



Annual Report 2019



The CBH Group is an integrated grain storage, handling and marketing co-operative owned and controlled by approximately 3,900 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 value chain from grain 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.

Since it was established in Western Australia in 1933, CBH has continuously evolved, innovated and grown. Its storage and handling system receives and exports around 90 per cent of the Western Australian grain harvest to over 30 countries worldwide.





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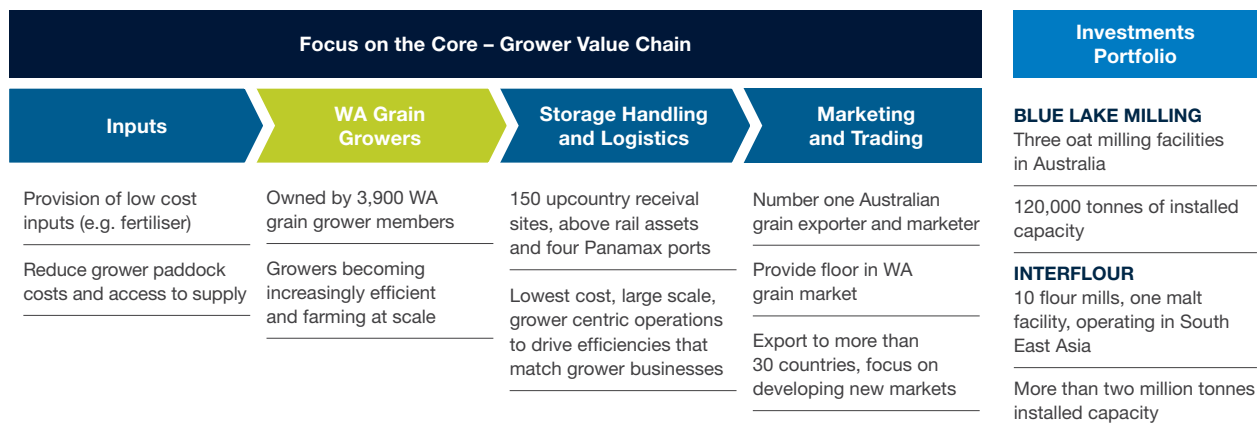
CBH would like to thank the Grylls family from Corrigin for participating in our photography.

Our Strategy and Tactical Plan

Strategy

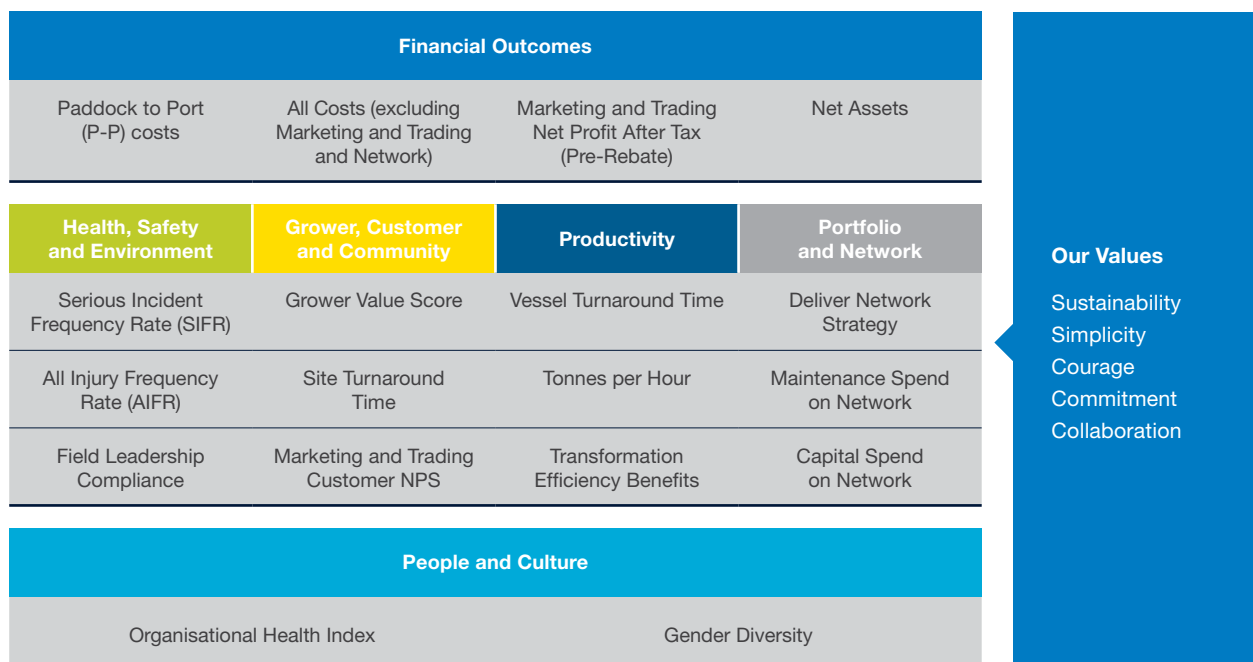
At CBH, our Strategy is how we will successfully achieve our purpose of sustainably creating and returning value for current and future Western Australian grain growers. It is set by the CBH Board, with the support of the CBH Chief Executive Officer and Lead Team.

BENEFICIARY	WA grain growers, current and future
PURPOSE	To sustainably create and return value to growers



Tactical Plan

The CBH Tactical Plan is a guiding document which outlines how we will deliver on our Strategy. It focuses on the Core of our business, the Grower Value Chain, and has six pillars, each with its own set of key performance indicators.



What we do and where we operate

2018-19

PADDOCK

STORAGE

LOGISTICS

PORT

MARKETING
AND TRADING

M&T CHARTERING
AND SHIPPING

PROCESSING

3,900

grower member
businesses

16.4

million tonnes
received

8.9 million tonnes
moved by rail

5.0 million tonnes
moved by road

13.8

million tonnes
exported

9.0

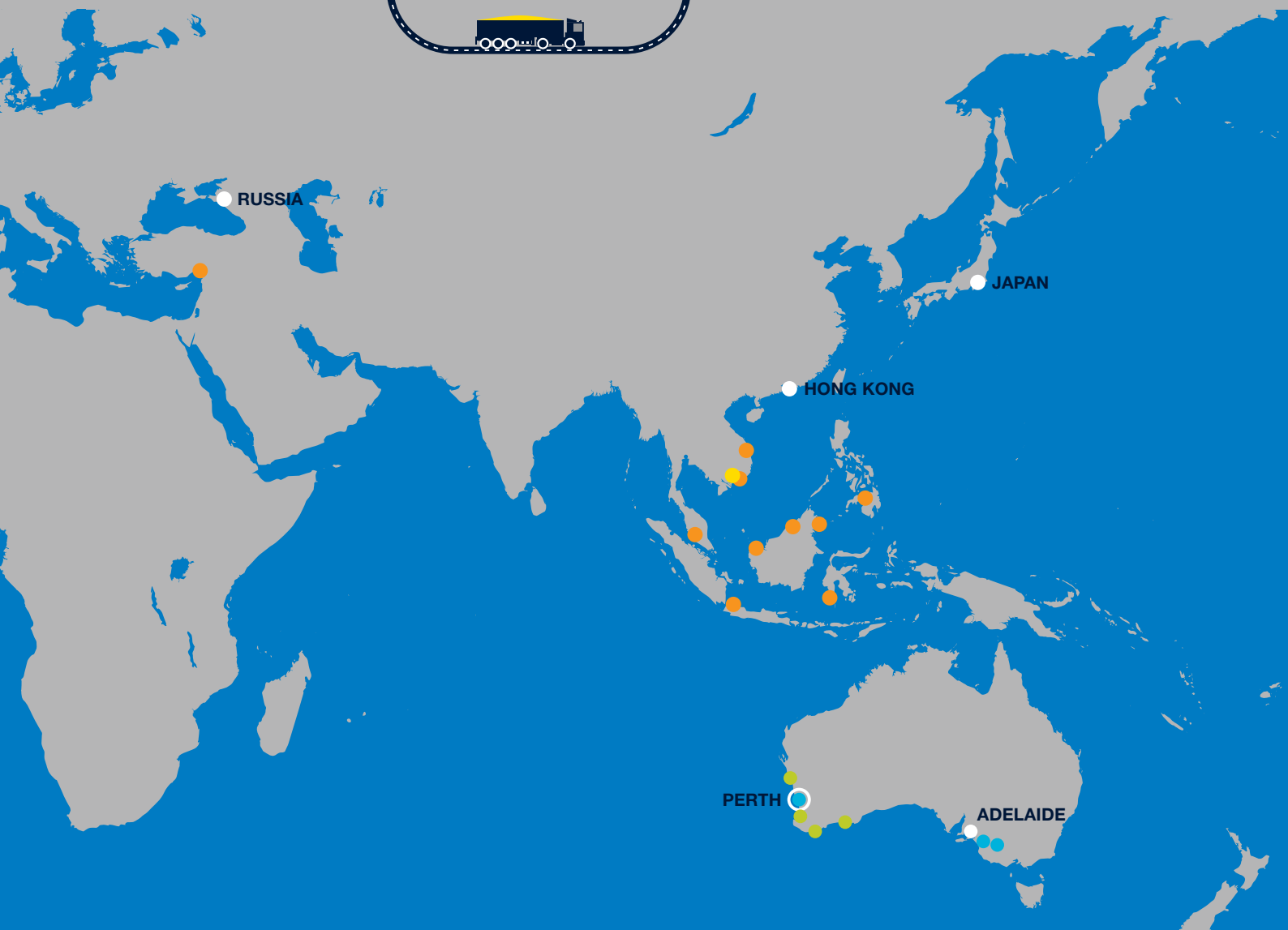
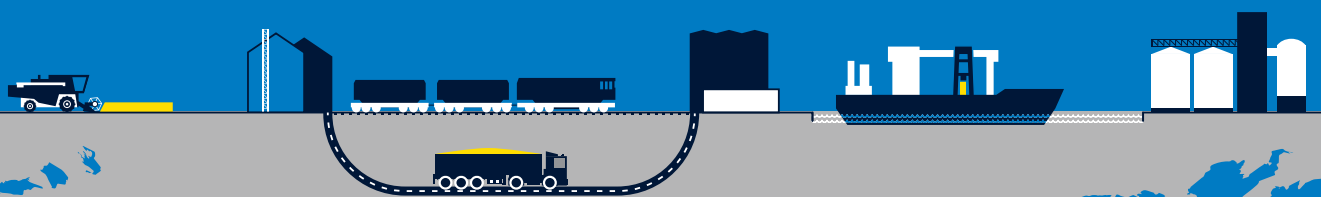
million tonnes
traded

7.6

million tonnes
shipped

1.8

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

I am pleased to report on the CBH 2019 financial year as we continue our strategy of providing you the safest, lowest cost and most efficient grain supply chain possible to keep you internationally competitive.

While we are disappointed the co-operative has reported a Group deficit before rebates of \$13.3 million, we remain in a strong financial position with a robust balance sheet consisting of \$1.8 billion in net assets, solid performance from Operations and little long-term debt.

Highlighting our strength is the ability to provide the lowest supply chain fees in the country, which we reduced by \$4 per tonne ahead of harvest last year.

With a near-record harvest of 16.4 million tonnes, your Board's decision to reduce fees benefited growers and marketers by a total of \$60.4 million this year, and will continue to provide growers value up-front for many years to come as we have committed to holding fees flat in the future.

In addition to providing low fees, as a co-operative, surplus funds are rebated to growers, not shareholders, via our patronage-based rebate program. In 2019, the total rebate was \$16.4 million or \$1 per tonne, returned from Operations.

When the rebate total is combined with the supply chain fee reduction, the total value returned from Operations for the year was \$76.8 million, a significant benefit for growers and the Western Australian grain industry.

The year was also significant because of the size and value of the crop. Most growers experienced an exceptional season, with the second biggest harvest on record and coupled with high grain prices, Western Australian growers produced the highest value grain crop ever which is something to be very proud of, providing significant revenue to the state and having great flow on benefits to our regional communities.

Many grain handling records were broken including for the entire Kwinana Zone where a total of eight million tonnes was delivered, exceeding the previous record of 7.5 million tonnes in 2013-14.

While many enjoyed the season, some growers on the south coast experienced a poor season and were not able to benefit from these events. Our thoughts are with affected growers and communities, especially those who continue to endure dry conditions.

In 2019, CBH made our largest ever investment in your network, with \$285.3 million invested in network capital and maintenance. This includes more than one million tonnes of new permanent storage, throughput enhancement projects at 37 receival sites and 19 new 36 metre or more in length weighbridges.

By adding storage to the network and improving our capabilities in receiving grain, we continue to work to meet the changing needs of your farm business, particularly the increased pace at which you deliver at harvest.

While much progress was made in storage and handling this year, our Marketing and Trading team, as well as our investments, reported disappointing results.

Along with all other grain trading businesses in Australia, Marketing and Trading experienced an incredibly tough trading year because of a range of external factors including the prolonged drought in eastern Australia, unexpected movements in wheat values and basis, and the ongoing Chinese anti-dumping investigation into Australian barley.

While Western Australian growers benefited from the high values provided during harvest, the market conditions that followed impacted Marketing and Trading's ability to make a surplus on accumulated grain sales.

We paid growers more for their grain than could subsequently be achieved at sale and as a result Marketing and Trading reported a loss of \$119.3 million

With a near-record harvest of 16.4 million tonnes, your Board's decision to reduce fees benefited growers and marketers by a total of \$60.4 million this year, and will continue to provide growers value up-front for many years to come as we have committed to holding fees flat in the future.

for the year, with growers the beneficiaries. Over many years, reserves have been built up in Marketing and Trading from growers' sales to cater for these unexpected events and the division is well placed going forward.

In our investments, Interflour is making good progress with its business turnaround plan. Underlying operational performance has improved, with earnings before interest tax, depreciation and amortisation increasing from US\$21.5 million last year to US\$41.0 million this year.

Despite the improvement, Interflour ended the year with a loss, with CBH's share \$15.2 million, mostly due to one-off costs relating to its milling business in Turkey.

During the year, CBH and our joint venture partner Origold each provided a \$44.3 million (US\$30 million) shareholder loan to Interflour to support the turnaround plan, and balance current debt and equity levels.

Our oat processing business, Blue Lake Milling, achieved a profit for the year and is reinvesting its surplus into capital improvements at its Forrestfield facility.

In Western Australia, CBH remains committed to our grain growing communities and we provided more than \$1.6 million through our Community Investment Fund this year.

Of note, we commenced a new program, the CBH Grass Roots Leadership Short Course, which seeks to support growers in developing their leadership skills. We also provided more than \$300,000 to community groups as part of our Grass Roots grants program and signed a three-year partnership totalling \$90,000 with award-winning music education program Musica Viva.

The Growers' Advisory Council (GAC) comprises Western Australian grain growers and plays a critical role in providing grower feedback to the Board and management. CBH welcomed seven new members to the GAC from 1 July 2019. The new members are Michael Caughey, Andrew Chambers, Stephanie

Clarke, Craig Doney, Gerard Paganoni, Daniel Sanderson and Jeffrey Stoney.

In addition, Neville McDonald and Helen Woodhams were appointed GAC Chair and Deputy Chair respectively, replacing Michelle Barrett and Royce Taylor who stepped down from the GAC following many years of service.

We would like to thank both Michelle and Royce, as well as the five other outgoing Councillors, Bill Bailey, David Cox, Andrew Nixon, Frank Panizza, and Barry West, for their work and support of the co-operative during their GAC tenures.

We would also like to recognise Member Director Rod Madden who will retire from the Board after the 2020 Annual General Meeting following the conclusion of his term. Rod has served nearly 12 years on the Board and has been a strong advocate of Western Australian growers, always driving to advance their interests.

We sincerely thank Rod for his contribution to CBH and we wish him every success in his future endeavours.

On behalf of your Board, I would like to thank Chief Executive Officer Jimmy Wilson, the Lead Team and CBH employees for their hard work over the past year.

While a tough year on several fronts, we are confident your co-operative has the leadership, skills and commitment to execute effectively against our strategy for your benefit. As a Board, we are fully committed to ensuring CBH remains a strong and sustainable business, and one that continues to put growers at the centre of everything we do.

Once again we take this opportunity to thank our growers for your patronage over the past year, and, as always, look forward to working with you in the coming year.



CEO's Report



Jimmy Wilson
Chief Executive Officer

CBH has a long and proud history, and the foundation of the co-operative's success has been our ongoing commitment to serving Western Australian grain growing businesses.

CBH and the growers of Western Australia are one and the same, and we need to grow and evolve together so that we can continue to be competitive in the international market, realising value for your hard work and the grain you produce.

Given the current competition in grain markets, particularly the addition of significant Black Sea and South American supply, which has been instrumental in real wheat prices reducing by around 50 per cent over the last three decades, CBH's focus must remain on reducing paddock to port costs, and farm input costs.

The CBH Strategy and Tactical Plan is our roadmap for how we will sustainably reduce the outbound logistical costs of your supply chain and make the network more efficient.

Our number one objective of the Strategy and Tactical Plan is the safety of our employees and growers when on site. Pleasingly, we have improved safety performance during the year, with our All Injury Frequency Rate (AIFR) decreasing from 12.9 to 9.4, and we have experienced a very significant decline in the severity of injuries to our people. Days lost to injury have reduced from 361 to 61.

We will continue to improve CBH's safety culture through ensuring our people have well maintained equipment, are trained in the right procedures, and have sufficient time to perform their roles in an effective manner.

Similarly, we have focused attention on supporting a high-performance culture in our people. We have further simplified our organisational structure and built capability through talent acquisition and development.

Significant progress was also made in the Network pillar of the Strategy and Tactical Plan. This year was a pivotal year for storage and handling, with a record investment of \$285.3 million spent on network capital and maintenance, mostly on Network Strategy projects.

Our Project Delivery and Operations teams worked closely to build more than one million tonnes of new permanent storage, a record for the co-operative, as well as a raft of inloading throughput enhancement projects.

The network investment this year included 236,000 tonnes of added storage at McLevie, 152,000 tonnes at Cranbrook, 122,400 tonnes at Dowerin, 106,000 tonnes at Wickepin, 84,000 tonnes at Lake Grace, 77,400 tonnes at Broomehill, 60,000 tonnes at Dulyabin and 46,800 tonnes at Gairdner. We also completed work on a new greenfields site, Nangulu, in the Geraldton Zone that has a total storage capacity of 180,000 tonnes.

This work is part of CBH's significant ongoing investment in the network to keep fees competitive, increase throughput capacity and efficiency, and meet export demand at the right time to capture value.

While we are focused on reducing paddock to port costs and increasing network agility, integrity and efficiency, we are also seeking to maximise market transparency and deliver more Marketing and Trading services that provide value for our growers.

CBH will continue to enable Western Australian growers competitiveness by providing low cost inputs for growers, investing in the storage and handling network, continuing to improve service offering and fees, and developing new markets for Australian grain.

Our co-operative structure means that we can leverage our position in the market to benefit growers which we have done by entering the fertiliser market in Western Australia to put downward pressure on local prices.

Since inception, the fertiliser business has grown solidly, selling more than 100,000 tonnes this year for the first time. We do not need a large share to have an impact and we have already started to reduce grower fertiliser costs and improve terms.

While there have been positives across the organisation, such as these, headwinds were experienced in several CBH divisions, particularly in Marketing and Trading and investments, leading to disappointing financial results for the Group.

In grain trading, both wheat and barley markets were heavily impacted by global market and political events, leading to the significant loss by the division.

We have taken stock of the circumstances that led to this outcome and have reflected on how we can best position ourselves to limit exposure to similar events occurring in the future.

In addition, the Group result has been negatively impacted by one off charges including impairments on our investment in Newcastle Agri Terminal and Interflour's Turkey milling business as well as a provision for the likely cost of rehabilitating sites that may be retired.

Separately, over the course of the year, growers raised concerns with us over the implementation of new technology for crop planning, Paddock Planner. The efficiency gains and benefits that the new system will provide the co-operative now and into the future will be significant, however, we acknowledge there has been apprehension from some growers in their adoption.

We have listened to your feedback and we will ensure that going forward we will communicate effectively with you about projects which impact your business and make improvements when required.

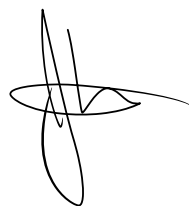
However, we are pleased that 74 per cent of grower estimates were entered in Paddock Planner. This information helps our Operations division tremendously with segregation and network planning. Please be assured our initiatives have been developed for the primary goal of improving the efficiency of our operations and provision of services solely for your benefit as growers.

Our job is about always being aware of our growers' needs and making sure our business matches the requirements of your farm businesses as you grow.

CBH will continue to enable Western Australian growers competitiveness by providing low cost inputs for growers, investing in the storage and handling network, continuing to improve service offering and fees, and developing new markets for Australian grain.

I would like to thank the CBH Board for their support over the past year and recognise the work of the CBH team, particularly the frontline teams who safely handled the significant crop and carried out the record amount of network capital and maintenance projects.

With our capable and committed team in place, I look forward to creating and returning more value for growers next year.

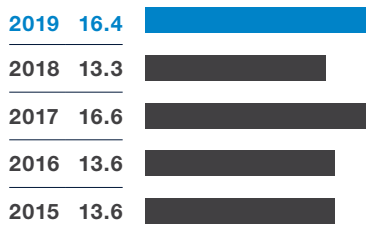


Operational and Financial Overview

Key metrics

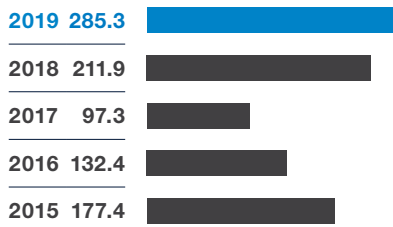
Tonnes handled

Million Tonnes



Capital Investment and Maintenance

\$m



CBH received the second largest amount of grain on record with 16.4 million tonnes received.

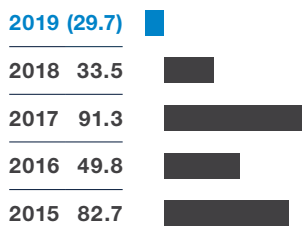
During the year, we spent a record \$285.3 million on network capital investment and maintenance, mostly on new storage, weighbridges and throughput efficiency projects as part of the Network Strategy.

While we received a large crop, financial performance was impacted, particularly because of the Marketing and Trading loss of \$119.3 million from the tough trading conditions the division experienced, and one-off expenses and fee reductions, as outlined below. These events resulted in a Group deficit before rebates of \$13.3 million and a Group net loss after tax of \$29.7 million.

CBH continued to return value to growers, with Operations providing a \$16.4 million total rebate for the year.

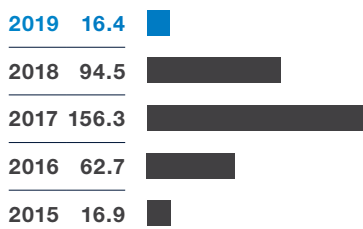
Group Net Profit (Loss) After Tax

\$m



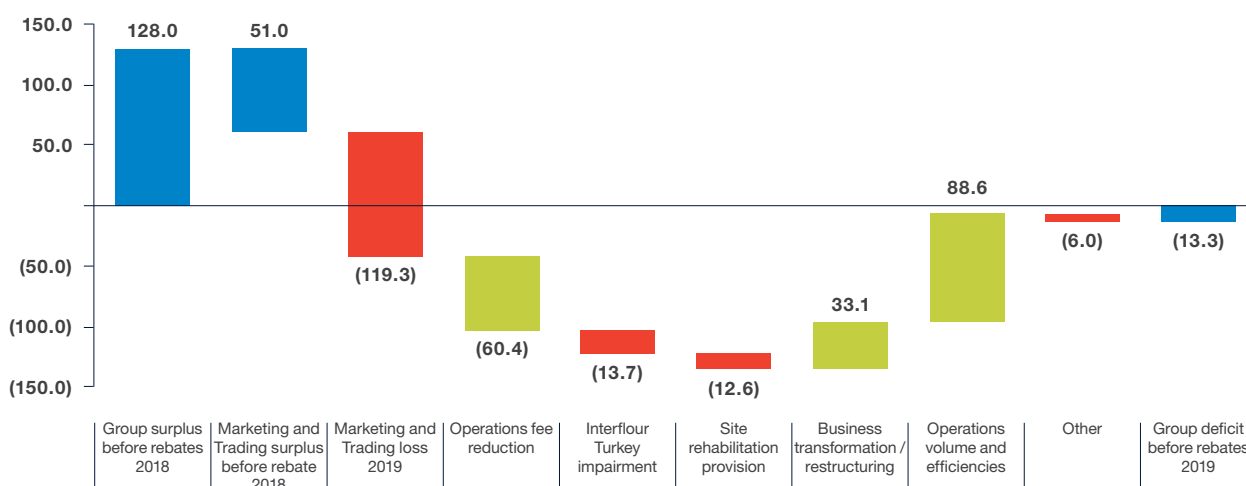
Group Rebates

\$m



Group surplus/(deficit) comparison 2018 to 2019

\$m



This chart compares the 2018 financial year performance with the 2019 result, showing the major differences between the years and the total value of these.

Overall, Marketing and Trading's position has changed by \$170.3 million from year to year, from a net profit after tax (pre-rebates) of \$51.0 million in 2018 to a loss of \$119.3 million in 2019, due to external market forces in the wheat and barley markets.

A fee reduction of \$4 per tonne was provided to growers and marketers from the 2018 harvest resulting in a \$60.4 million reduction in Group revenue.

During 2019, CBH experienced several one-off impairments, including Interflour's milling business in Turkey (\$13.7 million). Interflour is currently undergoing a strategic review of the Turkey business to de-risk its exposure in the market.

The site rehabilitation provision of \$12.6 million relates to future estimated costs of site retirements. CBH has yet to finalise site retirement plans, however, it is necessary to raise a provision for a cost likely to be incurred in the future.

The business transformation amount of \$33.1 million outlines the positive difference between restructuring costs incurred in 2019, compared with 2018.

Operations benefited from additional volumes in 2019 compared with 2018, and achieved efficiencies from business transformation.

Other costs include emergency storage costs, changes in carry over fees, corporate costs and smaller subsidiary results.

Summary results

		2019	2018
Tonnes handled	mt	16.4	13.3
Revenue	\$m	4,190.0	3,791.6
Revenue including pool revenue	\$m	4,425.0	4,057.3
Earnings before interest, tax, depreciation and amortisation (pre rebates)	\$m	60.8	238.6
Earnings before interest and tax (pre rebates)	\$m	(41.5)	138.0
Taxation and net interest	\$m	28.2	(10.0)
Group surplus / (deficit) before rebates	\$m	(13.3)	128.0
Rebates	\$m	(16.4)	(94.5)
Net profit / (loss) after tax	\$m	(29.7)	33.5
Capital expenditure	\$m	259.7	155.7
Total assets	\$m	2,594.5	2,351.5
(Net debt) / net cash	\$m	(295.0)	29.6
Equity	\$m	1,758.2	1,767.0
Gearing (net debt to net debt plus equity)	%	14.4	-

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 elected Chairman in 2014. He is currently 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.



Simon Stead

Deputy Chairman

Simon Stead was appointed as a Director of the CBH Board in February 2015 and as Deputy Chairman in April 2019. He is currently a member of the Audit and Risk Management Committee. Simon is also the CBH appointed representative on the Co-operatives WA Council.

Simon runs a mixed sheep, cattle and cropping operation in Cascade and Dalyup in the Esperance port zone. He is a member of the Industry Advisory Board of the UWA Institute of Agriculture and 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.



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, and Chairman of the Investment Committee.

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 was previously the Chairman of CBH Pty Ltd which is the sole shareholder of Blue Lake Milling Pty Ltd.

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



Natalie Browning

Member Director

Natalie Browning was elected as a Director of the CBH Board in February 2018. She is currently a member of the Audit and Risk Management Committee, and the Network and Engineering Committee.

Natalie runs a continuous cropping operation on her property in Kondinin. She is currently a member of the Rabobank Western Australian Client Council and Chair of the Narembeen District High School Board. Natalie has completed the Executive Leadership Program Co-operatives and Mutuals facilitated by University of Western Australia Business School and the Australian Institute of Management and is also a former member of the CBH Growers' Advisory Council.

Natalie is a Graduate of the Australian Institute of Company Directors and is currently studying a Bachelor of Commerce (Accounting and Business Law) at Curtin University.



Vern Dempster

Member Director

Vern Dempster was elected as a Director of the CBH Board in April 2008. He served as Deputy Chairman from April 2013 to April 2014, and again from August 2014 to April 2019. 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 WA Farmers and was a Director of United Farmers Co-operative from 2000 to 2003.

Vern is a Graduate 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 40 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.



Rodney 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 Chairman of the Network and Engineering Committee, and a member of the Investment Committee.

Rod produces grain and sheep on his farm in Morawa. He is a former Director of North East Farming Futures, 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 Chairman of the Workplace Health and Safety Committee and a member of the Audit and Risk Management Committee and the Network and Engineering Committee.

Brian is an experienced grain farmer from Latham in the north east of the Wheatbelt. He is a past President of Liebe Group and a past Councillor of the Shire of Dalwallinu.

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



Jeff Seaby

Member Director

Jeff Seaby was appointed as a Director of the CBH Board in February 2019. He is currently a member of the Network and Engineering Committee, and the Workplace Health and Safety Committee.

Jeff runs a mixed cropping and sheep operation in Mukinbudin. He is a Councillor at the Shire of Mukinbudin, former Chairman of the Mukinbudin Planning and Development Group and the Central Wheatbelt Football League Tribunal, and has held leadership roles at multiple sporting clubs throughout the central Wheatbelt. Jeff is also a former member of the CBH Growers' Advisory Council.

Jeff has completed the Executive Leadership Program for Co-operatives and Mutuals and is a Member of the Australian Institute of Company Directors.



Trent Bartlett

Independent Director

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

Trent is currently Chairman of the Margaret River Busselton Tourism Association, Chairman of Good Samaritan Industries, Chairman of Traveller's Choice, Independent Director of Beyond Bank and Independent Director of the Australian Packaging Covenant. 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.



David Lock

Independent Director

David Lock was appointed as a Director of the CBH Board in February 2019. He is currently Chairman of the Audit and Risk Management Committee, and a member of the Investment Committee.

David is currently Chairman of Sea Harvest Australia and Odeum Pty Ltd. He is Deputy Chairman of Water Corporation and is a Director of the Marine Stewardship Council and a Member of the Advisory Council for Curtin Business School. He was previously Chairman of Australian Pork Limited and the West Australian Meat Industry Authority. He has extensive experience in agribusiness, gained through CEO roles at Craig Mostyn Group and Mareterram Limited from 2004 to 2017. David was awarded the 2012 National Australia Bank Agribusiness Leader of the Year.

David holds a Bachelor of Commerce and is a Chartered Accountant and a Fellow 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 and the Investment Committee, and a CBH Board appointed Director of Interflour Group Pte Ltd.

Alan is currently a Director of Adelaide Airport Ltd, a Director of Queensland Airports Ltd and a strategic advisor on international infrastructure investments to two of Australia's largest investment groups. He has extensive senior executive experience both nationally and internationally, with a strong background in infrastructure, including as former General Manager of Perth Airport and former General Manager of Sydney Airport, among other leadership roles. He also has extensive experience as a Director on other boards, including as former Chairman of each of Western Power, Tourism WA, Western Carbon Pty Ltd and Australian Renewable Fuels.

Alan holds a Bachelor of Arts (Management), a Diploma in Corporate Finance and is a Graduate of the London Business School (Strategic Studies) and the Australian Institute of Company Directors.

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.



Doug Warden

Chief Financial Officer

Doug joined CBH Group in October 2018 as Chief Financial Officer, bringing extensive experience in group financial management, strategy, commercial and business development, risk, treasury and investor relations.

Prior to joining CBH, Doug was Chief Financial Officer and Head of Strategy and Planning at Iuka Resources, and has 25 years' experience in senior roles across the resources and professional services sectors.

Doug is a Chartered Accountant and holds a Masters of Business Administration (MBA).



Jason Craig

General Manager
Marketing and 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 Marketing and Trading).



Brianna Peake

General Manager
Grower and External Relations

Brianna joined CBH in 2010 and was appointed General Manager Grower and External Relations in 2015.

Her responsibilities include grower communications, media and Group reputation management, community investment, government and industry relations and management of the Grower Service Centre, DailyGrain and the Growers' Advisory Council.

Brianna has over 15 years' experience in the grain industry with a focus on stakeholder and relationship management and is a Graduate of the Australian Institute of Company Directors and a Fellow of the Australian Rural Leadership Foundation.



Ben Macnamara

General Manager
Operations

Ben was appointed General Manager Operations in February 2019 and is responsible for leading CBH's storage and handling, logistics, engineering and shipping services. Ben's focus is on delivering an efficient, sustainable and cost-effective supply chain for Western Australian growers.

Ben joined CBH in 2014, serving as Commercial and Business Development Manager. Prior to his current role, Ben held the position of General Manager Planning, Strategy and Development.

Before joining CBH, Ben worked for an investment advisory firm and an international professional services firm.



Kelly McKenzie

General Manager
People and 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.



David Woolfe

General Manager
Legal and 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.



Pieter Vermeulen

General Manager
Project Delivery

Pieter joined CBH in January 2019 and was appointed General Manager Project Delivery in July the same year. He is responsible for the delivery of the co-operative's capital projects.

He has more than 30 years' experience in project management in the resources and construction sectors, and recently held senior roles in the Western Australia mining sector where he played an integral role in progressing a number of projects for major mining companies.

Prior to joining CBH, Pieter worked as an independent consultant to the resources sector.



Operations

A woman wearing a blue cap, sunglasses, and a high-visibility yellow vest is operating machinery on a grain elevator. She is looking to the left. The background shows a clear blue sky and some greenery.

ACHIEVEMENTS FROM THE YEAR

16.4_{mt}

Safely received your second biggest crop on record

Reduced supply chain fees by

\$4/tonne

Provided a rebate of

\$1/tonne

and held fees flat for 2019-20

Largest amount of grain moved on rail, third largest amount shipped

Operations is focused on connecting growers to their customers through the provision of an internationally competitive supply chain balancing low outbound logistical costs with effective services.

Our aim this year was to safely receive the second largest Western Australian crop on record, meet your site service expectations and ensure that grain is at port when it is required for marketers.

We have sought to standardise operations across the network to reduce operational variation, incorporate technology to improve grower experience and planning, and improve site bottlenecks to reduce site turnaround times.

We have also listened to feedback and incorporated grower knowledge and insight to improve our services, systems and performance.

Second biggest harvest on record

In 2018-19, CBH received a total of 16.4 million tonnes of grain, with the Kwinana Zone receiving a record eight million tonnes.

The total harvest size, combined with high grain prices due to the eastern Australian drought, made it the most valuable Western Australian grain crop ever recorded. Many CBH receipt and logistics records were broken in handling the large crop.

Safely handling a record breaking crop

Rail

Our 574 wagons, 26 locomotives and 12 trains together with our permanent and seasonal employees play a vital role in transporting Western Australia's crop to port for export.

Two additional locomotives and 131 standard and narrow gauge wagons were leased for parts of the year. During peak times we ran three standard gauge fleets and nine narrow gauge fleets to move the large crop.

Our rail infrastructure moved the largest amount on record, with 8.9 million tonnes of grain sent by rail to port

terminals over the year. This included six million tonnes which was moved within the Kwinana Zone to the Kwinana Grain Terminal for bulk export, and 555,000 tonnes delivered by rail to Metro Grain Centre to service the container and domestic markets.

In December 2018, 907,440 tonnes were moved on rail which was a record volume for the month of December. In January, our rail fleet marked a significant milestone, transporting more than 50 million tonnes of grain since the fleet was purchased in 2012.

Rail activities were supported by road with more than five million tonnes of grain moved by road to a port terminal throughout the year. We maintain good relationships with transporters to ensure the road fleet operates safely and with minimal impact to shared road users and local communities.

Shipping

Overall, Operations shipped a total of 13.8 million tonnes from our four grain terminals. Kwinana Grain Terminal shipped 6.2 million tonnes of grain, which was only 30,000 tonnes shy of the shipping record set in 2016-17. In the month of January, a record 769,000 tonnes were shipped out of Kwinana Grain Terminal.

Monthly shipping records were also broken in Esperance (December), Albany (February), Geraldton (February) and Kwinana (December, January and May). Metro Grain Centre celebrated a record 34,000 containers packed this year, totalling 776,000 tonnes.

Right structure for the right service

Following harvest, CBH announced a new Zone and Area Management structure for Country Operations. Kwinana Port Zone was divided into two, Kwinana North and Kwinana South, and the number of Areas across the network increased from 12 to 19.

The new management structure increases the number of Zone and Area Managers in the field, reducing geographical and operational spans of control, and provides development and leadership opportunities for our people, ultimately seeking to improve our service to growers.

Online services improving harvest experience

Over recent years, the Operations team has developed and introduced a variety of new online tools for growers and transporters with the aim to reduce supply chain costs, improve service to growers, and improve the planning of the network.

LoadNet Paddock Planner

Crop estimates are critical for Operations to plan and optimise harvest services including segregations, carryover, emergency storage and essential harvest movements. Paddock Planner provides a more accurate picture of what is being grown and where so we can meet demand with optimised services.

Following the introduction of Paddock Planner last year, we made improvements to the functionality for the 2019-20 harvest based on grower feedback. This included the ability to upload existing mapping files, split paddocks and enter multiple commodities or varieties. Paddock Planner automatically syncs to the CDF app, enabling an improved harvest delivery experience and improved site turnaround times.

Due to efficiencies gained both from the information provided by growers and their use of the technology, a discount of \$0.50 per tonne on 2019-20 harvest supply chain fees was offered to growers if they submitted their estimates through Paddock Planner and made their harvest deliveries using the CDF app.

More than 74 per cent of estimated hectares were completed through Paddock Planner this year, following 40 per cent in the first year, and the information gathered enabled Operations to plan site segregations with a clearer picture of the crop. We anticipate further efficiency gains as more growers utilise Paddock Planner to its full capability next year.

CDF app

During the 2018-19 harvest, the technology was extended across all zones and utilised well by growers with 65 per cent of deliverers using the technology. The app was also used to better track site turnaround times including queue times.

Across the network, queue times reduced from 46 minutes in the 2017-18 season to 43 minutes in the 2018-19 season, based on a simple average. Feedback from growers has been incorporated and the app has been relaunched for the 2019-20 harvest with improved functionality.

Notifier app

Similar to the CDF app, the Notifier app was extended to all zones providing growers with up-to-date information about harvest updates, site opening times and closures and segregation services.

Improving site performance for the benefit of growers, customers and our people

CBH has continued to identify and prioritise opportunities to improve grower experience at our sites through improving customer service as well as site-specific infrastructure and maintenance initiatives.

Feedback gathered from growers following harvest provided key issues and areas for focus and, following a prioritisation and planning process, ongoing improvement projects have been identified.

This year we have completed projects to improve the safety, amenity and service at our sites in the lead up to the 2019-20 harvest. This includes:

- improving accommodation facilities at several sites to maximise the safety and comfort of our people, allowing us to continue to attract employees to work at CBH sites

- restoring site surfaces, resurfacing where necessary and fixing critical potholes, and
- completing site works to improve the safety, hygiene and visual amenity of our sites through a clean-up program in each area.

Additionally, maintenance teams and trades are working more effectively and with greater mobility following the roll-out of mobile technology for our people to enable completion and recording of jobs in the field.

This has reduced time spent on travel and administration, allowing our people to spend more time on the tools which is reducing costs for overtime and the need for sub-contractors.

Market access management

One of our roles is to actively manage grain quality to protect access to our vital export markets and ensure that Western Australian growers receive the best outcome from selling their grain.

In an increasingly discerning global market, CBH shows industry leadership in balancing market requirements around quality, moisture, pests and chemical residues with grower cropping practices.

We actively manage these issues with stringent receival standards, varietal and chemical use declarations, proactive segregation policies, stack management, grower awareness campaigns and advocacy within the industry.

Keeping costs low and returning value

CBH's storage and handling fees remain the lowest in Australia and we are committed to ensuring that this remains so into the future. CBH introduced a \$4 per tonne fee reduction provided to growers and marketers ahead of the 2018-19 harvest, as a result of cost reduction activities undertaken by the co-operative.

In addition to this, in the same year Operations also provided growers a rebate totalling \$16.4 million or \$1 per tonne from the 2018-19 season. This brought the total value returned from the storage and handling business to \$76.8 million, including the fee reduction and rebates, while delivering a record \$285.3 million investment in network capital and maintenance.

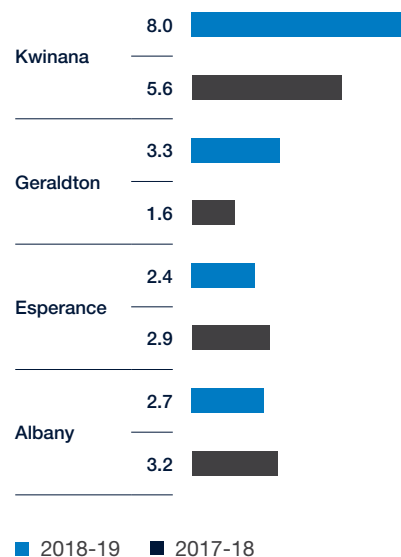
Record Breaking Sites

(annual tonnes received)

Site	Zone	Tonnes
Ballidu	Kwinana	184,659
Beacon	Kwinana	150,024
Beaumont	Esperance	172,933
Bodallin	Kwinana	132,296
Carnamah	Geraldton	390,547
Cadoux	Kwinana	144,272
Cunderdin	Kwinana	170,174
Dowerin 2	Kwinana	163,060
Kalannie	Kwinana	263,808
Kellerberrin	Kwinana	282,947
Kojonup	Albany	66,496
Kondinin 2	Kwinana	67,025
Konnongorring	Kwinana	214,220
Koorda	Kwinana	184,439
McLevie	Kwinana	329,307
Meckering	Kwinana	65,394
Miling	Kwinana	140,343
Mirambeena	Albany	143,600
Narngulu	Geraldton	81,666
Perenjori	Geraldton	135,604
Regans Ford	Kwinana	55,451
Wagin	Albany	138,397
Watheroo	Kwinana	169,509
Wyalkatchem	Kwinana	175,668
York	Kwinana	337,307

Grain received

(million tonnes)



Harvest at a glance

Receivals

Group

16.4_{mt}
received

23_{sites}
breaking one day
receival records

25_{sites}
broke season
receival records

Kwinana Zone

8.0_{mt}
total, breaking previous
record of 7.5m set in
2013-14

17_{sites}
in Kwinana Zone broke
one day receival records

18_{sites}
in Kwinana broke
season receival records

Largest sites per zone (tonnes received)

Kwinana

444,300_t
Merredin

Albany

340,500_t
Cranbrook

Geraldton

575,700_t
Mingenew

Esperance

1.15_{mt}
Esperance Terminal
including Chadwick

Services

Average
turnaround time

43_{min}
from 46 minutes last year
with 90% deliveries <1hr

139_{sites}
opened for receivals

Crop split across
six commodities with

37
different grades

60%
of grain delivered to top
30 sites, 23% to the next 30
and 17% to the remaining sites



Network

An aerial photograph of a large-scale grain storage facility. The facility consists of several massive, circular grain silos covered in white tarpaulin. A complex network of yellow conveyor belts and metal structures is visible, connecting the silos and facilitating the movement of grain. In the foreground, a white Scania truck is parked on a paved area, and a yellow and blue piece of heavy machinery is positioned near one of the silos. The overall scene depicts a modern and efficient grain handling operation.

ACHIEVEMENTS FROM THE YEAR

\$285.3_m

invested in network capital
and maintenance

More than

1_{mt}

of new permanent storage
added to the network

Throughput enhancements completed at

37 sites

to increase the rate of grain
being received and to reduce
site turnaround times

19

new longer weighbridges
of at least 36 metres installed
at key receival sites

Interactive network map
to provide greater visibility
of network projects

CBH has completed our largest ever annual investment in the network, with approximately \$285.3 million invested this year to maintain existing infrastructure, expand storage capacity and enhance supply chain efficiency.

Largest ever investment into the network

We have added more than one million tonnes of new permanent storage, completed throughput enhancement projects at 37 receival sites and installed 19 new weighbridges in time for the 2019-20 harvest.

The year's works are part of CBH's significant ongoing investment in the network to keep fees competitive, increase throughput capacity and efficiency, and meet export demand at the right time to capture value for growers' grain.

Managed under our Plan-Build-Operate structure, the projects were identified and prioritised based on feedback from

growers and frontline employees, and were selected to provide the greatest value for growers over the long term.

Throughput enhancements

CBH upgraded grain inloading infrastructure at 37 receival sites to increase the grid speeds to up to 500 tonnes per hour. The projects included the replacement or installation of additional equipment at the sites, including grain inloading machinery to open bulkheads, elevators, weighbridges, augers and stackers.

We installed 19 permanent 36 metre or more in length weighbridges across the network including inloading and exit weighbridges. The longer weighbridges

will eliminate the time-consuming process of weighing individual axels. We also installed three mobile exit weighbridges for the 2019-20 harvest.

Permanent storage expansion

A number of key sites benefited from new permanent storage and infrastructure upgrades.

Projects were delivered at an accelerated pace compared to previous years, with positive safety outcomes and in time to deliver improved service for growers.

Network Strategy Highlights



Dowerin

122,400 tonnes added storage

Three new open bulkheads

One new 500 tonne per hour conveyor



Lake Grace

84,000 tonnes added storage

Two new open bulkheads

One new 500 tonne per hour conveyor with two stackers

Exit weighbridge



Dulyalbin

60,000 tonnes added storage

Two new open bulkheads

One new 500 tonne per hour conveyor

Existing conveyor upgraded to 500 tonne per hour

Network Strategy Highlights



Wickepin

106,000 tonnes added storage

Two new open bulkheads

Upgrade to two existing bulkheads

Two new 500 tonne per hour conveyors

New truck marshalling area

Relocation of sample hut to improve traffic flow



Narngulu

Greenfields site

180,000 tonnes storage capacity

Four new open bulkheads

Three drive over grids

Truck marshalling area holding up to 25 trucks

Two 54 metre weighbridges

Sample hut



Cranbrook

152,000 tonnes added storage

Six new open bulkheads

Three new 500 tonne per hour conveyors

Existing conveyor upgraded to 500 tonne per hour

Improved traffic flow



Gairdner

46,800 tonnes added storage

Two new open bulkheads

One new 500 tonne per hour conveyor with two stackers

Existing conveyor upgraded to 500 tonne per hour



McLevie

236,000 tonnes added storage

Six new open bulkheads

Two new 500 tonne per hour conveyors



Broomehill

77,400 tonnes added storage

Two new open bulkheads

One new drive over grid



Network Strategy 2019 progress

Kwinana North

- Bonnie Rock** – weighbridge
- Bruce Rock** – inloading upgrade
- Cadoux** – inloading upgrade
- Dowerin** – storage expansion
- Dulyalbin** – storage expansion
- Konongorrin** – weighbridge
- Koorda** – inloading upgrade
- McLevie** – storage expansion, weighbridge
- Merredin** – inloading upgrade, weighbridge
- Moora** – mobile weighbridge
- Muntadgin** – weighbridge
- Naremben** – inloading upgrade
- Piawaning** – inloading upgrade
- Warralakin** – weighbridge

Kwinana South

- Avon** – inloading upgrade
- Brookton** – mobile weighbridge
- Corrigin** – mobile weighbridge
- Doodlakine** – weighbridge
- Metro Grain Centre** – weighbridge
- Narrakine** – inloading upgrade
- Wickepin** – storage expansion, weighbridge
- York** – inloading upgrade

Albany

- Broomehill** – storage expansion, inloading upgrade, weighbridge
- Gairdner** – storage expansion, inloading upgrade
- Kojaneerup** – inloading upgrade
- Lake Grace** – storage expansion, weighbridge
- Mindarabin** – weighbridge
- Wellstead** – weighbridge

Geraldton

- Arrino** – inloading upgrade
- Mingenew** – inloading upgrade
- Moonyoonooka** – inloading upgrade, weighbridge
- Morawa** – weighbridge
- Narngulu** – new site

Esperance

- Chadwick** – inloading upgrade
- Munghlinup** – inloading upgrade
- Salmon Gums** – inloading upgrade
- West River** – inloading upgrade, weighbridge

New network investment map

CBH has published an online interactive network map that shows the major enhancements on receival sites since 2016. Growers can click on the map to see an overview of network investment projects completed and planned for each site. The map will be regularly updated with new projects once they enter the execution phase.

See the map at cbh.com.au/network-strategy

- **Sites which received upgrades in 2018-19**
- **Network Strategy site**

Marketing and Trading

ACHIEVEMENTS FROM THE YEAR

48%

Western Australian market share (7.9 million tonnes)

17%

South Australian market share (610,000 tonnes)

Financial Product approvals reached

\$108_m

Inaugural winners of the 'Exporter to Asia' Award at the 2019 Western Australia Industry and Export awards



The past year has presented one of the toughest trading environments for Australian grain traders in recent times, with a range of external factors contributing to a disappointing outcome for Marketing and Trading, with the division recording a net loss after tax of \$119.3 million on revenue of \$3.5 billion.

Despite the financial loss, and in the face of the most challenging year on record, Marketing and Trading maintained their position as Australia’s largest exporter of grain and continued to develop new and existing markets for Western Australian grain.

Over the years, the division has built a strong balance sheet which enables us to weather the fluctuations of our dynamic global grain industry.

Managing external factors

The trading environment in Australia has been impacted by external factors which greatly affected the ability for Marketing and Trading to make a profit this year. Both wheat and barley markets have been heavily impacted by global economic and political events.

Wheat

The ongoing drought in eastern Australia saw wheat prices and basis levels increase well above export parity during the 2018-19 harvest. An estimated 2.7 million tonnes of grain was exported from Western Australia to the east coast including 1.6 million tonnes of wheat. Domestic demand then eased off as eastern Australian stock

feed users started substituting wheat for feed barley as the price spread widened, a direct result of lower Chinese demand following the barley anti-dumping investigation announcement. In addition, lower priced Canadian wheat imports reduced milling wheat demand seeing wheat prices return to export parity from April 2019. However, export demand was limited as traditional markets had already migrated to buying from Black Sea or South American origins.

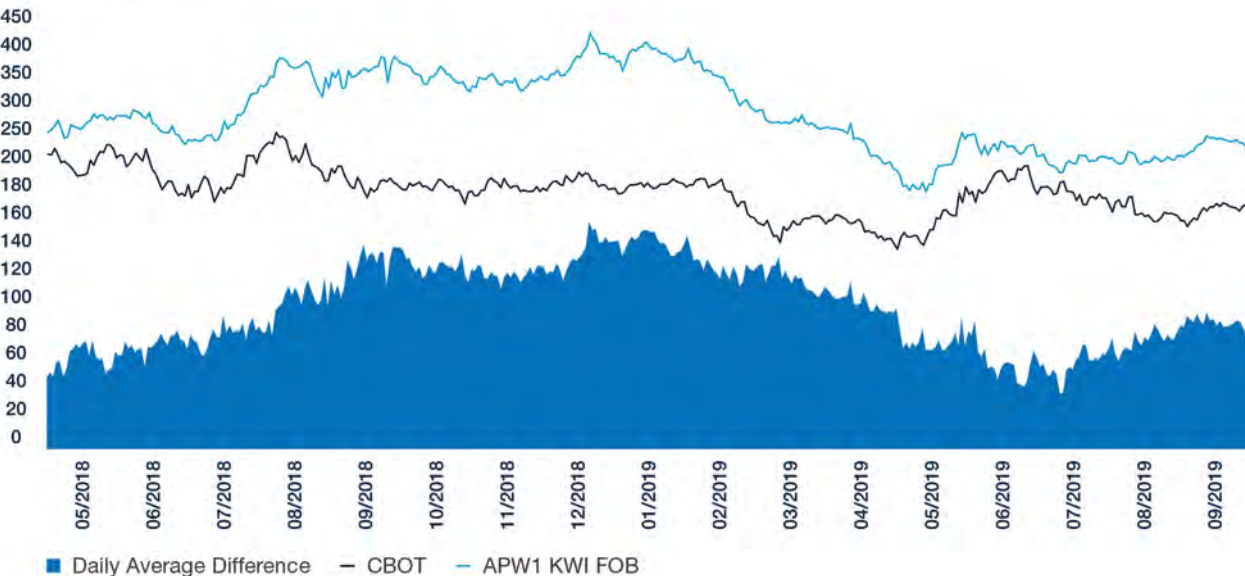
In response, Marketing and Trading developed an emerging market for lower protein wheat into the Philippines, where Australian wheat has an advantage due to a 7 per cent import duty applied to our Black Sea and South American competitors. This saw approximately 1.4 million tonnes of lower protein wheat sold to the Philippines feed market.

Similar to the majority of Australian grain traders, Marketing and Trading uses Chicago Board of Trade (CBOT) wheat futures as a risk management tool to hedge accumulated wheat tonnages daily. Hedging accumulated wheat tonnages on CBOT wheat futures removes a large proportion of the price risk, however, there is a proportion of the price that is not able to be hedged, which is commonly referred to as basis.

The chart below shows the basis levels over the financial year, being the difference between the Western Australian wheat prices per tonne (blue line) and CBOT wheat futures prices per tonne (black line). This has been converted into Australian dollars per tonne using the A\$:US\$ spot rate for the corresponding day.

As can be seen from the chart, basis levels (the difference between these two lines) peaked in December 2018 at \$154 per tonne before declining to \$70 per tonne in early May 2019 and reaching a low of \$43 per tonne in mid July 2019. This \$84 per tonne fall in the basis over May was largely caused by a combination of the fall in Australian prices, together with a rally in CBOT wheat futures. The fall in the Australian price was driven by softening domestic demand exacerbated by the importation of wheat in eastern Australia. The rally in CBOT wheat futures was driven by very heavy rains in North America leading to concerns that wet ground conditions would significantly reduce corn plantings. The combination of a falling domestic price, with a corresponding rally in the CBOT price was an unusual occurrence which severely impacted the profitability of Australian grain traders, including Marketing and Trading.

Wheat Basis
Price (A\$/t)





Barley

An anti-dumping investigation into Australian barley was launched by the Chinese Ministry of Commerce (MOFCOM) in November 2018. A subsequent countervailing duties investigation was announced soon after. These investigations resulted in Australian barley values collapsing. During this time of uncertainty, Marketing and Trading moved its barley shipping program forward to minimise the impact.

Over the year, prices continued to fall, as did the spread between malting and feed. We have continued to develop new and diverse customers for Australian barley, however, the Chinese market has been our largest market for both malting and feed barley for a number of years due to the superior values this market has delivered to Western Australian growers. Prices have failed to recover to the record high prices achieved during the harvest period with continued uncertainty during the ongoing investigation.

CBH is working with growers, government and industry to achieve a favourable outcome for Western Australian growers.

Strong equity position

Over many years, Marketing and Trading has built a strong balance sheet and equity position to cater for unexpected market events. The division has net assets of \$196 million.

Looking forward for the 2019-20 harvest, Marketing and Trading has secured banking facilities in excess of \$1 billion to purchase grain from growers, demonstrating the continued strength of Marketing and Trading's banking relationships and balance sheet, despite a difficult previous financial year.

Marketing and Trading has also recently introduced three-day payment terms, ensuring growers receive their money as quickly as possible.

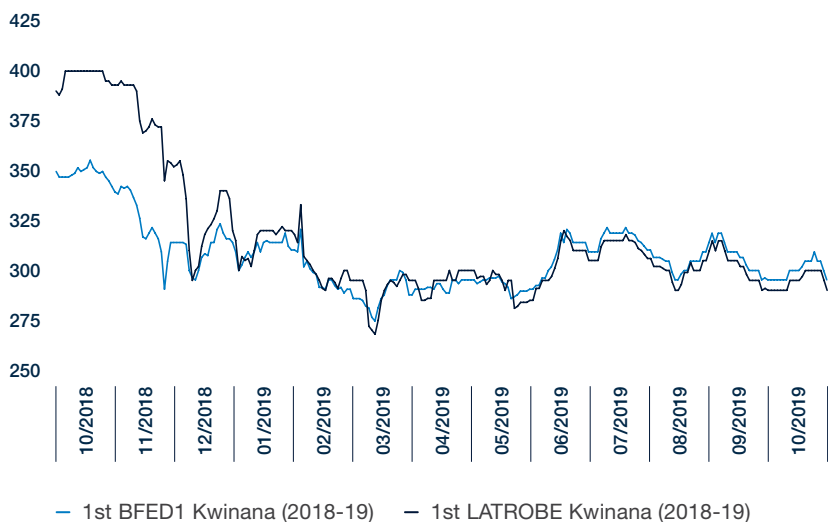
We continue to execute sales to key customers across Asia and the Middle East, as well as explore and develop new markets for Western Australian grain to overcome the recent global challenges and continue to return optimal value to growers.

Structural changes in the Russian market combined with a strong focus on the Australian business has led to the decision to close the Russian office. This is expected to be concluded in early 2020.

Marketing and Trading has sold its 50 per cent share in CI Trading, Vietnam, to Interflour, and will continue to focus on the Vietnam market through the employment of an on-ground agent.

Buyer Pricing - Barley

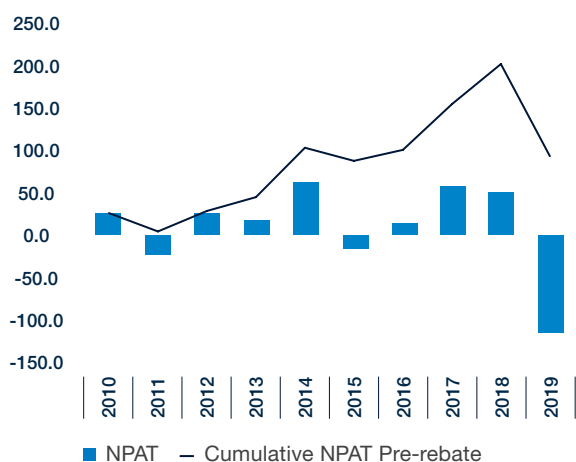
Price (\$A/t)



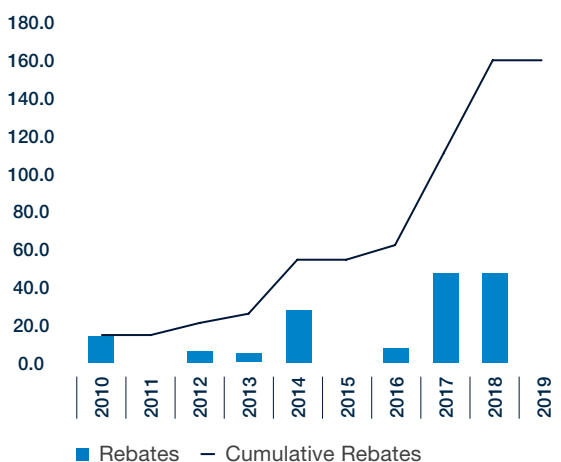
Marketing and Trading performance overview (10 year)

The charts below illustrate that despite a loss of \$119.3 million in 2019, over the past 10 years Marketing and Trading has generated a cumulative net profit after tax and pre-rebates of \$96.8 million and paid out rebates of \$157.2 million over the same period.

Net Operating Profit After Tax Pre-rebates⁽¹⁾
\$'m



Rebates
\$'m



¹ The Marketing and Trading loss includes impairments of \$8.5 million and \$300,000 associated with CBH's investment in Newcastle Agri Terminal and CI Trading respectively.

Accumulation

Marketing and Trading acquired 48 per cent of the Western Australian grain crop delivered into the CBH system. In South Australia, we accumulated more than 600,000 tonnes, which was 17 per cent of the South Australian crop.

Record high prices over harvest were driven by drought in eastern Australia, and combined with good yields, growers were motivated to take advantage of the opportunity to maximise returns by selling at harvest.

Developing new markets

Marketing and Trading is committed to continue developing new markets and customers for Western Australian grain. During the year the team conducted technical visits to customers in new and existing markets including Thailand, Myanmar, the Philippines, China, Japan and South Korea meeting with more than 50 customers.

We worked with industry and government organisations to support and lead various initiatives including trade and market access development, the introduction and testing of new varieties, chemical residues and their impacts on customers and supply chains, as well as significant work this year to support the industry with the China barley anti-dumping investigation.

We have worked hard to develop markets for barley as an alternative to China following the anti-dumping investigation including opening an outlet for feed barley into Thailand, and ongoing work with government and industry to develop the Indian malting barley market.

Exporter to Asia Award

The Marketing and Trading team were recognised this year for their continual efforts to develop and expand new markets in Asia when they received the inaugural 'Exporter to Asia Award' at the 2019 Western Australia Industry and Export awards in September 2019.

Coordinated by the Department of Jobs, Tourism, Science and Innovation and managed by the Export Council of Australia, the awards recognise and honour the 'best of the best' in Western Australian business.

Marketing and Trading was nominated as a finalist in the 'Agribusiness, Food & Beverages' category, and won the 'WA Exporter to Asia Award'. Aligned with the Western Australian government's focus on Asia, the 'WA Exporter to Asia Award' has been introduced in 2019 to showcase and acknowledge outstanding achievement in exporting goods or services to Asia by an enterprise in any industry sector.

Grower Study Tour

The annual Grower Study Tour hosted by Marketing and Trading, and supported by the CBH Community Investment Fund, allows growers to gain a deeper understanding and appreciation of where and how Western Australian grain is consumed and understand the markets into which their grain is sold.

In September, more than 40 growers visited two of our closest and longest-standing markets, Japan and South Korea, to meet end users processing Western Australian grain.

The tour explored shochu manufacturing, barley processing, feed and flour milling as well as visiting and understanding the supply chains in these destinations.

In addition, a function was held with Zen-noh, a co-operative in Japan that has been supplied by CBH since 1972. The relationship continues to be very strong and as farmer co-operatives we continue to work together for the long-term benefit of our respective members.

Financial products

Pools

In April we finalised our first Flexi-starter pool, which delivered market-leading results to participants, outperforming the average of the best available cash prices by up to 4.5 per cent.

The Flexi-starter pool was made available for the first time in June 2018, allowing participants to contract their wheat early in the growing season and adjust contracted tonnes within a nominated timeframe, providing growers the flexibility to adapt to seasonal conditions.

By offering pre and post-harvest pool options, growers can spread their price risk earlier in the growing season, as well as further diversify their grain marketing portfolio to produce a more consistent result each year.

Swaption

During 2019, Marketing and Trading commenced a review of its swaps product structure and procedures following changes to the Australian Financial Services (AFS) licensing environment, which resulted in a significant increase in costs to CBH to maintain its current AFS licence.

We completed an in-depth review and made the decision to close the existing CBH Swap product and offer in its place a new product – the CBH Grain Commodity Swaption. The swaption offers wholesale-qualifying growers a commodity price hedging product for both wheat and canola in a sustainable way.

Pre-Pay Advantage

Marketing and Trading's Pre-Pay Advantage and Grain for Fert products provided more than \$108 million in working capital finance to approximately

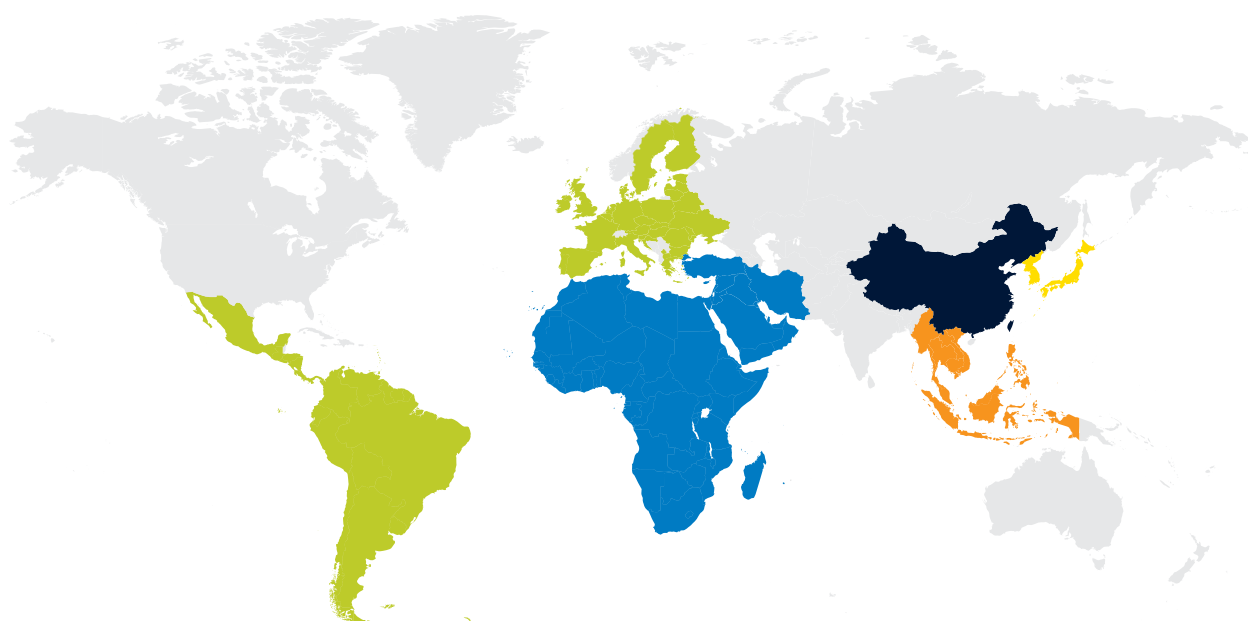
400 farming entities. This was slightly lower than previous seasons as growers used a greater proportion of their retained earnings for the valuable 2018-19 crop and reduced their input costs as conditions declined during the season.

Chartering and Shipping

The Chartering and Shipping team shipped over 7.5 million tonnes of grain on 190 vessels with more than 65 per cent of vessels chartered by Marketing and Trading.

In addition, the team managed and delivered more than 12,500 containers of grain to international customers providing on-time delivery to meet their requirements. The Chartering and Shipping team within Marketing and Trading is an integral part of ensuring the smooth execution and delivery of your grain to the global market.

Marketing and Trading Export Markets



	● South East Asia	● North Asia	● Europe and Americas	● Japan and Korea	● Middle East and Africa	● Other/Domestic
2018-19	23%	19%	8%	16%	15%	19%
2017-18	19%	26%	14%	19%	15%	7%
2016-17	31%	25%	16%	14%	11%	3%



Fertiliser

CBH launched CBH Fertiliser to offer competitively priced, high quality base granular fertiliser products to Western Australian growers.

As part of the co-operative, CBH Fertiliser seeks to provide grower value by reducing on-farm costs through providing a quality, low cost option for growers' fertiliser needs, as well as returning a small profit to the co-operative. CBH Fertiliser is one of the products and services offered by the Marketing and Trading division.

Celebrating the biggest year so far

Now in its fourth year, CBH Fertiliser has established itself as a strong player in what has become a highly competitive Western Australian commercial fertiliser market.

CBH Fertiliser sales growth continued, with 103,000 tonnes sold in the year, while continuing to be profitable, and has retained surplus capital to expand the business further across the network. Almost two thirds of CBH Fertiliser customers throughout the year were repeat customers, an indication of satisfaction with the price and product offering.

In the last 18 months, the business expanded its sales team with two experienced and dedicated Fertiliser Area Managers appointed. The team now covers the entire network with sales support provided by Business Relationship Managers.

CBH Fertiliser offers a complete range of high-quality granular fertiliser products and uses state-of-the-art, high capacity blending machines which gives growers the ability to choose custom blends to suit their farm's needs.



Growers can contract throughout the year and arrange booking at a later date with collection points located in Perth at Kwinana and Henderson, and in Geraldton. CBH Fertiliser also offers flexible payment options including its Grain for Fert finance product and 30-day payment terms.

CBH Fertiliser continues to grow and is exploring options for expansion into all zones within the next few years, with aspiration to capture greater market share.

Tonnes sold

2019	103,000	
2018	90,000	
2017	64,000	
2016	55,000	

Investments

CBH's investments reported a mixed year, with each experiencing challenging conditions in the markets in which they operate.

Our investments portfolio did not return a rebate to growers this year due to a loss reported by Interflour and the need for Blue Lake Milling to reinvest in a number of capital projects.

Interflour Group

CBH has a 50 per cent interest in Interflour Group Pte Limited, which after accounting for minority interests, represents a 43 per cent economic interest in Interflour.

For the year ended 30 September 2019, Interflour made an after-tax loss with CBH's share \$15.2 million, mostly due to a one-off impairment of its milling business in Turkey (\$13.7 million). The underlying operational performance (excluding one-offs) improved significantly with Interflour generating earnings before interest, tax, depreciation and amortisation (EBITDA) in 2019 of US\$41.0 million (100% basis) compared to US\$21.5 million in 2018. This improvement reflects the 10-point turnaround plan implemented last year and some improvement in market conditions.

Successful efficiency and sales initiatives have resulted in positive contributions reported by Interflour's core South East Asian flour business as well as their Vietnamese port asset. Pleasingly the new malting facility in Vietnam, Intermalt, has exceeded expectations this year and is operating at close to capacity. Further cost reduction initiatives were also implemented during the year, particularly at Interflour's Head Office in Singapore.

Despite improved underlying performance the business continues to experience difficult conditions in some markets. Given the changing regulatory environment governing Turkish flour exports, Interflour's Turkey business model remains difficult to sustain. Interflour is currently undergoing a strategic review of the Turkey business to de-risk its exposure to this market.

In August 2019, Interflour's shareholders, CBH and Origold, decided to strengthen Interflour's balance sheet to ensure future sustainable operations and provide the Interflour team a platform for future success. CBH and Origold approved a shareholder loan of US\$60 million, of which the CBH share was US\$30 million (approximately A\$44.3



million). The shareholder loan was used to pay down Interflour debt.

It is important to note that due to CBH's strong financial position, the loan to Interflour will not impact on planned investment in CBH's network.

Blue Lake Milling

Blue Lake Milling (BLM), is a leading manufacturer of premium Australian oat products with operations in South Australia, Victoria and Western Australia. BLM achieved a profit for the year despite a significant increase in oat prices driven by the drought in eastern Australia.

The business continues to focus on reducing costs within its supply chain, ramping up operations at its Forrestfield facility in Perth and expanding international marketing efforts. Surplus capital in the business was re-invested into maintenance and upgrades at its Forrestfield operations.

Australian Bulk Stevedoring (ABS)

In April 2019, CBH acquired the remaining 50 per cent shareholding of ABS and is now the sole shareholder

of the business. ABS was a joint venture formed in 2009 between CBH and Hudson Shipping Lines, with ABS providing stevedoring services to exporters at CBH port terminals.

ABS continues to operate independently and maintain its high level of flexibility and service to all customers of CBH port terminals. In 2019, ABS loaded 14.3 million tonnes of grain and woodchips.

Newcastle Agri Terminal

Newcastle Agri Terminal (NAT), located within the Port of Newcastle in New South Wales, exported 35,000 tonnes in the year to 30 June 2019 and was significantly impacted by the on-going drought in eastern Australia. To support domestic demand for grain, the terminal imported approximately 370,000 tonnes from Western Australia and South Australia during the year. Due to the ongoing drought in eastern Australia, CBH has reassessed the fair value of our investment in NAT, which has resulted in an impairment (of \$8.5 million). CBH has an 18.9 per cent interest in NAT which operates the storage and export facility for bulk agricultural products.

Health, Safety and Environment

ACHIEVEMENTS FROM THE YEAR

Demonstrated a decline in the severity of injuries to our people

Implemented the Integrated Management System (IMS) - our improved safety management framework

Developed the CBH Environmental Management Standard

Continued to reduce the carbon intensity of the co-operative

Sustainability at CBH means taking care of our people, the environment and the communities we operate in and striving for positive long-term outcomes. As a core value for our business, safety is our number one priority, and a healthy and safe workplace for our people comes above all else.

Safety

By championing effective safety leadership, we seek to achieve the vision that we all return home safely at the end of each working day. All CBH employees demonstrate leadership in safety, contributing to positive behaviours and a controlled work environment which has been demonstrated through improved outcomes over the last year.

Our safety performance in 2019 improved, with our All Injury Frequency Rate (AIFR) decreasing from 12.9 to 9.4 this year. To drive a significant improvement, we are aiming for a reduction in injuries over the next three years to reach an AIFR of 4 by 2022. We will achieve this by embedding a safety culture through developing our people, strengthening our management system and upgrading our equipment across the business.

Integrated Management System

This year saw the embedding of the Integrated Management System (IMS) which was developed last year and replaced a complex and multi-layered system with a simpler documentation system which is clear and consistent throughout the business.

The IMS introduced new Work Instructions and Standard Operating Procedures for all critical activities. The rollout of the IMS has seen positive feedback and improved safety outcomes from employees.

Critical Risk Management

We continued to build on our critical risk control program resulting in the delivery of several key actions. A final list of 13 critical risks identified throughout the business was agreed upon, and leaders assigned as Critical Risk Owners.

Workshops were undertaken for each critical risk to identify high consequence events and critical controls for prevention of incidents. The results from these workshops enabled the business to revise our Critical Risk Control Standards and understand what verification activities are required operationally to prevent high consequence events occurring.

To support the business in verifying the effectiveness of critical controls the business has also delivered a Semi-Quantitative Risk Analysis that has provided a whole of business risk profile for the management of critical risks.

Safety leadership

Frontline business leaders participated in the CBH Leader Essentials training which covered key safety, injury management and environmental areas to further develop our safety culture. We have also significantly improved our hazard identification and control capability, as well as the Job Safety Analysis and Take 5 processes.

Field leadership activities continue to be a key area of focus for the business, with the number of positive interactions increasing. We now have a plan to focus on improving the quality of these interactions in coming years.

Health

As a business we place the highest priority on the health of our people, both within the workplace and outside. In 2019 we offered a range of health incentives to support good physical and mental health of our employees.

A comprehensive, health program was delivered which included multi-week health challenges, monthly awareness topics and activities, flu shots, skin cancer checks as well as on-site hearing and lung function tests. People leaders also continue to receive specialised training and support to effectively optimise employee health and wellbeing.

In support of mental health in the workplace, we participated in the national awareness campaigns with R U OK Day and Movember. We updated our policy approach to mental health, considering the new Mental Health Code of Practice, with the result of additional programs being offered next year. Our Employee Assistance Program and Manager Assistance Program continue to support CBH personnel and their families.

Fatigue is an ongoing risk to CBH employees and contractors and is actively managed operationally. Fatigue diagnostic workshops were held this year with key risk groups to identify areas to improve our risk management strategies to reduce fatigue related incidents as well as improve employee health, wellbeing and performance. An action plan is in development to be implemented across the business.

Environment

In keeping with our value of sustainability and commitment to strive for outcomes that benefit the environment, we have adopted the CBH Environmental Management Standard that outlines the minimum requirements for environmental management at all CBH sites.

We are pleased to have met our sustainability action plan target of having one megawatt of renewable generation capacity by 2019. CBH has operating solar systems now in place at Moora, Geraldton, Merredin, Avon and at office and accommodation sites across Western Australia. In addition, Blue Lake Milling is also in the process of finalising construction of a 1.2 megawatt anaerobic digester at its Bordertown site in South Australia.

The overall carbon intensity of our business continues to reduce, with 2019 totals reporting a 50 per cent reduction in carbon intensity (total carbon emissions in tonnes/tonnes of grain received) from our high marker captured in 2013.

Our port terminals and Metro Grain Centre continued to maintain their ISO14001 Environmental Management certification under the new IMS approach.

In partnership with our major suppliers, we have continued to refine our resource recovery and recycle schemes for a number of our major wastes as we continue working towards reducing our overall landfill burden.

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.	●●●●●
	Implement Environment Management Standard as part of CBH's Integrated Management System	Environment Management Standard outlining key environmental risks and minimum controls drafted and endorsed.	●●●●●
	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). EIFR now in place.	●●●●●
	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, and Chadwick. Since 2013 CBH is tracking with a "positive net gain" i.e. more diversity replaced than lost via CBH activities.	●●●●●
	Undertake tree retention programs on all relevant sites.	Mandatory under our Sustainability Action Plan. No non-essential clearing is undertaken on CBH sites.	●●●●○
	Construct and implement a 'Buy Quiet' policy.	Established in site-specific plans.	●●●○●
Strive to enhance the communities in which we operate in	Review Community Investment Program against set objectives.	Community Investment Program is reviewed annually and sponsorship activities are tracked. Applications for the Grassroots Fund are accepted three times annually to assist the timing of payments to community groups.	●●●●●
	Formalise major community partnerships.	Formal partnerships in place with Royal Flying Doctors Service, Ronald McDonald House, WA Country Football, Musica Viva, Hockey WA, Black Dog Institute, Royal Agricultural Society and Grower Group Alliance.	●●●●●
	CBH Grass Roots Community Grants.	Provides sponsorship up to \$20,000 via an application process against key criteria.	●●●●●
	Harvest Mass Management Scheme.	\$250,000 to 13 worthy charities via this scheme in 2018-19.	●●●●●
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.	Demand management, capacity management and site data tracking 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/measures.	●●●●○
	Install 0.5 megawatts of renewable energy by 2016 and 1 megawatt by 2019.	Solar systems established at Moora, Geraldton, Avon, Merredin and nine CBH offices. 1.2 megawatt anaerobic digester under construction at Blue Lake Milling.	●●●●○
	Identify vehicle fleet options to reduce environmental footprint of CBH Group fleet.	Environmental criteria embedded in CBH vehicle selection policy.	●●●●●
Integrate sustainable development principles	Ensure sustainability objectives are captured within the 'Future Sites Concept'.	Energy efficiency strategies factored into original site design at Chadwick.	●○○○●
	Opportunities for energy efficiency to be considered and reported for each major capital expansion in development specifications.		○○○○○

Status Key

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

Objective	Action	Comments	Status
Implement sustainable consumption practices	Communicate our sustainability objectives, targets and activities to stakeholders (employees, growers, suppliers).	Communications to employees, growers and key suppliers has begun. Environmental and sustainability considerations included in key Request For Price (RFP) and contracts.	●●●○
	Develop a purchasing policy giving consideration to environmental and social performance, opportunities to 'buy local' and minimal packaging options.	Purchasing Policy now references Sustainability approach.	●●○○
	Establish a program to benchmark suppliers.	Tender evaluation process in place with criteria and weighting system applied.	●●●○
	Implement a 'high risk' product or problem material database.	To be implemented formally from 2019.	●●○○
	Revitalise the 'Sustainable Office Program' focusing on travel, paper use, waste and recycling, water, energy in office settings.	Waste and recycling programs communicated at office relocation in 2019.	●●●●
	Determine the feasibility of using sustainable e-publishing tools for the majority of distribution, paper and printing processes for all marketing material.	PDF and online capabilities available for all regular publications. CBH applications in development.	Complete
Foster more sustainable behaviours and consumption patterns	Implement a tiered training structure for sustainability and environmental aspects relevant to CBH.	Training packages developed in consultation with Learning and Development.	●●●○
	Implement an annual communications and education strategy in support of an international/national environmental significant day (e.g. World Environment Day).	As part of HSE communications plan 2019.	●●○○
Improve water use efficiencies and protect water quality	Identify and communicate baseline water consumption figures centred on areas of potential wastage.	23 per cent reduction against five year useage average	●●●○
	Determine feasibility of installing rainwater tanks in all new developments.	Rainwater tanks installed at some sites, however not in place for all new developments.	●●○○
	Undertake feasibility studies of stormwater harvesting options from CBH sites and facilities.	Goomalling site collects run off for community use. Pingrup project operational.	●●○○
	Undertake formal water audits at major facilities.	Consumption patterns tracked at all CBH sites.	●●●○
	Implement water quality guideline for wash down areas on CBH sites focused on best practice controls.	Audits to be conducted at CBH sites against Environmental Management Standad 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.	Reuse and recycling systems established for wall liners, sample bags, PVC tarps, fluoro tubes, oil, paper, cardboard, co-mingled, e-waste, packaging and mobile phones. Goal is 0 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.	●●○○
	Implement four closed loop recycling programs.	Grain dust at Metro Grain Centre and Kwinana Grain Terminal. Waste oil at major sites. Supplier take back on PVC tarps.	●●●○
	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.	●●●○



Grower Service

Our Grower Service Centre and Business Relationship Managers provide Western Australian growers year-round assistance with all aspects of the business.

In Perth, our team of customer service operators assist with over-the-phone transaction service solutions including contracting and nominating grain, taking CBH Fertiliser bookings and orders and Quality Optimisation.

We offer support and guidance for CBH's online tools including LoadNet, Paddock Planner and the CDF app, and provide knowledgeable information regarding CBH's financial products, fees and charges and operational issues including site times and services for growers during harvest.

From the start of October 2018 to the end of January 2019, we received over 14,000 incoming calls with the average wait time of 72 seconds. Outside of the harvest period we took approximately 9,300 calls with an average wait time of 57 seconds.

We are equipped and ready to provide extensive support to our growers, aiming to provide single phone call resolution and a convenient and efficient experience for our growers.

A Grower Service Centre located in our Adelaide office provides support to growers in south and eastern Australia with advice and service regarding grain contracting, financial products and grain marketing opportunities.

Marketing and Trading regional support

Marketing and Trading has a team of Business Relationship Managers located in our regional offices across Western Australia and in South Australia. The team provides support to growers in the field, sharing market information and trends and providing access to Marketing and Trading products, grain marketing tools, advice and general CBH information.

The Western Australian team support the CBH Fertiliser sales team, providing quotes and contracting fertiliser sales.



DailyGrain and MarketPlace

DailyGrain, a wholly owned subsidiary of CBH, remains an industry leader in the provision of price discovery and online grain marketing for Western Australian growers.

DailyGrain members receive easy access to over 1,000 daily prices from 22 grain buyers for all commodities and grades in Western Australia, with the ability to chart historical price trends and optimise contract allocations.

The DailyGrain trading platform, MarketPlace continues to trade at a premium of \$8 above the best public published cash price. This continues to provide a transparent online space for growers and marketers to post and transact on cash prices. MarketPlace allows transactions for wheat, barley and canola on both delivered and forward grains. MarketPlace is free for all DailyGrain members and continues to bring greater transparency to the Western Australian grain marketplace.

Community

\$1.6 million invested in regional grain growing communities

Launch of the Grass Roots Leadership Short Course

'Face of Farming' Photo Competition exhibition hosted in the Perth CBD



The fund increases access to opportunities not often available in regional areas and encourages our communities to develop and thrive, which is key to a sustainable and prosperous future.

Growing future leaders

We offer a series of scholarships and programs which identify future leaders, build their skills and knowledge and provide them the opportunity to positively influence their community, industry and personal development.

The activities CBH undertakes or supports to deliver this commitment are the:

- Grass Roots Leadership Short Course with AIM/UWA
- Growing Leaders Scholarship Program with Leadership WA
- Not-for-profit governance training
- Nuffield scholarship
- AgriFutures Rural Women's Award
- Muresk and CBH Group Grain Industry Scholarship
- Leeuwin Ocean Adventure Foundation
- Clontarf Academy

Grass Roots Leadership Short Course

The CBH Grass Roots Leadership Short Course was introduced for the first time in 2019 with a total of 76 grower participants.

The course seeks to bridge the gap for those interested in further developing their leadership skills within their community and industry roles but may not yet be ready or able to commit to an intensive course that is traditionally offered in metropolitan areas.

Focus on regional health

In our fourth year of partnership with the Black Dog Institute, we delivered the CBH Mental Wellness Program that provides training and awareness support for mental health for health professionals, farm businesses, school students and individuals in Western Australian grain growing communities.

Since 2014, \$600,000 of funding has been provided by CBH to the Royal Flying Doctor Service in WA. This year marked the second of a five-year agreement to support the organisation and the vital service they provide to regional Western Australia.

We continue to sponsor a room at Ronald McDonald house, which provides accommodation support to ease the stress on families from grain growing regions whose children must travel to Perth for medical treatment.

For the first time we assisted five regional non-profit organisations who provide crisis accommodation to those in need. These were Ronald McDonald House, Crawford Lodge, Anglicare Women's Centre Albany, Katanning Crisis Care Accommodation and Avon Community Services Crisis Care.

Arts and culture

We signed a further three-year partnership totalling \$90,000 with Musica Viva to support its award-winning music education program for schools throughout regional Western Australia. Since 2014, CBH has contributed more than \$225,000 to Musica Viva.

Each year over 50 schools are involved in the Musica Viva program, with around 9,000 students able to experience and discover the magic of live music, many for the first time.

Our CBH Community Investment Fund provides financial support to grain growing communities in the form of scholarships, corporate partnerships, sponsorships and grass roots grants.



Sport and recreation

This year we continued our support of the Western Australian Country Football League. Since 2002 we have sponsored the League with \$945,000, supporting 12 leagues, 72 clubs, 291 teams, and 7,275 players from grain growing communities across Western Australia.

We are also proud to support Hockey WA and Tennis WA's regional programs including Hockey WA's State Country Championships and Tennis WA's Country Tennis Championships as well as the Tennis West annual regional roadshow.

Supporting communities at the grass roots

The CBH Grass Roots Fund provides funding to community and not-for-profit organisations to enable them to deliver small-scale infrastructure projects, events and community programs which enhance the wellbeing and vitality of their communities.

In 2019, CBH provided \$300,000 in two funding rounds to 104 groups and organisations with 71 small scale projects and 33 local events supported.

Support for the industry

One of the roles CBH plays is to support and promote the Western Australian grain industry on a state, national and international stage. We provide support and assistance to events and conferences including the Australian Grains Industry Conference, the WA Farmers annual conference, the Pastoralists and Graziers Association of WA annual convention and Grain Industry Association of WA annual forum.

Our involvement with the Perth Royal Show centres on providing show visitors information about the journey grain makes from the paddock to our plates at our fun and interactive display in the Farm 2 Food pavilion.

We continue to support community-based grower groups. These groups play an important role in encouraging and supporting the improved profitability and productivity of their members farm businesses.

HMMS

CBH and growers have continued their strong support of Western Australian charities with a record \$250,000 in donations from grain voluntarily forfeited as part of the continuing successful Harvest Mass Management Scheme (HMMS).

HMMS allows growers to forfeit grain from overloaded trucks which is then sold with the proceeds going to charities nominated by growers and CBH employees.

Since the scheme started in 2012, more than \$1.4 million had been donated to Western Australian charities.

There were 13 recipient charities for this year including the Country Women's Association of WA; Ronald McDonald House; St John Ambulance; Lifeline WA; Cancer Council WA; Anglicare; Perth Children's Hospital Foundation; Wheatbelt Men's Health; Comfort Quilts Against Cancer; Youth Focus; Heart Kids WA; Foodbank; and Camp Kulin.

People

Further simplification of our organisational structure

Building organisational capability through talent acquisition



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 in Western Australia, South Australia and Asia.

Right Structure

Early in the year, we simplified our organisational structure by aligning our Finance, Procurement, Strategy, Business Development and Information Technology teams within a single division. These functions provide critical systems and support to enable performance across the Group and in doing so drive grower value.

At the same time the Network Planning function moved into the Operations division structure to strengthen the alignment with the country operations and logistics teams ensuring effective prioritisation of key projects to enable improved performance of our sites, ports and logistics network.

Right People

As structures have evolved, equal focus has been placed on identifying the right talent for critical roles across the Group. While we continue to offer career development and progression for high performing employees, we place equal focus on bringing in new capabilities from the external market to increase diversity of thought and enhance our ability to deliver outcomes against our Tactical Plan.

Our commitment to increasing gender participation continues as we aim to achieve 30 per cent gender participation by 2022. While overall female participation remains the same as last year at 22 per cent, we continue to focus on attracting, retaining and developing high potential women, particularly into non-traditional roles at the technical and trades level.

Right Work

At CBH, we recognise that leadership drives culture and culture drives performance. We survey employees

to assess our culture using the Organisational Health Index (OHI) assessment. Through this, CBH can benchmark how we perform in 37 management practices and nine business outcomes that correlate with strong business performance, against more than 800 organisations worldwide and identify areas of focus where improvements will have the greatest impact to overall business outcomes.

In February 2018, CBH's OHI outcome was within the third quartile when compared with global benchmarks. Based on the feedback provided by our people, we focused throughout the year on the management practices that provide clarity on our strategic direction and the role individuals play in achieving those outcomes.

We have created clear operating plans and metrics to assess our performance, challenging ourselves and others to do more than we thought possible and ensuring we have clear links between performance and outcomes for individuals.

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.



In August 2019, we conducted the survey again to track our progress and identify areas for further improvement. CBH's result remains at the third quartile globally with improvements recognised in the management practices associated with leadership; capabilities; and innovation and learning.

We will continue to embed processes and tools that create clarity on our strategic direction and the role individuals play in achieving those outcomes, clear operating plans and metrics to assess our performance and ensuring we have clear links between performance and outcomes for individuals.

Acknowledgement of Service

20 years	Chris Tripp	Graeme Jose	Peter Adamson
	David Clark	Jeffrey Mutch	Scott Houston
	Fred Eggert	Paul Channon	Shaugh Tomlinson
25 years	Gary Shehan	Raymond Meredith	Steve Sloan
	Greg Wilkinson	Raymond Mickle	Trevor Martin
	Kurt Curley	Shane Massam	Will Golling
	Paul Stoner	Steve Della Marta	
30 years	Brian Bailey	Don Jones	Mick Daw
	Charlie Guthrie	Duncan Gray	Neville Scott
	Cheryl Kowald	Harry Moir	Richard D'Lima
	Craig Dicks	Margaret Seymour	Terry Chrimes
	David Caley	Matthew Greaves	
35 years	Blake Andrews	Clayton Coulthard	Shane Higgins
40 years	Alan Olsen	Jock Carlson	Kim Main
	Awal Alna	Gregory Wood	Mick La-Rosa
	Barry Pearson	James Main	Russell Saunders
	Charlie Burgess	Jeffery Moloney	Terry Anderson
	Colin Jenkins	Jon Merritt	
45 years	John Arcudi	Malcolm Higgins	Roger Hayden

Corporate Governance

This statement outlines the main corporate governance practices of the CBH Group's framework of governance for the year ended 30 September 2019.

CBH has in place a comprehensive 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 revised as 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 to achieve the co-operative's objectives. The Board has the final responsibility for the successful operations of the co-operative. The role of the Board is documented on the CBH website, however a summary of the principal functions of the Board include:

- approving and monitoring the overall strategic direction for the CBH Group
- establishing a framework for corporate governance and an environment of appropriate internal controls
- determining and approving the appointment and terms and conditions of employment and the terms of removal of the CEO and the Company Secretary
- determining and approving the setting and measuring of performance objectives and the remuneration and incentives of the CEO
- appointing appropriately skilled Independent Directors
- determining and modelling the appropriate culture for the CBH Group
- focusing on the creation of grower value
- identifying and monitoring the management of organisational risks
- monitoring compliance with legislative, environmental, occupational health and safety and ethical standards

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 at all times
- proposing to the Board any changes to the strategy on an annual basis
- constructing, with the Lead Team, programs to implement the strategy set by the Board
- selecting and negotiating the terms and conditions of appointment of General Managers in consultation with the Board's 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 Member Director elections 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 regarding preferred candidate/s. 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 table below.

Name of Director	Date first appointed	Period of Office **	Current term commenced	Term expires
T N Badger	4 April 2007	12 years 8 months	22 February 2019	February 2022
T J Bartlett*	28 February 2012	7 years 10 months	23 February 2018	February 2021
N A M Browning	23 February 2018	1 year 10 months	23 February 2018	February 2021
V A Dempster	2 April 2008	11 years 8 months	28 February 2017	February 2020
K J Fuchsbichler	4 April 2007	12 years 8 months	22 February 2019	February 2022
D A Lock*	22 February 2019	10 months	22 February 2019	February 2022
R G Madden	5 April 2006	11 years 8 months***	28 February 2017	February 2020
B E McAlpine	28 February 2012	7 years 10 months	23 February 2018	February 2021
A J Mulgrew*	24 February 2015	4 years 10 months	28 February 2017	February 2020
W A Newman (Chairman)	26 May 2000	19 years 7 months	28 February 2017	February 2020
J N Seaby	22 February 2019	10 months	22 February 2019	February 2022
S R Stead (Deputy Chairman)	23 February 2015	4 years, 10 months	23 February 2018	February 2021

* Independent Director

** Period of office as a Director of CBH as at December 2019

*** 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 Wally Newman is the elected Chairman and Mr Simon Stead 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 10 to 11 of the Annual Report.

Induction of new Directors

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

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

Role of individual Directors and conflicts of interest

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

Meetings of Directors

The Board meets formally at least seven 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 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 2019 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 Seeking Protocol which enables Directors to have access to required information to support the 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 course.

Directors are encouraged to continue professional development through attendance at various seminars, courses and conferences. The Board has adopted a Director Development Policy requiring each Director to undertake a minimum number of professional development hours, which a majority of Directors have achieved during the financial year. 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
- 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 50. 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 Lock (Chairman)

Mr Trent Bartlett

Ms Natalie Browning

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 2019.

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

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

The Committee met five times during the financial year ended 30 September 2019.

Investment Committee

The primary functions of the Investment Committee are to:

- review with management significant investment opportunities on behalf of the CBH Group and make recommendations to the Board;
- review with management potentially ceasing one of the primary activities of CBH and making recommendations to the Board;
- ensure that all investments recommended to the Board accord with the terms of the Investment Policy;
- ensure that reporting to the Board on the performance of investments is clear, consistent and balanced; and
- foster and maintain a trusting and productive relationship with management in the pursuit of new investments and the monitoring and reporting of existing investments.

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

Mr Trevor Badger (Chairman)

Mr David Lock

Mr Rod Madden

Mr Alan Mulgrew

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

The Committee met twice during the financial year ended 30 September 2019.

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 Brian McAlpine (Chairman)

Mr Kevin Fuchsbichler

Mr Jeff Seaby

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 2019.

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 Rod Madden (Chairman)

Ms Natalie Browning

Mr Brian McAlpine

Mr Alan Mulgrew

Mr Jeff Seaby

Mr Jimmy Wilson (CEO)

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

The Committee met eight times during the financial year ended 30 September 2019.

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 five times during the financial year ended 30 September 2019.

Audit governance and independence

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

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

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

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

KPMG has provided a declaration to the Audit and Risk Management Committee for the financial year ended 30 September 2019 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 regular basis
- There is also a separate Marketing and Trading Risk Committee which addresses risks specific to marketing, trading and chartering activities. This committee reports to the Lead Risk Committee and provides 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 Audit and Risk Management Committee endorses the annual internal audit plan to ensure that planned audit activities are aligned to business risks. The Audit and Risk Management 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 2018 Annual General Meeting, the co-operative's members approved Director remuneration at an aggregate amount of \$1,365,296 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 2019:

Name	Role	Directors' Fees (\$)	Superannuation (\$)	Total (\$)
Wally Newman	Chairman	188,416	17,899	206,315
Simon Stead	Deputy Chairman (i)	109,242	10,378	119,620
Trevor Badger	Director	94,588	8,986	103,574
Trent Bartlett	Independent Director; Chairman – Remuneration & Nomination Committee	114,836	10,909	125,745
Natalie Browning	Director	94,588	8,986	103,574
Derek Clauson (iv)	Director; Chairman – WHS Committee and N&E Committee	41,596	3,952	45,548
Vern Dempster	Director (i)	111,523	10,595	122,118
Kevin Fuchsbichler	Director	94,588	8,986	103,574
David Lock (ii)	Independent Director; Chairman – Audit and Risk Management Committee	72,761	6,912	79,673
Rodney Madden	Director; Chairman – N&E Committee (v)	96,179	9,137	105,316
Brian McAlpine	Director; Chairman – WHS Committee (v)	96,179	9,137	105,316
Alan Mulgrew	Independent Director	94,588	8,986	103,574
Jeff Seaby (iii)	Director	57,332	5,447	62,779
David Willis (iv)	Independent Director; Chairman – Audit and Risk Management Committee	50,307	4,779	55,086
Total		1,316,723	125,089	1,441,812

(i) Simon Stead replaced Vern Dempster as Deputy Chairman effective 3 April 2019

(ii) David Lock was appointed to the Board and as Chairman of the Audit and Risk Management Committee on 22 February 2019

(iii) Jeff Seaby was elected to the Board on 22 February 2019

(iv) Derek Clauson and David Willis resigned from the Board on 22 February 2019

(v) Effective 5 June 2019, Brian McAlpine was elected Chairman of the Workplace Health and Safety Committee and Rod Madden was elected Chairman of the Network and Engineering Committee

In addition to the above, David Willis, Vern Dempster and Alan Mulgrew all acted as Directors of Interflour Group Pte Ltd (IFG), in which CBH holds a 50% interest, throughout the financial year. During the financial year David Willis (\$8,000), Vern Dempster (\$20,000) and Alan Mulgrew (\$12,000) each received IFG Director fees.

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 strategy.

At the individual level, packages are comprised of fixed remuneration 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 certain salaried employees and payable based on performance.

Figure 1: Remuneration Framework

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

Annual reviews

Annually the Remuneration and Nomination Committee reviews and recommends to the CBH Board the performance standards and remuneration results for the CEO. The Committee also acts as a sounding board to the CEO in respect of Lead Team performance and remuneration results.

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 management and succession planning 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 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 2019.

Name	Title	Base Salary \$'000	Super \$'000	Total Fixed Employment Cost \$'000	Other Benefits * \$'000
Jimmy Wilson	Chief Executive Officer	895	19	914	5
Doug Warden	Chief Financial Officer	557	26	583	-
Jason Craig	GM Marketing and Trading	500	21	521	3
David Capper	GM Operations**	339	13	352	1
Ben Macnamara	GM Operations**	459	20	479	-

The remuneration reported includes paid leave taken but excludes any leave provision or period of unpaid leave.

* Other benefits may include parking, health insurance, life and trauma insurance etc., provided in the course of employment.

** David Capper resigned as GM Operations effective from 30 April 2019 on completion of a handover period, Ben Macnamara was appointed as his replacement on 18 February 2019. Remuneration reported for Ben Macnamara is for the full financial year including the portion of the year he was employed as General Manager - Planning, Strategy and Development.

Short Term and Long Term Incentives

In all cases, individual performance is linked to the delivery of outcomes against the CBH Group tactical plan.

Short Term Incentives (STI)

STIs are determined based on individual performance and group performance against Key Result Areas (KRAs) set by the Board annually. The KRAs have been designed to drive positive outcomes in areas such as group financial performance, sustainability and safety, network capacity and efficiency. This structure ensures that the payment of STIs to Lead Team members is linked to the enhancement of grower value, and more closely aligns the interests of Lead Team members and growers.

The 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 actual STIs earned in respect of the financial year ended 30 September 2019 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
Jimmy Wilson	Chief Executive Officer	100	65.0	603
Doug Warden	Chief Financial Officer	75	49.5	292
Jason Craig	GM Marketing and Trading	30	0.0	0
Ben Macnamara	GM Operations	30	26.4	132

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 LTI earned during the financial year ended 30 September 2019 for the CEO is shown in the table below.

Name	Title	Type of Incentive	Maturation Date	Incentive Earned \$'000
Jimmy Wilson	Chief Executive Officer	LTI	Sep 2020	400

Code of Conduct

The Board, as part of its corporate governance framework, has documented the expectations of Directors as well as a Code of Ethics 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.

In support of CBH's commitment to the highest standards of conduct and ethical behaviour in all of its business activities and to promote and support a culture of honest and ethical behaviour, the CBH Group has in place a Whistleblower Policy. The purpose of the Whistleblower Policy is to encourage staff and third parties to raise concerns and report instances of improper or corrupt conduct, where there are reasonable grounds to suspect such conduct, without fear of intimidation, disadvantage or reprisals. As part of the Whistleblower Policy, an employee or third party is able to report a matter via a secure and confidential whistleblower hotline operated by an external party. The Whistleblower Policy is published on the Corporate Governance section of the CBH website.

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 CBH 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 issues raised by members in relation to the audit if required.

Throughout the year, CBH 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. 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 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.

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 16 Councillors. All Councillor terms will be for a period of four years and Councillors may not renominate for a further term. Accordingly, up to four Councillors will retire annually and their positions up for appointment. If considered desirable by the selection panel, the incumbent Chair may sit for an additional two years, taking their term to a maximum period of six years. Members of the Growers' Advisory Council as at the date of this report are as follows:

Mr Neville McDonald (Chair)

**Mrs Helen Woodhams
(Deputy Chair)**

Mr Christopher Antonio

Mr Bryan Kilpatrick

Mrs Renee Lynch

Ms Romina Nicoletti

Mr Gareth Rowe

Mr Stephen Strange

Mrs Kirrilee Warr

Mr Michael Caughey

Mrs Stephanie Clarke

Mr Craig Doney

Mr Gerard Paganoni

Mr Jeffrey Stoney

Mr Andrew Chambers

Mr Daniel Sanderson



Directors' Report

For the year ended 30 September 2019

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 2019.

Directors and Company Secretary

The following persons held office as Directors of Co-operative Bulk Handling Limited during the financial year ended 30 September 2019 and up to the date of this report unless otherwise noted:

W A Newman, Chairman
S R Stead, Deputy Chairman
T N Badger
T J Bartlett
N A M Browning
D G Clauson
(resigned 22 February 2019)
V A Dempster
K J Fuchsbichler
D A Lock
(appointed 22 February 2019)
R G Madden
B E McAlpine
A J Mulgrew

J N Seaby
(appointed 22 February 2019)
D S Willis
(resigned 22 February 2019)

A summary of the qualifications, experience and special responsibilities of each of the Directors is set out on pages 10 and 11 of the Annual Report.

A summary of the qualifications and experience of the Company Secretary is set out on page 13 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 2019 and the number of meetings attended by each Director.

Director	Scheduled Board Meetings		Unscheduled Board Meetings		Audit & Risk Management Committee		Remuneration & Nomination Committee		Workplace Health and Safety Committee		Network and Engineering Committee		Investment Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
T N Badger	7	7	10	8	-	-	5	5	-	-	-	-	2	2
T J Bartlett	7	7	10	6	5	4	5	5	-	-	-	-	-	-
N A M Browning	7	7	10	9	5	5	-	-	-	-	4	4	-	-
D G Clauson	3	3	2	2	-	-	-	-	2	2	3	3	1	1
V A Dempster	7	7	10	10	-	-	5	5	-	-	-	-	-	-
K J Fuchsbichler	7	7	10	10	-	-	5	5	4	4	-	-	-	-
D A Lock	4	4	8	6	2	2	-	-	-	-	-	-	1	1
R G Madden	7	7	10	8	-	-	-	-	-	-	8	8	2	2
B E McAlpine	7	7	10	9	5	5	-	-	4	4	8	8	-	-
A J Mulgrew	7	6	10	8	-	-	-	-	-	-	8	6	2	2
W A Newman	7	7	10	10	-	-	5	5	-	-	-	-	-	-
J N Seaby	4	4	8	5	-	-	-	-	2	2	4	4	-	-
S R Stead	7	7	10	10	5	5	4	4	-	-	-	-	-	-
D S Willis	3	2	2	2	3	3	-	-	-	-	-	-	1	1

As the Board's representative on the Share Transfers and Documents Committee, Mr Wally Newman attended each of the five 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 a loss after income tax of \$29,667,000 (2018: profit after tax of \$33,517,000). The Group's result was driven by the loss recorded in the Marketing and Trading business unit and impairments related to the Group's investments.

Marketing and Trading

The Marketing and Trading business unit recorded a loss after tax of \$119,259,000 (2018: profit after tax of \$2,964,000). As a result of the Marketing and Trading loss, there was no Marketing and Trading rebate for 2019 (2018: \$48,063,000, \$7.00 per tonne).

The primary factors contributing to the current year's trading loss are detailed below.

Wheat

The ongoing drought in eastern Australia saw wheat prices and basis levels increase well above export parity during the 2018-19 harvest. Domestic demand then eased off as eastern Australian stock feed users started substituting wheat for feed barley as the price spread widened, a direct result of lower Chinese demand following the barley anti-dumping investigation announcement. In addition, lower priced Canadian wheat imports reduced milling wheat demand seeing wheat prices return to export parity from April 2019. However, export demand was limited as traditional markets had already migrated to buying from Black Sea or South American origins.

Marketing and Trading uses Chicago Board of Trade (CBOT) wheat futures as a risk management tool to hedge accumulated wheat tonnages daily. Hedging accumulated wheat tonnages on CBOT wheat futures removes a large proportion of the price risk, however, there is a proportion of the price that is not able to be hedged, which is commonly referred to as basis. In December 2018 basis levels peaked at \$154 per tonne before declining to \$70 per tonne in early May 2019 and reaching a low of \$43 per tonne in mid-July 2019. This \$84 per tonne fall in the basis over May was largely caused by a combination of the fall in Australian prices, together with a rally in CBOT wheat futures. The fall in the Australian price was driven by softening domestic demand exacerbated by the importation of wheat on the East Coast. The rally in CBOT wheat futures was driven by very heavy rains in North America leading to concerns that wet ground conditions would significantly reduce corn plantings. The combination of a falling domestic price, with a corresponding rally in the CBOT price was an unusual occurrence which severely impacted the profitability of Australian grain traders, including Marketing and Trading.

Barley

An anti-dumping investigation into Australian barley was launched by the Chinese Ministry of Commerce in November 2018. A subsequent countervailing duties investigation was announced soon after. These investigations resulted in Australian barley values collapsing. During this time of uncertainty, Marketing and Trading moved its barley shipping program forward to minimise the impact. Over the year, prices continued to fall, as did the spread between malting and feed. Prices failed to recover to the record high prices achieved during the harvest period resulting in a negative impact to the profitability of Marketing and Trading barley book.

Operations

The Operations business unit recorded a profit after tax of \$99,500,000 (2018: \$44,786,000). The profit increased as a result of increased harvest volumes and reduced grower patronage rebates, which was partially offset by a \$4 per tonne reduction in supply chain fees and charges. The Operations business unit contribution to grower patronage rebates was \$16,408,000 or \$1.00 per tonne (2018: \$46,408,000, \$3.50 per tonne).

The significant financial and operational items during the financial year were:

- Revenue increased by 10% to \$4,189,611,000. The increase in revenue was mainly driven by the Marketing and Trading business unit, which received higher year on year market prices for traded grains.
- The Operations business unit received 16.4 million tonnes of grain into its storage facilities during 2019 (2018: 13.3 million tonnes), while exporting 13.8 million tonnes during the financial year (2018: 12.3 million tonnes).
- The Marketing and Trading business unit traded 8.9 million tonnes during the financial year compared with 9.6 million tonnes the previous financial year, primarily due to modest Western Australia canola crop caused by early season dry conditions and reduced year-on-year sales from East Coast origins after drought across eastern states saw grain production fall substantially.
- Net operating cash outflow for the year was \$124,042,000 compared to the previous year cash inflow of \$12,240,000 predominantly due to the increase in traded grain inventories.
- During the year a site rehabilitation provision of \$23,414,000 has been raised to record decommissioning and rehabilitation obligations with respect to leased sites. On initial recognition, \$12,641,000 was immediately recognised in the statement of profit or loss and other comprehensive income, with the remaining \$10,773,000 recognised in property, plant and equipment, given management expect to obtain future use from these assets.

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 2019, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2019/20 season with various banks:

- Syndicated debt facility of \$1,000,000,000;
- Banking facilities of \$600,000,000; and
- Trade facilities of \$275,000,000.

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.

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 Group are subject to various Commonwealth and State environmental legislation and regulations.

The Group 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 have been no known significant breaches of any environmental regulations to which the Co-operative is subject.

Further details regarding the Group'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 Part 4, Division 6 of the *Co-operatives Act 2009*.

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 in relation to corporate advisory to the Group during the financial year. The amount received or due to be received for these services amounts to \$105,178.

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 53.

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
9 December 2019



Auditor's Independence Declaration under subdivision 60-C section 60-40 of the 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 2019 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



Trevor Hart
Partner

Perth

9 December 2019



Financial Report

ABN 29256604947

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 September 2019

	Notes	2019 \$'000	2018 \$'000
Revenue	5(a)	4,189,611	3,791,580
Other gains/(losses)	5(b)	(74,514)	(25,278)
Raw materials, traded grains and consumables used	6(a)	(3,178,267)	(2,746,741)
Employee benefits expense	6(b)	(193,384)	(191,882)
Depreciation and amortisation		(102,225)	(100,582)
Storage, handling and freight expenses	6(c)	(343,877)	(276,083)
Marketing and trading expenses	6(d)	(253,580)	(277,254)
Insurance		(8,562)	(7,573)
Rent expense		(12,739)	(14,775)
Other expenses	6(e)	(57,436)	(81,895)
Interest expense		(25,640)	(20,611)
Share of loss from associates	11	(14,849)	(9,726)
(Loss)/profit before income tax		(75,462)	39,180
Income tax benefit/(expense)	7	45,795	(5,663)
(Loss)/profit attributable to members of Co-operative Bulk Handling Limited		(29,667)	33,517
Other comprehensive (expense)/income			
Items that will not be reclassified to the profit or loss			
Share of other comprehensive (expense)/income from associates		3,966	856
Items that may be reclassified subsequently to the profit or loss			
Net gain on cash flow hedge		3	10
Foreign currency translation gain		8,468	8,689
Share of other comprehensive income/(expense) from associates		11,342	(7,974)
Other comprehensive income/(expense) for the year, net of tax		23,779	1,581
Total comprehensive (expense)/income for the year, attributable to members of Co-operative Bulk Handling Limited		(5,888)	35,098

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 2019

	Notes	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	19	194,207	139,820
Trade and other receivables	14	287,057	395,894
Derivative financial instruments	23(d)	27,588	119,670
Inventories	15	651,573	494,904
Income tax receivable		6,388	1,767
Prepayments		3,437	4,077
Total current assets		1,170,250	1,156,132
Non-current assets			
Trade and other receivables	14	35,391	-
Investments in associates	11	117,950	106,068
Derivative financial instruments	23(d)	56	1,612
Other financial assets	13	1,787	10,595
Property, plant and equipment	8	1,170,117	1,023,594
Intangible assets and goodwill	9	64,248	53,463
Deferred tax assets	7	34,676	-
Total non-current assets		1,424,225	1,195,332
Total assets		2,594,475	2,351,464
Liabilities			
Current liabilities			
Trade and other payables	16	183,643	248,854
Interest bearing loans and borrowings	20	480,261	100,117
Derivative financial instruments	23(d)	47,622	108,084
Provisions	18	29,956	52,726
Other liabilities	17	58,354	52,235
Total current liabilities		799,836	562,016
Non-current liabilities			
Trade and other payables	16	7,497	713
Derivative financial instruments	23(d)	259	1,664
Provisions	18	28,732	5,332
Deferred tax liability	7	-	14,721
Total non-current liabilities		36,488	22,430
Total liabilities		836,324	584,446
Net assets		1,758,151	1,767,018
Equity			
Contributed equity	21(a)	4	5
Reserves	21(c)	1,632,311	1,511,542
Retained earnings		125,836	255,471
Total equity		1,758,151	1,767,018

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

Consolidated statement of changes in equity

For the year ended 30 September 2019

	Notes	Ordinary shares Note 21 \$'000	Capital levy reserve Note 21 \$'000	General reserve Note 21 \$'000	Foreign currency translation reserve Note 21 \$'000	Cash flow hedge reserve Note 21 \$'000	Retained earnings \$'000	Acquisition Reserve Note 21 \$'000	Total equity \$'000
Balance at 1 October 2018, as previously reported		5	52,587	1,497,276	(36,694)	(452)	255,471	(1,175)	1,767,018
Adjustment on initial application of AASB 9 <i>Financial Instruments</i>	30(a)	-	-	-	-	-	(2,978)	-	(2,978)
Restated balance at 1 October 2018		5	52,587	1,497,276	(36,694)	(452)	252,493	(1,175)	1,764,040
(Loss)/profit for the year		-	-	-	-	-	(29,667)	-	(29,667)
Other comprehensive income/ (expense)		-	-	-	8,468	3	-	-	8,471
Share of associates' movement in reserves		-	-	-	10,591	751	3,966	-	15,308
Total comprehensive income/ (expense) for the year		-	-	-	19,059	754	(25,701)	-	(5,888)
Transfer (to)/from reserves/retained earnings		-	-	100,956	-	-	(100,956)	-	-
Transactions with owners in their capacity as owners:									
Shares cancelled		(1)	-	-	-	-	-	-	(1)
At 30 September 2019		4	52,587	1,598,232	(17,635)	302	125,836	(1,175)	1,758,151

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 2019

	Ordinary shares Note 21	Capital levy reserve Note 21	General reserve Note 21	Foreign currency translation reserve Note 21	Cash flow hedge reserve Note 21	Retained earnings	Acquisition reserve Note 21	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 October 2017	5	52,587	1,466,255	(37,009)	164	254,314	(1,175)	1,735,141
(Loss)/profit for the year	-	-	-	-	-	33,517	-	33,517
Other comprehensive income/(expense)	-	-	-	8,689	10	-	-	8,699
Share of associates' movement in reserves	-	-	-	(7,348)	(626)	856	-	(7,118)
Total comprehensive income/(expense) for the year	-	-	-	1,341	(616)	34,373	-	35,098
Change in associates' effective interest in its subsidiaries	-	-	-	(1,026)	-	(2,195)	-	(3,221)
Transfer (to)/from reserves/retained earnings	-	-	31,021	-	-	(31,021)	-	-
At 30 September 2018	5	52,587	1,497,276	(36,694)	(452)	255,471	(1,175)	1,767,018

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

Consolidated statement of cash flows

For the year ended 30 September 2019

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		4,497,783	4,029,806
Payments to suppliers and employees		(4,599,099)	(4,006,505)
		(101,316)	23,301
Interest received		9,626	12,479
Interest and other costs of finance paid		(25,496)	(20,494)
Income taxes paid		(6,856)	(3,046)
Net operating cash flows	19	(124,042)	12,240
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	12	(2,107)	-
Payments for property, plant and equipment		(189,774)	(128,841)
Proceeds from sale of property, plant and equipment		203	9,443
Payments for intangible assets		(20,039)	(6,889)
Distributions from associates		-	200
Term deposits (net)		10,169	(14,360)
Loans to third parties		(128,644)	(155,225)
Loans repaid by third parties		174,415	141,401
Loans to CBH Grain Pools		(3,859)	(10,225)
(Loans to)/repayment from associated entities		(44,330)	1,327
Net investing cash flows		(203,966)	(163,169)
Cash flows from financing activities			
Proceeds from borrowings		2,155,000	1,360,000
Repayment of borrowings		(1,775,000)	(1,261,514)
Net financing cash flows		380,000	98,486
Net increase/(decrease) in cash and cash equivalents		51,992	(52,443)
Cash and cash equivalents at the beginning of the financial year		139,820	191,276
Effects of exchange rate changes on cash and cash equivalents		2,395	987
Cash and cash equivalents at end of year	19	194,207	139,820

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

Notes to the consolidated financial statements

For the year ended 30 September 2019

Overview

1. General information

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 2019 were authorised for issue in accordance with a resolution of the Directors on 9 December 2019.

CBH is a not-for-profit co-operative limited by shares held by grain growers and domiciled in Western Australia.

The principal activities undertaken by the Group during the financial year comprised grain storage, handling, marketing and trading and oat processing. 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 of disposal and certain 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 2018 to 30 September 2019.

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.

This is the first set of the Group's annual financial statements in which AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 30.

b. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by CBH as at 30 September 2019 and the results of all subsidiaries for the year then ended. CBH 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 CBH's functional and presentation currency. For each controlled entity, the Group determines the functional currency. The functional currency of overseas subsidiaries are United States 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, which includes investments in associates, 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 2019

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 as follows:

Business unit	Principal activities
Operations (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.

Business unit performance is evaluated based on operating profit or loss.

Transfer prices between the business units are performed 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 2019

4. Business unit results (continued)

Year ended 30 September 2019	Operations (Grain Storage and Handling) \$'000	Freight Fund \$'000	Marketing and Trading \$'000	Grain Processing (i) \$'000	Corporate Services \$'000	Other Eliminations (ii) \$'000	Eliminations (iii) \$'000	Total \$'000
Business Unit Revenue								
Revenue	346,137	218,721	3,503,226	588,724	1,388	63,419	(515,596)	4,206,019
Inter-unit revenue	177,940	-	7,645	-	66,323	1,133	(253,041)	-
Grower patronage rebates	(16,408)	-	-	-	-	-	-	(16,408)
Total Business Unit Revenue	507,669	218,721	3,510,871	588,724	67,711	64,552	(768,637)	4,189,611
Total Business Unit Results								
Profit/(loss) before tax	99,500	-	(166,218)	(14,353)	1,456	4,672	(519)	(75,462)
Income tax benefit/(expense)	-	-	46,959	(249)	-	(1,180)	265	45,795
Profit/(loss) after tax	99,500	-	(119,259)	(14,602)	1,456	3,492	(254)	(29,667)
Other Business Unit Information								
Interest revenue	11,922	126	6,993	-	1,628	283	(12,899)	8,053
Interest expense	-	(1,688)	(34,823)	(1,329)	-	(699)	12,899	(25,640)
Depreciation and amortisation expense	(78,667)	(9,052)	(5,359)	(2,960)	(5,990)	(197)	-	(102,225)
Unrealised (loss)/gain on financial instruments	(2)	-	(32,340)	171	2	(3)	(1,148)	(33,320)
Share of profit/(loss) from associates	-	-	-	(15,172)	-	323	-	(14,849)
Assets (excluding investments in associates)	1,715,839	140,304	1,016,720	512,892	228,219	47,990	(1,185,439)	2,476,525
Investment in associates	-	-	-	-	-	-	117,950	117,950
Total Assets	1,715,839	140,304	1,016,720	512,892	228,219	47,990	(1,067,489)	2,594,475
Capital Expenditure	244,836	27	1,572	4,845	5,227	3,193	-	259,700
Total Liabilities	158,925	140,304	820,799	369,121	269,806	19,997	(942,628)	836,324

(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 100% of the revenue, assets and liabilities of Australian Bulk Stevedoring Pty Ltd ("ABS"). Six months of ABS profit is reinstated in the eliminations column to reconcile to the statutory results as ABS became a subsidiary on 2 April 2019, refer to Note 12.

(iii) Intra-group revenues are eliminated upon consolidation and reflected in the eliminations column. Business unit profit eliminations include intra-group dividends, revenue and expenses. Asset and liability eliminations relate to intra-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 2019

4. Business unit results (continued)

Year ended 30 September 2018	Operations (Grain Storage and Handling) \$'000	Freight Fund \$'000	Marketing and Trading \$'000	Grain Processing (i) \$'000	Corporate Services \$'000	Other Eliminations (ii) \$'000	Eliminations (iii) \$'000	Total \$'000
Business Unit Revenue								
Revenue	320,579	161,541	3,294,457	474,704	-	48,907	(414,137)	3,886,051
Inter-unit revenue	176,340	124	743	-	76,363	-	(253,570)	-
Grower patronage rebates	(46,407)	-	(48,064)	-	-	-	-	(94,471)
Total Business Unit Revenue	450,512	161,665	3,247,136	474,704	76,363	48,907	(667,707)	3,791,580
Total Business Unit Results								
Profit/(loss) before tax	44,786	-	5,561	(6,645)	(13,766)	7,742	1,502	39,180
Income tax benefit/(expense)	-	-	(2,597)	(825)	-	(2,241)	-	(5,663)
Profit/(loss) after tax	44,786	-	2,964	(7,470)	(13,766)	5,501	1,502	33,517
Other Business Unit Information								
Interest revenue	14,123	66	14,755	4	1,561	222	(14,458)	16,273
Interest expense	-	(1,512)	(31,397)	(1,588)	(46)	(526)	14,458	(20,611)
Depreciation and amortisation expense	(76,513)	(6,776)	(5,022)	(1,843)	(10,087)	(341)	-	(100,582)
Unrealised (loss)/gain on financial instruments	(48)	-	13,349	(110)	131	(71)	1,150	14,401
Share of profit/(loss) from associates	-	-	-	(10,152)	-	426	-	(9,726)
Assets (excluding investments in associates)	1,670,949	131,436	1,054,753	516,194	194,882	35,633	(1,358,451)	2,245,396
Investment in associates	-	-	-	-	-	-	106,068	106,068
Total Assets	1,670,949	131,436	1,054,753	516,194	194,882	35,633	(1,252,383)	2,351,464
Capital Expenditure	137,667	2,679	1,483	9,761	4,100	-	-	155,690
Total Liabilities	213,536	131,436	738,618	375,973	228,253	10,430	(1,113,800)	584,446

(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) Intra-group revenues are eliminated upon consolidation and reflected in the eliminations column. Business unit profit eliminations include intra-group dividends, revenue and expenses. Asset and liability eliminations relate to intra-group transactions eliminated on consolidation. The IFG, PAL and ABS 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 2019

5. Revenue and other income

a. Revenue

	2019 \$'000	2018 \$'000
<i>Revenue from contracts with customers</i>		
Grain handling services (i)	333,721	312,152
Grain freight services (ii)	220,563	162,041
Grain sales (iii)	3,486,320	3,254,514
Sales of finished products (iv)	133,219	107,561
Management fees (v)	3,731	4,508
Interest (vi)	8,053	16,273
Other revenue (vii)	20,412	29,002
	4,206,019	3,886,051
<i>Grower patronage rebates</i>		
Grower patronage rebates (viii)	(16,408)	(94,471)
Total revenue	4,189,611	3,791,580

Recognition and measurement

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in Note 30. Due to the transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirement.

Revenue is recognised at a point in time when the Group transfers control over a good or service to the customer and is measured based on the transaction price specified in a contract with a customer. Revenue is disaggregated based on the major revenue stream categories above. The following specific recognition criteria must also be met before revenue is recognised:

(i) Grain handling services

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

(ii) Grain freight services

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

(iii) Grain sales

Revenue is generated from the sale of grain overseas and domestically. Revenue is recognised once the control of goods has transferred from the Group to the customer. The transfer of control of grain usually occurs when title passes to the customer and the customer takes physical possession. The Group principally satisfies its performance obligations at a point in time; the amount of revenue recognised relating to performance obligations satisfied over time for shipping obligations is not significant.

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 on finished oat products and fertiliser is recognised once the control of goods has transferred to the customer. Revenue is measured based on consideration specified in the contract with the customer.

(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) Other revenue

Other revenue includes chartering revenue, despatch income and address commission. Chartering revenue and despatch are recognised when the relevant shipment has occurred. Address commission is recognised at the time the vessel is fixed.

(viii) Grower patronage rebates

Grower rebates are recognised in the year that they are announced and are apportioned to growers based on their patronage for that year. Grower rebates can be used to offset storage and handling charges when the grower utilises the storage and handling network.

Notes to the consolidated financial statements

For the year ended 30 September 2019

5. Revenue and other income (continued)

a. Revenue (continued)

Recognition and measurement (continued)

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

	2019 \$'000	2018 \$'000
Operations rebate	(16,408)	(46,408)
Marketing and trading rebate	-	(48,063)
	(16,408)	(94,471)

b. Other gains/(losses)

	2019 \$'000	2018 \$'000
<i>Realised gains/(losses) on:</i>		
Foreign currency exchange contracts, swaps and options (i)	(111,192)	(74,921)
Commodity derivatives	48,336	9,056
Other foreign currency exchange gain	11,972	13,231
<i>Unrealised gains/(losses) on:</i>		
Foreign currency exchange contracts, swaps and options (i)	10,944	(26,664)
Commodity derivatives	(42,833)	39,589
Other unrealised fair value (loss)/gain	(1,431)	1,476
Net gain on disposal of property, plant and equipment	55	5,569
Other income	9,635	7,386
	(74,514)	(25,278)

(i) It is the Group's policy to manage its foreign exchange risk through the use of derivative instruments. The 2019 and 2018 realised and unrealised losses on foreign exchange are the result of underlying currency movements. These losses 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 2019

6. Expenses

a. Raw materials, traded grains and consumables used

	2019 \$'000	2018 \$'000
Fair value change on traded inventory at year end	76,767	(53,721)
Costs of goods sold	3,100,530	2,800,483
Changes in other inventories	970	(21)
	3,178,267	2,746,741

b. Employee benefits expense

	2019 \$'000	2018 \$'000
Remuneration, bonuses and on-costs	178,900	178,232
Defined contribution superannuation	14,484	13,650
	193,384	191,882

c. Storage, handling and freight expenses

	2019 \$'000	2018 \$'000
Storage and handling	129,442	117,535
Freight (i)	214,435	158,548
	343,877	276,083

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

d. Marketing and trading expenses

	2019 \$'000	2018 \$'000
Freight and demurrage (i)	184,800	200,461
Port and export charges	21,700	22,773
Storage and handling	25,302	40,933
Other (ii)	21,778	13,087
	253,580	277,254

(i) Freight and demurrage expenses include the amount that the Group pays for ocean and domestic freight.

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

Notes to the consolidated financial statements

For the year ended 30 September 2019

6. Expenses (continued)

e. Other expenses

	Notes	2019 \$'000	2018 \$'000
Professional and consultancy fees (i)		2,661	43,622
Software and licences		8,805	8,488
Rehabilitation costs (ii)		12,288	1,717
Financial assets at fair value through profit and loss (FVTPL)	13	8,808	3,061
Provision for credit loss	14	2,410	594
Other		22,464	24,413
		57,436	81,895

(i) 2018 professional and consultancy fees include restructuring costs in relation to the Group's Transformation Programme.

(ii) Rehabilitation costs relate to obligations to make good closed sites. Refer to Note 18 for further details.

7. Income tax

Major components of income tax (benefit)/expense for the year ended 30 September 2019 and the year ended 30 September 2018 are:

	2019 \$'000	2018 \$'000
Statement of profit or loss and other comprehensive income		
<i>Current income tax</i>		
Current income tax charge	1,908	1,694
Adjustments in respect of current income tax of previous years	(174)	(190)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(47,532)	4,159
Adjustments in respect of deferred income tax of previous years	3	-
Income tax (benefit)/expense reported in the consolidated statement of profit or loss and other comprehensive income	(45,795)	5,663

Notes to the consolidated financial statements

For the year ended 30 September 2019

7. Income tax (continued)

Deferred Tax	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred income tax assets				
Financial liabilities	14,364	32,815	18,451	(19,433)
Financial assets	-	-	-	2
Plant and equipment	106	71	(35)	64
Accruals and provisions	4,506	4,354	(152)	(1,297)
Foreign exchange on loans to foreign subsidiaries	-	-	-	36
Other	273	231	(42)	365
Carry forward tax losses	29,603	14,856	(14,747)	(13,367)
Gross deferred income tax assets	48,852	52,327	3,475	(33,630)
Deferred income tax liabilities				
Financial assets	(9,132)	(35,916)	(26,784)	23,224
Plant and equipment	(1,653)	(3,068)	(1,415)	(1,272)
Inventories	(2,206)	(26,076)	(23,870)	15,332
Accrued income	-	(141)	(141)	(61)
Prepayments	(66)	(97)	(31)	88
Intangible assets	(949)	(1,114)	(165)	(155)
Other	(170)	(636)	(466)	633
Gross deferred income tax liabilities	(14,176)	(67,048)	(52,872)	37,789
Net deferred tax asset/(liability) (i)	34,676	(14,721)		
Deferred tax (benefit)/expense			(49,397)	4,159
Deferred tax expense recognised in retained earnings			1,426	-
Deferred tax asset acquired			442	-
Deferred tax (benefit)/expense recognised in statement of profit or loss			(47,529)	4,159

(i) Included in deferred tax assets as at 30 September 2019 are deferred taxes brought into the Group upon acquisition of ABS. Refer to Note 12.

Notes to the consolidated financial statements

For the year ended 30 September 2019

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:

	2019 \$'000	2018 \$'000
(Loss)/profit before income tax expense	(75,462)	39,180
At the Group's statutory income tax rate of 30%	(22,639)	11,754
Parent entity profit (tax exempt)	(29,961)	(9,246)
Other assessable income	24	23
Non-deductible expenses	11	30
Share of equity accounted results of associates	4,455	3,002
Difference in effective tax rate of overseas subsidiary	243	(137)
Prior year adjustments	28	(195)
Other	2,044	432
Income tax expense	(45,795)	5,663

Notes to the consolidated financial statements

For the year ended 30 September 2019

7. Income tax (continued)

Recognition and measurement

(i) Income tax

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

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

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

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 amount is 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

Estimation of current tax payable and current tax expense

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.

Recognition of deferred tax asset for carried forward tax losses

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 deferred tax assets for unused tax losses and deductible temporary differences at year end that are available to offset against future taxable profits. The Group's \$98,676,000 (2018: \$49,520,000) of gross tax losses carried forward comprise both realised losses and unrealised losses on forward commodity contracts and traded grain inventories. Unrealised losses will qualify for inclusion in the Group's taxable income only after the underlying financial asset or liability is disposed of or settled. These tax losses do not expire under the current tax legislation in Australia.

Based on prior years' performance and management's estimates, it is considered probable that future taxable profits will be available against which the current tax losses and deductible temporary differences can be used and, therefore, the related deferred tax assets can be realised.

Notes to the consolidated financial statements

For the year ended 30 September 2019

Network and intangible assets

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:

	Land and buildings	Leasehold properties	Office furniture and equipment	Plant and equipment	Motor vehicles	Capital works in progress	Total
30 September 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost							
1 October 2018	1,213,483	8,630	24,566	1,032,385	50,208	100,938	2,430,210
Additions	112,885	80	397	44,025	434	67,874	225,695
Site rehabilitation	10,773	-	-	-	-	-	10,773
Disposals	(1)	(25)	(11)	(26)	(440)	-	(503)
Transfers from work-in-progress	37,902	-	17	29,027	-	(66,946)	-
At 30 September 2019	1,375,042	8,685	24,969	1,105,411	50,202	101,866	2,666,175
Accumulated depreciation and impairment							
At 1 October 2018	706,065	3,404	20,952	645,018	31,177	-	1,406,616
Depreciation charge	47,770	266	1,175	36,223	4,344	-	89,778
Disposals	-	-	-	-	(336)	-	(336)
At 30 September 2019	753,835	3,670	22,127	681,241	35,185	-	1,496,058
Net book value at 30 September 2019	621,207	5,015	2,842	424,170	15,017	101,866	1,170,117

Notes to the consolidated financial statements

For the year ended 30 September 2019

8. Property, plant and equipment (continued)

Carrying amounts of property, plant and equipment (continued)

30 September 2018	Land and buildings \$'000	Leasehold properties \$'000	Office furniture and equipment \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Capital works in progress \$'000	Total \$'000
Cost							
At 1 October 2017	1,167,499	8,446	48,446	993,493	53,719	44,203	2,315,806
Additions	640	184	306	3,641	909	143,121	148,801
Disposals	(4,682)	-	(24,728)	-	(4,987)	-	(34,397)
Transfers from work-in-progress	50,026	-	542	35,251	567	(86,386)	-
At 30 September 2018	1,213,483	8,630	24,566	1,032,385	50,208	100,938	2,430,210
Accumulated depreciation and impairment							
At 1 October 2017	659,685	3,041	43,410	612,662	30,478	-	1,349,276
Depreciation charge	48,400	361	2,239	32,355	4,653	-	88,008
Disposals	(2,020)	2	(24,697)	1	(3,954)	-	(30,668)
At 30 September 2018	706,065	3,404	20,952	645,018	31,177	-	1,406,616
Net book value at 30 September 2018	507,418	5,226	3,614	387,367	19,031	100,938	1,023,594

Notes to the consolidated financial statements

For the year ended 30 September 2019

8. Property, plant and equipment (continued)

Recognition and measurement

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. Capital works-in-progress are valued at cost and when the asset is available and ready for use, it is transferred to the appropriate category.

Any gain or loss arising on disposal of an asset is recognised in profit or loss.

(i) Leases

At inception of an arrangement, the Group determines whether an arrangement is or contains a lease. The new lease accounting standard AASB 16 *Leases* is effective from 1 October 2019. For details of the changes impacting the Group refer to Note 30(b).

Leased assets

Finance leases, which transfer to the Group substantially all the risks and rewards of ownership, are capitalised at the lower of their fair value and the present value of the minimum lease payments. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

At 30 September 2019, the net carrying amount of leased assets was \$1,989,000 (2018: \$2,223,000).

Lease payments

Operating lease payments are recognised in profit or loss on a straight line basis over the lease term. Lease incentives are recognised in profit or loss over the lease term.

Finance lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

(ii) Depreciation

Plant and equipment, excluding rail rolling stock, is depreciated over its estimated useful life on a straight line basis commencing from the time the asset is held ready for use. Leasehold properties are amortised over the shorter of the lease term and their useful lives. Leasehold properties held at the reporting date are depreciated over a period not greater than 99 years.

The expected useful lives for current and comparative periods 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

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.

(iii) Repairs and maintenance

When a major component of an asset is replaced, the costs are capitalised and depreciated. All other repair and maintenance costs are recognised in profit or loss as incurred.

Significant accounting judgements, estimates and assumptions

Impairment policy

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 any such indicator exists, the Group makes an estimate of the asset's recoverable amount. An impairment loss is recognised in profit or loss when the carrying amount of the asset exceeds its recoverable amount.

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.

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 \$117,427,000 (2018: \$126,377,000) 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 2019

9. Intangible assets and goodwill

	Goodwill	Software costs	Customer contracts	Software development costs	Total
30 September 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
1 October 2018	18,755	142,719	5,500	6,208	173,182
Additions	3,193	6,305	-	13,734	23,232
Transfers from work-in-progress	-	4,023	-	(4,023)	-
30 September 2019	21,948	153,047	5,500	15,919	196,414
Accumulated amortisation					
1 October 2018	-	(117,931)	(1,788)	-	(119,719)
Amortisation	-	(11,897)	(550)	-	(12,447)
30 September 2019	-	(129,828)	(2,338)	-	(132,166)
Net book value at 30 September 2019	21,948	23,219	3,162	15,919	64,248
	Goodwill	Software costs	Customer contracts	Software development costs	Total
30 September 2018	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
1 October 2017	18,755	131,897	5,500	10,291	166,443
Additions	-	-	-	6,889	6,889
Transfers from work-in-progress	-	10,972	-	(10,972)	-
Disposals	-	(150)	-	-	(150)
30 September 2018	18,755	142,719	5,500	6,208	173,182
Accumulated amortisation					
1 October 2017	-	(105,906)	(1,238)	-	(107,144)
Amortisation	-	(12,025)	(550)	-	(12,575)
30 September 2018	-	(117,931)	(1,788)	-	(119,719)
Net book value at 30 September 2018	18,755	24,788	3,712	6,208	53,463

Notes to the consolidated financial statements

For the year ended 30 September 2019

9. Intangible assets and goodwill (continued)

Recognition and measurement

(i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is not amortised, however its carrying amount is assessed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Other intangible assets

Other intangible assets include software costs and customer contracts. They have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised except for research and development costs and software.

Intangible assets are amortised over their useful lives using the straight line method. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Amortisation is recognised in profit or loss and included in depreciation and amortisation expense.

The estimated useful lives for current and comparative periods are as follows:

Computer software: 4-8 years
Customer contracts: 10 years

(iii) Software development costs

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.

Significant accounting judgements, estimates and assumptions

Impairment of goodwill

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.

Goodwill primarily relates to the acquisition of Blue Lake Milling Pty Ltd ("BLM") in 2015 (carrying amount: \$18,180,000) and in 2019, the additional 50% acquisition of ABS (carrying amount: \$3,193,000).

ABS

Included in the additions for the year is goodwill of \$3,193,000 in relation to the acquisition of the remaining 50% of shares in ABS.

BLM

The carrying amount of goodwill relating to the acquisition of BLM in 2015 was \$18,180,000. The Group has determined the recoverable amount of BLM using the value in use methodology.

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 nominal 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.

Notes to the consolidated financial statements

For the year ended 30 September 2019

Investments

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

10. Investment in controlled entities

Set out below is a list of material subsidiaries of the Group.

Name of controlled entity	Country of incorporation	Equity holding	
		2019 %	2018 %
CBH Grain Pty Ltd	Australia	100	100
CBH Group Holdings Pty Ltd (i)	Australia	100	100
Australian Bulk Stevedoring Pty Ltd (ii)	Australia	100	50
Bulkwest Pty Ltd	Australia	100	100
Westgrains Insurance Pte Ltd	Singapore	100	100
<i>CBH Grain Pty Ltd controlled entities</i>			
CBH Grain Asia Ltd	Hong Kong	100	100
CBH Grain Japan Co. Ltd	Japan	100	100
CBH Grain North America LLC	USA	100	100
CBH Grain North America Trading LLC	USA	100	100
CBH Granary SA	Switzerland	100	100
LLC Granary	Russia	100	100
<i>CBH Group Holdings Pty Ltd controlled entities</i>			
CBH Pty Ltd (i)	Australia	100	100
CBH (WA) Pty Ltd (i)	Australia	100	100
Blue Lake Milling Pty Ltd (i)	Australia	100	100
<i>Bulkwest Pty Ltd controlled entities</i>			
CBH Engineering Pty Ltd	Australia	100	100

(i) These entities are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 September 2019. Refer to Note 26.

(ii) During the year this entity became a controlled entity. Refer to Note 12.

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 2019

11. Investments in associates

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

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		Principal activities
		2019 %	2018 %	
Interflour Group entities ("Interflour Group")				
Pacific Agrifoods Limited	British Virgin Islands	50.0	50.0	Holding company
Interflour Group Pte Limited ("IFG") (i)	Singapore	50.0	50.0	Flour milling
Other entities:				
Australian Bulk Stevedoring Pty Ltd (ii)	Australia	-	50.0	Stevedoring

(i) CBH holds a 50% interest in IFG, the ultimate parent entity of the consolidated Interflour Group of entities. After minority interests are taken into account, CBH effectively holds 43% of the consolidated Interflour Group's net assets.

(ii) ABS became a subsidiary on 2 April 2019, all income, assets and liabilities are consolidated in the Group financial statements from this date onwards. The share of profit from 1 October 2018 to 2 April 2019 was \$323,000 (Financial year 2018: \$426,000). The carrying value prior to acquisition of additional 50% of ABS was \$807,000 (2018: \$485,000).

	2019 \$'000	2018 \$'000
Carrying amount by entity		
Carrying amount of the Group's interest in Interflour Group	117,950	105,583
Carrying amount of the Group's interest in ABS	-	485
	117,950	106,068

	2019 \$'000	2018 \$'000
Share of profit/(loss) from associates by entity (i)		
Interflour Group (see details of material associates below)	(15,172)	(10,152)
ABS	323	426
Total share of loss from associate	(14,849)	(9,726)

Notes to the consolidated financial statements

For the year ended 30 September 2019

11. Investments in associates (continued)

Details of material associates

Interflour Group	2019 \$'000	2018 \$'000
Movement in carrying amount		
Carrying amount at the beginning of the financial year	105,583	118,486
Share of associate loss after income tax (i)	(15,172)	(10,152)
Share of associates' movement in reserves (ii)	15,308	(7,118)
Unrealised foreign exchange translation movements (iii)	6,558	7,575
Fair value of shareholder loan (iv)	5,673	-
Change in associate's effective interest in its subsidiaries without change in control (v)	-	(3,221)
Other movements	-	13
Carrying amount at the end of the financial year	117,950	105,583

- (i) Share of associates' profits/(losses) after income tax represents the Group's share of profits/losses which is recognised by the Group as an increase/decrease 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) Capital contribution is the difference between the present value of the shareholder loan provided to Interflour Group of \$38.7 million and the consideration advanced \$44.3 million (US\$30.0 million). The present value of the shareholder loan is classified as financial asset measured at amortised cost. Refer to Note 22 for details of classification and measurement of financial assets.
- (v) During the prior year, the automatic conversion of convertible shares, at no cost, resulted in IFG's equity stake in Intermil Holdings Pte Ltd increasing from 68% to 79%.

Notes to the consolidated financial statements

For the year ended 30 September 2019

11. Investments in associates (continued)

	Interflour Group	
	2019 \$'000	2018 \$'000
Current assets	419,109	452,353
Non-current assets	432,113	408,436
Current liabilities	(305,350)	(429,583)
Non-current liabilities	(340,172)	(231,409)
Net assets	205,700	199,797
Net assets (50%)	102,850	99,899
Non-controlling interests (50%)	(15,681)	(18,142)
Goodwill	16,432	15,149
Other intangible assets	8,676	8,677
Fair value of shareholder loan	5,673	-
Carrying amount of the Group's interest in Interflour Group	117,950	105,583
Revenue (100%)	1,026,343	820,124
(Loss)/profit (100%)	(30,343)	(19,046)
Other comprehensive income/(expense) (100%)	30,615	(17,721)
Total comprehensive income/(expense) (100%)	272	(36,767)

Loan to associate

In August 2019, a \$44.3 million (US\$30.0 million) shareholder loan was provided to Interflour Group to support the flour milling and malting business' turnaround plan and balance current debt and equity levels. The unsecured loan is interest free and repayable on demand after 3 years.

On initial recognition, the fair value of the loan of \$38.7 million has been estimated to reflect its interest free terms. The difference between the amount advanced and the loan's fair value (\$5.6 million) is recognised as an addition to the carrying value of the Group's investment in Interflour. Fair value has been estimated using a market rate of interest (LIBOR 2.5%). Refer to Note 14 and the carrying amount summary above.

When applying the effective interest method, interest revenue is recognised in the profit or loss on a quarterly basis.

The Group had the following receivable amounts due from the Interflour Group, which excludes any credit loss provision:

	2019 \$'000	2018 \$'000
Unsecured amount under extended payment terms of up to 180 days with interest charged at commercial rates	-	77,358
Unsecured interest-free USD-denominated loan	39,083	-
	39,083	77,358

Notes to the consolidated financial statements

For the year ended 30 September 2019

11. Investments in associates (continued)

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.

Impairment policy

As outlined in Note 8, the Group assesses indicators of impairment for all assets on an annual basis. Under this policy, management has determined that the loss made by Interflour Group

in 2018/19 is an indicator of impairment and have conducted an estimate of the recoverable amount.

Significant accounting judgements, estimates and assumptions

Recoverable amount of investment in associates

The Co-operative performed an impairment assessment of the investment in the Interflour Group at year end. The investment's recoverable amount was estimated based on the fair value less cost of disposal method.

In estimating the recoverable amount of the investment in Interflour, considerable judgement has been exercised in respect of expected future earnings and earnings multiples. Specifically, the following factors have been considered:

- maintainable EBITDA is estimated based on a probability weighted forecast that reflects future expectations;

- the multiple applied is comparable to relevant observable market transactions and listed company valuations. A change in the multiple applied may cause the recoverable amounts to fall below carrying amount; and

- adequate funding arrangements will be available as required.

On the basis of this assessment, the Co-operative is satisfied the carrying amount of the investment in IFG is recoverable. Future changes in the assumptions upon which this estimate is based may impact the assessment of recoverable amount, and could give rise to an impairment in future periods.

12. Business combination

a. Acquisition of subsidiary

On 2 April 2019, the Group acquired 50% of the shares and voting interest in ABS. As a result, the Group's equity interest in ABS increased from 50% to 100%, obtaining control of ABS (refer to Note 11). The acquisition provides CBH with greater oversight of the grain supply chain at its ports and is in line with its commitment to deliver excellent service to all grain marketers.

b. Consideration and goodwill

	2019 \$'000
Goodwill arising from the acquisition has been recognised as follows:	
Cash consideration	4,000
Fair value of previously held interest	807
Fair value of net assets	(1,614)
	3,193

The group did not incur any acquisition-related costs.

The goodwill is attributable mainly to the skills and technical talent of ABS's work force and the benefit of expected synergies from fully integrating the company into the Group's business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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

Notes to the consolidated financial statements

For the year ended 30 September 2019

13. Other financial assets

	2019 \$'000	2018 \$'000
Non-current assets		
Investment in Newcastle Agri Terminal Pty Ltd (i)	1,490	9,990
Other	297	605
	1,787	10,595

(i) The movement in carrying amount of NAT reflects management's assessment of fair value at balance sheet date. The loss is reported as part of other expenses (Note 6(e)).

Recognition and measurement

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

The unlisted investment in NAT, a bulk agricultural export facility located in Newcastle, is measured at fair value.

Fair value is determined with Level 3 fair value measurement methods (see Note 23(d)) which use inputs that are not based on observable market data.

Notes to the consolidated financial statements

For the year ended 30 September 2019

Operating assets and liabilities

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

14. Trade and other receivables

	Current \$'000	2019 Non- current \$'000	Total \$'000	Current \$'000	2018 Non- current \$'000	Total \$'000
Trade receivables (i)	161,680	-	161,680	161,654	-	161,654
Related party receivables (Note 28)	-	-	-	77,358	-	77,358
Loans to growers (ii)	119,319	-	119,319	145,014	-	145,014
Other receivables	12,048	-	12,048	14,950	-	14,950
Loan to associate (Note 11)	-	39,083	39,083	-	-	-
Provision for credit loss (iii)	(5,990)	(3,692)	(9,682)	(3,082)	-	(3,082)
	287,057	35,391	322,448	395,894	-	395,894

The ageing analysis of trade and other receivables is as follows:

	Weighted average loss rate %	Gross carrying amount \$'000	Provision for credit loss \$'000
As at 30 September 2019			
Not past due	2.03%	301,622	(6,114)
1 - 30 days overdue	0.64%	24,708	(159)
31 - 60 days overdue	0.20%	1,509	(3)
61 - 90 days overdue	15.84%	348	(55)
More than 90 days overdue	84.98%	3,943	(3,351)
		332,130	(9,682)
As at 30 September 2018			
Not past due	0.37%	344,947	(1,270)
1 - 30 days overdue	0.02%	48,199	(12)
31 - 60 days overdue	0.76%	1,275	(10)
61 - 90 days overdue	5.04%	2,730	(138)
More than 90 days overdue	90.55%	1,825	(1,652)
		398,976	(3,082)

Notes to the consolidated financial statements

For the year ended 30 September 2019

14. Trade and other receivables (continued)

(i) Trade receivables

Recognition and measurement

Trade receivables are generally non-interest bearing with 14 to 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 provision for credit loss ("CL").

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

(ii) Loans to growers

Loans receivable from growers are interest bearing and represent funds advanced to growers based on

tonnes either:

- committed to CBH in respect of grower financial products (Pre-Pay Advantage, Grain for Fert and Warehouse Advance) of \$95,143,000 (2018: \$124,697,000), or;
- delivered into CBH Grain Pools of \$24,176,000 (2018: \$20,317,000).

These receivables are settled by deliveries of grain to the Group and cash received from Pools sales, respectively.

During the year, the interest rates charged on grower financial products ranged from 3.45% to 7.45% (2018: 3.95% to 5.80%).

(iii) Provision for credit loss

The provision for CL amounted to \$9,682,000 (2018: \$3,082,000). The

general approach has been used to calculate the CL on loan to associate and loans to growers in respect of financial products. The simplified approach has been used for all other receivables.

The Group has provided \$9,682,000 and written back \$7,272,000 during the period (2018: \$1,286,000 and \$692,000). These amounts have been included in other expenses.

Significant accounting estimates and assumptions

The Group makes an estimate of the CL in relation to trade and other receivables. Refer to Note 23(b) for details.

Movements in the provision for CL were as follows:

	2019 \$'000	2018 \$'000
At 1 October under AASB 139	3,082	3,040
Adjustment on initial application of AASB 9	4,206	-
At 1 October under AASB 9	7,288	3,040
Additions for the year	9,682	1,286
Bad debt write off	(16)	(552)
Amounts written back	(7,272)	(692)
At 30 September	9,682	3,082

Notes to the consolidated financial statements

For the year ended 30 September 2019

15. Inventories

	2019 \$'000	2018 \$'000
<i>At fair value less cost of disposal:</i>		
Traded grain	616,063	464,620
<i>At lower of cost and net realisable value:</i>		
Raw materials and stores	19,971	24,699
Finished goods	15,539	5,585
	35,510	30,284
Total inventory	651,573	494,904

Recognition and measurement

(i) Traded grain

Traded grain is measured at fair value less costs of disposal, 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 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.

The fair value of inventories is summarised below.

	2019 \$'000	2018 \$'000
Fair Value Measurement		
Level 2	537,826	391,347
Level 3	78,237	73,273
	616,063	464,620

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

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

	2019 \$'000	2018 \$'000
At 1 October	73,273	76,081
Purchases	124,595	119,752
Sales	(115,348)	(136,336)
Written off	(133)	(276)
Change in fair value (unrealised)	(4,150)	14,052
At 30 September	78,237	73,273

Notes to the consolidated financial statements

For the year ended 30 September 2019

16. Trade and other payables

	2019 \$'000	2018 \$'000
Current		
Trade payables (i)	67,031	66,433
Accrued expenses (ii)	82,420	60,198
Grower patronage rebates (iii)	25,220	113,757
Sundry payables (iv)	8,972	8,466
	183,643	248,854
Non-current		
Other payables	7,497	713

(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 includes current and prior year unutilised rebates and consists of the Operations rebate of \$21,589,000 (2018: \$61,779,000), the Marketing and Trading rebate of \$3,526,000 (2018: \$51,528,000) and the Investment rebate of \$105,000 (2018: \$450,000).

(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 can be used to offset against future fees and charges.

17. Other liabilities

	2019 \$'000	2018 \$'000
Current		
Deferred revenue (i)	36,091	28,553
Freight fund liability (ii)	22,263	23,682
	58,354	52,235

(i) Deferred revenue includes deferred freight revenue related to services not yet performed.

(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 2019

18. Provisions

	Employee benefits provision \$'000	Site rehabilitation provision (i) \$'000	Restructuring provision (ii) \$'000	Other provisions (iii) \$'000	Total \$'000
1 October 2018	31,954	-	22,087	4,017	58,058
Arising during the year	15,038	23,414	-	-	38,452
Utilised	(14,208)	-	(19,597)	(4,017)	(37,822)
30 September 2019	32,784	23,414	2,490	-	58,688
30 September 2019					
Current	27,466	-	2,490	-	29,956
Non-current	5,318	23,414	-	-	28,732
	32,784	23,414	2,490	-	58,688

- (i) The site rehabilitation provision includes costs relating to the dismantling and removing underlying assets and restoring sites to the conditions required by the terms and conditions of the lease. On initial recognition \$12.6 million was immediately recognised within other expenses in Note 6(e) and \$10.8 million recognised as leasehold rehabilitation assets within Land and Buildings in Note 8.
- (ii) Restructuring provision includes consulting fees and employee termination benefits in relation to the Group's Transformation Programme that commenced during the prior year.
- (iii) The onerous lease and make good provision in relation to the Group's head office lease are fully utilised as the contract expired during the year.

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. Balances are calculated to present value at an appropriate pre-tax discount rate.

Site rehabilitation provision

In 2019, the Group raised a site decommissioning provision relating to obligations to dismantle and remove storage and handling assets and to rehabilitate closed sites which are not part of the network plan. A provision is raised for the estimated cost of

settling the rehabilitation and restoration obligations existing at balance date, discounted to present value using an appropriate pre-tax discount rate.

Significant accounting judgements and estimates

The Group's assessment of the present value of the site decommissioning provisions requires the use of significant estimates and judgements, including the future cost of performing the work required, timing of the cash flows, discount rates, final remediation strategy and future land use requirements. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying value of the provision. In the case of provisions for sites which remain in use, adjustments to the carrying value of the provision are offset by a change in the carrying value of the related asset. Where the provisions are for sites no longer in use, any adjustment is reflected directly in profit or loss.

Other Provisions

The provision for onerous contract and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured based on management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Notes to the consolidated financial statements

For the year ended 30 September 2019

Capital and financial risk management

This section provides information on the equity and net debt of the Group. The section also discusses the Group's exposure to various financial risks, how these affect the Group's financial position and how the Group manages these risks.

19. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank and on hand (i)	174,664	117,016
Deposits at call (ii)	-	983
Cash - futures accounts at call (iii)	19,543	21,821
	194,207	139,820

- (i) Cash at bank earns interest at floating rates based on daily bank deposit rates.
- (ii) Deposits at call in 2018 were held in US Dollars at 1.58% average interest rate. Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition. Term deposits that have maturity of more than three months from the date of acquisition are presented as trade and other receivables.
- (iii) Futures accounts at call are held in US Dollars, Canadian Dollars, Euro and Australian Dollars. Average interest rates on the futures accounts are: US Dollars: 1.5% (2018: 1.75%), Canadian Dollars: 0.75% (2018: 0.5%), Euro:- 1.25% (2018: 0.45%), Australian Dollars: 0.1% (2018: 0.6%).

Restricted cash

Futures accounts at call include \$9.0 million (2018: \$10.2 million) margin deposits on futures contracts.

a. Cash flow reconciliation

	2019 \$'000	2018 \$'000
<i>Reconciliation of net profit after tax to net cash flows from operations:</i>		
Net (loss)/profit after income tax expense	(29,667)	33,517
<i>Adjustments to reconcile profit after tax to net cash flows:</i>		
Depreciation and amortisation	102,225	100,582
Financial assets at fair value through profit and loss ("FVTPL")	8,808	3,061
Net (loss)/profit on disposal of property, plant and equipment	(55)	(5,569)
Share of associates loss/(profit)	14,849	9,726
Unrealised loss/(gain) on foreign exchange and derivatives	33,320	(14,401)
Income tax (benefit)/expense	(45,795)	5,663
Net finance costs	12,674	4,338
Impairment loss on trade and other receivables	2,410	561
<i>Working capital adjustments:</i>		
Increase in inventories	(156,304)	(101,885)
Decrease/(increase) in trade and other receivables	56,263	25,141
Decrease/(increase) in prepayments	738	5,153
(Decrease)/increase in trade and other payables	(95,504)	(62,521)
(Decrease)/increase in provisions	(11,397)	24,352
Increase/(decrease) in other liabilities	6,119	(4,417)

Notes to the consolidated financial statements

For the year ended 30 September 2019

19. Cash and cash equivalents (continued)

a. Cash flow reconciliation (continued)

	2019 \$'000	2018 \$'000
<i>Reconciliation of net profit after tax to net cash flows from operations (continued):</i>		
<i>Other adjustments:</i>		
Interest received	9,626	12,479
Interest paid	(25,496)	(20,494)
Income tax paid	(6,856)	(3,046)
Net cash inflow/(outflow) from operating activities	(124,042)	12,240

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.

20. Interest bearing loans and borrowings

	Notes	2019 \$'000	2018 \$'000
Secured (current)			
Bank loans	20(e)	480,261	100,117

a. Reconciliation of interest bearing loans and borrowings

This section reconciles changes in liabilities arising from financing activities.

	Bank loans \$'000
As at 1 October 2018	100,117
Proceeds from borrowings	2,155,000
Repayment of borrowings	(1,775,117)
Net financing cash flows	379,883
Other non-cash movements	261
As at 30 September 2019	480,261

Notes to the consolidated financial statements

For the year ended 30 September 2019

20. Interest bearing loans and borrowings (continued)

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.

b. Fair value

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

c. Interest rate and liquidity risk

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

d. Terms and conditions

The bank loans are predominantly denominated in Australian Dollars.

Bank loans are subject to annual review.

Negative Pledge and loan covenants - CBH Grain Pty Ltd

The bank loans of CBH Grain Pty Ltd include a negative pledge that require (subject to certain exceptions) CBH Grain Pty Ltd to not provide any other security over its assets, and covenants to 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 losses of \$50,000,000; and

- (iii) The ratio of financial indebtedness plus inventory finance exposure to consolidated equity must be less than or equal to 7.5 times.

e. 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	250,000	70,000	23/10/2019
CBH Grain Facility	75,000	-	23/10/2019
CBH Grain Facility	75,000	-	23/10/2019
CBH Grain Facility	250,000	240,000	24/10/2019
CBH Grain Facility	250,000	70,000	30/11/2019
CBH Grain Facility	100,000	100,000	23/10/2019

The Directors have approved these facilities, which will be renewed as required. Refer to subsequent events Note 32 for details.

The Australian Dollar facilities are a combination of bilateral term loans and trade facilities with total facility limits of \$1,000,000,000. As at 30 September 2019, \$480,261,000 of the bilateral term loans was drawn down, and there was no draw down on the trade facility.

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 2.38% (2018: 2.47%).

f. Defaults and breaches

During the current year CBH Grain Pty Ltd breached its covenant restricting maximum allowable losses. CBH Grain Pty Ltd subsequently secured waivers from its lenders for this breach for the duration of the term of the loans.

Notes to the consolidated financial statements

For the year ended 30 September 2019

21. Contributed equity and reserves

a. Share capital

(i) Ordinary Shares

	2019 \$	2018 \$
Shares Issued	4,414	4,602
	4,414	4,602

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 2017	2,399	1,737	4,136	2.00	4,798
Shares issued (i)	-	104	104	-	-
Shares cancelled (ii)	(98)	(88)	(186)	-	(196)
At 1 October 2018	2,301	1,753	4,054	2.00	4,602
Shares issued (i)	-	87	87	-	-
Shares cancelled (ii)	(94)	(192)	(286)	-	(188)
At 30 September 2019	2,207	1,648	3,855	2.00	4,414

(i) During the current year 87 ordinary shares (2018: 104) were issued and remained unpaid as at 30 September 2019. 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 1,648 (2018: 1,753).

(ii) During the current year 286 ordinary shares (94 paid and 192 unpaid) were cancelled through failure to meet the Active Membership Requirements under Rule 4 of the Co-operative's Rules.

b. Capital management

The Group's policy is to ensure that CBH is adequately capitalised at all times in order to protect its assets and to create and return value for West Australian growers. Capital consists of total equity and long term debt relating to financing activities. 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.

The Board is responsible for monitoring and approving the capital management framework within which management operates. Capital is regularly monitored using various benchmarks, with the main internal measures being return on capital employed and gearing (equity to assets ratio).

Notes to the consolidated financial statements

For the year ended 30 September 2019

21. Contributed equity and reserves (continued)

b. Capital management (continued)

	2019 \$'000	2018 \$'000
(Loss)/profit after tax (A)	(29,667)	33,517
Opening capital	1,767,018	1,735,141
Closing capital	1,758,151	1,767,018
Average capital (B)	1,762,585	1,751,080
Return on average equity	(1.7)%	1.9%
Total equity (C)	1,758,151	1,767,018
Total assets (D)	2,594,475	2,351,464
Equity to assets ratio (C/D)	67.8%	75.1%

CBH Grain Pty Ltd holds an Australian Financial Services Licence and has met the requirement of the licence to demonstrate that it will have access to sufficient financial resources to meet its liabilities over at least the next three months, by preparing cash flow projections.

c. Reserves

	2019 \$'000	2018 \$'000
Capital levy reserve	52,587	52,587
General reserve	1,598,232	1,497,276
Foreign currency translation reserve	(17,635)	(36,694)
Acquisition reserve	(1,175)	(1,175)
Cash flow hedge reserve	302	(452)
	1,632,311	1,511,542

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 CBH 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.

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 2019

22. Financial instruments

The effect of initially applying AASB 9 on the Group's financial instruments is described in Note 30(a)(i).

The financial assets and liabilities are presented by class in the tables below at their carrying values. For financial assets and liabilities held at amortised cost, these generally approximate fair value. Refer to Note 23(d) for more information on the Group's fair value policies and methods.

At 30 September 2019	Amortised Cost \$'000	FVTPL(i) \$'000	Total \$'000
Assets			
Cash and cash equivalents	194,207	-	194,207
Trade and other receivables	322,448	-	322,448
Derivative financial instruments (current and non-current)	-	27,644	27,644
Other financial assets	-	1,787	1,787
Total financial assets	516,655	29,431	546,086
Liabilities			
Trade and other payables	191,140	-	191,140
Interest bearing loans and borrowings	480,261	-	480,261
Derivative financial instruments (current and non-current)	-	47,881	47,881
Total financial liabilities	671,401	47,881	719,282
30 September 2018			
Assets			
Cash and cash equivalents	139,820	-	139,820
Trade and other receivables	395,894	-	395,894
Derivative financial instruments (current and non-current)	-	121,282	121,282
Other financial assets	-	10,595	10,595
Total financial assets	535,714	131,877	667,591
Liabilities			
Trade and other payables	249,567	-	249,567
Interest bearing loans and borrowings	100,117	-	100,117
Derivative financial instruments (current and non-current)	-	109,748	109,748
Total financial liabilities	349,684	109,748	459,432

(i) Fair value through profit and loss.

Notes to the consolidated financial statements

For the year ended 30 September 2019

22. Financial instruments (continued)

Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL. No financial assets have been reclassified subsequent to their initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets - Business model assessment

The Group makes assessments of the objectives of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and the information provided to management. These information assessments consider:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's

strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - for example whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations of future sales activity.

Financial assets that are either held for trading, or are managed and whose performance is evaluated on a fair value basis, are measured at FVTPL.

Financial Assets - Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (for example non-recourse features).

Financial Assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the consolidated financial statements

For the year ended 30 September 2019

22. Financial instruments (continued)

Derecognition

The Group derecognises financial assets and liabilities when the contractual rights to the cash flows from the financial instrument are discharged, cancelled or expire.

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.

23. Financial risk management

Overview

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

Risk management framework

The CBH Group’s Board of Directors (“the Board”) has overall responsibility for the establishment and oversight of its risk management framework. The Group has established several risk management committees to develop and monitor its 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 to the Board on their activities, via the ARMC.

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 and, if required, updated regularly to reflect changes in market conditions and the Group’s activities.

The ARMC also oversees management monitoring 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.

Notes to the consolidated financial statements

For the year ended 30 September 2019

23. Financial risk management (continued)

a. Market risk

Market risk arises from the uncertainty of market price movements and the resulting impact on business performance. The Group's business performance is exposed to movements in interest rates, foreign currency exchange rates and commodity prices. Accordingly, the Group has developed policies to manage the volatility of these inherent business exposures. Under these policies, the Group routinely uses derivative financial instruments to manage related risk exposures, most commonly foreign currency forward exchange contracts and options, interest rate swaps, forward rate agreements and commodity futures and options.

The Group uses Value at Risk ("VaR") techniques to measure and limit market risk. VaR is a risk measurement technique that estimates the maximum potential loss resulting from predicted price movements over a specified holding period and within a stipulated level of confidence.

The VaR methodology is a statistically defined, probability based approach that considers market volatilities and risk

diversification, by taking into account offsetting positions and correlations between commodities and markets. As a result of this approach risks can be measured consistently across markets and commodities, and risk measures can be aggregated into a single risk value. The Group's VaR approach is based on Monte Carlo simulations over a five to ten day holding period with a 99% confidence level using two years of weighted price data history.

VaR calculations should be considered in the context of their limitations. These include the use of historical data to estimate future events and the non-recognition of market illiquidity risks and tail risks. Recognising these limitations, the Group's VaR measures are supplemented by stress testing of both flat and basis price exposures and daily monitoring of positions against Board-mandated limits.

(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. Effective 1 October 2019, the Board approved a dynamic limit framework which adjusts quantitative flat prices and basis spreads limits over time by comparing the current level of flat prices and basis spreads to their historical ranges and averages. The implementation of this framework will result in lower limits when flat prices and basis spreads are high, and higher limits when flat prices and basis spreads are low.

Exposure, which refers to the net value of grain commodities that are exposed to future movements in the commodity prices, and VaR, as described above (pre-tax), are as follows:

	2019 \$'000	2018 \$'000
Net derivative exposure (a)	(102,237)	(231,320)
Net physical exposure (b)	206,163	384,314
Undiversified VaR (c)	(15,585)	(28,628)
Diversified VaR (d)	(8,624)	(15,599)

(a) Derivative exposure refers to the price exposure associated with exchange-traded and over-the-counter (OTC) derivative instruments, including futures, swaps and options.

(b) Physical exposure refers to the price exposure associated with forward commodity purchase and sale contracts and commodity inventories.

(c) Undiversified VaR is the result of simple addition of the calculated VaR figures for each individual commodity.

(d) Diversified VaR further recognises the benefit of offsetting positions and correlations between different commodities and markets and therefore reflects a lower potential loss amount than undiversified.

(iv) Foreign currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which operating and financing transactions are denominated and the respective functional currencies of Group companies.

Foreign currency exposures originate in the normal course of business with the buying or selling of grain, or execution of derivatives on foreign commodity exchanges in currencies other than

the Group's functional currency. Group policy requires that foreign currency risks are minimised to remain within Board-mandated limits. The Group manages its exposure to foreign currency risk through the 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 of Note 23(a)(i) 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 2019

23. Financial risk management (continued)

a. Market risk (continued)

(ii) Foreign currency risk (continued)

The group had the following financial instruments denominated in foreign currencies:

	USD in AUD equivalent \$'000	CAD in AUD equivalent \$'000	Euro in AUD equivalent \$'000	JPY in AUD equivalent \$'000	RUB in AUD equivalent \$'000	Other* in AUD equivalent \$'000	Total AUD equivalent \$'000
30 September 2019							
Financial assets							
Cash and cash equivalents	63,511	1,357	8,383	12,210	44	543	86,048
Trade and other receivables	126,006	-	2,284	4,232	4	19	132,545
Derivative financial assets	13,759	548	3,001	193	-	8	17,509
	203,276	1,905	13,668	16,635	48	570	236,102
Financial liabilities							
Derivative financial liabilities	37,713	257	3,418	28	-	16	41,432
Trade and other payables	13,891	6	569	831	-	218	15,515
	51,604	263	3,987	859	-	234	56,947
Net exposure	151,672	1,642	9,681	15,776	48	336	179,155

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

	USD in AUD equivalent \$'000	CAD in AUD equivalent \$'000	Euro in AUD equivalent \$'000	JPY in AUD equivalent \$'000	RUB in AUD equivalent \$'000	Other* in AUD equivalent \$'000	Total AUD equivalent \$'000
30 September 2018							
Financial assets							
Cash and cash equivalents	36,578	1,483	7,649	24,095	2,432	1,156	73,393
Trade and other receivables	196,753	-	3,821	11,195	2,167	-	213,936
Derivative financial assets	25,331	239	1,747	1,266	313	-	28,896
	258,662	1,722	13,217	36,556	4,912	1,156	316,225
Financial liabilities							
Derivative financial liabilities	72,589	799	2,507	4	149	-	76,048
Trade and other payables	15,523	2	942	4,383	116	237	21,203
	88,112	801	3,449	4,387	265	237	97,251
Net exposure	170,550	921	9,768	32,169	4,647	919	218,974

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

Notes to the consolidated financial statements

For the year ended 30 September 2019

23. Financial risk management (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 sources external funds to support its grain accumulation and trading operations and is exposed to interest rate fluctuations predominantly from liabilities bearing variable interest rates.

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

	2019 \$'000	2018 \$'000
Financial assets		
Cash and cash equivalents	194,207	139,820
Term deposit	4,191	14,360
Related party receivables	-	77,358
Loans to growers	24,176	20,317
	222,574	251,855
Financial liabilities		
Interest bearing loans and borrowings	(480,261)	(100,117)
Net exposure	(257,687)	151,738

The Group's policy is to manage the exposure to adverse movements in interest rates through one of the following:

- variation of the physical terms; or
- structure of the various portfolios; or
- use of derivative financial instruments. Interest rate derivatives contracts are covered further in Note 23(d).

An increase of 25 basis points in underlying interest rates would reduce profit before tax for the year by \$644,000 (2018: increase \$379,000). A decrease of 25 basis points in underlying interest rates would increase profit before tax for the year by \$644,000 (2018: reduce \$379,000). 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 can arise:

- principally, from credit exposures to customers relating to outstanding receivables; or
- from cash and cash equivalents, derivative financial instruments and deposits held with financial institutions.

The Group has a Board-approved credit policy designed to ensure that consistent processes are present 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 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 requiring approval from the appropriate

level of management. Counterparty risk limits are reviewed regularly and updated when appropriate.

The Group may 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and the geographical location in which the customers operate.

Notes to the consolidated financial statements

For the year ended 30 September 2019

23. Financial risk management (continued)

b. Credit risk (continued)

The carrying amount of financial assets represents the maximum credit exposure.

Below is an analysis of credit risk exposure net of credit loss provisions by counterparty type.

	2019 \$'000	2018 \$'000
Grain Storage, Handling and Freight: Growers	3,996	2,620
Grain Storage, Handling and Freight: Non-growers	39,343	12,914
Marketing and Trading: Growers	117,824	144,334
Marketing and Trading: Non-growers	99,730	223,608
Grain Processing: Non-growers	15,304	10,502
Other: Growers	2,625	1,240
Other: Non-growers	36,300	676
	315,122	395,894

Credit loss assessment

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and available press information about customers) and applying experienced credit judgements. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

Exposures with similar credit risk are grouped and assigned an CL based on the groups' credit risk rating. The assignment of CL is based on a ratings agency's annual study which compares credit ratings to default rates. One-year default rates are used for current receivables and three-year default rates are used for non-current receivables.

The following table shows the exposures to credit risk and CLs by credit rating.

30 September 2019	Weighted average loss rate %	Gross carrying amount \$'000	Credit loss \$'000	Net carrying amount \$'000
Assigned credit rating				
AA-	-	645	-	645
A+	-	396	-	396
A	0.01	13,596	(1)	13,595
A-	0.15	37,978	(56)	37,922
BBB+	0.01	21,781	(3)	21,778
BBB	0.02	6,313	(1)	6,312
B	2.53	204,242	(5,159)	199,083
B-	9.45	39,084	(3,693)	35,391
CCC/C	100.00	769	(769)	-
Total	2.98	324,804	(9,682)	315,122

Notes to the consolidated financial statements

For the year ended 30 September 2019

23. Financial risk management (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, and 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 the 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 central treasury, which arranges to fund other subsidiaries, invest net surpluses in the market, or arrange external borrowings, as appropriate.

Maturities of financial liabilities

The table below reflects the contractual maturities of the Group's financial liabilities. For derivative financial instruments that are settled on a net basis, the market value of the net position is presented, whereas for other obligations the undiscounted cash flows are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on prevailing conditions at year end.

Contractual maturities of financial liabilities

	Carrying amount \$'000	Total contractual cash flows \$'000	Less than 6 months \$'000	6 - 12 months \$'000	1 - 5 years \$'000
At 30 September 2019					
Financial liabilities					
Interest bearing loans and borrowings	480,261	480,623	480,623	-	-
Trade and other payables	191,140	191,140	183,643	-	7,497
Total non-derivatives	671,401	671,763	664,266	-	7,497
Derivative financial liabilities					
(inflow)	(307,823)	(307,823)	(306,848)	(796)	(179)
outflow	355,704	355,704	350,222	5,044	438
Net derivative financial liabilities	47,881	47,881	43,374	4,248	259
	719,282	719,644	707,640	4,248	7,756
At 30 September 2018					
Financial liabilities					
Interest bearing loans and borrowings	100,117	100,183	100,183	-	-
Trade and other payables	249,567	249,567	248,854	-	713
Total non-derivatives	349,684	349,750	349,037	-	713
Derivative financial liabilities					
(inflow)	(569,878)	(569,878)	(563,311)	(5,258)	(1,309)
outflow	679,626	679,626	668,651	8,002	2,973
Net derivative financial liabilities	109,748	109,748	105,340	2,744	1,664
	459,432	459,498	454,377	2,744	2,377

Notes to the consolidated financial statements

For the year ended 30 September 2019

23. Financial risk management (continued)

d. Fair value measurements

The Group uses various methods in estimating the fair value of a financial instrument and non-financial assets (traded grain inventories) carried at fair value. These methods are:

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 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 are not based on observable market data.

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.

Derivative financial instruments

The Group primarily uses the following derivatives financial instruments to manage market risk in its grain trading activities:

- Forward foreign currency exchange contracts, swaps and options;
- Commodity futures, swaps 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 one month to two years. Movements in the fair value of these derivatives are recognised in the profit and loss. The net fair value at 30 September 2019 was an unrealised liability of \$20,237,000 (2018: \$11,534,000 unrealised asset). The assessed 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.

Recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value at the date of entry into the contract and then subsequently measured at fair value through profit and loss.

Significant accounting estimates and assumptions

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 the reporting date. Physical positions comprising some inventories, forward sales and forward purchases cannot be directly referenced to appropriate exchange quoted prices. 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 further discussed in Note 15.

The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of forward foreign exchange contracts and swaps is determined using forward foreign 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 the assumptions for these factors may affect the reported fair value of financial instruments.

Notes to the consolidated financial statements

For the year ended 30 September 2019

23. Financial risk management (continued)

d. Fair value measurements (continued)

The fair value of derivative financial instruments is summarised in the table below.

30 September 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Current Assets				
Forward foreign currency exchange contracts, swaps and options	-	3,207	-	3,207
Commodity futures and options	570	-	-	570
Forward commodity sale and purchase contracts	-	20,952	2,859	23,811
	570	24,159	2,859	27,588
Non-current Assets				
Forward foreign exchange contracts and swaps	-	7	-	7
Commodity futures and options	34	-	-	34
Forward commodity sale and purchase contracts	-	15	-	15
	34	22	-	56
Current Liabilities				
Interest rate swaps and options	-	1,316	-	1,316
Forward foreign currency exchange contracts, swaps and options	-	20,572	-	20,572
Commodity futures and options	3,302	-	-	3,302
Forward commodity sale and purchase contracts	-	20,028	2,404	22,432
	3,302	41,916	2,404	47,622
Non-current Liabilities				
Forward commodity sale and purchase contracts	-	259	-	259
	-	259	-	259

Notes to the consolidated financial statements

For the year ended 30 September 2019

23. Financial risk management (continued)

d. Fair value measurements (continued)

30 September 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Current Assets				
Forward foreign currency exchange contracts, swaps and options	-	7,618	-	7,618
Commodity futures and options	6,057	-	-	6,057
Forward commodity sale and purchase contracts	-	101,360	4,635	105,995
	6,057	108,978	4,635	119,670
Non-current Assets				
Commodity futures and options	243	-	-	243
Forward commodity sale and purchase contracts	-	1,369	-	1,369
	243	1,369	-	1,612
Current Liabilities				
Forward foreign currency exchange contracts, swaps and options	-	35,653	-	35,653
Commodity futures and options	2,519	-	-	2,519
Forward commodity sale and purchase contracts	-	67,453	2,459	69,912
	2,519	103,106	2,459	108,084
Non-current Liabilities				
Interest rate swaps and options	-	892	-	892
Forward foreign exchange contracts, swaps and options	-	379	-	379
Commodity futures and options	50	-	-	50
Forward commodity sale and purchase contracts	-	343	-	343
	50	1,614	-	1,664

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

	Total \$'000
30 September 2018	2,176
Net movement taken to profit or loss	(1,687)
30 September 2019	489

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.

Notes to the consolidated financial statements

For the year ended 30 September 2019

23. Financial risk management (continued)

d. Fair value measurements (continued)

Interest rate derivative contracts

The Group holds interest rate swaps at fixed rates ranging from 1.995% to 2.24%.

The fair value and periods of expiry of open interest rate swaps and options are as follows:

	2019 \$'000	2018 \$'000
Interest rate swaps less than 1 year	(1,315)	-
Interest rate swaps 1 - 2 years	-	(892)

24. Contingent assets and liabilities

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

Notes to the consolidated financial statements

For the year ended 30 September 2019

Other information

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

25. Parent entity disclosures

	2019 \$'000	2018 \$'000
Assets		
Current assets	438,522	581,162
Non-current assets	1,482,553	1,282,381
Total assets	1,921,075	1,863,543
Liabilities		
Current liabilities	230,934	304,647
Non-current liabilities	35,742	5,451
Total liabilities	266,676	310,098
Net assets	1,654,399	1,553,445
Equity attributable to equity owners of the parent		
Issued capital	4	5
Reserves	1,654,395	1,553,440
Total equity	1,654,399	1,553,445
Profit or loss for the year	101,071	31,021
Total comprehensive income	101,071	31,021

a. Financial guarantees - Parent

The parent has entered into a Deed of Cross Guarantee ("the 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.

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.

b. Capital commitments

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

	2019 \$'000	2018 \$'000
Within one year	30,291	27,503

Notes to the consolidated financial statements

For the year ended 30 September 2019

26. Deed of cross guarantee

Co-operative Bulk Handling Limited, Blue Lake Milling Pty Ltd, CBH Pty Ltd, CBH Group Holdings Pty Ltd and CBH (WA) 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, CBH Group Holdings Pty Ltd and CBH (WA) 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 as varied by ASIC Instrument 19-0960 ("ASIC Order").

Consolidated statements

The above entities represent a 'closed group' for the purposes of the ASIC Order, and as there are no other parties to the Deed that are controlled by CBH, 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 2019 of the closed group.

	2019 \$'000	2018 \$'000
<i>Consolidated statement of profit or loss and other comprehensive income</i>		
Revenue	877,417	698,043
Other income	6,110	5,165
Expenses from ordinary activities	(779,311)	(668,607)
Interest expense	(98)	(73)
Profit before income tax	104,118	34,528
Income tax expense	(917)	(825)
Profit for the year	103,201	33,703
Other comprehensive income		
<i>Items that may be reclassified subsequently to the profit or loss</i>		
Net (loss)/gain on cash flow hedge	(3)	(169)
Total comprehensive income for the year	103,198	33,534
<i>Summary of movements in consolidated retained earnings</i>		
Retained earnings at the beginning of the financial year	1,627	(1,055)
Adjustment to opening retained earnings (i)	(1,042)	-
Profit for the period	103,201	33,703
Transfer to reserves	(100,956)	(31,021)
Retained earnings at the end of the financial year	2,830	1,627

(i) Adjustments include CBH (WA) Pty Ltd opening retained earnings, as the entity became a party to the Deed of Cross Guarantee in 2019 and an adjustment on initial adoption of AASB 9.

Notes to the consolidated financial statements

For the year ended 30 September 2019

26. Deed of cross guarantee (continued)

Consolidated statements (continued)

Set out below is a consolidated statement of financial position as at 30 September 2019 of the closed group.

	2019 \$'000	2018 \$'000
Current assets		
Cash and cash equivalents	80,733	49,325
Income tax receivable	97	-
Trade and other receivables	317,147	497,652
Inventories	35,509	26,013
Derivative financial instruments	-	24
Prepayments	3,161	3,461
Total current assets	436,647	576,475
Non-current assets		
Trade and other receivables	35,391	-
Investments in associates	135,025	129,402
Investment in controlled entities	100,772	96,722
Property, plant and equipment	1,177,925	1,041,110
Intangible assets and goodwill	53,346	31,708
Total non-current assets	1,502,459	1,298,942
Total assets	1,939,106	1,875,417
Current liabilities		
Trade and other payables	217,609	260,839
Income tax payable	-	680
Provisions	28,261	52,201
Total current liabilities	245,870	313,720
Non-current liabilities		
Trade and other payables	6,753	214
Deferred tax liabilities	589	1,083
Provisions	28,665	5,332
Total non-current liabilities	36,007	6,629
Total liabilities	281,877	320,349
Net assets	1,657,229	1,555,068
Equity		
Contributed equity	4	5
Reserves	1,654,395	1,553,436
Retained earnings	2,830	1,627
Total equity	1,657,229	1,555,068

Notes to the consolidated financial statements

For the year ended 30 September 2019

27. Key management personnel compensation

	2019 \$	2018 \$
Short-term employee benefits (i)	7,569,307	8,033,060
Post-employment benefits (ii)	324,341	391,271
Long-term benefits (iii)	779,903	1,047,885
Termination benefits (iv)	501,354	526,444
	9,174,905	9,998,660

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.

Notes to the consolidated financial statements

For the year ended 30 September 2019

28. Related party transactions

a. Parent and ultimate controlling party

The ultimate parent entity in the wholly owned group is CBH.

b. Transactions with key management personnel

(i) Directors fees

Directors fees received from CBH are disclosed in Note 27. In addition, the following directors of the parent entity received payments for their roles as directors of IFG, an associated company, for the year.

	2019 \$	2018 \$
Mr D S Willis	8,000	20,000
Mr A J Mulgrew	12,000	-
Mr V A Dempster	20,000	20,000

Total aggregate number of shares held by directors and director-related entities is 14 (2018: 14).

(ii) Related party transactions with directors on normal commercial terms

Certain directors had dealings, either in their own name or through director-related entities, with CBH and its controlled entities under commercial terms no more favourable than those available to other grain growers and shareholders.

	2019 \$	2018 \$
K J Fuchsichler, T N Badger, N A M Browning, B E McAlpine, J A Seaby, W A Newman, V A Dempster, D G Clauson, R G Madden, and S R Stead transacted with the Group during the financial year as follows:		
Grain deliveries to the Group	12,450,981	9,669,463
Freight and receival fees charged by the Group	1,588,823	1,466,934
Fertiliser purchases from the Group	772,893	937,625
(iii) Unsecured balances outstanding to directors		
Rebates payable	86,678	448,600

Notes to the consolidated financial statements

For the year ended 30 September 2019

28. Related party transactions (continued)

c. Other related party transactions

	2019 \$	2018 \$
<i>(i) Transactions with associates in the ordinary course of business on normal commercial terms</i>		
Sales of grain to IFG and its controlled entities	37,277,603	150,898,392
Payments for grain and shipping related charges to IFG and its controlled entities	270,607	100,653,548
Charges for stevedoring services from ABS	2,048,721	3,463,478
<i>(ii) Receivables from IFG and its controlled entities</i>		
Unsecured amount under extended payment terms of up to 180 days with interest charged at commercial rates	-	77,357,682
Unsecured interest-free USD-denominated loan	39,083,000	-

A CL provision has been recognised in current year and prior year retained earnings in respect of amounts owing from related parties. Settlement occurs in cash.

29. Auditor's remuneration

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

	2019 \$	2018 \$
<i>Auditors of the Group - KPMG Australia</i>		
Audit of financial statements	475,041	398,307
Other assurance services	8,732	8,450
Other services	105,178	170,907
	588,951	577,664
<i>Related overseas offices of KPMG Australia</i>		
Audit of financial reports	46,027	57,649
	634,978	635,313

Notes to the consolidated financial statements

For the year ended 30 September 2019

30. Changes in accounting policies

a. New accounting standards and interpretations

- (i) *New and amended accounting standards and interpretations adopted from 1 October 2018*

In the current year, the Group has applied amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for accounting periods that begin on or after 1 January 2018.

AASB 15 Revenue from Contracts with Customers (effective for year ends beginning on or after 1 January 2019 for not-for-profit entities and beginning on or after 1 January 2018 for for-profit entities)

The Group and its for-profit subsidiary entities have adopted AASB 15 *Revenue from Contracts with Customers* from 1 October 2018. This has resulted in early adoption for the Groups not for profit entities. The new standard is based on the principle that revenue is recognised when control of a good or service transfer to a customer.

AASB 15 did not have a significant impact on the Group's accounting policies with respect to its revenue streams (Note 4 and Note 5). AASB 15 is only applied to contacts that were incomplete at 1 October 2018. The Group adopted from 1 October 2018 using the modified retrospective approach.

For revenue derived from grain sales, the point of recognition is dependent on the contract sales terms, known as the International Commercial Terms (Incoterms). As the transfer of risks and rewards generally coincides with the transfer of control at a point in time under the Incoterms, the timing

and amount of revenue recognised by the Group for the sale of grain is not materially affected. For the Incoterms Cost, Insurance and Freight (CIF) and Cost and Freight (CFR) contracts where freight services are included, these services represents a separate performance obligation and a portion of freight revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs.

The impact of this transition difference is not considered material to the Group and hence there was no impact on opening retained earnings as at 1 October 2018. The impact of this is also not material to the Group for the current year and no adjustment is recorded in respect of this.

AASB 15 requires impairments on any receivables arising from contracts with customers to be disclosed separately from impairment losses from other contracts. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Consequently, the Group has reclassified impairment losses amounting to \$561,000 from 'other' to 'provision for credit loss' in Note 6(e) for the year ended 30 September 2018.

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

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contract to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

The Group has adopted consequential amendments to AASB 7 *Financial Instruments: Disclosure* that are applied to disclosure about 2019 but have not been generally applied to comparative information.

Classification and measurement of financial assets and financial liabilities

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

Notes to the consolidated financial statements

For the year ended 30 September 2019

30. Changes in accounting policies (continued)

a. New accounting standards and interpretations (continued)

(i) *New and amended accounting standards and interpretations adopted from 1 October 2018 (continued)*

The following table explains the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 October 2018.

The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 October 2018 relates solely to the new impairment requirements.

Financial assets	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139 \$'000	New carrying amount under AASB 9 \$'000
Cash and cash equivalents	19	Loans and receivables	Amortised cost	139,820	139,820
Trade and other receivables	14	Loans and receivables	Amortised cost	395,894	391,688
Derivative financial instruments	23(d)	FVTPL	FVTPL	121,282	121,282
Other financial assets	13	Available for Sale	FVTPL	10,595	10,595
Total financial assets				667,591	663,385

Financial liabilities	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Trade and other payables	16	Amortised cost	Amortised cost	248,855	248,855
Interest bearing loans and borrowings	20	Amortised cost	Amortised cost	100,117	100,117
Interest rate swaps and options	23(d)	FVTPL	FVTPL	892	892
Derivative financial instruments	23(d)	FVTPL	FVTPL	108,856	108,856
Total financial liabilities				458,720	458,720

The following table reconciles the carrying amounts of financial assets under AASB 139 to the carrying amounts under AASB 9 on transition to AASB 9 on 1 October 2018.

	AASB 139 carrying amount at 30 September 2018 \$'000	Remeasurement \$'000	AASB 9 carrying amount at 1 October 2018 \$'000
Trade and other receivables	395,894	(4,206)	391,688

Notes to the consolidated financial statements

For the year ended 30 September 2019

30. Changes in accounting policies (continued)

a. New accounting standards and interpretations (continued)

- (i) *New and amended accounting standards and interpretations adopted from 1 October 2018 (continued)*

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an CL model. The new impairment model applies to financial assets measured at amortised cost, contract assets, but not to investments in equity investments. Under AASB 9, credit losses are recognised earlier than under AASB 139. Refer to Note 23(b) for further details on CL.

The Group has determined that the application of AASB 9's impairment requirements at 1 October 2018 results in additional provision for CL of \$4,206,000 which was recognised in opening retained earnings. The net impact to retained earnings was \$2,978,000 after accounting for tax effect. The movement in provision for CL is disclosed in Note 14(c).

b. 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 2019 reporting period. Of those

standards that are not yet effective, AASB16 *Leases* is expected to have a material impact on the Group's financial statements in the period of initial application.

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

AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The Group leases predominately relate to port terminals, property and other vehicle leases. On adoption, operating lease expense will no longer be recognised. The depreciation of the right of use asset and interest on the lease liability will be recognised in the consolidated income statement.

The Group plans to adopt the modified retrospective approach on transition where the lease liability is measured at the present value of future lease payments on the initial date of application, being 1 October 2019. The right-of-use asset is measured as equal to the lease liability.

Under this transition method, prior period comparative financial statements are not required to be restated and there will be no impact to opening retained earnings.

The Group is in the process of completing its review and updating its current processes to ensure ongoing compliance with AASB 16. The Group continues to review and develop best practices to apply the new Standard.

Based on the analysis performed to date, the impact of transition to AASB 16 on the Group's financial position as at 1 October 2019 is expected to be an increase in lease liabilities and right-of-use asset of between \$65.0 and \$75.0 million. Further analysis of the Group's supply contracts is ongoing which may result in a material adjustment to the right of use asset and corresponding liabilities noted above.

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 2019

31. Commitments

a. Operating lease commitments

The Group has entered into commercial leases on certain items of property, plant and 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:

	2019 \$'000	2018 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	9,431	9,745
Later than one year but not later than five years	26,350	23,983
Later than five years	115,465	105,452
	151,246	139,180

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:

	2019 \$'000	2018 \$'000
Within one year	1,907	3,339
Later than one year but not later than five years	3,349	2,711
Later than five years	328	379
	5,584	6,429

c. Capital commitments

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

	2019 \$'000	2018 \$'000
Within one year	33,657	35,501
	33,657	35,501

32. Events subsequent to balance date

Subsequent to 30 September 2019, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2019/20 season with various banks:

- Syndicated debt facility of \$1,000,000,000;
- Banking facilities of \$600,000,000;
- Trade facilities of \$275,000,000.

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.

Directors' declaration

1. In the Directors' opinion:
 - (a) The consolidated financial statements and notes that are set out on pages 56 to 114 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 2019 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 as varied by ASIC Instrument 19-0960.

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



W A Newman
Director

Perth
9 December 2019





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 financial position of the **Group's** financial position as at 30 September 2019 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 2019
- 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. 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.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards, the ACNC Act 2012 and the Co-operatives Act 2009.
- 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
- assessing the Group and Co-operative's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 Co-operative 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:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *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 the Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ii. Obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Group's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



- iv. Conclude 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 and Co-operative'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 and Co-operative to cease to continue as a going concern.
- v. 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.

We communicate with the Directors of the Group regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Trevor Hart
Partner

Perth

9 December 2019

Five year financial and operational history

Co-operative Bulk Handling and its controlled entities

		2019	2018	2017	2016	2015
Tonnes handled	mt	16.4	13.3	16.6	13.6	13.6
All time injury frequency rate		9	13	11	20	22
Revenue from continuing operations	\$m	4,190	3,792	3,477	3,271	3,720
Pools revenue	\$m	235	266	363	390	361
Other gains and losses	\$m	(75)	(25)	35	125	(173)
Total revenue including other income	\$m	4,350	4,033	3,875	3,786	3,908
Net profit contribution from:						
Grain storage and handling	\$m	100	45	98	70	116
Marketing and trading	\$m	(119)	3	10	6	(17)
Grain processing	\$m	(15)	(7)	8	2	9
Corporate and other	\$m	4	(7)	(25)	(28)	(25)
Profit attributable to members of Co-operative Bulk Handling Limited	\$m	(30)	34	91	50	83
Rebates*	\$m	16	95	156	63	17
Capital expenditure	\$m	260	156	70	92	124
Total assets	\$m	2,594	2,351	2,173	2,110	2,169
Total liabilities	\$m	(836)	(584)	(437)	(462)	(554)
Equity	\$m	1,758	1,767	1,735	1,648	1,615
Net debt / net cash	\$m	(295.0)	30	187	63	(71)

*Rebates correspond to the year of accounting recognition.



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