



# Independent Auditor's Report

To the management of CBH Grain Pty Ltd

## Opinion

We have audited the accompanying **Statement of Pool Performance** of the 2015/2016 Season Barley SA Pool.

In our opinion, the accompanying Statement of Pool Performance presents fairly, in all material respects, the financial performance of the 2015/2016 Season Barley SA Pool managed by CBH Grain Pty Ltd for the period 1 October 2015 to 23 November 2016, in accordance with the accounting policies described in the Notes to the Statement of Pool Performance and the requirements of the Pools Management Policy.

The **Statement of Pool Performance** comprises:

- The Statement of Pool Performance for the period 1 October 2015 to 23 November 2016;
- The accounting policies included in the notes to and forming part of the Statement of Pool Performance;
- The General Manager's Declaration.

## 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 Statement of Pool Performance* section of our report.

We are independent of the management of CBH Grain Pty Ltd in accordance with 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 Statement of Pool Performance in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Emphasis of matter – basis of preparation and restriction on use and distribution

We draw attention to Note 2 to the Statement of Pool Performance, which describes the basis of preparation.

The Statement of Pool Performance has been prepared for distribution to the Pool participants for the purpose of providing them with information relating to the performance of the 2015/2016 Season Barley SA Pool managed by CBH Grain Pty Ltd.

As a result, the Statement of Pool Performance and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the management of CBH Grain Pty Ltd and the Pool participants and should not be used by or distributed to parties other than the management of CBH Grain Pty Ltd and the Pool participants. We disclaim any assumption of responsibility for any reliance on this report, or on the Statement of Pool Performance to which it relates, to any person other than the management of CBH Grain Pty Ltd and the Pool participants or for any other purpose than that for which it was prepared.



## Responsibilities of the General Manager of CBH Grain Pty Ltd for the Statement of Pool Performance

The General Manager of CBH Grain Pty Ltd, as the Pool Manager, is responsible for:

- the preparation and fair presentation of the Statement of Pool Performance and have determined that the basis of preparation described in Note 2 to the Statement of Pool Performance and the Pools Management Policy dated 6 May 2015 are appropriate to meet the needs of the management of CBH Grain Pty Ltd and the Pool participants for the purpose of providing them with information relating to the performance of the 2015/2016 Season Barley SA Pool managed by CBH Grain Pty Ltd;
- implementing necessary internal control to enable the preparation of Statement of Pool Performance that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibilities for the audit of the Statement of Pool Performance

Our objective is:

- to obtain reasonable assurance about whether the Statement of Pool Performance 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 this Statement of Pool Performance.

A further description of our responsibilities for the Audit of the Statement of Pool Performance is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of our Auditor's Report.



KPMG

Perth

17 March 2017

**Barley SA**  
**01 October 2015 to 23 November 2016**

Tonnes

**14,956**

	Season Pool	
	\$ '000	\$ Per tonne
<b>Revenue</b>		
Sales	\$ 3,544	
Currency Hedging	\$ 68	
Commodity Hedging	\$ -	
<b>Less: Other Operating Costs</b>		
Carry in stock	\$ -	
Shipping costs	\$ (38)	
Finance recovery	\$ (1)	
Administration costs	\$ (87)	
Management fees	\$ (26)	
Other outturn costs	\$ -	
<b>Total available for equity payment</b>	<b>\$ 3,460</b>	<b>\$ 231.38</b>
<b>Less: Storage &amp; handling costs</b>		
Outturn costs	\$ (616)	
Storage costs	\$ (130)	
Other costs	\$ (1)	
	<b>\$ (747)</b>	<b>\$ (49.98)</b>
<b>Net Season Pool value</b>	<b>\$ 2,713</b>	<b>\$ 181.40</b>

# Notes To And Forming Part Of The Statement Of Pool Performance

## 1. Pool Information

CBH Grain Pty Ltd managed the 2015-16 Season Barley SA Harvest Pool on behalf of participating growers. All grain delivered into the pool has been sold and that value, less shipping, bulk handler and other operating costs, has been fully returned to participating growers.

## 2. Summary of significant accounting policies

### a) Basis of preparation

The Statement of Pool Performance has been prepared to provide Pool participants with an overview of the performance of the 2015-16 Season Barley SA Harvest Pool (or the "Pool") managed by CBH Grain Pty Ltd.

Pool equity and subsequent payment to Growers is based off the Estimated Pool Return (EPR) which includes gains or losses on foreign exchange and derivative hedging. EPR is benchmarked on Free on Board (FOB) contracts and where the sales are not FOB for example domestic sales, the EPR is adjusted for notional Free on Board (FOB) expenses and revenue for the same amount; this has been formed so all EPRs are published on the same basis with no impact on net pool value.

The policies used in the preparation of the Statement of Pool Performance are described below. In the opinion of the Pool Manager these policies are appropriate to meet the needs of Pool participants.

The requirements of Accounting Standards and other financial reporting requirements in Australia do not have mandatory applicability to the 2015-16 Season Barley SA Harvest Pool because it is not a "reporting entity". However, the Pool Manager has determined that in order for the report to present fairly the results of operations that the report be prepared in accordance with all measurement and recognition criteria of Australian Accounting Standards.

### b) Revenue recognition

Revenues are recognised at fair value of the consideration received, net of the amount of goods and services tax (GST) payable to the Australian Tax Office (ATO). The following specific recognition criteria must also be met before revenue is recognised:

#### *Grain Sales*

Revenue from grain sales is generated from the sale of grain domestically, interstate and overseas and other grain related services. Overseas sales are sold on the basis of Free on Board (FOB), Cost and Freight (CFR) or Cost Insurance and Freight (CIF). In the case of sale of goods, revenue is recognised when the significant risk and rewards of ownership have passed from the Pool to an external party.

#### *Interest*

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

### c) Expense recognition

Expenses are recognised on the basis of actual expenses paid or known obligations existing, and where applicable, inclusive of the amount of GST not recoverable from the ATO.

#### *Borrowing Costs*

Borrowing costs are expensed on an effective interest rate basis.

### d) Goods and services tax

Revenues and expenses are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the expense.

### e) Income tax

The Pool does not incur any income tax liability as a consequence of the pooling arrangements where all the risks and benefits of the pool's activities are retained by the pool's participants.

### f) Foreign currencies

Transactions in foreign currencies are converted to Australian dollars at the rate of exchange ruling at the date of the transaction.

#### **g) Derivatives**

The Pool is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Pool uses derivative instruments to hedge these risks. Hedging instruments used can include forward rate agreements, forward foreign exchange contracts, foreign exchange options, commodity futures and commodity options.

#### **h) Sales of assets and liabilities**

To distribute returns to Pool participants in a timely manner and at a point prior to finalising the Pool, remaining assets and liabilities may be liquidated for cash by selling the position to other entities or the next open Pool. The main asset realised relates to Barley stock yet to be sold and delivered to customers.

Certain assets or obligations for which the quantity and timing is uncertain may be retained in the Pool until such time as they are resolved or sold to a third party.

Unsold stock: Unsold stock at the time of Pool finalisation is sold to the next open Pool at the market value of the grain based on the expected market price less the cost of carrying the grain and moving the grain to the customers i.e. interest, storage charges, freight and handling costs.

Contracted stock not delivered to customers: Stock allocated to sales contracts but unshipped at the time of Pool finalisation is sold to the next open Pool at the contracted sale price less the cost of carrying the grain and moving the grain to the customers i.e. interest, storage charges, freight and handling costs.

#### **i) Grain acquisitions for cash**

Grain is acquired for cash to either expedite finalisation of a prior season Pool or to manage physical positions. Grain acquired from a prior season is valued at either the contracted sales price less the cost of carrying the grain and moving the grain to the contracted customers, or at the expected market price less the cost of carrying the grain and moving the grain to the customers. Grain acquisitions to manage stock positions are principally undertaken to balance supply and demand and where possible to capture favourable market opportunities.

### **3. Sales Revenue**

Sales are made to domestic and export customers. Export sales are sold on the basis of Free on Board (FOB), Cost and Freight (CFR) and Cost, Insurance and Freight (CIF).

Sales in foreign currencies are converted to Australian Dollars on the date of the invoice.

### **4. Foreign Exchange**

Foreign Exchange includes the translational gains and losses on foreign currency denominated balances and hedging instruments.

### **5. Commodity Hedging**

Commodity hedging gains or losses represents the gain or loss made on commodity hedging activities, predominantly comprising of commodity futures and options hedging.

Gains or losses on commodity hedges offset losses or gains on the underlying physical positions.

### **6. Carry In Stock**

Carry-In Stock is the contracted and unsold stock acquired by the Pool from the previous season Pool as referred to in Note 2(i).

### **7. Shipping Costs**

Shipping Costs are costs associated with loading grain onto a vessel and includes ocean freight, export inspection levies, wharfage and stevedoring.

### **8. Finance Costs/Recovery**

Finance costs/recovery include bank fees, interest income on amounts advanced to Pool Participants and interest charges or interest income on balance of funds in the Pool.

### **9. Operational Cost Recovery**

Operational Cost Recovery represent the marketing and operational costs of running the Pool incurred by CBH Grain Pty Ltd from 1 October (commencement of the pool reporting period) to 30 September of the following year.

Costs are recovered from the Pool by CBH Grain Pty Ltd in the proportion Pool deliveries bear to total harvest CBH accumulations.

### **10. Administration Fees**

Administration fees represents CBH Grain's fee for managing the Pool and are calculated as 0.75% of the Pool's total available for equity payment.

#### 11. Outturn Costs

Outturn costs include Free on Board (FOB) costs, Wharfage and Containerisation fees charged by the bulk handler.

#### 12. Storage Costs

Storage costs are charged monthly by the bulk handler.

#### 13. Stevedoring / Export Inspection Levy / Other Non Bulk Handler Costs

There are certain standard costs associated with each tonne exported that are not charged by the bulk handler. Such costs include stevedoring, wharfage, inspection levies and AQIS charges.

#### 14. Freight to Port

Freight to Port costs represent the cost of moving grain from up-country receival sites to port. Grain sold domestically at up-country sites does not attract a freight charge.

#### 15. Pool Participation Tonnage

The pool participation tonnage used to calculate the dollar per tonne rates reflects tonnes delivered by growers into the pool during the harvest season.

#### General Manager's Declaration

I declare that

- (a) The statement of Pool Performance and associated notes comply with the accounting policies as described in Note 2 to the Statement of Pool Performance and the requirements of the Pools Management Policy;
- (b) The Statement of Pool Performance and associated notes give a true and fair view of the performance of the 2015-16 Season Barley SA Harvest Pool for the period 1 October 2015 to 23 November 2016.



**Jason Craig**  
General Manager – Marketing & Trading  
CBH Group

Dated at Perth this 17 March 2017