per annum for a period of 10 years prior to Intermalt being established. Sourcing the majority of malting barley from Western Australia, Intermalt will be the largest malting plant in South East Asia.

It will have the capacity to produce 110,000 tonnes of malt annually, and will service major brewers in the region. By 30 September 2017, Intermalt had purchased 50,000 tonnes of malt barley, with 30,000 tonnes from Western Australia.

HEALTH, SAFETY AND ENVIRONMENT

Highlights

- 49 per cent reduction in total recordable injuries
- 66 per cent decline in total recordable injuries during the harvest period, compared to previous year
- Ongoing focus on critical risks and prevention of serious potential incidents

CBH encourages a culture where safety is a priority for all our employees, casuals and contractors, with no compromise to safety and health. Our efforts are part of a safety journey towards a sustainable and healthy culture based on risk awareness, reporting and learning.

Safety

Our increased focus on high risk activities resulted in a significant 49 per cent reduction in recordable injuries. As a result, the All Injury Frequency Rate (AIFR) for 2016-17 was 11, well below our target of 18.

Our harvest safety performance also improved with a substantial 66 per cent reduction in recordable injuries, compared to the previous year. These reductions can be attributed to several factors, however, the ongoing focus on our critical risks has proven to be effective, along with the development of critical risk action plans. Additionally we have continued to focus on high risk activities through the completion of critical control verifications that aim to ensure a safe system of work is in place.

While we have made progress, we continue to strive for improvement in safety and want to ensure all employees go home safely to their families at the end of each day. The prevention of serious potential incidents is central to our operations so we will seek to ensure all incidents are investigated and analysed, with any required corrective actions taken and the learning shared.

Health

The health of our employees is a priority. In 2016-17, we offered a range of health incentives to support good mental and physical health.

Skin cancer screening was provided to operational teams who are the most vulnerable to the sun through the nature of their work. More than 370 employees participated in the program, with 17 per cent not having had a skin check in the past 12 months before taking part.

In support of mental health, we participated in the national R U OK Day, which seeks to remind people to have meaningful conversations with work colleagues and family members about how they are feeling.

Employees were encouraged to respond to a risk assessment survey and participate in sleep analysis to determine their risk of experiencing mental health issues, and were provided guidance on steps to take to reduce risks. A mental health first aid program was trialled with leaders in West Perth to assist in identifying mental health risks and supporting team members dealing with mental health issues. CBH's Director-led grower-focused regional mental health campaign was also used internally to raise awareness of mental illness.

Environment

In 2016-17, our Sustainability Action Plan was reviewed and revised. We remain committed to delivering value to all stakeholders by protecting, sustaining and enhancing the natural resources we need for the future. We have a focus on managing key environmental risk areas for the business including reducing:

- dust and noise emissions
- waste to landfill
- CO^2 emissions
- water consumption.

During the year, we entrenched CBH's Environmental Management - Minimum Operating Requirements program, which clearly outlines the minimum expected standards at all CBH sites for environmental management. In line with minimum operating requirements, inspection and verification of our operations will be a focus in 2018.

The CBH operated port terminals and the Metro Grain Centre continued to maintain the ISO14001 certification, an externally audited international standard for environmental management.

Reducing CO^2 emissions

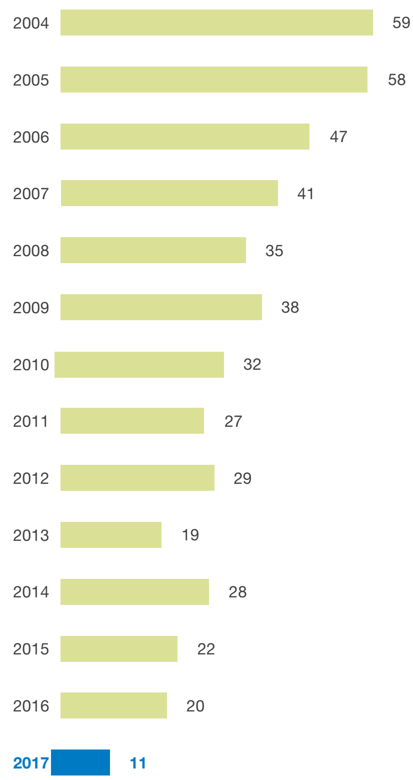
We maintained our focus on practical energy management and carbon reduction initiatives in 2016-17. CBH met all greenhouse gas reporting requirements and recorded a 14 per cent reduction in the overall carbon intensity across our operations from the previous year. Carbon intensity is calculated by dividing our total carbon emissions by the harvest size in tonnes.

Our energy demand supply management programs resulted in savings of approximately $280,000. This was complemented by the continued roll out of CBH's renewable energy portfolio that led to an additional 100 kilowatts of solar electricity panelling being installed at our Avon site. Investigations continue on the feasibility of other large scale low or no emission technologies that will support our future energy requirements.

Lowering waste to landfill

We continue to work with our major suppliers of plastic based products to ensure sustainable, long term resource recovery. Recycling programs are in place for plastic based waste, including open bulk head wall liners and grain covers.

All Injury Frequency Rate (AIFR*)



*AIFR is calculated as the number of injuries per million hours worked. Includes lost time injuries, medical treatment injuries and restricted work injuries.

Includes permanent and casual employees and CBH controlled contractors.

Shutdown safety: 80,000 hours across four terminals with zero incidents

Every year the CBH Major Maintenance team closes our four port terminals – Kwinana, Esperance, Albany and Geraldton – to conduct critical maintenance ahead of the next harvest. It is a complex and high-risk task balancing shipping requirements with a large amount of vital maintenance in a short 15-day window for each site.

For the first time, our shutdown program was completed with no serious potential incidents and no recordable injuries. It is a feat that speaks to the dedication and hard work of the team, involving many individuals across CBH.

The shutdown program includes high risk and controlled work activities such as rigging, crane operation and the use of scaffolding; tasks undertaken with a vast array of equipment and tools; use of a large numbers of contractors working in high-density work fronts; approximately 80,000+ hours worked over 12-hour shifts and in some instances, around the clock; and rigorous schedules in compressed timeframes.

The four shutdowns were finished on time starting with Esperance in June, Geraldton in July, Kwinana in August and Albany in September. Each terminal went into the 2017-18 harvest with all urgent works completed.

SUSTAINABILITY OVERVIEW

Objective	Action	Comments	Status
Prevent harm to the environment	Maintain certification to the ISO14001 standard for Environmental Management at CBH terminals.	Certification held via independent third party audits 2014-2019.	●●●●
	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" that is more biodiversity 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.	●●●○
Strive to enhance the communities in which we operate in	Review Community Investment Fund against set objectives.	Community Investment Fund is reviewed annually and sponsorship activities are tracked. Applications for the Grass Roots 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, Tennis West, Black Dog Institute, Royal Agricultural Society, WA Grower Groups and Grower Group Alliance.	●●●●
	CBH Grass Roots Fund.	Provide grants up to $20,000 via an application process against key criteria.	●●●●
	Harvest Mass Management Scheme.	$220,000 to nine charities via this scheme in 2016-17.	●●●●
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.	Energy and carbon metrics in place.	●●●○
	Implement greenhouse reduction projects at all CBH EMS certified sites.	Projects linked to the Energy Management Policy, Energy Management Action Plan and greenhouse targets/measure.	●●●○
	Install 0.5 megawatts of renewable energy by 2016 and 1 megawatt by 2019.	Systems established at Moora, Merredin, Geraldton and Avon.	●●●○
	Identify vehicle fleet options to reduce environmental footprint of CBH fleet.	Environmental criteria embedded in CBH vehicle selection policy.	●●●○
Integrate sustainable development principles	Ensure sustainability objectives are captured within the 'Future Sites Concept' and Network Strategy.	Energy efficiency strategies factored into original site design at Chadwick.	●○○○

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 continues. Environmental and sustainability considerations included in key Request For Proposal (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 2018 onwards.	○○○○
Foster more sustainable behaviours and consumption patterns	Implement a tiered training structure for sustainability and environmental aspects relevant to CBH.	Training packages developed.	●●●●
	Utilise NAV MAN vehicle technology solution to support improved driving practices and vehicle selection.	Fleet reporting now being tracked.	●●●○
	Optimise CBH intranet and website to communicate with all stakeholders on sustainability issues.	Landing pages established for 'sustainability' related communications on CBH intranet and website.	●●●○
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.	●●●○
	Undertake feasibility studies of stormwater harvesting options from CBH sites and facilities.	Goomalling site collects run off for community use. Pingrup project operational.	●●○○
	Implement water quality guideline for wash down areas on CBH sites focused on best practice controls.	Inspections 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.	Complete
Reduce waste produced and maximise resource recovery and recycling	Reuse and recycle strategies implemented for major waste streams.	Recycling systems established for wall liners, sample bags, PVC tarps, fluoro tubes, oil, paper, cardboard, co-mingled, e-waste, packaging and mobile phones. Reduce waste to landfill by 50 per cent by 2019. Goal is zero per cent 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.	Environmental considerations are embedded in CBH Purchasing Policy. Decommissioned grain covers now being stored on plastic rather than steel coils to improve recycling efficiencies.	●○○○
	Implement four closed loop recycling programs.	Two already implemented. Grain dust at Metro Grain Centre and Kwinana. Waste oil at all 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.	●●●●

COMMUNITY

Highlights

- More than $1.4 million committed to grain growing communities
- Raised awareness of regional mental health in CBH Director led campaign
- Capacity building scholarship launched to support future grain industry leaders

CBH is committed to supporting the sustainability of grain growing communities and the grain industry. In 2016-17, we invested more than $1.4 million into regional Western Australia from our Community Investment Fund.

Our fund seeks to support organisations that contribute to the vitality, development, wellbeing and safety of grain growing regions, promote the positive role of the agricultural industry, and help develop future community and industry leaders. We do this by focusing on the key areas of: regional capacity building; sport and recreation; health, safety and lifestyle; culture and arts; community projects and infrastructure; grower group and grain industry support.

Regional Capacity Building

In 2016-17, the Growing Leaders Scholarship Program was launched in collaboration with Leadership Western Australia and the Grower Group Alliance (GGA). The program offers successful applicants the leadership skills to continue to create strong agricultural communities and will provide our grain industry with the leaders of tomorrow.

Three scholarships were awarded in the first round, two to participate in Leadership WA's six-month Rising Leaders program, and a third to participate in Leadership WA's 10-month Signature Leaders program.

Our scholarship program is an extension of our commitment to building capacity within our regional communities. We also continued our three year partnership with GGA to host not-for-profit governance workshops run by the Australian Institute of Company Directors to build governance skills required in not-for-profit community organisations.

We continue to provide significant support to grower groups that aim to lift farm profitability and sustainability in their regions. These groups included: Merredin and District Farm Improvement Group (MADFIG), Liebe Group, Facey Group, Mingenew Irwin Group (MIG), Western Australian No-tillage Farmers Association (WANTFA), South East Premium Wheat Growers Association (SEPWA), West Midlands Group, Stirlings to Coast Farmers, Southern Dirt, Women in Farming Enterprises Inc (WIFE) and Corrigin Farm Improvement Group (CFIG).

Additionally CBH sponsored the following:

- Leeuwin Ocean Adventure Foundation
- Clontarf Academy
- RIRDC Rural Women's Award
- Western Australian Farmers Federation
- Pastoralists & Graziers Association of WA
- Grower Group Alliance
- Nuffield Scholarship
- Regional Achievement and Community Awards
- Muresk Grains Industry Scholarship

Health, Safety and Lifestyle

CBH extended our partnership with the Royal Flying Doctor Service (RFDS) and increased our funding commitment to $750,000 over five years. The funding will contribute to the Aero Medical Fund, allowing RFDS to buy state-of-the-art medical equipment and the new Pilatus PC24 jets.

In 2016-17, we provided funds to Safe Farms WA (formerly known as the Farmsafe WA Alliance) for development of their new website. This sponsorship ensures that Safe Farms WA can continue to provide important information and safety tools for the farming industry.

Sport and Recreation

In 2016-17, we continued to support our long-term sporting partners, WA Country Football League (WACFL), Hockey WA and Tennis West.

Our total contribution to WACFL has been more than $722,000 over the past 16 years. This year, we were proud to be a finals series naming partner as well as directly supporting 12 leagues in grain growing regions.

Culture and Arts

CBH again partnered with Western Australian arts organisation FORM to undertake the third mural in the PUBLIC silo art series at our Merredin silos. The silos were painted by Perth artist Kyle Hughes-Odgers who has completed works in Asia, Europe, the United States, and across Western Australia. The painting of our Merredin silos follows the successful murals on our sites in Avon and Ravensthorpe that continue to attract attention and visitors to our regional towns.

We continued our partnership with Musica Viva as part of a three year agreement that contributes to bringing music education to regional school children. More than 6,700 students from 75 schools in grain growing regions directly benefitted from the partnership during the year.

Grass Roots Community Funding

A total of $290,000 was granted to 95 local organisations under the Grass Roots Fund. This funding is used to help support infrastructure projects, events and initiatives that contribute to the lifestyle and vitality of our regional towns.

Harvest Mass Management Scheme

In 2016-17, we presented nine charities with a total combined donation of $220,000 in sale proceeds from grain forfeited under the Harvest Mass Management Scheme (HMMS).

The recipients were: Leukaemia Foundation, Ronald McDonald House, Heart Kids, Paraplegic Benefits Fund, Fiona Wood Foundation, Cancer Council WA, St John Ambulance WA, MelanomaWA and Camp Kulin.

Since the program began in 2012 more than $622,000 has been donated to charities that are active in rural communities.

CBH Group Directors speak up on regional suicide

Four CBH Directors shared personal experiences as part of a new campaign launched in August 2017 to raise awareness of mental health in regional Western Australia.

In partnership with the Black Dog Institute and Lifeline WA, the campaign involved CBH Directors Wally Newman, John Hassell, Brian McAlpine and Simon Stead. Each Director was featured in a video discussing how mental health has impacted them, their family or community.

The objective of the campaign was to remove the stigma attached to mental illness, and encourage regional people, particularly men, to seek help if they experience mental distress. We developed the campaign to send a message to anyone experiencing depression or poor mental health that they are not alone, there is hope and there are people who can help.

Our videos were viewed more than 100,000 times across CBH's social media and supporting media outlets, with potential audience reach of approximately 300,000 people. In support of the larger awareness campaign, we provided additional resources to the Black Dog Institute to facilitate more seminars in regional areas, and directed funding to support grassroots events and organisations that provided support to communities affected by the dry conditions during 2017.

Black Dog Institute

Lifeline

GROWER SERVICE

Highlights

- Maintained a high level of customer service through the Grower Service Centre
- A new free online trading platform MarketPlace, developed by DailyGrain
- CBH Super membership now available to all WA grain grower employees

Grower Service Centre

Our Grower Service Centre in West Perth provides Western Australian growers with assistance on all aspects of our business, including operational issues and transferring grain online, as well as product information, prices and payment arrangements offered by our Marketing and Trading division.

During the record harvest period between November 2016 and January 2017, the Grower Service Centre received approximately 12,600 calls. Outside of this period, total calls received were 10,100. The average time in queue was well under target for 2016-17 at 38 seconds in the harvest period and 47 seconds outside of harvest.

Growers in other parts of Australia continued to be supported by our Eastern Australia Grower Service Centre located in Adelaide, South Australia. Our Adelaide office is part of our strategy to maintain a strong presence in South Australia, accumulating grain for the export market.

Local support for growers

CBH's regional team of 14 Business Relationship Managers located across Western Australia, South Australia and Victoria provides growers with a connection to international markets, and assistance with grain marketing, financial products, community sponsorship and specialist CBH information. The Western Australian team also provides a local presence for CBH Fertiliser providing you with a personal contact and informed assistance for your business.

Our research and insights program

More than 3,000 growers participated in our grower survey program in 2016-17 – the biggest response we have ever achieved. Each year we conduct a range of surveys so we can better understand the needs of growers and provide improved service. Some key findings from the year included:

Value from CBH

- 77 per cent of growers believe they receive good value from CBH, 19 per cent are neutral and only 4 per cent are not satisfied with the value they receive from CBH

Network Strategy

- 67 per cent of growers support CBH's Network Strategy, 28 per cent are neutral and 5 per cent oppose it

Communication and Community

- 81 per cent of growers feel well informed by CBH
- 82 per cent of growers feel CBH has a positive impact on regional communities

Grower Priorities

- When asked for additional feedback, grower priorities include reduced fees, focus on site service and upgrades, improved grain prices, grain on rail and investment growth.

Thank you to all growers who provided feedback to CBH. Your views are very important to us, as they guide our harvest planning and business focus.

DailyGrain

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

In 2016-17, DailyGrain retained more than 1,200 members and created additional value for growers by providing 530 of these members with free basic membership. DailyGrain members receive easy access to over 1,000 daily prices from 20 grain buyers for all commodities and grades.

DailyGrain continually looks at new ways to benefit members. In 2016-17, the service developed a new grain exchange platform, MarketPlace. MarketPlace will provide a transparent online space for growers and marketers to post bids and offers, and transact when these match. MarketPlace is free for all DailyGrain members and will bring greater transparency to the Western Australian grain market.

CBH Super

In 2015, the CBH Superannuation Fund opened up membership to CBH's grower members to provide the same benefits and opportunities enjoyed by employees since it was established in 1945. CBH Super offers competitive long-term returns, low fees and personalised service as well as a range of insurance options.

For the year ending 30 June 2017, 12 additional grower members joined the fund, bringing the total number of growers to 65.

The Managed option delivered a positive average rate of return for the year ending 30 June 2017 of 8.9 per cent in challenging investment market conditions. The long-term five year average rate of return was 7.6 per cent for the same period.

In 2017, CBH Super opened membership to all Western Australian grain growers' employees, including harvest casuals, and, if desired, the fund can now be set as the default fund for employee contributions, if they do not make a choice.

PEOPLE

Highlights

- Target set of 30 per cent gender participation at every level by 2021
- Creation of the CBH Leadership Academy

We know that good people and a strong culture deliver superior value which is why CBH is committed to having the right people in the right roles, each accountable and striving to achieve your co-operative's strategic objectives. Our culture is shaped by the activities and programs we undertake to support our people in their roles every day. CBH has a permanent workforce of approximately 1,100 employees, supported by up to 1,800 casuals during harvest, working across more than 100 locations.

Culture and Employee Engagement

Employee engagement remained steady at 56 per cent during the year. In May and June 2017 we conducted a culture diagnostic to assess our current culture and define the desired future state. This assessment identified a number of actions that have been taken to increase our leadership capability, improve our focus on managing performance as well as simplifying the way we operate and make decisions.

As employee engagement assesses the willingness of our people to strive for high standards of performance, be an active promoter of the business and remain loyal, we have set aspirational employee engagement targets of 70 per cent in 2018 and 80 per cent in 2019.

Building a more diverse workplace

By valuing diversity at CBH, we will be able to access the full pool of talent available to us. In March 2017, we announced a new goal to achieve 30 per cent of female employees at every level of CBH by 2021. Female representation is currently under this target at the majority of levels in our co-operative, particularly in senior leadership and operational roles. Currently at a Group level, 22 per cent of employees at CBH are female.

In support of this goal, we developed a Diversity Action Plan that outlines our key actions to close the gap. The plan includes activities to help with increasing the number of qualified and capable women applying for roles at CBH, identifying existing high performing female employees and supporting their development for future leadership roles, and developing training for leaders to assist in understanding and overcoming unconscious biases that undermine diversity.

We have also joined the National Association of Women in Operations (NAWO) and CEOs for Gender Equity to support attracting capable women to CBH and developing those in the organisation.

Developing our leaders

At CBH, we recognise that leadership drives culture and culture drives performance. In 2016-17, we launched a new training program, the CBH Leadership Academy. The Academy has been designed to create a consistent approach to leadership development and to increase leadership capability.

Managed in partnership with the Australian Institute of Management (AIM) and UWA Executive Education, the Academy provides leadership training for leaders across CBH in a four-tiered program based on their level of responsibility. The foundation module, Tilling, was developed in July 2017, and all leaders from frontline supervisors to the CEO will participate. Subsequent modules are currently being developed for delivery early in 2018.

Acknowledgement of Service

20 years	Allan Walker	David Gould
	Andrew Hernandez	Glenn Sexton
	Andrew Tarr	Graham Penter
	Bradley Ireland	Justin White
	Clayton Elliott	Kane Holt
	Clifford Nordahl	Philip Ridley
	Darren Coles	
25 years	Andrew McLevie	Kim Saunders
	Anthony Walters	Stuart Tholstrup
	Ian Sproul	
30 years	Andrew Zinetti	John Finessi
	Danny Crane	Mario Discenza
	Geoffrey Crogan	Vincent Baylis
35 years	Andrew Ackermans	Mark Mills
	Bernard James	Mark Van Opijnen
	Bobby Jakovcevic	Peter Russell
	Gary Ripp	Phillip Baker
	Kenneth Zilm	Wayne Atkins
	Marco Difulvio	
40 years	Harry Warry	Shane McCarrol
	Kevin Rodgers	Wayne Fernihough
	Mark Petchell	William Kirkwood
45 years	Brian Davies	

TECHNOLOGY

Highlights

- Completed development of mobile apps that deliver real-time notifications
- Achieved a milestone in location-based production forecasting

Throughout our 84 year history, CBH has focused on having the right tools to deliver an efficient and low-cost supply chain. During the year we continued to research and develop software, platforms and products that will further enhance our operations and continue to improve our supply chain, reduce costs and deliver new revenue streams that will benefit our growers.

Site of the Future

During the year, we developed two mobile applications that have been designed to provide you with real time delivery notification and immediate information on our sites.

CDF app

The Carters Delivery Form (CDF) app allows growers and truck drivers to pre-submit information of their grain deliveries while on the farm and notify the CBH receival site of the coming delivery. When the load is sampled at site, results are immediately entered into the CDF app. This enables the truck driver and grower to choose and accept a grade and continue with the delivery, or opt to deliver to another site.

The CDF app is currently being trialled for the 2017-18 harvest in selected areas.

Notifier app

The CBH Notifier app provides you with up-to-date information on harvest changes, segregation services, operating hours and site closures. Growers are able to customise notifications at a zone, area or site level and make changes on the go. During the year, we completed development of the app, which is currently being trialled in the Esperance and Albany zones for the 2017-18 harvest season.

Crop Prediction

We have made significant progress in the development of our location-based production forecasting, with a focus on building a deeper understanding of crop performance at the paddock-level. During the year, we achieved a milestone of defining all paddock boundaries in the Wheatbelt, creating the most comprehensive paddock-level datasets of any grain industry participant.

In addition, we successfully executed a pilot trial of paddock-level grower estimates using a map interface. This was carried out through a collaborative research project with CSIRO to trial satellite imagery-derived crop classification down to the paddock-level.

Harvest Planning

We tested enhanced operational harvest planning capabilities during the year with the implementation of scenario planning software. This has the potential to provide our operation teams with the ability to model variations in yield, grade splits, carry-over, and transport resources more efficiently.

The value of the tool lies in its ability to create scenarios by adjusting key factors such as commodity yields, grade splits, stack placements, and transport. The harvest planning tool went live in July 2017 with further functionality added in later months.

BOARD OF DIRECTORS

Wally Newman CHAIRMAN

Wally Newman has been a Director of the CBH Board since May 2000, was the Deputy Chairman from 2008-2012 and was elected Chairman in 2014. He is a member of the Remuneration and Nomination Committee.

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

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

Vern Dempster DEPUTY CHAIRMAN

Vern Dempster was elected as a Director of the CBH Board in April 2008. He was appointed Deputy Chairman from April 2013 to April 2014 and re-appointed to the position in August 2014. He is currently a member of the 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 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 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.

Trevor is a Graduate 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 Chairman of the Network and Engineering 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 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 and Workplace Health and Safety 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 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 Network and Engineering Commitee.

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 Network and Engineering 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 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 Network and Engineering Committee as well as 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 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 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 Remuneration and Nomination 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 a 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 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 Chartered Accountants Australia and New Zealand.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CORPORATE GOVERNANCE

This statement outlines the main corporate governance practices of the CBH Group's framework of governance for the year ended 30 September 2017.

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.

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 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
- 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 include:

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

- build and maintain a strong sense of staff identity with, and a sense of allegiance to, the CBH Group

- forming management committees and working parties from time-to-time to assist in the orderly conduct of the Group's business
- keeping the Board up to date and informed of all major activities of the Group

Board structure

The CBH Rules provide for the following Board structure:

- Nine Member Directors. These Directors are elected from five districts. 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 Independent 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 following table.

Name of Director	Date first appointed	Period of Office **	Current term commenced	Term expires
T N Badger	4 April 2007	10 years 8 months	24 February 2016	February 2019
T J Bartlett*	28 February 2012	5 years 10 months	23 February 2015	February 2018
D G Clauson	27 February 2013	4 years 10 months	24 February 2016	February 2019
V A Dempster (Deputy Chairman)	2 April 2008	9 years 8 months	28 February 2017	February 2020
K J Fuchsbichler	4 April 2007	10 years 8 months	24 February 2016	February 2019
J P B Hassell	1 April 2009	8 years 8 months	23 February 2015	February 2018
R G Madden	5 April 2006	9 years 8 months***	28 February 2017	February 2020
B E McAlpine	28 February 2012	5 years 10 months	23 February 2015	February 2018
A J Mulgrew*	24 February 2015	2 years 10 months	28 February 2017	February 2020
W A Newman (Chairman)	26 May 2000	17 years 7 months	28 February 2017	February 2020
S R Stead	23 February 2015	2 years, 10 months	23 February 2015	February 2018
D S Willis*	30 March 2010	7 years 9 months	24 February 2016	February 2019

* Independent Director

** Period of office as a Director of CBH as at December 2017

*** 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 34 to 36 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 Lead Team members. 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 voted on 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 an annual 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 2017 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.

Diversity

The Board is committed to workplace diversity, recognising the many and varied benefits that gender diversity and broader dimensions of diversity that reflect our community, brings to an organisation. The Board supports management in its endeavours to achieve and maintain a diverse and inclusive workforce at all levels of CBH.

Furthermore, the Board respects and values the benefit of Board diversity and the different perspectives that it brings, and is supportive of appropriate initiatives to encourage Board diversity whilst at the same time respecting merit and the democratic process of Member Director Elections.

Knowledge, skills and experience

The Board aspires for its Directors to possess the requisite skills, experience and attributes to optimise the ability for CBH to achieve its objectives as a grower-owned co-operative, and is supportive of appropriate initiatives to further this aim.

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 current CBH Directors have attended the AICD course.

Directors are encouraged to continue professional development through attendance at various seminars, courses and conferences. During the year the Board adopted a Director Development Policy requiring each Director to undertake a minimum number of professional development hours. Directors are required to prepare a professional development plan having regard to their individual requirements and to discuss their plan with the Chairman. 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 (disbanded in September 2017)
- Communications Committee (disbanded in September 2017)
- Workplace Health and Safety Committee
- Network and Engineering 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 48. 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 both the internal and 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 2017.

Remuneration and Nomination Committee

The primary functions of the Remuneration and Nomination Committee are to assist the Board in relation to setting and adhering to the CBH remuneration policies and practices, and to ensure the Board is of an effective composition to adequately discharge its duties and responsibilities.

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

Mr Simon Stead

The Committee met three times during the financial year ended 30 September 2017.

Investment Committee

The primary functions of the Investment Committee were to:

- review with management significant investment opportunities on behalf of the CBH Group and make recommendations to the Board
- review with management potentially ceasing one of the primary activities of CBH and making recommendations to the CBH Board
- support management, when authorised by the Board, in concluding investments by giving guidance on key negotiation points, reviewing documentation and providing general advice in connection with the investment opportunity

The Committee did not meet during the financial year ended 30 September 2017. The Committee was no longer considered a necessary standing committee and was disbanded by the Board in September 2017. The Board may convene a temporary Investment Working Group to consider any future investment opportunities as and when required.

Communications Committee

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

The Committee met three times during the financial year ended 30 September 2017. The Committee was no longer considered a necessary standing committee and was disbanded by the Board in September 2017.

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 John Hassell

Mr Jimmy Wilson (CEO)

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

The Committee met four times during the financial year ended 30 September 2017.

Network and Engineering Committee

The primary function of the Network and Engineering Committee is to oversee and monitor the implementation of the Board Network Strategy; the implementation of actions arising from the Network and Engineering review; and the performance of the CBH Operations division in achieving the strategy of the Board.

The members of the Network and Engineering Committee as at the date of this report are as follows:

Mr Derek Clauson (Chairman)

Mr Rod Madden

Mr Brian McAlpine

Mr Alan Mulgrew

Mr Jimmy Wilson (CEO)

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

The Committee met nine times during the financial year ended 30 September 2017.

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 2017.

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, which 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 2017 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
- Lead Risk Committee – there is a disciplined approach to the identification and management of risk with a Lead Risk Committee comprising the Chief Executive Officer, the Chief Audit and Risk Officer and the Lead Team, meeting on a monthly 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 Legal 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 outsourced and is independent of the external audit function. The Committee endorses the annual internal audit plan to ensure that planned audit activities are aligned to key 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 2017:

Name	Role	Directors' Fees ($)	Superannuation ($)	Total ($)
Wally Newman	Chairman	182,648	17,352	200,000
Vern Dempster	Deputy Chairman	121,461	11,539	133,000
Trevor Badger	Director	91,324	8,676	100,000
Trent Bartlett	Independent Director	91,324	8,676	100,000
Derek Clauson	Director	91,324	8,676	100,000
Kevin Fuchsbichler	Director	91,324	8,676	100,000
John Hassell	Director	91,324	8,676	100,000
Rodney Madden	Director	91,324	8,676	100,000
Brian McAlpine	Director	91,324	8,676	100,000
Alan Mulgrew	Independent Director	91,324	8,676	100,000
Simon Stead	Director	91,324	8,676	100,000
David Willis	Independent Director; Chairman – Audit and Risk Management Committee	118,721	11,279	130,000
Total		**1,244,746**	**118,254**	**1,363,000**

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 from IFG.

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

Executive remuneration and performance review

The remuneration package and performance standards for the CEO and Lead Team 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 eligible salaried employees and payable based on individual and corporate performance.

The 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 Lead Team and senior managers.

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>

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 Lead Team 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 a Lead Team member be underperforming. Written employment contracts exist for all Lead Team members, which include provisions for terminating the employment relationship should the Performance Improvement Plan not result in improved performance results.

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

Executive remuneration

CBH Group remuneration structures are aligned to the external market, considering role grading, labour market conditions and the CBH Group business performance. CBH uses external data sourced from remuneration specialists, such as Korn Ferry 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 2017.

Name	Title	Base Salary $'000	Super $'000	Total Fixed Employment Cost $'000	Other Benefits * $'000
Andrew Crane	Chief Executive Officer**	889	33	922	14
Edward Kalajzic	Chief Financial Officer	437	29	466	11
Jason Craig	GM Marketing and Trading	447	29	476	27
David Capper	GM Operations	429	29	458	22

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

** Jimmy Wilson commenced as Chief Executive Officer of CBH on 1 October 2017.

Lead Team members 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 Lead Team members 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 2017 in respect of the financial year ended 30 September 2017 for the CEO, CFO and General Managers of the two key business units 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	71.5	69.4	660
Edward Kalajzic	Chief Financial Officer	30.0	29.6	139
Jason Craig	GM Marketing and Trading	30.0	29.9	146
David Capper	GM Operations	30.0	28.8	134

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 2017 for the CEO 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	200
Andrew Crane	Chief Executive Officer	Retention	Apr 2017	91

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 and Member Forum is sent to all members where they are given opportunities to address issues with the Board and management. 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 information on co-operative and industry issues. Meetings include pre and post-harvest 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 2017, a number of regional meetings were held with growers to discuss changes implemented as a result of CBH's structure and governance review undertaken in the prior year. 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.

CBH conducts regular grower surveys to assess grower attitudes to a range of CBH related issues including its grower communication strategy.

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

In addition, the Growers Advisory Council assists 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 consists of 15 Councillors, with the terms of five councillors expiring each year. A Councillor whose term is expiring may nominate for re-appointment, however, the total term of office for Councillors is capped at six years, made up of two three-year terms. The incumbent Chairman may serve for one additional term. Members of the Growers Advisory Council as at the date of this report are as follows:

Mrs Michelle Barrett (Chair)

Mr Royce Taylor (Deputy Chair)

Mr Christopher Antonio

Mr Bill Bailey

Mrs Natalie Browning

Mr David Cox

Mr Jim Heal

Mr Bryan Kilpatrick

Mr Neville McDonald

Mr Andrew Nixon

Mr Frank Panizza

Mr Gareth Rowe

Mrs Kirrilee Warr

Mr Barry West

Mrs Helen Woodhams

DIRECTORS' REPORT

For the year ended 30 September 2017

The Directors submit the financial report of Co-operative Bulk Handling Limited (the "Co-operative" or "CBH") and its controlled entities (the "Group") for the financial year ended 30 September 2017.

Directors

The following persons held office as Directors of Co-operative Bulk Handling Limited during the financial year ended 30 September 2017:

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 is set out on pages 34 to 36 of the Annual Report.

A summary of the qualifications and experience of the Company Secretary is set out on page 11 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 2017 and the number of meetings attended by each Director.

	Scheduled Board Meetings		Unscheduled Board Meetings		Audit & Risk Management Committee		Remuneration & Nomination Committee		Communications Committee		Workplace Health and Safety Committee		Network and Engineering 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	8	1	1	-	-	3	3	-	-	-	-	-	-
T J Bartlett	8	8	1	1	5	5	3	3	-	-	-	-	-	-
D G Clauson	8	8	1	1	-	-	-	-	3	3	4	4	9	9
V A Dempster	8	7	1	1	-	-	3	3	-	-	-	-	-	-
K J Fuchsbichler	8	7	1	1	-	-	3	3	3	3	4	4	-	-
J P B Hassell	8	8	1	1	5	5	-	-	-	-	2	2	-	-
R G Madden	8	8	1	1	-	-	-	-	3	2	-	-	9	9
B E McAlpine	8	8	1	1	5	5	-	-	-	-	2	2	9	8
A J Mulgrew	8	7	1	1	-	-	-	-	-	-	-	-	9	9
W A Newman	8	8	1	1	-	-	3	3	3	3	-	-	-	-
S R Stead	8	8	1	1	5	5	1	1	3	3	-	-	-	-
D S Willis	8	6	1	1	5	5	-	-	-	-	-	-	-	-

There were no meetings of the Investment Committee held during the year. 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.

Principal activities

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

Review of operations

The Group recorded profit after income tax of $91,302,000 (2016: $49,786,000). The increase in the Group's profit was driven by a larger harvest and was achieved after recognising a record grower patronage rebate of $156,345,000 (2016: $62,732,000). The Marketing and Trading business recorded an improved profit after tax of $10,110,000 (2016 profit: $6,385,000), after contributing $48,124,000 (2016: $7,640,000) to the Group's grower patronage rebate.

The Operations business unit received a record 16.6 million tonnes of grain into its storage facilities during 2017 (2016: 13.6 million tonnes), while exporting a record 15.0 million tonnes during the financial year compared to 12.7 million tonnes in the previous financial year.

The Marketing and Trading business unit traded 9.4 million tonnes during the financial year compared with 8.0 million tonnes the previous financial year primarily due to this year's record crop in WA. Whilst this drove an increase in revenue for the Group, it was tempered by a decrease in average global grain prices for the year as the global market continued to experience an oversupply of grain.

	Units	2017	2016	2015	2014	2013
Grower Returns						
Tonnes Received	mt	**16.6**	13.6	13.6	15.9	9.1
Profit attributable to members after rebates	$'000	**91,302**	49,786	82,732	149,153	131,707
Revenue	$'000	**3,476,854**	3,270,597	3,719,985	3,936,617	2,712,013
Share of profit from associates	$'000	**4,464**	653	8,958	12,740	8,438
Rebates*	$'000	**156,345**	62,732	16,940	53,614	4,751
Value Return on Capital **	%	**5.3**	3.0	5.1	9.8	9.6
Net assets	$'000	**1,735,141**	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 significant financial and operational items during the financial year were:

- Revenue increased by 6.3% to $3,476,854,000. The increase in revenue was mainly driven by a higher number of tonnes traded partly offset by lower grain prices compared to previous financial year. While more revenue was also recognised on the back of higher tonnes received, transported and shipped, these increases were largely offset by larger grower rebates provided for the year.
- Net operating cash inflow for the year was $157,031,000 compared to the previous year cash inflow of $228,890,000. The decrease in operating cash inflow was mainly attributable to the increase in inventory.
- The Group has recognised returns to growers, in the form of rebates of $156,345,000. Included in this amount are 2016/17 rebates comprising Operations rebate of $6.00 per tonne, Marketing and Trading rebate of $6.25 per tonne and Investment rebate of $0.50 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 2017, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2017/18 season with various banks:

- Syndicated debt facility of $450,000,000;
- Banking facilities of $700,000,000;
- Trade facilities of $150,000,000.

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 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.

During the year there has been no known breach 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 "Health, Safety and 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 Co-operative

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 Lead Team members, 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, the external auditor of the Co-operative, provided non-audit services to the Group during the financial year and received, or is due to receive, the following amounts for the provision of these services:

	$
Corporate advisory	**149,330**
Risk advisory	**45,000**
	194,330

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 51.

Rounding of amounts

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

The Directors' report is signed in accordance with a resolution of Directors.

W A Newman
Director

Perth
6 December 2017

AUDITOR'S INDEPENDENCE DECLARATION

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 2017 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
6 December 2017


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FINANCIAL REPORT

ABN 29256604947

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2017

	Notes	2017 $'000	2016 $'000
Revenue	5(a)	**3,476,854**	3,270,597
Other gains/(losses)	5(b)	**34,673**	125,090
Raw materials, traded grains and consumables used	6(a)	**(2,495,075)**	(2,520,226)
Employee benefits expense	6(b)	**(198,061)**	(191,786)
Depreciation and amortisation expense		**(102,264)**	(104,398)
Storage, handling and freight expenses	6(c)	**(294,869)**	(253,054)
Marketing and trading expenses	6(d)	**(235,105)**	(186,893)
Insurance		**(9,163)**	(8,393)
Rent expense		**(14,647)**	(12,774)
Other expenses		**(53,061)**	(50,387)
Finance costs	6(e)	**(15,569)**	(16,932)
Share of profit/(loss) from associates	11	**4,464**	653
Profit/(loss) before income tax		**98,177**	51,497
Income tax expense	7	**(6,875)**	(1,711)
Profit attributable to members of Co-operative Bulk Handling Limited		**91,302**	49,786
Other comprehensive income/(expense) **Items that will not be reclassified to the profit or loss**			
Share of other comprehensive income/(expense) from associates		**226**	(801)
Items that may be reclassified subsequently to the profit or loss			
Net gain/(loss) on cash flow hedge	17(c)	**165**	(179)
Foreign currency translation gain/(loss)		**(4,994)**	(14,249)
Share of other comprehensive income/(expense) from associates		**(3,914)**	(1,665)
Other comprehensive income/(expense) for the year, net of tax		**(8,517)**	(16,894)
Total comprehensive income/(expense) for the year, attributable to members of Co-operative Bulk Handling Limited		**82,785**	32,892

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	15	**191,276**	214,290
Trade and other receivables	19	**376,395**	394,424
Derivative financial instruments	24	**39,916**	81,118
Inventories	20	**393,537**	216,509
Income tax receivable		**310**	3,070
Prepayments		**9,269**	8,403
Total current assets		**1,010,703**	917,814
Non-current assets			
Trade and other receivables	19	**1,200**	1,200
Investments in associates	11	**118,745**	116,656
Derivative financial instruments	24	**2,429**	2,125
Other financial assets	12	**13,623**	13,624
Property, plant and equipment	8	**966,530**	992,026
Intangible assets and goodwill	9	**59,299**	66,678
Total non-current assets		**1,161,826**	1,192,309
Total assets		**2,172,529**	2,110,123
Liabilities			
Current liabilities			
Trade and other payables	21	**290,314**	157,433
Interest bearing loans and borrowings	16	**1,514**	151,758
Derivative financial instruments	24	**40,611**	35,134
Provisions	14	**27,169**	27,277
Other liabilities	22	**56,652**	68,995
Total current liabilities		**416,260**	440,597
Non-current liabilities			
Trade and other payables	21	**1,270**	1,653
Derivative financial instruments	24	**2,749**	6,057
Provisions	14	**6,547**	6,107
Deferred tax liability	7	**10,562**	7,594
Total non-current liabilities		**21,128**	21,411
Total liabilities		**437,388**	462,008
Net assets		**1,735,141**	1,648,115
Equity			
Contributed equity	17(a)	**5**	5
Reserves	17(c)	**1,480,822**	1,414,626
Retained earnings		**254,314**	233,484
Total equity		**1,735,141**	1,648,115

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 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		**3,937,103**	3,457,034
Payments to suppliers and employees		**(3,778,262)**	(3,216,705)
		158,841	240,329
Interest received		**14,931**	13,647
Interest and other costs of finance paid		**(15,677)**	(16,932)
Income taxes paid		**(1,064)**	(8,154)
Net operating cash flows	15	**157,031**	228,890
Cash flows from investing activities			
Payments for property, plant and equipment		**(63,940)**	(87,606)
Proceeds from sale of property, plant and equipment		**672**	1,169
Payments for intangible assets		**(6,321)**	(3,955)
Distributions from associates		**750**	600
Payments for investments in other financial assets		**-**	(127)
Loans to growers		**(152,932)**	(188,014)
Loans repaid by growers		**190,461**	166,655
Loans from/(to) related parties		**512**	-
Net investing cash flows		**(30,798)**	(111,278)
Cash flows from financing activities			
Proceeds from borrowings		**660,000**	655,019
Repayment from borrowings		**(810,528)**	(714,595)
Repayment from CBH Grain Pools		**3,147**	14,145
Net financing cash flows		**(147,381)**	(45,431)
Net (decrease)/increase in cash and cash equivalents		**(21,148)**	72,181
Cash and cash equivalents at the beginning of the financial year		**214,290**	140,360
Effects of exchange rate changes on cash and cash equivalents		**(1,866)**	1,749
Cash and cash equivalents at end of year	15	**191,276**	214,290

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 2017

	Ordinary shares Note 17 $'000	Capital levy reserve Note 17 $'000	General reserve Note 17 $'000	Foreign currency translation reserve Note 17 $'000	Cash flow hedge reserve Note 17 $'000	Retained earnings $'000	Acquisition reserve Note 17 $'000	Total equity $'000
At 1 October 2016	5	52,587	1,391,245	(28,068)	37	233,484	(1,175)	1,648,115
Profit for the year	-	-	-	-	-	91,302	-	91,302
Other comprehensive income/(expense)	-	-	-	(4,994)	165	-	-	(4,829)
Share of associates' movement in reserves	-	-	-	(3,876)	(38)	226	-	(3,688)
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**(8,870)**	**127**	**91,528**	**-**	**82,785**
Disposal of non-controlling interest by associate	-	-	-	(71)	-	4,312	-	4,241
Transfer (to) / from reserves / retained earnings	-	-	75,010	-	-	(75,010)	-	-
At 30 September 2017	**5**	**52,587**	**1,466,255**	**(37,009)**	**164**	**254,314**	**(1,175)**	**1,735,141**

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 2017

	Ordinary shares Note 17 $'000	Capital levy reserve Note 17 $'000	General reserve Note 17 $'000	Foreign currency translation reserve Note 17 $'000	Cash flow hedge reserve Note 17 $'000	Retained earnings $'000	Acquisition reserve Note 17 $'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' movement in reserves	-	-	-	(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

Overview

1. General information

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

The consolidated financial statements of Co-operative Bulk Handling Limited (the "Co-operative" or "CBH") and its controlled entities (the "Group") for the year ended 30 September 2017 were authorised for issue in accordance with a resolution of the Directors on 6 December 2017.

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

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 Division 60 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 2016 to 30 September 2017.

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 2017 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 (AUD) 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 United States of America 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 reporting date exchange rate. Non-monetary 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 or 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 foreign operations are translated into the presentation currency of the Group at the reporting date exchange rate. The income and expenses of foreign operations are translated using average rates of exchange for the year.

The exchange differences arising on translation of foreign operations are recognised in OCI and accumulated in the foreign currency translation reserve.

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 or loss as part of the gain or loss on disposal.

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 assets and 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 in each applicable note.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

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 profit or loss.

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:

Reportable segments	Principal activities
Grain Storage and Handling	Receiving and exporting of grain.
Freight Fund	Transporting of grain to port.
Marketing and Trading	Acquiring and trading grain; vessel chartering; provision of financial products; and grain pools management services.
Grain Processing	Milling of wheat and oats; malting operations.
Corporate Services	Provision of central support functions and other corporate entity activities.
Other	Fertiliser supply, stevedoring services and captive insurance.

The Lead Team monitors the results of the business units separately for the purposes of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or 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 2017

4. Business unit results (continued)

Year ended 30 September 2017	Grain Storage and Handling $'000	Freight Fund $'000	Marketing and Trading $'000	Grain Processing (i) $'000	Corporate Services $'000	Other (ii) $'000	Eliminations (iii) $'000	Total $'000
Business Unit Revenue								
Revenue	318,033	196,457	2,873,801	467,316	-	36,163	(414,916)	3,476,854
Inter-segment revenue	157,997	1,567	616	-	60,698	-	(220,878)	-
Total Business Unit Revenue	476,030	198,024	2,874,417	467,316	60,698	36,163	(635,794)	3,476,854
Total Business Unit Results								
Profit/(loss) before tax	97,721	-	14,835	9,913	(22,711)	2,581	(4,162)	98,177
Income tax benefit/(expense)	-	-	(4,725)	(1,850)	-	(300)	-	(6,875)
Profit/(loss) after tax	**97,721**	**-**	**10,110**	**8,063**	**(22,711)**	**2,281**	**(4,162)**	**91,302**
Other Segmental Information								
Interest revenue	12,084	131	13,990	5	1,291	224	(12,787)	14,938
Interest expense	-	(1,815)	(24,581)	(1,355)	(135)	(461)	12,778	(15,569)
Depreciation and amortisation expense	(79,534)	(8,106)	(4,919)	(1,712)	(7,648)	(345)	-	(102,264)
Share of profit from associates	-	-	-	3,749	-	715	-	4,464
Assets (excluding investments in associates)	1,629,048	137,187	904,068	452,083	206,548	33,695	(1,308,845)	2,053,784
Investment in associates	-	-	-	-	-	-	118,745	118,745
Total Assets	**1,629,048**	**137,187**	**904,068**	**452,083**	**206,548**	**33,695**	**(1,190,100)**	**2,172,529**
Capital Expenditure	51,004	-	464	15,374	3,375	44	-	70,261
Total Liabilities	**216,422**	**137,187**	**592,012**	**302,249**	**226,153**	**14,065**	**(1,050,700)**	**437,388**

(i) Includes 100% of the revenue, assets and liabilities of Blue Lake Milling Pty Ltd, and 50% of the revenue, assets and liabilities of Interflour Group Pte Ltd ("IFG") and Pacific Agrifoods Limited ("PAL"). The IFG and PAL amounts are eliminated in the eliminations column as IFG and PAL are equity accounted investments.

(ii) Other includes fertiliser supply, captive insurance and 50% of the revenue, assets and liabilities of Australian Bulk Stevedoring Pty Ltd ("ABS") which are eliminated in the eliminations column as ABS is an equity accounted investment.

(iii) Inter-group revenues are eliminated upon consolidation and reflected in the eliminations column. Segment profit eliminations include inter-group dividends, revenue and expenses. Asset and liability eliminations relate to inter-group transactions eliminated on consolidation. The IFG and PAL equity accounted investments are reinstated in the eliminations column to reconcile to the statutory results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

4. Business unit results (continued)

Year ended 30 September 2016	Grain Storage and Handling $'000	Freight Fund $'000	Marketing and Trading $'000	Grain Processing (i) $'000	Corporate Services $'000	Other (ii) $'000	Eliminations (iii) $'000	Total $'000
Business Unit Revenue								
Revenue	278,563	161,431	2,739,388	405,172	3	33,589	(347,549)	3,270,597
Inter-segment revenue	145,852	1,431	18,584	-	53,779	-	(219,646)	-
Total Business Unit Revenue	424,415	162,862	2,757,972	405,172	53,782	33,589	(567,195)	3,270,597
Total Business Unit Results								
Profit/(loss) before tax	70,441	-	10,116	2,788	(24,602)	(778)	(6,468)	51,497
Income tax benefit/(expense)	-	-	(3,731)	(745)	-	2,765	-	(1,711)
Profit/(loss) after tax	**70,441**	**-**	**6,385**	**2,043**	**(24,602)**	**1,987**	**(6,468)**	**49,786**
Other Segmental Information								
Interest revenue	11,114	175	12,219	7	838	308	(11,009)	13,652
Interest expense	(422)	(2,635)	(23,117)	(968)	(178)	(611)	10,999	(16,932)
Depreciation and amortisation expense	(82,145)	(7,626)	(4,999)	(1,623)	(7,731)	(274)	-	(104,398)
Share of profit from associates	-	-	-	306	-	347	-	653
Assets (excluding investments in associates)	1,464,352	146,860	793,579	395,216	182,528	35,009	(1,024,077)	1,993,467
Investment in associates	-	-	-	-	-	-	116,656	116,656
Total Assets	**1,464,352**	**146,860**	**793,579**	**395,216**	**182,528**	**35,009**	**(907,421)**	**2,110,123**
Capital Expenditure	84,118	654	422	1,356	2,809	2,202	-	91,561
Total Liabilities	**149,446**	**146,860**	**489,778**	**267,411**	**179,422**	**16,636**	**(787,545)**	**462,008**

(i) Includes 100% of the revenue, assets and liabilities of Blue Lake Milling Pty Ltd, and 50% of the revenue, assets and liabilities of Interflour Group Pte Ltd ("IFG") and Pacific Agrifoods Limited ("PAL"). The IFG and PAL amounts are eliminated in the eliminations column as IFG and PAL are equity accounted investments.

(ii) Other includes fertiliser supply, captive insurance and 50% of the revenue, assets and liabilities of Australian Bulk Stevedoring Pty Ltd ("ABS") which are eliminated in the eliminations column as ABS is an equity accounted investment.

(iii) Inter-group revenues are eliminated upon consolidation and reflected in the eliminations column. Segment profit eliminations include inter-group dividends, revenue and expenses. Asset and liability eliminations relate to inter-group transactions eliminated on consolidation. The IFG and PAL equity accounted investments are reinstated in the eliminations column to reconcile to the statutory results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

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.

	2017		2016	
	Revenue $'000	Non-current assets (i) $'000	Revenue $'000	Non-current assets (i) $'000
Australia	**939,829**	**1,040,814**	864,824	1,073,681
Switzerland	**780,474**	**-**	446,835	-
China	**367,660**	**-**	173,413	-
Singapore	**295,395**	**118,486**	517,567	116,362
Philippines	**149,763**	**-**	160,789	-
Japan	**118,877**	**57**	169,998	70
South Korea	**90,344**	**-**	99,852	-
Hong Kong	**89,709**	**30**	70,459	59
Germany	**78,256**	**-**	-	-
United Kingdom	**70,497**	**-**	5,643	-
Malaysia	**69,225**	**-**	84,985	-
Indonesia	**68,531**	**-**	43,604	-
Vietnam	**68,212**	**-**	91,238	-
United Arab Emirates	**50,625**	**-**	69,547	-
Kuwait	**40,360**	**-**	134,297	-
Other (ii)	**199,097**	**10**	337,546	12
Total	**3,476,854**	**1,159,397**	3,270,597	1,190,184

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

(ii) Other countries include France, USA, Netherlands, Thailand, Mexico, Saudi Arabia, Mauritius, Turkey, India, New Zealand and South Africa.

b. Major customers

There are no customers contributing 10% or more to the Group's revenue in either 2017 or 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

5. Revenues and other income

a. Revenue

	2017 $'000	2016 $'000
Grain handling services	**409,881**	325,132
Grain freight services	**196,780**	160,409
Grain sales	**2,889,546**	2,714,511
Sales of finished products	**94,657**	91,523
Management fees	**6,309**	5,499
Interest	**14,938**	13,652
Other revenue	**21,088**	22,603
Grower patronage rebates	**(156,345)**	(62,732)
	3,476,854	3,270,597

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 freight services

Revenue is earned from the movement of grain from up-country receival sites to port by either road or rail. Revenue is recognised as the freight movement occurs.

(iii) Grain sales

Revenue is generated from the sale of grain overseas and domestically. Overseas sales are usually 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 the customer.

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 23 for the Financial Risk Management policies of the Group). The gain/(loss) on these contracts forms part of other gains and losses, and is disclosed in Note 5(b).

(iv) Sales of finished products

Revenue is recognised when significant risks and rewards of ownership have transferred to the customer and the cost can be estimated reliably. The timing of the transfer of risks and rewards varies depending on the individual terms of the sale agreement. This is either when goods are delivered, or for exports sales, in accordance with the shipping terms. Revenue is recorded net of volume rebates and trade discounts.

(v) Management fees

Management fee revenue applicable to the management and administration of CBH Grain Pools is recognised according to when the services are provided.

(vi) Interest

Interest revenue is recognised as the interest accrues (using the effective interest method) to the net carrying amount of the financial asset.

(vii) Grower patronage rebates

Growers use rebates to offset storage and handling charges. In 2016 the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

5. Revenues and other income (continued)

a. Revenue (continued)

Recognition and measurement (continued)

The below table details the recognition of the Grower patronage rebates by year:

	2017 $'000	2016 $'000
2016/17 Grower patronage rebates		
Operations rebate	**(99,898)**	-
Marketing and trading rebate	**(48,124)**	-
Investment rebate	**(8,323)**	-
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)
	(156,345)	(62,732)

* 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)

	2017 $'000	2016 $'000
Realised gain/(loss) on:		
Foreign currency exchange contracts, swaps and options (i)	**72,586**	28,766
Commodity derivatives	**(3,407)**	33,288
Other foreign currency exchange gain/(loss)	**(2,276)**	(3,263)
Unrealised gain/(loss) on:		
Foreign currency exchange contracts, swaps and options (i)	**(20,673)**	78,543
Commodity derivatives	**(22,610)**	(13,656)
Other unrealised fair value gain/(loss)	**4,058**	(6,710)
Other income	**6,995**	8,122
	34,673	125,090

(i) It is the Group's policy to manage its foreign exchange risk through the use of derivative instruments. The 2017 and 2016 realised gains on foreign exchange are the result of underlying currency movements. These gains are predominantly offset by foreign currency sales receipts (grain sales) recorded in revenue, refer to Note 5(a). Refer to Note 23 for the Financial Risk Management policies of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

6. Expenses

a. *Raw materials, traded grains and consumables used*

	2017 $'000	2016 $'000
Fair value change on traded inventory at year end	**63,459**	(42,673)
Costs of goods sold	**2,431,737**	2,562,304
Changes in other inventories	**(121)**	595
	2,495,075	2,520,226

b. *Employee benefits expense*

	2017 $'000	2016 $'000
Wages and salaries	**175,714**	170,462
Defined contribution superannuation	**14,378**	13,523
Bonuses	**7,969**	7,801
	198,061	191,786

c. *Storage, handling and freight expenses*

	2017 $'000	2016 $'000
Storage and handling	**107,810**	97,478
Freight (i)	**187,059**	155,576
	294,869	253,054

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

d. *Marketing and trading expenses*

	2017 $'000	2016 $'000
Freight and demurrage	**148,822**	115,880
Port and export charges	**34,733**	33,935
Storage and handling	**37,658**	25,579
Other (i)	**13,892**	11,499
	235,105	186,893

(i) Other costs include broker and agency costs, and quality testing and assurance services.

e. *Finance costs*

	2017 $'000	2016 $'000
Bank loans and overdrafts	**15,569**	16,932
	15,569	16,932

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

7. Income tax

Major components of income tax expense for the year ended 30 September 2017 and the year ended 30 September 2016 are:

	2017 $'000	2016 $'000
Statement of profit or loss and other comprehensive income		
Current income tax		
Current income tax charge	**3,915**	430
Adjustments in respect of current income tax of previous years	**(8)**	(191)
Deferred income tax		
Relating to origination and reversal of temporary differences	**2,968**	3,844
Adjustments in respect of deferred income tax of previous years	**-**	83
Adjustments in respect of unrecognised temporary differences	**-**	(2,455)
Income tax expense/(benefit) reported in the consolidated statement of profit or loss and other comprehensive income	**6,875**	1,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

7. Income tax (continued)

Deferred Tax	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	30 September 2017 $'000	30 September 2016 $'000	30 September 2017 $'000	30 September 2016 $'000
Deferred income tax assets				
Financial liabilities	**13,382**	13,247	**(135)**	20,193
Financial assets	**2**	314	**312**	(218)
Plant and equipment	**135**	101	**(34)**	1,549
Accruals and provisions	**3,057**	1,920	**(1,137)**	(702)
Foreign exchange on loans to foreign subsidiaries	**36**	-	**(36)**	-
Other	**596**	604	**8**	(298)
Carry forward tax losses	**1,489**	8,520	**7,031**	(6,635)
Less: Unrecognised deferred tax asset	**-**	-	**-**	(2,455)
Gross deferred income tax assets	**18,697**	24,706	**6,009**	11,434
Deferred income tax liabilities				
Financial assets	**(12,692)**	(24,907)	**(12,215)**	(5,180)
Plant and equipment	**(4,340)**	(5,559)	**(1,219)**	(856)
Inventories	**(10,744)**	-	**10,744**	(3,995)
Accrued income	**(202)**	(390)	**(188)**	234
Prepayments	**(9)**	-	**9**	-
Intangible assets	**(1,269)**	(1,444)	**(175)**	(165)
Other	**(3)**	-	**3**	-
Gross deferred income tax liabilities	**(29,259)**	(32,300)	**(3,041)**	(9,962)
Net deferred tax liability	**(10,562)**	(7,594)		
Deferred tax expense/(benefit)			**2,968**	1,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

7. Income tax (continued)

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

	2017 $'000	2016 $'000
Profit before income tax expense	**98,177**	51,497
Less: Parent entity profit (tax exempt)	**(75,010)**	(82,297)
Profit of parent entity eliminated on consolidation	**750**	35,982
Accounting profit before income tax expense	**23,917**	5,182
At the Group's statutory income tax rate of 30%	**7,175**	1,555
Non-assessable income	**-**	(61)
Other assessable income	**18**	48
Non-deductible expenses	**81**	40
Share of equity accounted results of associates	**(1,210)**	(240)
Difference in effective tax rate of overseas subsidiary	**109**	11
Prior year adjustments	**23**	(33)
Write off of deferred tax assets previously recognised	**-**	820
Deferred tax assets recognised	**-**	(2,206)
Other	**679**	1,777
Income tax expense/(benefit)	**6,875**	1,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

7. Income tax (continued)

Recognition and measurement

(i) Income tax

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

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

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax is not recognised:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates 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 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 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.

Due to the tax exempt status of CBH, no deferred tax amounts are recognised in the parent entity.

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.

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 Goods and Services Tax ("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.

Cash flows are presented in the Statement of Cash Flows on a gross basis: receipts from customers include GST on sales, whilst payments to suppliers include GST on purchases and also the amounts which are payable to or recoverable from the taxation authority, including GST on transactions presented in the Statement of Cash Flows as part of investing or financing activities.

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 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 future taxable profits will be available against which they can be used.

The Group has $4,960,000 (2016: $28,400,000) of tax losses carried forward.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

Your network

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

8. 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 2017	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 2016	1,144,775	8,393	48,018	979,314	55,210	3,635	17,177	2,256,522
Additions	17,146	-	489	8,964	2,953	382	34,006	63,940
Disposals	(182)	(6)	-	(19)	(4,443)	(6)	-	(4,656)
Transfers	5,760	59	(61)	1,223	(1)	-	(6,980)	-
At 30 September 2017	1,167,499	8,446	48,446	989,482	53,719	4,011	44,203	2,315,806
Accumulated depreciation and impairment								
At 1 October 2016	612,157	2,741	41,948	574,624	29,397	3,629	-	1,264,496
Depreciation charge	47,710	300	1,462	34,036	4,676	382	-	88,566
Disposals	(182)	-	-	(9)	(3,595)	-	-	(3,786)
At 30 September 2017	659,685	3,041	43,410	608,651	30,478	4,011	-	1,349,276
Net book value at 30 September 2017	**507,814**	**5,405**	**5,036**	**380,831**	**23,241**	**-**	**44,203**	**966,530**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

8. Property, plant and equipment (continued)

Carrying amounts of property, plant and equipment (continued)

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								
At 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 charge	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**

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.

(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 works in progress

Work-in-progress is valued at cost. Costs include both variable and fixed costs directly related to specific projects. 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. Borrowing costs that are directly attributable to a qualifying asset are capitalised as part of the cost of that asset.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

8. Property, plant and equipment (continued)

Recognition and measurement (continued)

(iv) Leases (continued)

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 profit or loss and other comprehensive income on a straight line basis over the lease term. Lease incentives are recognised in the consolidated statement of profit or loss and other comprehensive income.

At 30 September 2017, the net carrying amount of leased assets was $3,512,949 (2016: $3,963,200). During 2017, the Group acquired assets with a carrying amount of nil (2016: $168,564) 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

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) 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.

(vii) 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.

Significant accounting judgements, estimates and assumptions

(i) Impairment of non-financial assets

The Group assesses indicators of impairment for 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 conditions and future product expectations. If an impairment trigger exists the recoverable amount of the asset is estimated.

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 $128,812,000 (2016: $136,633,000) 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 2017

9. Intangible assets and goodwill

30 September 2017	Goodwill $'000	Software costs $'000	Customer contracts $'000	Software development costs $'000	Total $'000
Cost					
At 1 October 2016	18,755	130,675	5,500	5,192	160,122
Additions	-	211	-	6,110	6,321
Transfers	-	1,011	-	(1,011)	-
30 September 2017	18,755	131,897	5,500	10,291	166,443
Accumulated amortisation					
At 1 October 2016	-	(92,756)	(688)	-	(93,444)
Amortisation	-	(13,150)	(550)	-	(13,700)
30 September 2017	-	(105,906)	(1,238)	-	(107,144)
Net book value at 30 September 2017	**18,755**	**25,991**	**4,262**	**10,291**	**59,299**

30 September 2016	Goodwill $'000	Software costs $'000	Customer contracts $'000	Software development costs $'000	Total $'000
Cost					
At 1 October 2015	18,755	126,403	5,500	5,509	156,167
Additions	-	2,559	-	1,396	3,955
Transfers	-	1,713	-	(1,713)	-
30 September 2016	18,755	130,675	5,500	5,192	160,122
Accumulated amortisation					
At 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**

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 ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the 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 2015. The carrying amount of goodwill allocated to BLM is $18,180,000.

The Group has determined the recoverable amount of BLM using the value in use methodology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

9. Intangible assets and goodwill (continued)

Recognition and measurement (continued)

(i) Goodwill (continued)

The calculation of value in use is most sensitive to the following key assumptions:

- Oat volumes and prices: based on budgeted volumes and prices, adjusted for inflation.
- Cash flows: management forecasts projected over a period of five years and a terminal growth rate thereafter.
- 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.
- Terminal value 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 research and development costs and software.

With the exception of goodwill, all intangible assets have a finite useful life. 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 of software costs and customer contracts is recognised in profit or loss and included in depreciation and amortisation expense.

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

Computer software

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

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 2017, the Group does not have any development assets.

Customer contracts and relationships

Customer contracts acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date. Subsequent to initial recognition, customer contracts acquired in a business combination are reported at cost less accumulated amortisation and impairment losses, on the same basis as intangible assets that are acquired separately. The estimated useful life of customer contracts is 10 years. Amortisation is calculated on a straight line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

Your investments

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

10. Investment in controlled entities

The following were controlled entities as at 30 September 2017 and have been included in the consolidated financial statements.

Name of controlled entity	Country of incorporation	Class of shares	Equity holding 2017 %	Equity holding 2016 %
CBH Grain Pty Ltd	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
Bulkwest Pty Ltd	Australia	Ordinary	**100**	100
Grain Pool Pty Ltd (i)	Australia	Ordinary	**100**	100
CBH Investments Pty Ltd (i)	Australia	Ordinary	**100**	100
CBH Global Limited (ii)	Cyprus	Ordinary	**-**	100
CBH Grain Pty Ltd controlled entities				
CBH Granary SA	Switzerland	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
AgraCorp Pty Ltd (i)	Australia	Ordinary	**100**	100
Bulkwest Pty Ltd controlled entities				
CBH Engineering Pty Ltd	Australia	Ordinary	**100**	100
Bulkeast Pty Ltd (i)	Australia	Ordinary	**100**	100
CBH Domestic Pty Ltd (iii), (i)	Australia	Ordinary	**100**	100
CBH Foods Pty Ltd (i)	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) CBH Global Ltd was wound up during the year.

(iii) This entity changed its name from "DailyGrain Pty Ltd" to "CBH Domestic Pty Ltd" during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

10. 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 statements from the date on which control commences until the date on which control ceases. The financial statements are prepared for the same reporting year as the parent entity using consistent accounting policies.

In preparing the consolidated financial statements, all intra-group transactions have been eliminated in full.

Significant accounting judgements

CBH Grain Pools

The Group considers that it does not control CBH Grain Pools. While 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

11. 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 2017 %	Ownership interest held by the Group 2016 %	Principal activities
Interflour Group entities ("Interflour Group"):				
Pacific Agrifoods Limited ("PAL")	British Virgin Islands	**50**	50	Holding company
Interflour Group Pte Limited ("IFG")	Singapore	**50**	50	Flour milling
Other entities:				
Australian Bulk Stevedoring Pty Ltd ("ABS")	Australia	**50**	50	Stevedoring

All of the above associates are accounted for in the consolidated financial statements using the equity method of accounting. All of the above associates have a 30 September reporting date.

	2017 Interflour Group $'000	2017 ABS $'000	2017 Total $'000	2016 Interflour Group $'000	2016 ABS $'000	2016 Total $'000
Carrying amount of associates						
Carrying amount at the beginning of the financial year	**116,362**	**294**	**116,656**	132,484	547	133,031
Cash dividends received by the Group	**-**	**(750)**	**(750)**	-	(600)	(600)
Share of associates' profits after income tax (i)	**3,749**	**715**	**4,464**	306	347	653
Share of associates' movement in reserves (ii)	**(3,688)**	**-**	**(3,688)**	(2,466)	-	(2,466)
Unrealised foreign exchange translation movements (iii)	**(2,178)**	**-**	**(2,178)**	(13,962)	-	(13,962)
Disposal of non-controlling interest by associate (iv)	**4,241**	**-**	**4,241**	-	-	-
Carrying amount at the end of the financial year	**118,486**	**259**	**118,745**	116,362	294	116,656

(i) Share of associates' profits after income tax represents the Group's share of profit which is recognised by the Group as an increase in the carrying amount of the investment in associates.

(ii) Share of associates' movements in reserves include movements in the foreign currency translation, cash flow hedge and defined benefit plan. Foreign currency movements arise from the translation of the financial statements of Interflour Group's subsidiaries into its functional currency USD. The share of associates' movement in reserves will either increase or reduce the carrying amount of the investment in associates.

(iii) Unrealised foreign exchange translation movements arise from the translation of the financial statements of Interflour Group from their USD functional currency into CBH's functional currency, being AUD.

(iv) At 30 September 2016, IFG held 99.99% of the shares in Mabuhay Interflour Mill Inc ("MIMI"), a flour mill based in the Philippines. During the year, IFG sold 25% of its shareholding in MIMI without a change in control. CBH has recognised its share of IFG's equity adjustment ($4.2 million) as a direct increase in equity, with a corresponding increase in the carrying amount of the investment in IFG as shown above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

11. Investments in associates (continued)

Details of material associates

The following table summarises additional financial information relating to the Group's significant equity accounted investment in Interflour Group.

	Interflour Group	
	2017 $'000	2016 $'000
Current assets	**357,560**	330,151
Non-current assets	**375,797**	348,827
Current liabilities	**(355,745)**	(335,024)
Non-current liabilities	**(153,259)**	(132,497)
Net assets	**224,353**	211,457
Net assets (50%)	**112,176**	105,728
Non-controlling interests (50%)	**(17,245)**	(12,862)
Goodwill	**14,878**	14,819
Other intangible assets	**8,677**	8,677
Carrying amount of the Group's interest in Interflour Group	**118,486**	116,362
Revenue (100%)	**803,387**	681,684
Profit (100%)	**10,083**	1,986
Other comprehensive income (100%)	**(4,360)**	(3,974)
Total comprehensive income (100%)	**5,723**	(1,988)

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.

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.

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 determines 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 an impairment expense in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

12. Other financial assets

	2017 $'000	2016 $'000
Non-current assets		
Investment in Newcastle Agri Terminal Pty Ltd ("NAT")	**13,051**	13,051
Other	**572**	573
	13,623	13,624

Recognition and measurement

Investment in Newcastle Agri Terminal Pty Ltd ("NAT")

Other financial assets include an unlisted investment in NAT, a bulk agricultural export facility located in Newcastle, which is held at fair value.

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 commercial based 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 2017

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.

13. Key management personnel compensation

	2017 $	2016 $
Short-term employee benefits (i)	**6,694,433**	6,043,687
Post-employment benefits (ii)	**365,847**	361,987
Long-term benefits (iii)	**797,950**	588,476
Termination benefits (iv)	**775,220**	643,249
	8,633,450	7,637,399

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 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.

14. Provisions

	Employee benefits $'000
1 October 2016	33,384
Arising during the year	13,736
Utilised	(13,404)
30 September 2017	33,716
30 September 2017	
Current	27,169
Non-current	6,547
	33,716

Recognition and measurement

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 2017

Capital management

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

15. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand (i)	**112,705**	196,581
Deposits at call (ii)	**71,965**	530
Cash - futures accounts at call (iii)	**6,606**	17,179
	191,276	214,290

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

(ii) Deposits at call are held in United States of America Dollars at 1.10% average interest rate and in Australian Dollars at 2.43% average interest rate.

(iii) Futures accounts at call are held in United States of America Dollars, Canadian Dollars, Euro and Australian Dollars at nil average interest rate for foreign currency accounts and at 0.60% on Australian Dollar accounts (2016: nil on balances due in foreign currencies and 0.60% on Australian Dollar accounts).

Cash flow reconciliation	2017 $'000	2016 $'000
Reconciliation of net profit after tax to net cash flows from operations:		
Net profit after income tax expense	**91,302**	49,786
Adjustments to reconcile profit after tax to net cash flows:		
Depreciation and amortisation	**102,264**	104,398
Net profit/(loss) on disposal of property, plant and equipment	**201**	(681)
Share of associates profit	**(4,464)**	(653)
Unrealised loss/(gain) on foreign exchange and derivatives	**39,224**	(58,176)
Income tax expense/(benefit)	**6,875**	1,711
Net finance costs	**631**	3,280
Impairment loss on trade and other receivables	**1,244**	1,667
Working capital adjustments:		
(Increase)/decrease in inventories	**(177,028)**	120,207
(Increase)/decrease in trade and other receivables	**(19,461)**	(39,015)
(Increase)/decrease in other assets	**(867)**	15,129
Increase/(decrease) in trade and other payables	**130,931**	74,557
Increase/(decrease) in provisions	**332**	(1,775)
Increase/(decrease) in other liabilities	**(12,343)**	(30,106)
Other adjustments:		
Interest received	**14,931**	13,647
Interest paid	**(15,677)**	(16,932)
Income tax paid	**(1,064)**	(8,154)
Net cash inflow/(outflow) from operating activities	**157,031**	228,890

Recognition and measurement

For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits and futures held at call with financial institutions and any outstanding bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

16. Interest bearing loans and borrowings

	2017 $'000	2016 $'000
Unsecured (current)		
Bank loans	-	150,111
Finance lease liabilities	**1,514**	1,647
	1,514	151,758

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 profit or loss when the liabilities are derecognised.

a. Fair value

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

b. Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in Note 23.

c. Terms and conditions

The bank loans are predominantly denominated in Australian Dollars.

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 CBH Grain Pty Ltd. The negative pledge at 30 September 2017 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

16. Interest bearing loans and borrowings (continued)

d. 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	250,000	-	31/12/2017
CBH Grain Facility - AUD	125,000	-	31/10/2017
CBH Grain Facility - AUD	125,000	-	30/11/2017
CBH Grain Facility - AUD	100,000	-	31/12/2017
CBH Grain Facility - AUD	125,000	-	12/12/2017
CBH Grain Facility - AUD	100,000	-	04/12/2018
CBH Grain Facility - AUD	100,000	-	04/12/2018

The Directors have approved these facilities, which will be renewed as required. Refer to subsequent events Note 30 for details.

The Australian Dollar facilities are a combination of bilateral term loans and trade facilities with total facility limits of $925,000,000. As at 30 September 2017, none of the bilateral term loans was drawn down, and there was no draw down on the trade facility.

CBH Grain Pty Ltd uses these facilities to fund the 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 2.52% (2016: 2.77%).

e. 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 2017

17. Contributed equity and reserves

a. Share capital

(i) Ordinary Shares

	2017 $	2016 $
Shares Issued	**4,798**	4,964
	4,798	4,964

Ordinary shares have a par value of $2.00 each. CBH does not have authorised capital.

The right to vote attaches to membership and not shareholding.

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

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

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

(ii) Movements in ordinary share capital

	Paid shares number	Unpaid shares number	Total number	Issue price $	Share capital $
At 1 October 2015	2,595	1,550	4,145	2.00	5,190
Shares issued (i)	-	170	170	-	-
Shares cancelled (ii)	(113)	(81)	(194)	-	(226)
At 1 October 2016	**2,482**	**1,639**	**4,121**	**2.00**	**4,964**
Shares issued (i)	-	181	181	-	-
Shares cancelled (ii)	(83)	(83)	(166)	-	(166)
At 30 September 2017	**2,399**	**1,737**	**4,136**	**2.00**	**4,798**

(i) During the year 181 ordinary shares (2016: 170) were issued and remained unpaid as at 30 September 2017. 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 1,737 (2016: 1,639).

(ii) During the year 166 ordinary shares (83 paid and 83 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 Group's 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

17. Contributed equity and reserves (continued)

c. Reserves

	2017 $'000	2016 $'000
Capital levy reserve	**52,587**	52,587
General reserve	**1,466,255**	1,391,245
Foreign currency translation reserve	**(37,009)**	(28,068)
Acquisition reserve	**(1,175)**	(1,175)
Cash flow hedge reserve	**164**	37
	1,480,822	1,414,626

Under the Bulk Handling Act (1967) CBH 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 CBH being converted to a tax exempt entity as a result of changes to the Bulk Handling Act in 1971. This exemption removed from CBH 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.

Acquisition Reserve

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

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.

18. Contingent assets and liabilities

Co-operative Bulk Handling Limited (parent entity) has provided guarantees relating to loan facilities with certain controlled entities (Note 25).

Throughout the course of the year CBH has engaged in arbitration over access to the rail network, the outcome of which cannot be foreseen at this stage, and for which no amounts have been included in the financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

Working capital

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

19. Trade and other receivables

	2017			2016		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables (i)	**108,890**	**-**	**108,890**	138,220	-	138,220
Loans to growers (ii)	**102,973**	**-**	**102,973**	143,649	-	143,649
Allowance for doubtful debts (iii)	**(3,040)**	**-**	**(3,040)**	(3,240)	-	(3,240)
	208,823	**-**	**208,823**	278,629	-	278,629
Accrued trade receivables	**81,286**	**-**	**81,286**	34,358	-	34,358
Other receivables (iv)	**5,629**	**-**	**5,629**	11,233	-	11,233
Related party receivables (v)	**80,657**	**1,200**	**81,857**	70,204	1,200	71,404
	376,395	**1,200**	**377,595**	394,424	1,200	395,624

(i) Trade receivables

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

	2017 $'000	2016 $'000
Current	**93,720**	127,667
< 30 days overdue	**13,775**	7,759
30 - 60 days overdue	**742**	1,066
60 - 90 days overdue	**295**	382
> 90 days overdue	**358**	1,346
	108,890	138,220

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 amortised cost, less an allowance for doubtful debts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor and default payments are considered objective evidence of impairment.

Significant accounting estimates and assumptions

Management believe recoverability of some of the debts included in trade and other receivables are uncertain as they may relate to irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position. Therefore an allowance for doubtful debts of $3,040,000 (2016: $3,240,000) has been raised. Measures are being undertaken to recover the full value of the relevant receivables, including recovering the assets of debtors in default and/or taking legal action.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

19. Trade and other receivables (continued)

(ii) Loans to growers

Loans receivable from growers are interest bearing and represent funds advanced to growers based on tonnes delivered to CBH, for delivery into CBH Grain Pools of $10,092,000 (2016: $13,239,000) and grower financial products (Pre-Pay Advantage, Grain for Fert and Warehouse Advance) of $92,881,000 (2016: $130,410,000). These receivables are settled by distributions receivable from the Pools and contracted sales to the Group. At 30 September 2017, the interest rates charged on grower financial products ranged from 3.95% to 5.80% (2016: 3.95% to 5.80%).

Significant accounting estimates and assumptions

Provisions for loans to growers are made individually and collectively. Collective provisions are established on a portfolio basis taking into account the level of arrears, collateral, past loss experience and defaults based on portfolio trends. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ from recorded advance impairment provisions. These include the economic uncertainties, environmental factors, payment behaviours and bankruptcy rates.

The doubtful debt allowance of $3,040,000 includes a collective provision of $229,000 (2016: nil).

(iii) Allowance for doubtful debts

The Group has written back $1,555,000 during the period (2016: $546,000). These amounts have been included in other expenses.

Movements in the allowance for doubtful debts were as follows:

	2017 $'000	2016 $'000
At 1 October	**3,240**	1,572
Additions for the year	**2,779**	2,342
Bad debt write off	**(1,424)**	(128)
Amounts written back	**(1,555)**	(546)
At 30 September	**3,040**	3,240

The allowance for doubtful debts for debts less than 90 days overdue is $2,537,000 (2016: $1,489,000) and over 90 days overdue $503,000 (2016: $1,751,000).

Trade receivables past due but not considered impaired are $14,314,000 (2016: $7,313,000). 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 trade and other 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 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

19. Trade and other receivables (continued)

(iv) Other receivables

	2017 $'000	2016 $'000
GST receivable	**3,823**	9,767
Other receivables	**1,806**	1,466
	5,629	11,233

(v) Related party receivables

For terms and conditions relating to related party receivables refer to Note 27.

20. Inventories

	2017 $'000	2016 $'000
At fair value less cost to sell		
Traded grain	**351,839**	189,212
At lower of cost and net realisable value:		
Raw materials and stores	**33,167**	16,786
Work in progress	**-**	329
Finished goods	**8,531**	8,009
Other inventories	**-**	2,173
	41,698	27,297
Total inventory	**393,537**	216,509

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 or loss.

(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

Valuation of traded grain

Traded grain is carried at fair value less costs to sell. Traded grain is valued using either Level 2 or Level 3 fair value measurements (refer to Note 23(d)).

Level 2 is based on the market comparison technique and uses exchange-quoted grain prices, if available, or independent broker assessments, adjusted for quality and location differentials. Level 3 is based on realised sale prices, adjusted for market view and quality and location differentials.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

20. Inventories (continued)

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

	2017 $'000	2016 $'000
1 October	**23,425**	17,249
Purchases	**162,142**	107,323
Sales	**(107,468)**	(96,108)
Written Off	**(199)**	(386)
Change in fair value (unrealised)	**(1,820)**	(4,653)
30 September	**76,081**	23,425

21. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables (i)	**28,350**	27,254
Accrued expenses (ii)	**92,724**	69,757
Grower patronage rebates (iii)	**158,564**	49,662
Sundry payables (iv)	**10,676**	10,760
	290,314	157,433
Non-current		
Other payables	**1,270**	1,653

(i) Trade payables

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

(ii) Accrued expenses

Accrued expenses are primarily execution cost accruals relating to the sale of grain.

(iii) Grower patronage rebates

Grower patronage rebates payable include the Operations rebate of $100,979,000 (2016: $40,809,000), the Marketing and Trading rebate of $49,262,000 (2016: $8,854,000) and the Investment rebate of $8,323,000 (2016: nil).

(iv) Sundry payables

Sundry payables relate to other payables and include levies, captive insurance payable and customer prepayments.

Recognition and measurement

Current trade 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

22. Other liabilities

	2017 $'000	2016 $'000
Current		
Deferred revenue (i)	**26,228**	45,503
Freight fund liability (ii)	**30,424**	23,492
	56,652	68,995

(i) Deferred revenue includes deferred freight revenue related to services not yet performed and the advance deposit payment towards the port terminal shipping fee.

(ii) The freight fund does not operate at a profit. The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

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.

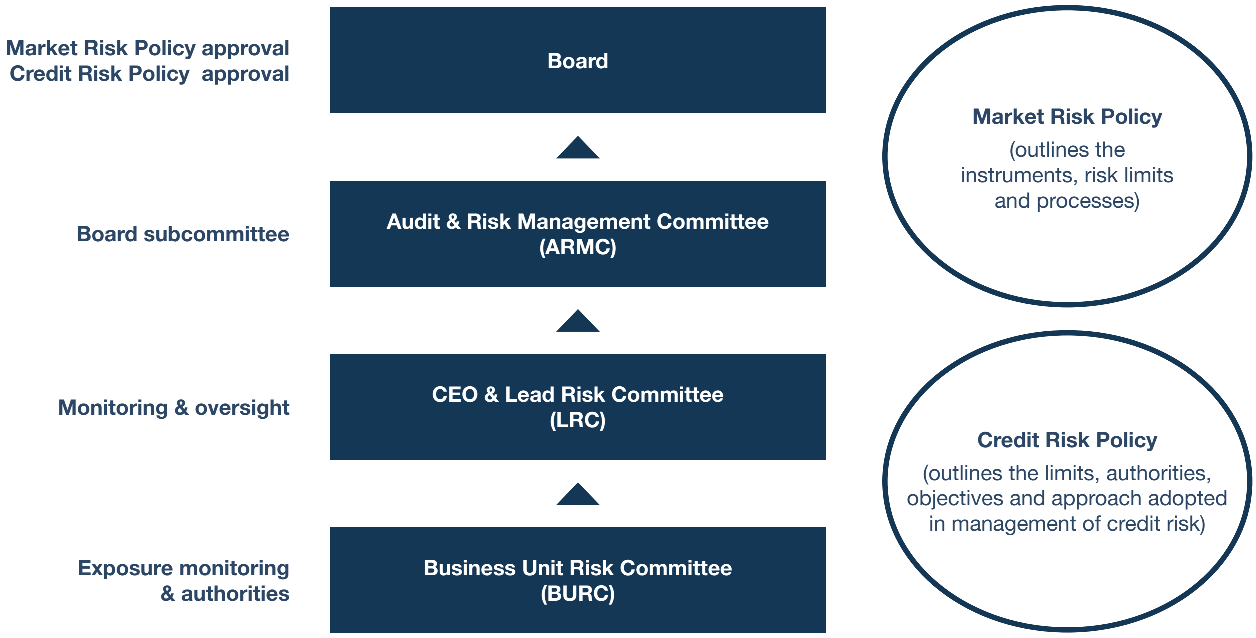
23. Financial risk management policies

Overview

The Group is exposed to a number of different financial risks arising from the normal course of business including market risks (relating to foreign currency rates, commodity prices and interest rates), credit risk and liquidity risk.

Risk management framework

The Group's Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established several risk management committees to develop and monitor the Group's risk management policies. These include the Audit and Risk Management Committee ("ARMC"), Lead Risk Committee and the Business Unit Risk Management Committees, as outlined below:



These committees report regularly, via the ARMC, to the Board on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The ARMC also oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ARMC is assisted in its oversight role by internal audit and third party specialists. Both regular and ad hoc reviews of risk management controls and procedures are undertaken, the results of which are reported to the ARMC.

a. Market risk

Market risk is the risk or uncertainty arising from market price movements and their impacts on the future performance of the business. The Group is exposed to movements in interest rates, foreign currency exchange rates and commodity prices that carry potential adverse effects on the Group's financial position. The Group has developed policies to manage the inherent volatility in its natural business exposures. In accordance with these policies, the Group routinely uses derivative financial instruments including (but not limited to) foreign currency forward exchange contracts and options, interest rate swaps, forward interest rate agreements and commodity futures and options to manage related risk exposures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

23. Financial risk management policies (continued)

a. Market risk (continued)

The Group measures market risk using Value at Risk ("VaR") techniques. These techniques apply Monte Carlo simulations to make a statistical assessment of the market risk arising from possible future changes in market prices over a predetermined holding period using two years of price volatility data and to a 99% confidence level. The calculation of the range of potential changes in fair value takes into account positions, the history of price movements and the correlation of these price movements. 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.

The VaR measure is supplemented by stress testing.

(i) Commodity price risk

Commodity price risk refers primarily to the Group's exposure to fluctuations in prices of grain commodities.

The Group's trading function trades grain-related financial and commodity instruments and physical grain. Grain commodity futures and options are used to manage price risk within Board-approved limits. The aggregate limit for all grains can only be modified by the Board.

The diversification benefit in the VaR table below represents the reduction in risks from the correlated movements between physical and derivative positions and the correlated movements of the various grain positions when considered together.

Exposures and 99% VaR (pre-Tax) are as follows:

	2017 $'000	2016 $'000
Net derivative exposure	**(237,568)**	(171,366)
Net physical exposure	**297,736**	(246,091)
Undiversified 99th percentile VaR	**(22,065)**	(37,182)
Diversification benefit 99%	**7,974**	11,024
Diversified VaR	**(14,091)**	(26,158)

(ii) Foreign currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, derivatives and borrowings are denominated and the respective functional currencies of Group companies. Foreign currency exposures are created by the buying and selling of grain and derivatives on foreign commodity exchanges in currencies other than the Group functional currency, the Australian dollar. Group policy mandates that foreign currency risk be minimised within defined acceptable operational tolerances. The Group manages its exposure to foreign currency risk through use of forward exchange contracts and options.

Net foreign exchange exposure, which includes cash balances and loans and borrowings, is used in the calculation of the combined commodity price risk and foreign currency risk. Consequently, the VaR of commodity price risk in the table above includes all associated foreign currency risk.

As a result of investment in operations in Asia, the Group's statement of financial position can be affected by movements in the USD/AUD exchange rates as the investment in Asia has a functional currency of USD. The Group does not hedge against this exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

23. Financial risk management policies (continued)

a. Market risk (continued)

(ii) Foreign currency risk (continued)

At year end, the Group carried the following financial instruments denominated in foreign currencies:

30 September 2017	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
Financial assets							
Cash and cash equivalents	8,814	1,355	8,120	11,015	3,776	603	**33,683**
Trade and other receivables	175,133	-	4,032	13,871	1,449	-	**194,485**
Derivative financial assets	31,560	9	1,953	1,543	95	1	**35,161**
	215,507	1,364	14,105	26,429	5,320	604	**263,329**
Financial liabilities							
Derivative financial liabilities	12,286	17	5,248	111	156	144	**17,962**
Trade and other payables	34,490	3	1,064	3,048	686	386	**39,677**
	46,776	20	6,312	3,159	842	530	**57,639**
Net exposure	**168,731**	**1,344**	**7,793**	**23,270**	**4,478**	**74**	**205,690**

*Other includes exposure to CNY, GBP, NZD, HKD and CHF.

30 September 2016	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
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 exposure to CNY, GBP, NZD, HKD and CHF.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

23. Financial risk management policies (continued)

a. *Market risk (continued)*

(iii) Interest rate risk

Interest rate risk refers to risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Group funds its ongoing seasonal grain accumulation and trading operations and is exposed to interest rate fluctuations predominantly from liabilities bearing variable interest rates. The holding period for the calculation of VaR interest rate risk is 1 day.

Interest rate exposures and 99% VaR on interest rate swaps are as follows:

	2017 $'000	2016 $'000
Net interest rate exposure	**(155,460)**	(56,630)
99% VaR	**(150)**	(50)

The Group held the following financial assets and liabilities exposed to variable interest rate risk:

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	**191,276**	214,290
Related party receivables	**80,657**	69,693
Loans to growers	**10,092**	13,239
	282,025	297,222
Financial liabilities		
Interest bearing loans and borrowings	**(1,514)**	(151,758)
Net exposure	**280,511**	145,464

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 covered further in Note 24(b).

An increase of 25 basis points in underlying interest rates would increase profit for the year by $840,000 (2016: $489,000). A decrease of 25 basis points in underlying interest rates would reduce profit for the year by $840,000 (2016: $519,000). This analysis assumes all other variables remain constant.

b. *Credit risk*

Credit risk is the risk that a customer or counterparty will fail to perform or fail to pay amounts due, causing financial loss to the Group. It arises from cash and cash equivalents, derivative financial instruments and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables.

The Group has a credit policy, approved by the Board, designed to ensure that consistent processes are in place throughout the Group to measure and control credit risk. Under the policy, customers 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 and reports the sovereign risk associated with its customers, counterparties and financial institutions. Risk limits are set for individual customers in accordance with parameters set out in the credit policy. Actual counterparty credit exposures are routinely monitored against risk limits with any breaches that arise being escalated to the appropriate level of management for remedial action. Counterparty risk limits are reviewed regularly and updated as appropriate.

The Group will, where deemed appropriate, require collateral to be provided by counterparties. The forms of collateral accepted typically include cash downpayment, letter of credit, bank guarantee and retention of title to goods, or any combination thereof.

For more information on grower loan credit risk refer to Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

23. Financial risk management policies (continued)

c. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 the 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.

Maturities of financial liabilities

The table below reflects the remaining contractual maturities of the Group's financial assets and 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 other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at year end.

Contractual maturities of financial liabilities

At 30 September 2017	Carrying amount $'000	Total contractual cash flows $'000	Less than 6 months $'000	6 - 12 months $'000	1 - 5 years $'000
Financial liabilities					
Interest bearing loans and borrowings	1,514	2,042	176	210	1,656
Trade and other payables	291,582	291,582	290,312	-	1,270
Income tax payable	3,522	3,522	3,522	-	-
Total non-derivatives	**296,618**	**297,146**	**294,010**	**210**	**2,926**
Derivative financial liabilities					
- (inflow)	(722,254)	(722,254)	(706,446)	(6,834)	(8,974)
- outflow	765,614	765,614	745,401	8,490	11,723
Net derivative financial liabilities	**43,360**	**43,360**	**38,955**	**1,656**	**2,749**
	339,978	**340,506**	**332,965**	**1,866**	**5,675**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

23. Financial risk management policies (continued)

c. Liquidity risk (continued)

Maturities of financial liabilities (continued)

At 30 September 2016	Carrying amount $'000	Total contractual cash flows $'000	Less than 6 months $'000	6 - 12 months $'000	1 - 5 years $'000
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

d. Fair value measurements

The Group uses various methods in estimating the fair value of a financial instrument and non-financial assets (i.e. inventory) carried at fair value. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets.

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - the fair value is estimated using inputs for the asset or liability that is not based on observable market data.

The fair value of the financial instruments and non-financial assets as well as the methods used to estimate the fair value are summarised in the table below.

30 September 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial and non-financial assets				
Derivative instruments				
Forward foreign currency exchange contracts, swaps and options	-	10,197	-	10,197
Commodity futures and options	8,565	-	-	8,565
Forward commodity sale and purchase contracts	-	16,698	6,885	23,583
Inventories	-	275,758	76,081	351,839
Other financial assets	-	-	13,623	13,623
Total financial and non-financial assets	**8,565**	**302,653**	**96,589**	**407,807**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

23. Financial risk management policies (continued)

d. *Fair value measurements (continued)*

30 September 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Liabilities				
Derivative instruments				
Forward foreign currency exchange contracts, swaps and options	-	11,577	-	11,577
Commodity futures and options	946	-	-	946
Interest rate swaps and options	-	1,871	-	1,871
Forward commodity sale and purchase contracts	-	28,028	938	28,966
Total financial liabilities	**946**	**41,476**	**938**	**43,360**

30 September 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial and non-financial assets				
Derivative instruments				
Forward foreign currency exchange contracts, swaps and options	-	22,368	-	22,368
Commodity futures and options	857	-	-	857
Forward commodity sale and purchase contracts	-	53,232	6,786	60,018
Inventories	-	165,787	23,425	189,212
Other financial assets	-	-	13,624	13,624
Total financial and non-financial assets	857	241,387	43,835	286,079
Financial liabilities				
Derivative instruments				
Forward foreign currency exchange contracts, swaps and options	-	3,282	-	3,282
Commodity futures and options	1,922	-	-	1,922
Interest rate swaps and options	-	5,656	-	5,656
Forward commodity sale and purchase contracts	-	27,519	2,812	30,331
Total financial liabilities	1,922	36,457	2,812	41,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

23. Financial risk management policies (continued)

d. Fair value measurements (continued)

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

	Total $'000
Forward commodity sale and purchase contracts	
30 September 2016	**3,974**
Net movement taken to profit or loss	**1,973**
30 September 2017	**5,947**

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 sale 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 proportionate impact on the financial asset / liability carrying value, and be recognised in profit or loss.

Transfers between categories

There were no transfers between Level 1, 2 and 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. The Group determines the classification of its financial assets on initial recognition. When financial assets are initially recognised, they are measured at fair value less directly attributable transaction costs.

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. Physical positions comprising some inventories, forward sales and forward purchases do not have exchange quoted prices available, therefore other techniques, such as obtaining assessments from independent commodity brokers, are used to determine fair value.

The valuation techniques adopted for traded grain inventories are discussed in Note 20.

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 fair value assessments include consideration of inputs such as liquidity risk, credit risk and market volatility. Any change in assumptions for these factors could affect the reported fair value of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

24. Derivative financial instruments

	2017 $'000	2016 $'000
Current Assets		
At fair value		
Forward foreign exchange contracts, swaps and options	**10,181**	22,368
Commodity futures and options	**7,318**	857
Forward commodity sale and purchase contracts	**22,417**	57,893
	39,916	81,118
Non-Current Assets		
At fair value		
Forward foreign exchange contracts and swaps	**16**	-
Commodity futures and options	**1,247**	-
Forward commodity sale and purchase contracts	**1,166**	2,125
	2,429	2,125
Current Liabilities		
At fair value		
Forward foreign exchange contracts, swaps and options	**11,577**	3,262
Commodity futures and options	**946**	1,877
Forward commodity sale and purchase contracts	**28,088**	29,995
	40,611	35,134
Non-Current Liabilities		
At fair value		
Interest rate swaps and options	**1,871**	5,656
Forward foreign exchange contracts, swaps and options	**-**	20
Commodity futures and options	**-**	45
Forward commodity sale and purchase contracts	**878**	336
	2,749	6,057

a. Instruments used by the Group

A portfolio of derivatives is held by the Group. These derivatives are primarily:

- Forward foreign currency exchange contracts, swaps and options;
- Commodity futures and options;
- Forward commodity sale and purchase contracts; and
- Interest rate swaps and options.

These contracts are held in the currencies in which the Group has exposure (refer to Note 23(a)(ii)) and range in maturity from six months to three 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 2017 is an unrealised loss of $1,015,000 (2016: $42,052,000 unrealised gain). The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

24. Derivative financial instruments (continued)

b. Interest rate derivatives contracts

In order to protect against rising interest rates in the short term, the Group previously entered into interest rate swaps at fixed rates ranging from 1.995% to 2.24%.

At the financial year end, the fair value and periods of expiry of the interest rate swaps and options are as follows:

	2017 $'000	2016 $'000
Interest rate swaps 2 - 5 years	**(1,871)**	(5,656)

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses of interest rate swaps are recognised are disclosed in Note 23(d).

Recognition and measurement

(i) Derivatives

The Group uses derivative financial instruments, such as forward foreign currency exchange 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 or loss.

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 fair value of financial instruments that are not traded in an active market are discussed in Note 23(d).

The carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(ii) Offsetting financial instruments

The Group presents its assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements such as International Swaps and Derivatives Associations ("ISDA") master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated. The termination is assessed and only a single net amount is payable in settlement of all transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

Other information

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

25. Parent entity disclosures

	2017 $'000	2016 $'000
Assets		
Current assets	**586,976**	406,900
Non-current assets	**1,233,618**	1,259,918
Total assets	**1,820,594**	1,666,818
Liabilities		
Current liabilities	**291,504**	213,298
Non-current liabilities	**6,666**	6,107
Total liabilities	**298,170**	219,405
Net assets	**1,522,424**	1,447,413
Equity attributable to equity owners of the parent		
Issued capital	**5**	5
Reserves (i)	**1,522,419**	1,447,408
Total equity (ii)	**1,522,424**	1,447,413
Profit or loss for the year	**75,010**	82,297
Total comprehensive income	**75,010**	82,297

(i) This figure has been amended from $2,111,048,000 to $1,522,419,000 as a result of a typographical error in the signed financial statements.

(ii) This figure has been amended from $2,111,053,000 to $1,522,424,000 as a result of a typographical error in the signed financial statements.

a. Financial guarantees - Parent

The parent has entered into a Deed of Cross Guarantee ("Deed") with the effect that it guarantees debts in respect of certain subsidiaries. Further details of the Deed and the subsidiaries subject to the Deed are disclosed in Note 26.

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 2017, this debt is nil (2016:$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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

25. 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:

	2017 $'000	2016 $'000
Within one year	**8,353**	8,387

26. Deed of cross guarantee

Co-operative Bulk Handling Limited, Blue Lake Milling Pty Ltd, CBH Pty Ltd and CBH Group Holdings Pty Ltd are parties to the Deed under which each entity guarantees the debts of the others. By entering into the Deed, the wholly-owned entities (Blue Lake Milling Pty Ltd, CBH Pty Ltd and CBH Group Holdings Pty Ltd) have been relieved by the Australian Securities and Investments Commission ("ASIC") from requirements for preparation, audit and lodgement of financial reports and directors' reports 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 profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 September 2017 of the closed group.

	2017 $'000	2016 $'000
Consolidated statement of profit or loss and other comprehensive income		
Revenue	**749,258**	700,510
Other income	**5,679**	7,764
Expenses from ordinary activities	**(679,066)**	(622,762)
Finance costs	**(198)**	(733)
Profit before income tax	**75,673**	84,779
Income tax expense	**(1,850)**	(744)
Profit for the year	**73,823**	84,035
Other comprehensive income		
Items that may be reclassified subsequently to the profit or loss		
Net (loss)/gain on cash flow hedge	**166**	(179)
Total comprehensive income for the year	**73,989**	83,856
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**132**	(1,606)
Profit for the year	**73,823**	84,035
Transfer to reserves	**(75,010)**	(82,297)
Retained earnings at the end of the financial year	**(1,055)**	132

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

26. Deed of cross guarantee (continued)

Consolidated statements (continued)

Set out below is a consolidated statement of financial position as at 30 September 2017 of the closed group.

	2017 $'000	2016 $'000
Current assets		
Cash and cash equivalents	**54,311**	107,627
Trade and other receivables	**494,965**	269,701
Inventories	**34,613**	20,503
Derivatives financial instruments	**87**	-
Prepayments	**2,843**	3,313
Total current assets	**586,819**	401,144
Non-current assets		
Trade and other receivables	**-**	2,923
Investments in associates	**129,402**	129,402
Investment in controlled entities	**96,722**	96,722
Property, plant and equipment	**982,188**	1,003,636
Intangible assets and goodwill	**33,950**	41,738
Total non-current assets	**1,242,262**	1,274,421
Total assets	**1,829,081**	1,675,565
Current liabilities		
Trade and other payables	**270,160**	190,199
Interest bearing loans and borrowings	**1,514**	1,671
Income tax payable	**680**	-
Provisions	**27,042**	28,067
Total current liabilities	**299,396**	219,937
Non-current liabilities		
Trade and other payables	**761**	1,152
Deferred tax liabilities	**1,022**	1,020
Provisions	**6,547**	6,090
Total non-current liabilities	**8,330**	8,262
Total liabilities	**307,726**	228,199
Net assets	**1,521,355**	1,447,366
Equity		
Contributed equity	**5**	5
Reserves	**1,522,405**	1,447,229
Retained earnings	**(1,055)**	132
Total equity	**1,521,355**	1,447,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

27. 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 13, Mr D S Willis and Mr V A Dempster (both Directors of the parent entity), each received $20,000 (2016: $20,000) for their roles as directors of Interflour Group Pte Ltd, an associated company for the year.

Directors fees received from CBH are included within Note 13.

Total aggregate number of shares held by Directors and Director-related entities is 14 (2016: 14).

(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.

	2017 $	2016 $
K J Fuchsbichler, T N Badger, B E McAlpine, J P B Hassell, W A Newman, V A Dempster, D G Clauson, R G Madden, and S R Stead received payments or were due to receive payment for grain deliveries during the financial year	**7,758,251**	9,625,974
Freight and receival fees	**1,194,273**	1,261,526
Fertiliser purchases	**748,882**	1,398,226
(iii) Balances outstanding (to)/from Directors		
Rebates payable	**(577,869)**	(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 normal commercial terms 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 amounts owing by directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

27. Related party transactions (continued)

c. Other related party transactions

	2017 $	2016 $
(i) Transactions with associates		
The Group has sold grain to Interflour Group Pte Ltd and its controlled entities in the ordinary course of business on a commercial basis	**143,888,490**	148,078,933
The Group has purchased grain from Interflour Group Pte Ltd and its controlled entities in the ordinary course of business on agreed commercial terms	**69,826,632**	78,426,054
The Group received stevedoring services from Australian Bulk Stevedoring Pty Ltd in the ordinary course of business on a commercial basis	**(3,524,029)**	(3,056,322)
(ii) Receivables from associates		
Amount due to the Group at year end from Interflour Group Pte Ltd and its controlled entities 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%. These balances are unsecured.	**72,882,077**	69,692,882
Amount due to the Group at year end from Interflour Group Pte Ltd and its controlled entities under normal credit terms. These balances are secured.	**7,775,237**	-
	80,657,314	69,692,882
(iii) Receivables from other related parties		
Newcastle Agri Terminal Pty Ltd	**1,200,470**	1,710,670

The receivable from NAT is unsecured with no fixed repayment date.

28. Auditor's remuneration

During the year fees were paid or payable for services provided by the Group's auditors and related overseas offices.

	30 September 2017 $	30 September 2016 $
Auditors of the Group - KPMG Australia		
Audit of financial statements	**403,670**	363,145
Taxation advisory services	**-**	33,367
Other assurance services	**8,450**	7,200
Other services	**194,330**	25,000
	606,450	428,712
Related overseas offices of KPMG Australia		
Audit of financial reports	**55,480**	42,714
Taxation advisory services	**-**	23,595
	661,930	495,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

29. Changes in accounting policies

a. *New accounting standards and interpretations*

(i) New and amended accounting standards and interpretations adopted from 1 October 2016

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 January 2016.

As a result of the application of this amendment, the share of other comprehensive income of associates accounted for using the equity method has been presented in aggregate as a single line item and classified between those line items that will or will not be subsequently reclassified to profit or loss.

The application of this amendment does not have a material impact on any other disclosures or the amounts recognised by the Group.

Reference	Description
AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101	The amendments do not require any significant change to current practice, but should facilitate improved reporting, including an emphasis on only including material disclosures, clarity on the aggregation and disaggregation of line items, the presentation of subtotals, the ordering of notes and the identification of significant accounting policies.

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

Certain new accounting standards and interpretations have been published that are not effective for the 30 September 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations considered relevant to the Group are set out below. The Group does not intend to early adopt any of the new standards or interpretations.

AASB 15 Revenue from Contracts with Customers (effective for year ends beginning on or after 1 January 2019)

The AASB has issued a new standard for the recognition of revenue - AASB 15. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. It is effective for the annual reporting periods beginning on or after 1 January 2019. The Group will early adopt the new standard from 1 October 2018.

Management have performed a preliminary assessment and identified that for ocean freight revenue, the application of AASB 15 may result in deferral of a portion of freight revenue related to the unfulfilled portion of the performance obligation under the contract.

Management is continuing its assessment of the effects of applying the new standard on the Group's financial statements.

AASB 9 Financial Instruments (effective for year ends beginning on or after 1 January 2018)

AASB 9 'Financial Instruments' introduces an 'expected credit loss model', revised classification and measurement requirements and modified hedge accounting rules.

While the Group has yet to undertake a detailed assessment of the impact of the new standard, it does not expect the new guidance to have a significant impact to the following accounting policies:

- credit impairment provisions;
- classification and measurement of financial assets; or
- accounting for hedging relationships.

The new standard introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments, particularly in the year of the first adoption.

Management is continuing its assessment of the effects of applying the new standard on the Group's financial statements.

AASB 16 Leases (effective for year ends beginning on or after 1 January 2019)

AASB 16 removes the classification of leases as either operating leases or finance leases resulting in the lessee effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease.

The Group is currently evaluating the potential impact of AASB 16. Information on the undiscounted amount of the Group's operating lease commitments at 30 September 2017 under AASB 117, the current leases standard, is disclosed in Note 31. Under AASB 16, the present value of these commitments may need to be reflected as a liability in the statement of financial position together with an asset representing the right of use. The classification of what is currently predominantly presented as operating expenses will be split between depreciation and finance costs.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

30. Events Subsequent to Balance Date

Subsequent to 30 September 2017, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2017/18 season with various banks:

- Syndicated debt facility of $450,000,000;
- Banking facilities of $700,000,000;
- Trade facilities of $150,000,000.

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 require disclosure.

31. Commitments

a. Operating lease commitments

The Group has entered into commercial leases on certain properties and items of equipment. These leases have a 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:

	2017 $'000	2016 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**10,243**	11,198
Later than one year but not later than five years	**17,209**	24,215
Later than five years	**92,196**	86,773
	119,648	122,186

b. Non-cancellable operating lease receivables

The Group has sub-leased some of its property to an external party.

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

	2017 $'000	2016 $'000
Within one year	**297**	35
Later than one year but not later than five years	**251**	68
	548	103

c. Capital commitments

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

	2017 $'000	2016 $'000
Within one year	**11,140**	14,121
	11,140	14,121

DIRECTORS' DECLARATION

1. In the Directors' opinion:

a. The consolidated financial statements and notes that are set out on pages 54 to 108 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 2017 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 Co-operative Bulk Handling Ltd 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 26 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
6 December 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Co-operative Bulk Handling Limited

Opinion

We have audited the ***Financial Report***, of Co-operative Bulk Handling Limited (the Co-operative).

In our opinion, the accompanying ***Financial Report*** of the Co-operative is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, and the *Co-operatives Act 2009* including:

- giving a true and fair view of the Group's financial position as at 30 September 2017, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 September 2017
- Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' declaration

The ***Group*** consists of the Co-operative and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards.* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Co-operative Bulk Handling Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

i. preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards, the ACNC and the Co-operatives Act 2009.

ii. implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

iii. assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and

ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

i. Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.

ii. Designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

iii. Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.

iv. Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

v. Concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.

vi. Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

KPMG

KPMG

Trevor Hart
Partner

Perth
6 December 2017

FIVE YEAR FINANCIAL AND OPERATIONAL HISTORY

Co-operative Bulk Handling and its controlled entities

		2017	2016	2015	2014	2013
Tonnes handled	mt	**16.6**	13.6	13.6	15.9	9.1
All time injury frequency rate		**11**	20	22	28	19
Revenue from continuing operations	$m	**3,477**	3,271	3,720	3,937	2,712
Pools revenue	$m	**363**	390	361	493	644
Other gains and losses	$m	**35**	125	(173)	132	104
Total revenue including other income	**$m**	**3,875**	**3,786**	**3,908**	**4,562**	**3,460**
Net profit contribution from:						
Grain storage and handling	$m	**98**	70	116	112	103
Marketing and trading	$m	**10**	6	(17)	34	13
Grain processing	$m	**8**	2	9	11	7
Corporate and other	$m	**(25)**	(28)	(25)	(8)	8
Profit attributable to members of Co-operative Bulk Handling Limited	**$m**	**91**	**50**	**83**	**149**	**131**
Return on average equity	%	**5.4**	3.1	5.3	10.3	10.1
Rebates	$m	**156.3**	62.7	16.9	53.6	4.8
Capital reinvestment	$m	**70.3**	91.6	123.5	113.1	145.4
Total assets	$m	**2,173**	2,110	2,169	1,980	1,989
Total liabilities	$m	**(437)**	(462)	(554)	(464)	(619)
Equity	**$m**	**1,735**	**1,648**	**1,615**	**1,516**	**1,370**
Debt owing	$m	**2**	152	211	47	303

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