Annual Report 2018

The CBH Group is an integrated grain storage, handling and marketing co-operative owned and controlled by more than 4,000 Western Australian grain growing businesses.

We are Australia's largest co-operative and a leader in the Australian grain industry, with operations extending along the grain supply chain from storage, handling and transport to marketing, shipping and processing. Our core purpose is to sustainably create and return value to current and future Western Australian grain growers.

CBH would like to thank the Warr family from Yuna for participating in our photography

Contents

How we sustainably create and return value to you

As a User

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

- low fees
- patronage rebates
- ongoing investment into an efficient storage and handling system that focuses on fast turnaround time and grower driven segregations
- grower focused products and services such as Quality Optimisation, Pre-Pay Advantage, Direct to Vessel and Oil Bonification
- driving a competitive grain market through price and product offerings

As a Member

As members, our growers:

- own and control the supply chain and its critical links
- have a say on who governs CBH
- vote on key issues

As a Beneficiary

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

- increasing the profitability of their farm business
- contributing to increasing the value of their farms

As Part of Your Community

As part of your community, CBH:

- advocates for WA grain growers with government and markets
- supports the development of the grain industry
- contributes to the vitality of rural communities

Co-operative principles

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

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

Voluntary and Open Membership

Democratic Member Control

Member Economic Participation

Concern for the Community

Autonomy and Independence

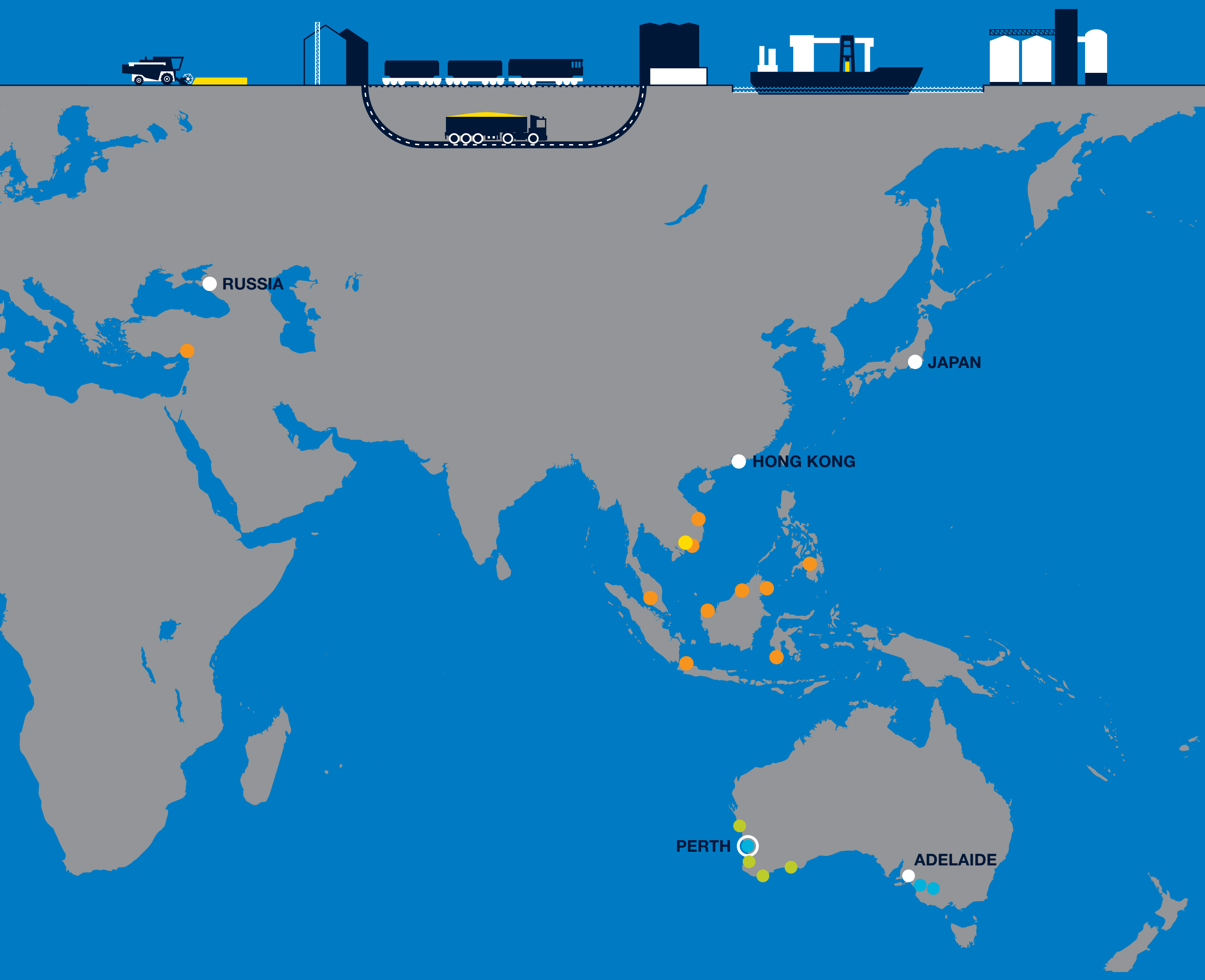
Education, Training and Information

Co-operation among Co-operatives

What we do and where we operate

2017-18

PADDOCK	STORAGE	LOGISTICS	PORT	MARKETING AND TRADING	M&T CHARTERING AND SHIPPING	PROCESSING
4000 grower member businesses	**13.3** million tonnes received	**7.0** million tonnes moved by rail **4.8** million tonnes moved by road	**12.3** million tonnes exported	**9.6** million tonnes traded	**7.7** 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

In 2017-18, CBH provided growers a total rebate of $94.5 million or up to $10.50 per tonne. Since the introduction of the rebate program in 2009, CBH has provided a total of $425.6 million back to growers.

On behalf of the Board, I am pleased to report on the CBH Group's performance during 2017-18.

This year, we further demonstrated our commitment of generating and returning value to you with another strong rebate, a reduction in supply chain fees and charges, and significant progress on the Network Strategy. We also commenced a transformation program to reduce costs and increase the efficiency of your co-operative to keep your farm business internationally competitive.

Due to a soft finish with good rains in September and October 2017 we received an above average harvest of 13.3 million tonnes. This was a marked improvement for the year which was initially forecast to be a challenging one after we experienced dry conditions early in the season.

The co-operative business model, our strong financial position and rigorous capital management policy ensures that surpluses to our required capital can be returned straight back to growers' bottom line, as the sole beneficiary. In 2017-18, CBH provided growers a total rebate of $94.5 million or up to $10.50 per tonne. Since the introduction of the rebate program in 2009, CBH has provided a total of $425.6 million in rebates back to growers reflecting the true fee for service with any surpluses above the cost of service being returned to growers.

Marketing and Trading delivered another exceptional result, with a record $7.00 per tonne rebate being returned to growers who sold grain through the co-operative. This rebate totalled $48.1 million, surpassing the division's previous record of $6.25 per tonne returned in 2016-17. Operations returned $46.4 million or $3.50 per tonne, following the above average harvest and a strong focus on cost management in the business.

Additionally, we have reduced supply chain fees by $4 per tonne for the 2018-19 season – continuing to provide you the lowest cost, most efficient grain supply chain in the country – and we are committed to holding fees flat in the future. The fee reduction allows you to benefit up front from our cost reduction initiatives with rebates from Operations expected to decrease proportionately in the future.

Importantly, the rebates are provided after allowance for capital investment and maintenance in your network. In 2017-18, CBH invested $211.9 million on network capital and maintenance, of this more than $130 million was invested in 650,000 tonnes of new storage and throughput enhancement projects at sites and terminals.

Our investments portfolio reported mixed results for the year. While Blue Lake Milling, Australian Bulk Stevedoring and Newcastle Agri-Terminal remained profitable businesses, the Interflour Group had a poor year and reported a loss for 2017-18. This represents the first annual negative return since our initial investment in 2005.

Highly competitive industry conditions, recently commissioned processing facilities not generating expected profits, and adverse foreign exchange movements are factors contributing to Interflour's performance over the year. Led by Managing Director and Chief Executive Officer Avi Fintz, Interflour's management team has commenced a turnaround plan, which CBH and our investment partners support.

In Western Australia, CBH remains committed to our grain growing communities. In 2017-18, we provided more than $1.6 million through our Community Investment Fund to regional events, organisations and partnerships, which support the communities in which we operate. Of particular note, we extended our partnership with mental health support provider the Black Dog Institute and completed our regional art project, the PUBLIC Silo Trail. CBH also launched the Growing Leaders Scholarship Program to support existing and emerging industry leaders in growing their leadership skills and fostering their industry and community leadership.

Growers' Advisory Council

The Growers' Advisory Council (GAC) comprises Western Australian grain growers who have a genuine desire and commitment to see CBH continue to be Australia's leading grain business.

CBH welcomed three new members to the GAC from 1 July 2018. The new members are Romina Nicoletti from Bonnie Rock, Renee Lynch from Narembeen and Stephen Strange from Bruce Rock. In addition, four existing Councillors were reappointed for a one-year term: Barry West from Kulin, Royce Taylor from Lake Grace, Neville McDonald from Beaumont and David Cox from Esperance.

The four existing Councillors will remain on the GAC for a one-year term ending 31 July 2019. These appointments increase the number of GAC Councillors to 16 from 1 July 2018. On behalf of CBH, we sincerely thank outgoing member Jim Heal from Three Springs who chose not to re-nominate.

We warmly welcome the successful candidates and look forward to working with them in the future.

Farewell to Board Directors

We would like to pay tribute to Member Director Derek Clauson and Independent Director David Willis who will both step down after the 2019 Annual General Meeting following the conclusion of their terms. Each has worked tirelessly for your co-operative during their tenures, and contributed to the strong and sustainable business we are today. We have announced that David Lock has been appointed as an Independent Director, replacing David Willis. His appointment will take effect following the 2019 Annual General Meeting and we welcome him to the CBH Board.

With the support of your Board, I am confident that CBH, led by Chief Executive Officer Jimmy Wilson and his Lead Team, has the right structure and strategy in place to deliver on the outcomes and services you expect from your co-operative.

On behalf of the Board, I sincerely thank all our growers for your patronage over the past year, and again look forward to earning your continued support.

CEO's Report

Jimmy Wilson
Chief Executive Officer

Long-term grain demand remains strong in our critical markets and Western Australia remains well placed to capture this growth, although so too are competing grain origins. It is critical that we reduce both supply chain and production costs to maintain market share.

CBH's core purpose is to sustainably create and return value to you and the future generations of Western Australian grain growers.

While our industry and organisation continues to experience change, principally due to the increasingly competitive international grain market, it's more important than ever that CBH remains deeply committed to delivering on our purpose.

This year, the CBH team has focused efforts on creating a smarter, leaner and healthier organisation, and I am pleased to say that significant progress has been made in achieving this objective. The role of the business is to connect you to your customers through the provision of an internationally competitive supply chain that balances low outbound logistical costs with effective services. The CBH Tactical Plan is our roadmap to ensuring the ongoing success of CBH so that we can provide you a world class supply chain, and deliver products and services which you value.

In a disappointment for us, one area of the Tactical Plan in which we did not meet our targets this year was the safety of our people, our most important measure. While a large amount of work has been dedicated to safety performance, we were not able to improve our All Injury Frequency Rate (AIFR), which rose slightly from 11 to 13 for the year.

Despite this result, I am buoyed by the fact we have introduced greater simplicity into our safety system, and dramatically reduced the complexity of the tools and instructions we provide our people. With these simplified systems in place and the continued support of the robust safety framework implemented across CBH, we are committed to lowering our AIFR and providing a safer workplace for everyone.

When I commenced working with CBH it was immediately clear to me that grain growing is at the heart of most Wheatbelt communities and the driver of economic activity at a local level. The supply chain you built to get your product to the world market at the best price possible is fundamental to your success and future as a grower.

Long-term grain demand remains strong in our critical markets and Western Australia remains well placed to capture this growth, although so too are competing grain origins including the Black Sea. Wheat from Russia and the Ukraine arrives in South East Asia, one of our key wheat markets, significantly cheaper than Western Australian wheat, and this gap is likely to grow as the grain industries in those countries develop further. It is critical that we reduce both supply chain and production costs to remain competitive.

In response, CBH is reducing paddock to port costs with our transformation a key enabler to reducing these costs and achieving our targets in the Tactical Plan. We have set a goal of removing more than $100 million in paddock to port costs by the end of 2019 and we are rapidly executing initiatives to achieve this target. We have already reduced supply chain fees by $4 per tonne for the 2018-19 harvest and, with the value captured through transformation, we are also committed to holding fees flat, continuing to provide rebates where surpluses have been generated and providing better service to growers.

A great deal of work is occurring with most of the cost reductions and productivity gains being delivered from refining internal processes, improving procurement negotiations and introducing new technology such as the CDF app. We are also making investments in areas such as data science, agile project management, and information technology to better manage our operations and build capability among employees. However, we acknowledge that as we seek to improve the productivity of our business, unfortunately this has meant some job losses. I would like to sincerely thank those colleagues that have left the organisation for their contribution to CBH and the growers of Western Australia over the years, and wish them well for future endeavors.

This year, CBH has progressed the Network Strategy, our ongoing investment in your supply chain. The strategy will improve the service and efficiency of our core 100 receival sites, keep our fees competitive and deliver tonnes to port when needed most to meet the market. We have reviewed and optimised our organisational structure to create the Plan, Build and Operate functions which enable the effective delivery of the Network Strategy.

In the short period this structure has been in place, clear lines of accountability have been established, and a collaborative cross-divisional team has emerged providing a solid foundation for sustainable capital network investment for the future.

In 2018, more than 650,000 tonnes of new permanent storage was constructed and 1.1 million tonnes of emergency storage built for the 2018-19 harvest. During the year, permanent storage was built at Kellerberrin, York, Narrakine, Broomehill, Grass Patch, Koorda and Perenjori. In addition, 24 sites will benefit from new or upgraded pits and conveyors that enable sites to receive grain faster. While we have some way to go, progress on the Network Strategy will continue at this elevated pace for the next few years.

CBH is in the fortunate position of having an excellent team of people who strive for better outcomes for growers and the co-operative as a whole. Good people deliver superior grower value, which is why it is essential that we have the right people, in the right roles, accountable and striving to deliver outcomes aligned with the Tactical Plan. We will continue to unlock value and realise our full potential by ensuring our leaders create and visibly support a more inclusive and diverse environment. I am pleased that this year we are on track to achieve our target of 30 per cent gender participation at every level by 2021, that there has been an increase in the number of women applying for opportunities at CBH and the CBH Lead Team now has 30 per cent female representation.

It has been a privilege and pleasure to complete my first full year as the Chief Executive Officer of the CBH Group. I thank the CBH Board for their support, and the hard work and dedication of the CBH team as we strive to sustainably create and return more value to our growers.

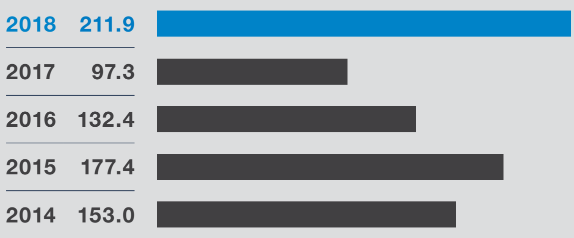
Operational and Financial overview

Summary Results

		2018	2017
Tonnes handled	mt	13.3	16.6
Revenue	$m	3,791.6	3,476.9
Revenue including pool revenue	$m	4,057.3	3,839.8
Earnings before interest, tax, depreciation and amortisation (pre rebate)	$m	238.6	357.4
Earnings before interest and tax (pre rebate)	$m	138.0	255.2
Taxation and net interest	$m	(10.0)	(7.6)
Group surplus before rebates	$m	128.0	247.6
Rebates	$m	(94.5)	(156.3)
Net profit after tax	$m	33.5	91.3
Capital expenditure	$m	155.7	70.3
Total assets	$m	2,351.5	2,172.5
Debt owing	$m	100.1	1.5
Equity	$m	1,767.0	1,735.1
Gearing (net debt to net debt plus equity)	%	5.4	0.1

Tonnes handled
Million Tonnes

Capital investment and maintenance
$M



Net Profit (Loss) After Tax
$M

Rebates
$M

CBH Board of Directors

Wally Newman

Chairman

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

Vern Dempster

Deputy Chairman

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

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

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

Trevor Badger

Member Director

Trevor Badger was elected as a Director of the CBH Board in April 2007. He is currently a member of the Remuneration and Nomination Committee 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.

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.

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.

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) at Curtin University.

Derek Clauson

Member Director

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

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

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

Kevin Fuchsbichler

Member Director

Kevin Fuchsbichler was elected as a Director of the CBH Board in April 2007. He is currently a member of the Remuneration and Nomination Committee and Workplace Health and Safety Committee.

Kevin is a grain producer from Bruce Rock with more than 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.

Rod Madden

Member Director

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

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

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

Brian McAlpine

Member Director

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

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

Brian has completed a Masters of Business Administration (MBA) and a Nuffield Scholarship, and is a Graduate 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 a member of the Investment Committee.

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.

Simon Stead

Member Director

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

Simon currently 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 a founding member and a past Chairman of the Association for Sheep Husbandry, Excellence, Evaluation and Production (ASHEEP).

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

David Willis

Independent Director

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

David is a qualified accountant with more than 30 years' experience in Asia, New Zealand, UK and USA, including more than 25 years working in the financial services sector with Australian and foreign banks. He holds several board positions with public and private companies across Australia and Asia. He also mentors several senior executives and is Chairman of a charity he founded to assist disadvantaged youth.

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

CBH Lead Team

Jimmy Wilson

Chief Executive Officer

Jimmy commenced as Chief Executive Officer in October 2017. He has a wealth of experience in supply chain management across multiple resource commodities.

Jimmy was President of BHP Billiton Iron Ore and Member of the Group Management Committee at BHP Billiton from 2012 to 2016. Prior to this, Jimmy led BHP Billiton's Energy Coal, Stainless Steel and Nickel West division in Australia after managing BHP Billiton's Chrome and Aluminium operations in South Africa.

Doug Warden

Chief Financial Officer

Doug joined CBH in October 2018 as the 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 Iluka Resources, and has 25 years' experience in senior roles across the resources and professional services sectors.

Stephanie Unwin

General Manager
Transformation and Technology

Stephanie joined CBH in April 2018 as General Manager Transformation and Technology with responsibility for information technology and overseeing CBH's transformation to a low cost, efficient supply chain from paddock to port.

Stephanie has significant executive and board-level experience across a variety of sectors. She is currently a Non-Executive Director of ASX-listed independent power producer Zenith Energy and a Board Member of the Australian Renewable Energy Agency.

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 international trading, risk management, supply chains and first stage processing. His prior experience includes President Director with PT Eastern Pearl Flour Mills and prior trading roles within the Grain Pool (now CBH Marketing and Trading).

David Capper

General Manager
Operations

David has held the position of General Manager Operations since July 2013 and is responsible for leading CBH's world-class storage, handling, logistics and shipping services. David's focus is on creating and returning value to growers through an efficient and cost effective supply chain.

His prior experience includes Operations Director with PT Eastern Pearl Flour Mills, before returning to Western Australia and taking on the role of Manager of Operations and Strategy

Brianna Peake

General Manager
Grower & External Relations

Brianna joined CBH in 2010 and was appointed General Manager Grower and External Relations in 2015. Her responsibilities include Corporate Affairs, Government and Industry Relations and Grower Relations including the Grower Service Centre.

Prior to being appointed to the Lead Team, Brianna held the roles of Government and Industry Relations Manager, Marketing Communications Advisor and Grower Service Centre Manager.

Andrew Porter

General Manager
Project Delivery

Andrew was appointed General Manager Project Delivery in 2017 and is responsible for the delivery of capital projects.

Prior to joining CBH, Andrew worked for mining services firm Calibre managing Rio Tinto's large scale projects, and is experienced in safety management, planning and resource management, risk assessments, strategy development and continuous improvement.

Ben Macnamara

General Manager
Planning, Strategy and Development

Ben was appointed General Manager Planning, Strategy and Development in December 2017, having joined CBH in August 2014 and most recently serving as Commercial and Business Development Manager.

Prior to commencing at CBH, Ben worked for an investment advisory firm and an international professional services firm.

Kelly McKenzie

General Manager
People & Performance

Kelly joined CBH in June 2009, and was appointed Group Manager People and Performance in 2015 and General Manager in 2017. Her responsibilities include human resources, employee relations, benefits and payroll, learning and organisational development and change management.

Kelly has over 20 years' experience in human resources and leadership roles supporting leaders to recruit, retain and develop high performing employees.

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.

Operations

Efficiently received 13.3 million tonnes

Achieved an outstanding grower Net Promoter Score (NPS) of +45

Returned $46.4 million in rebates to growers

The 2017-18 harvest recorded total grain deliveries into the CBH system of 13.3 million tonnes. This followed the record harvest of 16.6 million tonnes in 2016-17 and 13.6 million tonnes delivered in the 2015-16 season.

During the harvest, 22 receival sites broke their best one-day receival record and 14 receival sites recorded their best harvest season. Six of the record breaking sites were in the Albany Zone, five in the Kwinana Zone and three in the Esperance Zone. Overall, the Esperance Zone achieved another record-breaking harvest with 2.9 million tonnes delivered into the zone.

Continuing a trend of recent years, 96 per cent of the total crop was received at the 100 Network Strategy sites, an increase from 94 per cent in the 2016-17 season.

Returning surpluses, reducing fees

This year, Operations announced a rebate of $46.4 million or $3.50 per tonne to offset your future storage and handling, and freight charges.

The rebate is in addition to the $4 per tonne reduction in storage and handling fees announced in June for the 2018-19 season that was split evenly between grower and marketer fees.

Our decision to split the fee reduction means that your network remains an attractive pathway for you to reach international markets and for marketers to continue to see Western Australia as an attractive destination to accumulate grain.

Importantly, the rebate and fee reductions are in addition to current and future investment in your network.

In 2017-18, we invested $211.9 million on network capital and maintenance, including more than $130 million on new storage, throughput enhancements and sustaining capital projects.

Committed to our growers and customers

CBH is committed to providing you a world class storage and handling system with efficient service. In seeking to understand our performance, growers are surveyed each year to gain a Net Promoter Score (NPS) with CBH achieving a NPS in 2017-18 of +45, up from +32 in 2016-17, higher than similar supply chain businesses.

In 2017-18, we introduced new digital service options for growers, the Carter's Delivery Form (CDF) app, CBH Notifier app and LoadNet Paddock Planner to improve planning and delivery efficiency for your supply chain and reduce costs.

CDF app

Nearly 19,000 loads were delivered during the 2017-18 harvest through the CDF app's trial phase that took place at selected sites in the Kwinana zone (Area 7 and Moora) including the Metro Grain Centre. The loads accounted for 32 per cent of deliveries in the trial areas, with nearly 900,000 tonnes of grain delivered via the app.

The response from growers to the CDF app was overwhelmingly positive, with a CBH survey finding 93 per cent of users rated the app as positive and 92 per cent said they preferred using the app over paper forms. The app was made available for growers in all zones for the 2018-19 harvest.

Notifier app

The CBH Notifier app provides you with up-to-date information on harvest changes, segregation services, operations hours and site closures. Growers can customise notifications at a zone, area or site level. During the year, we successfully trialled the app in the Esperance and Albany zones, and extended the app to all zones for the 2018-19 harvest.

LoadNet Paddock Planner

In June 2018, we introduced new technology, named LoadNet Paddock Planner, with the intention to better capture crop estimates data from growers.

With the new mapping application, growers can define their property data by sketching paddocks, changing boundaries and isolating non-arable land before entering their paddock estimates by commodity, variety and the sites they intend to deliver to. This data then automatically syncs to the CDF app for your harvest deliveries, pre-filling your paddock and commodity details, making the harvest delivery process more efficient.

For the 2018-19 harvest, approximately 33 per cent of estimates in hectares were submitted through LoadNet Paddock Planner. CBH will continue to review the technology and enhance the service ahead of the 2019-20 season.

Enhancing network efficiency

Over the year, Operations achieved a vessel turnaround time of 2.6 days across our four port terminals and serviced the domestic market by outturning a record 700,000 tonnes.

CBH set a new Australian grain train record, breaking our previous record from 2016 for the longest and largest grain train operated in the country. More than 9,000 tonnes of wheat was delivered to Kwinana Grain Terminal by the 1.8-kilometre train, which had 120 wagons and three locomotives. The movement enabled us to better understand how the co-operative can transport grain in the most efficient and cost-effective way possible.

Long term road freight contracts were successfully negotiated in the Albany and Geraldton zones to achieve significant savings. CBH signed a one-year extension to our current interim access agreement with Arc Infrastructure. The agreement provides access to the Western Australian rail freight network for the 12 months to 31 December 2018, while arbitration for long term access continues.

CBH successfully maintained all Australian grain quality accreditations, enabling fair recognition and payment for crop quality.

A new chemical residue management system was successfully implemented and tested over 3,600 samples across the network to protect international market access for Western Australian grain. CBH will continue a focus on chemical residue management and advocacy in future seasons as international markets become increasingly discerning in their desire for residue free grain.

The CBH Asset Management Standard and five-year plan was developed, approved and shared with key stakeholders. The standard prescribes minimum requirements ensuring the life cycle of CBH's physical assets are managed for optimum performance and minimum risk and expenditure.

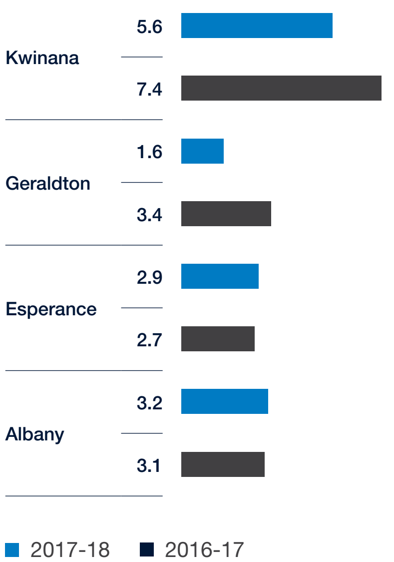
Record Breaking Sites

(annual tonnes received)

Site	Zone	Tonnes
York	Kwinana	287,909
Gairdner	Albany	205,179
Corrigin	Kwinana	205,137
Munglinup	Esperance	200,213
Broomehill	Albany	182,488
Shark Lake	Esperance	156,281
Lake King	Esperance	154,421
Mirambeena	Albany	141,810
Hyden	Albany	139,599
Bulyee	Kwinana	135,044
Wickepin	Kwinana	125,860
Nyabing	Albany	122,230
Konnongorring	Kwinana	113,917
Jacup	Albany	76,981

Grain received

(million tonnes)



CDF app

CBH introduced a new app, the Carter's Delivery Form (CDF) app, that replaces the traditional paper form and provides real-time data in the grower's hands at harvest.

It's suitable for anyone who delivers grain to a CBH site or is wishing to track their deliveries or site performance remotely, such as from the farm.

With the app, growers can receive notifications on load deliveries including site arrival and departure times so they will know where their truck is and when it is likely to return to the farm for the next load. It also has load quality results, so growers can make real-time decisions from the farm.

An additional benefit of the app is the ability for CBH to accurately measure the performance of sites during harvest, including wait times before the sample shed.

We can use this data to gain a more in-depth understanding of how to better manage and speed up cycle times during harvest, as well as prioritise future investment in the network.

The app is available for Apple and Android devices from the App Store and Google Play.

A 'Getting Started' guide and more information is available at www.cbh.com.au/cdfapp or call the CBH Grower Service Centre on 1800 199 083.

Network

$211.9 million invested in network capital and maintenance

650,000 tonnes of new permanent storage

24 throughput enhancement projects complete

Our growers are operating in an increasingly competitive global environment. With this knowledge, CBH is investing in your network to provide the most efficient and cost-effective services for growers and customers. We are doing this by focusing on the 100 sites of our receival network that receive the bulk of the annual crop. By investing in these sites, we can keep our fees competitive, increase throughput capacity and efficiency, and meet export demand to capture value for your grain.

Plan-Build-Operate structure

Since we announced the Network Strategy in early 2016, we have closely examined the way we manage our assets and deliver projects, making changes to ensure we have the right structure and capabilities to deliver on the strategy. In 2017-18, CBH introduced a new structure, Plan-Build-Operate, with three divisions – Planning, Strategy and Development, Project Delivery, and Operations – working collaboratively to deliver the Network Strategy. This collaborative cross-divisional team is providing a solid foundation for sustainable capital network investment for the future.

CBH has adopted a rolling three-year planning cycle to drive effective deployment of capital and shape the network of the future. Our forecast considers factors including grower economics, global grain supply and demand, crop size and crop composition. The plan is refreshed each year to inform decisions on inloading, storage and outloading projects.

A number of Network Strategy sites are currently being evaluated for new permanent storage and throughput enhancements as part of the annual planning cycle.

Building storage, upgrading sites and terminals

In 2017-18, CBH added more than 1.75 million tonnes of storage capacity to your network. Of this, more than 650,000 tonnes of permanent storage was completed as part of the Network Strategy and more than 1.1 million tonnes of emergency storage installed for the 2018-19 harvest.

Key permanent storage projects included 138,000 tonnes of additional storage at Kellerberrin, 86,000 tonnes at York, 72,000 tonnes at Broomehill, 69,000 tonnes at Grass Patch, 60,000 tonnes at Koorda, and 36,800 tonnes at Perenjori. Additionally, a further 300,000 tonnes was in construction at 30 September 2018 due to be completed in late 2018 and early 2019.

As part of the Network Strategy, CBH installed new equipment or upgraded infrastructure at 24 sites to increase throughput resulting in sites being able to receive grain faster. Overall, 250,000 hours were worked in throughput and maintenance planning, and more than 2,000 individual pieces of work were completed including:

- site shutdowns at our four terminals and 10 sites
- major civil maintenance program
- rail maintenance program
- mechanical and electrical maintenance program
- sealed storage program.

One of the CBH's significant site refurbishments was the optimisation of shiploaders at Kwinana Grain Terminal. As part of the project, which was planned throughout the year, and undertaken in September and October, shiploader SL2 was decommissioned and removed, while shiploader SL1 was relocated to the southern end of Kwinana jetty. The project follows the refurbishment of the wharf's primary shiploaders, SL3 and SL4, and will significantly enhance the terminal's grain loading capability.

Network Strategy progress

Projects completed*

Albany

Broomehill – new open bulk heads and throughput upgrade

Kukerin – throughput upgrade

Mirambeena – new open bulk heads

Ongerup – throughput upgrade

Pingrup – new open bulk heads

Geraldton

Carnamah – throughput upgrade

Geraldton – horizontal storage refurbishment

Mingenew – throughput upgrade

Perenjori – new open bulk heads and throughput upgrade

Esperance

Beaumont – throughput upgrade

Brazier St – throughput upgrade

Chadwick – new fixed storage and throughput upgrade

Grass Patch – new open bulk heads

Lake King – throughput upgrade

Mt Madden – throughput upgrade

Kwinana

Ballidu – throughput upgrade

Bruce Rock – throughput upgrade

Calingiri – open bulk heads (asset rejuvenation) and throughput upgrade

Cunderdin – throughput upgrade

Dale – throughput upgrade

Kellerberrin – new open bulk heads

Kondinin – throughput upgrade

Konnongorring – new open bulk heads and throughput upgrade

Koorda – new open bulk heads

Merredin – throughput upgrade

Moora – throughput upgrade

Mt Walker – throughput upgrade

Mukinbudin – throughput upgrade

Narrakine – new open bulk heads

Regan's Ford – new open bulk heads

Wickepin – throughput upgrade

York – new open bulk heads and throughput upgrade

Projects approved (to date)

Albany

Broomehill – new open bulk heads

Lake Grace – new open bulk heads

Gairdner – new open bulk heads

Geraldton

Narngulu – greenfield site development

Kwinana

Dowerin – new open bulk heads

McLevie – new open bulk heads and marshal, sample, weigh upgrade

Merredin – marshal, sample, weigh upgrade

Wickepin – new open bulk heads and throughput upgrade

* Projects completed does not imply that there will be no more work undertaken at these sites.

Marketing and Trading

Australia's largest exporter of grain with market share of 34 per cent of Australian grain exports

Market share of more than 51 per cent of the WA crop and 12 per cent of the SA crop

A record $7.00 per tonne rebate for growers who sold grain through the co-operative

One of CBH's key objectives is to ensure your internationally competitive supply chain is transparent, efficient and consistently maintains the quality of your grain to appeal to customers around the world. Central to this objective is your Marketing and Trading division, whose role is to attract tonnes to the network by buying grain from you to supply our customers. Additionally, the team works to optimise prices for your benefit as well as grow and develop markets for your grain.

The 2017-18 season for Marketing and Trading had two significant market drivers. These were competition continuing to intensify in our international export markets, principally from grain originating from the Black Sea, and domestic demand strongly increasing because of drought conditions in eastern Australia.

Overall, revenue for the division increased to $3.2 billion, an increase of $373 million or 13 per cent on last year. The increase is mainly due to slightly higher tonnes traded, 9.6 million tonnes, and significantly higher year-on-year market prices for traded grains. In accumulating grain, CBH paid approximately $2.6 billion to growers for both cash and pool products.

Capturing value for your benefit

Marketing and Trading delivered another exceptional result, with a record $7.00 per tonne rebate being returned to growers who sold grain through the co-operative in 2017-18. This surpassed the division's previous record of $6.25 per tonne returned in 2016-17. The rebate totalled $48.1 million.

The rebate is the result of your Marketing and Trading team continuing to strategically market your grain over the entire season enabling the co-operative to take advantage of changes in market circumstances both across the globe as well as Australia.

Our ability to return value with a rebate is also a result of CBH's robust capital management plan and the continued strength of our equity base, which enables us to return more of the division's operating surplus to you. This year, 94 per cent of the surplus was returned, compared with 83 per cent last year.

Accumulation

Marketing and Trading acquired approximately 51 per cent of grain delivered into the CBH system, an increase on the 46 per cent market share in the previous season and a return to the long-term trend of accumulating half of the Western Australian crop. Looking forward, your marketer is working towards maintaining a similar market share.

The dynamics of accumulating grain changed significantly over the course of the year and the team responded to these shifts. In the first half of the year, growers held on to unsold tonnes while prices were low and growing conditions varied at the start of the season, then, as the drought worsened in eastern Australia, more tonnes were accumulated as prices increased.

In South Australia, Marketing and Trading continued to operate a profitable business and was the second largest accumulator of grain (wheat, barley and canola) in the state with 12 per cent market share. Our export customers continue to benefit from our ability to provide Western Australian and South Australian grain, which are of comparable quality and have similar end-market destinations.

Pools

CBH pool products finalised at October 2018 – Accelerator Pool, Barley Harvest Pool and Canola Harvest Pool – have delivered strong results to participants. All products have significantly outperformed the average of cash prices that were available through harvest by up to $35 per tonne.

Each product has also outperformed the average of prices available over the pool marketing window by up to $15 per tonne, continuing to demonstrate the value that CBH pool products can offer to participants.

Pre-Pay Advantage

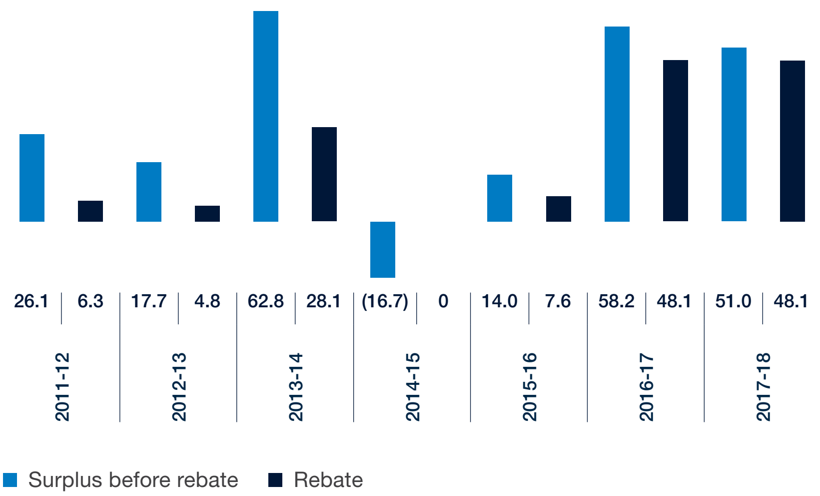
Marketing and Trading's Pre-Pay Advantage product provided nearly $120 million of working capital finance to more than 400 farming entities. Including our Grain for Fert and Warehouse Advance products, more than $142 million of working capital finance was provided to approximately 560 grain growing entities across the year.

Responding to our customers

Your co-operative remains Australia's largest grain exporter, delivering 7.7 million tonnes – 34 per cent of Australia's bulk grain exports – to approximately 200 customers in more than 30 countries. Marketing and Trading chartered 172 vessels, freighting 6.1 million tonnes.

Marketing and Trading surplus and rebates by year

($ in Millions)



Russia Grower Study Tour

The annual Grower Study Tour was again held during the year and supported by Marketing and Trading, and the CBH Community Investment Fund. The destination was changed this year from visiting grain customers to a grain competitor, with a group of 35 Western Australian growers visiting Russian grain growing regions.

The group took part in the tour to Krasnodar and Novorossiysk, two key locations in the Black Sea region that are emerging as some of the major powerhouses in the global grain market.

New investment into the Russian agricultural sector, including into logistics and supply chains, was evident throughout the trip, particularly when the significant productivity increases being made are witnessed firsthand.

While farming operations and practices are sophisticated in Krasnodar, bottlenecks were evident in the logistics and supply chain management.

Growers were surprised by the more than 200 trucks stopped outside of Novorossiysk, port terminal, which had to wait up to a week before being called into the port to discharge.

While Western Australia generally has superior grain quality attributes and a significantly more efficient supply chain, the Grower Study Tour reinforced CBH's focus on improving productivity and reducing costs across your supply chain to ensure current and future growers remain competitive.

Marketing and Trading was a large supplier of the total grain moved from Western Australia and South Australia to the drought-affected areas of New South Wales and Queensland through the ports of Brisbane, Newcastle and Port Kembla.

While there has been a significant increase in demand from the domestic market, Marketing and Trading has confidence that there is sufficient crop to supply both our regular overseas customers and demand from eastern Australia.

Internationally, Marketing and Trading has held market share in your important markets with some deviations during the year. South East Asian sales experienced a year-on-year decline because of the high Australian prices, depreciating local currencies against the US dollar and strong competition from the Black Sea. Middle East sales increased, driven by our return to direct wheat sales to Iraq.

Developing markets for your grain

In 2017-18, CBH Marketing and Trading continued to develop and expand new markets for your grain including feed barley into Thailand, milling wheat to Myanmar, Iraq, Bangladesh and Taiwan, feed wheat to the Philippines and malt barley to Vietnam. Market awareness and sales campaigns continue in these markets, which will bring further benefits over the long-term for Western Australia's grain industry.

A series of technical seminars were held across Asia during the year, placing CBH at the forefront of our buyers' minds when purchasing Australian grain. This year, the team visited key customers in seven countries with more than 300 people attending. The seminars focused on promoting the technical benefits of Western Australian grain and informing attendees about variations in quality from year to year.

CBH Fertiliser

CBH Fertiliser continued to grow during 2017-18 with 90,000 tonnes sold, an increase from 62,000 tonnes last year. The business is now profitable. A wider product range and focus on providing swift on-site turnaround times was well received by growers.

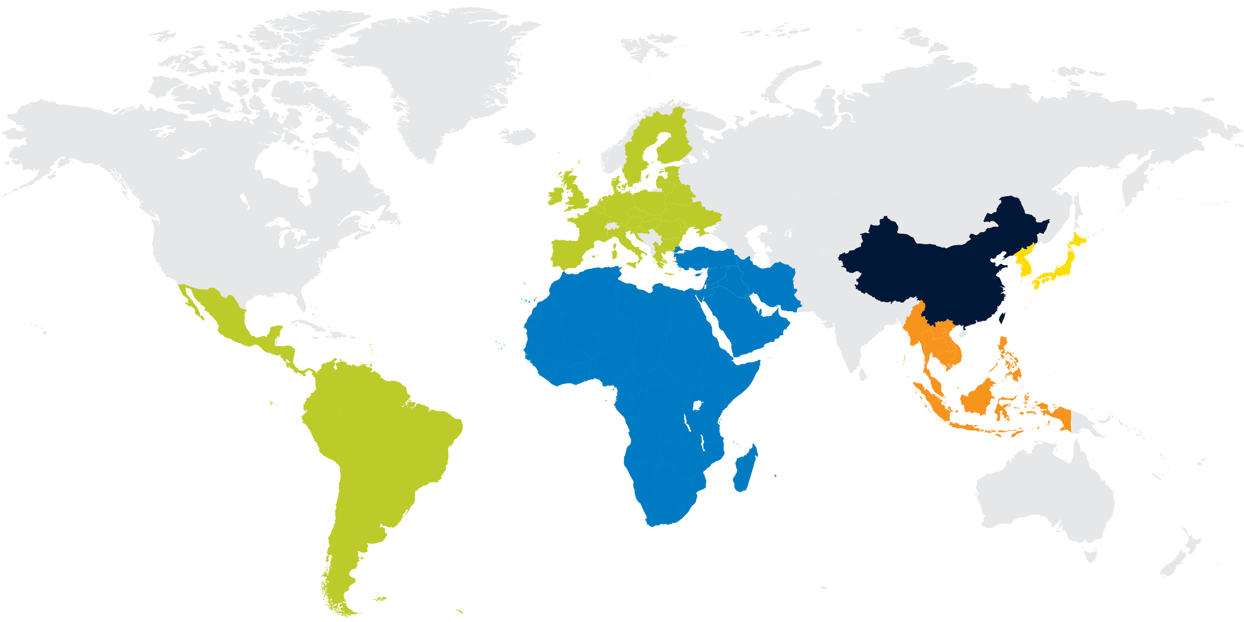
Granary LLC (Russia)

In our third year of operations, Granary LLC, CBH's Russian-based accumulation business in Krasnodar, accumulated and exported 260,000 tonnes of wheat and barley.

CI Trading Limited

CI Trading was established in partnership with Interflour three years ago to enable CBH better access to Vietnamese end users. Activities include domestic wheat trading, broking wheat bran pellets on behalf of Interflour, and working with CBH to sell into Vietnam's flour and feed mills. In 2017-18, the business performed well returning a profit.

CBH Marketing and Trading Export Markets



	South East Asia	North Asia	Europe and Americas	Japan and Korea	Middle East and Africa	Other
2017-18	**19%**	**26%**	**14%**	**19%**	**15%**	**7%**
2016-17	31%	25%	16%	14%	11%	3%
2015-16	35%	17%	13%	13%	19%	3%

Investments

Blue Lake Miling (BLM) commissioned a new oat mill in Forrestfield, Western Australia

Interflour Group develops turnaround plan

CBH's investments continue to be an important part of our purpose to sustainably create and return value to growers. The CBH Board regularly reviews the performance of investments to ensure that the businesses we invest in deliver the outcomes we seek on your behalf.

With the exception of Interflour, all investments reported profits in 2017-18. However, our investments did not return a rebate as surplus profits were retained for future growth or to mitigate any impact from the forecast reduction in east coast crop production.

Interflour Group

CBH has a 50 per cent interest in Interflour Group Pte Limited, which after accounting for minority interests, represents a 44 per cent interest in the Interflour Group. For the year ended 30 September 2018, Interflour made an after tax loss with CBH's share being $10.2 million.

The loss was attributable to the following factors:

- highly competitive industry conditions
- recently commissioned processing facilities not generating expected profits
- adverse foreign exchange movements
- restructuring costs incurred as part of a turnaround plan.

The result represents the first annual negative return from our investment in Interflour since we acquired our 50 per cent interest in 2005. For context, our Interflour investment currently represents 6 per cent of CBH's equity. CBH has invested approximately US$90 million in Interflour, with the majority of this being paid in 2005. CBH has received US$47 million in dividends, in addition to our share of the capital value of the business.

Over the past five years, Interflour has spent approximately $150 million on new processing facilities, the two largest being Intermalt, a malting plant in Vietnam, and a flour mill in the Philippines.

Both were commissioned in 2017 and made good progress during 2018 on building sales towards constructed capacity. These facilities are expected to contribute to overall Interflour profitability once target sales and margins are achieved.

In March 2018, Interflour appointed a new Managing Director and Chief Executive Officer Avi Fintz. Avi was Head of Strategy and Business Development at Interflour for five years ahead of his appointment.

Led by Avi, the Interflour Executive Management team has developed a turnaround plan focusing on:

- lowering costs
- improving the efficiency of milling operations, and
- accelerating sales and profitability including improvement from recently completed processing facilities.

CBH and our partner support this turnaround plan, which is critical to ensure the sustainability of operations.

Blue Lake Milling

A growing demand for oats resulted in a good performance from Blue Lake Milling (BLM) in 2017-18, its third full year of CBH ownership. The company is a leading manufacturer of premium Australian oat products with operations in South Australia, Victoria and Western Australia. In trading, the business performed in line with expectations and profit was comparable with the previous year.

In mid-2018, BLM successfully commissioned its new 60,000 tonne oat processing facility at CBH's Metro Grain Centre in Forrestfield, Western Australia. The new facility enables BLM to service growing demand for oat products.

In August 2018, following an extensive search and selection process, Kevin Boyle commenced as Chief Executive Officer of the business, succeeding Ben Abbot who stepped down in June 2018. Kevin brings more than 20 years' experience in manufacturing from the fast-moving consumer goods, defence and automotive sectors.

Australian Bulk Stevedoring

A joint venture between CBH and Hudson Shipping Lines, Australian Bulk Stevedoring provides stevedoring services to exporters at CBH's Western Australian grain ports. Our investment in ABS assists you to control the supply chain from your paddock to the loading of a vessel. In 2017-18, ABS loaded 13.9 million tonnes of grain and woodchips.

Newcastle Agri-Terminal (NAT)

Newcastle Agri-Terminal located within the Port of Newcastle in New South Wales shipped 480,000 tonnes in the year to 30 June 2018. 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

Introduced a new approach to contractor safety

Developed an organisation-wide Integrated Management System

Continued to expand our resource recovery and recycle schemes

At CBH, sustainability is a core value of the business which means that we always put safety first, and strive for outcomes that benefit the environment and the communities in which we operate for the long term. We are also committed to providing a healthy workplace for our people.

Safety

Our safety vision is we all return home safely at the end of each working day. Through effective safety leadership, we will control our work environment, enable the right behaviour and promote safety as a value to ensure we achieve our safety vision.

Unfortunately, our safety performance in 2017-18 did not meet target, with our All Injury Frequency Rate (AIFR) increasing from 11 last year to 13 this year, and 28 serious potential incidents recorded.

To drive a significant improvement, we are aiming for an 80 per cent reduction in injuries over the next three years to reach an AIFR of 2 by 2022. We will do this by developing our people, strengthening our management system, simplifying our processes and upgrading our equipment.

Safety leadership

In 2017-18, senior Operations and Project Delivery teams attended Safety Leadership Development workshops to further develop our safety culture. We recognise the need to strengthen our hazard identification and control capability, and have begun work to improve Job Safety Analysis and Take 5 processes.

CBH introduced a transformational approach to contractor safety during the year with a simplified approach based on the fundamentals of improving safety, sustainability and productivity. Our new approach will ensure projects are delivered successfully and generate grower value.

The overarching principles on how CBH will deliver projects with contractors are: working in partnership; clearly defining requirements and expectations; contractor selection based on capability to undertake works; and, verification that contractors are utilising their safety systems to meet our minimum requirements. Our strategy was delivered and well received at our inaugural Contractor Forum during the year.

Management systems

CBH has developed an Integrated Management System (IMS) which provides the business clarity as to why and what activities need to be performed in a controlled and consistent manner. The IMS applies across CBH and sets out the performance requirements that managers need to be aware of such as risk, incident, change management and document control.

As part of the IMS, Standard Operating Procedures and Work Instructions have been developed for all critical activities through consultation with front line employees. This will allow us to simplify our system by reducing the number, complexity and overlaps of our current documentation.

Health

The health of our employees at CBH is a priority. In 2017-18, we offered a range of health incentives to support good mental and physical health.

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

Employees were encouraged to respond to a risk assessment survey and participate in sleep analysis to determine their risk of experiencing mental health issues, and were provided guidance on steps to take to reduce risks. A mental health first aid program was trialled with leaders in West Perth to assist in identifying mental health risks and supporting team members dealing with mental health issues.

Environment

We remain committed to delivering value to stakeholders by protecting, sustaining and enhancing the natural resources we need for the future. We have a focus on managing key environmental risk areas for the business including reducing:

- dust and noise emissions
- waste to landfill
- CO_2 emissions
- water consumption.

In 2017-18, CBH reduced our overall carbon emissions measured in tonnes of CO_2 equivalents (CO_2-e) by 17 per cent on the previous year.

Our consumption of potable water also continues to trend down and we recorded a 23 per cent reduction in water consumption based on our five-year usage average.

Our port terminals and Metro Grain Centre continued to maintain their ISO 14001 Environmental Management certification, which follows a successful transition to the updated 2015 standard, a year earlier than required.

In partnership with our major suppliers, we have continued to refine our resource recovery and recycle scheme for PVC and plastic grain and wall covers as we continue working towards reducing our overall landfill burden.

Meeting international standards

In 2018, CBH received recognition for 15 years continuous certification to the international standard for environmental management systems, ISO 14001.

ISO 14001 was developed by the International Organization for Standardisation (ISO) and sets out a framework that organisations around the world can follow to set up effective environmental management systems.

International standards can be certified through verification and regular audits by third parties.

The ISO 14001 certification is successfully maintained at all CBH port terminals and our Metro Grain Centre, and is a demonstration of our commitment to responsible and innovative environmental management.

During the course of certification we have implemented strategies to manage a number of environmental risks such as water quality, waste management, dust and noise emissions, energy use and carbon emissions.

In addition to ISO 14001, CBH is certified to ISO 9001, which focuses on quality management, and HACCP, an international food safety management standard.

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.	Environmental 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	Review Community Investment Fund against set objectives.	Community Investment Fund is reviewed annually and sponsorship activities are tracked.	●●●●
	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, among others.	●●●●
	CBH Grass Roots Fund.	Provides grants up to $20,000 via an application process against key criteria.	●●●●
	Harvest Mass Management Scheme.	$148,000 to eight worthy charities via this scheme in 2017-18.	●●●●
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.	30 kilowatt system established at Moora.	●●●○
	Identify vehicle fleet options to reduce environmental footprint of CBH fleet.	Environmental criteria embedded in CBH vehicle selection policy.	●●●○
Integrate sustainable development principles	Ensure sustainability objectives are captured within the 'Future Sites Concept'.	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 register.	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 to be 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 the 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 usage 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 minimum operating requirements for wash down areas.	●●●○
	Review water quality monitoring programs.	Water monitoring conducted at all high risk sites.	Complete
Reduce waste produced and maximise resource recovery and recycling	Reuse and recycle strategies implemented for major waste streams.	Reuse and recycling systems established for wall liners, sample bags, PVC tarps, fluro tubes, oil, paper, cardboard, co-mingled, e-waste, packaging and mobile phones. Reduce waste to landfill by 50 per cent by 2019. 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 MGC and Kwinana. 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.	●●●○

Community

$1.6 million invested in regional communities

Completion of the PUBLIC Silo Art Trail

More than $1 million donated by growers through HMMS

Western Australia's grain growing communities are the foundation that CBH is built upon, and we are committed to supporting the health and sustainability of our growers and their communities.

Through our Community Investment Fund, we provide support to schools, community groups, grower groups, sporting organisations and community programs in grain growing communities via corporate partnerships, scholarships, arts and cultural events and our Grass Roots Fund grants program.

This year, we invested $1.6 million in regional communities through the fund.

Regional Capacity Building

CBH is focused on building capacity to help create resilient and connected communities which are strong for the future.

In 2017-18, we continued our successful partnership with the Grower Group Alliance, a non-profit, farmer-driven organisation, to once again deliver grower group members not-for-profit governance courses in two locations.

Part of our commitment to community is the desire to build strong regional leaders and support a sustainable future for our grain industry. CBH sponsors many scholarships which build knowledge and skills across the region, and identify the future leaders of the industry.

In 2017, CBH launched the Growing Leaders Scholarship Program, established in collaboration with Leadership Western Australia and the Grower Group Alliance to support existing and emerging industry leaders in developing their leadership skills and foster their industry and community leadership.

The three inaugural recipients were Niki Curtis from Esperance, who participated in the Signature Leaders Program and Jasmyn Allen from Yuna and Rebekah Burges from Meckering, who participated in the Rising Leaders Program. Nominations for the second round of scholarships were opened in 2018 for programs commencing in 2019.

Other scholarship opportunities sponsored by CBH include:

- Clontarf Academy
- Leeuwin Ocean Adventure Program
- Muresk Institute Grain Industry Scholarship
- Nuffield Scholarship
- AgriFuture's Rural Women's Award
- Regional Achievement and Community Awards

We continue to provide support to Western Australian community-based grower groups that focus on maximising productivity and profitability of farms at a local and regional level.

Groups supported by CBH in 2018 included:

- Facey Group
- Liebe Group
- Mingenew Irwin Group (MIG)
- South East Premium Wheat Growers' Association (SEPWA)
- Stirlings to Coast Farmers
- West Midlands Group
- Western Australian No-Tillage Farmers Association (WANTFA)
- Southern DiRT
- Merredin and Districts Farm Improvement Group (MADFIG)
- Corrigin Farm Improvement Group (CFIG)
- Women in Farming Enterprise (WIFE)

Health, safety and lifestyle

We are now in the second year of our five-year partnership with the Royal Flying Doctor Service to provide funding of $750,000 over five years to go towards vital equipment and services.

CBH continues to sponsor a room at Ronald McDonald House which provides accommodation to regional families who have children receiving hospital treatment in Perth.

We extended our partnership with the Black Dog Institute for two more years, and committed a further $300,000 into mental wellness programs in regional Western Australia.

Sport and recreation

CBH has been a long-term supporter of the Western Australian Country Football League (WACFL). Since 2002, we have contributed more than $780,000, supporting 73 clubs, 142 teams, 3,500 players and 2,400 volunteers under the 12 leagues in grain growing regions that make up the WACFL.

CBH is also a long term supporter of Hockey West and Tennis West providing opportunities to regional sports participants.

Culture and arts

Since 2014, CBH has provided sponsorship to Musica Viva to support its award-winning education program Live Performance Plus which engages schools. Our sponsorship contributes to bringing music education to grain growing schools and enables students to attend live music concerts.

The partnership was recognised as a winner in the Regional Arts and Culture category at the Western Australian State Arts and Culture Partnership Honours in October 2017. Over 2017-18, the program reached 5,817 students from 60 schools, with 45 performances delivered.

CBH continued our partnership with Western Australian arts organisation FORM to undertake three silo murals at Albany, Newdegate and Pingrup to finalise the PUBLIC Silo Trail.

Grass Roots Fund

Local community groups, schools and sporting clubs are the strong core making up the fabric of our regional towns. CBH invites these groups to apply for funding for events, projects or small-scale infrastructure which contributes to the wellbeing and vibrancy of the community.

In 2017-18, a total of $340,000 was granted to 117 local organisations under the Grass Roots Fund.

Harvest Mass Management Scheme

The Harvest Mass Management Scheme (HMMS) was developed with Main Roads WA and allows growers to forfeit grain from overloaded trucks, which is then sold with proceeds going to charities active in regional Western Australia identified by CBH employees and growers.

During the 2017-18 harvest, the HMMS generated $148,000 from 496 tonnes of grain that was surrendered, bringing the total donated since the program began in 2012 to over $1.1 million. Recipients included Kids Cancer Support Group, the Country Women's Association of WA, RedKite, Ronald McDonald House, St John Ambulance and Camp Kulin.

PUBLIC Silo Trail wraps up

2018 saw the completion of the PUBLIC Silo Trail art project delivered by FORM, and supported by CBH.

The PUBLIC Silo Trail's goal was to create a trail of world-class murals by local and international artists on iconic infrastructure throughout regional Western Australia, forming a cultural tourism trail.

The project has transformed the CBH silos at Northam, Ravensthorpe, Merredin, Albany, Newdegate and Pingrup into a colossal outdoor gallery spread across the Wheatbelt and Great Southern.

The project started in 2015 with the painting of the Northam silos by artists Phlegm and HENSE. This year saw Brooklyn-based street art duo Yok & Sheryo paint the fourth mural across the Albany Grain Terminal silos in March, followed by Perth-based artist Brenton See transforming the Newdegate silos in June, and the sixth and last mural on the silo trail painted by Evoca1 at Pingrup in September.

The three latest murals all draw inspiration from the scenes of everyday country life, and the unique native wildlife found nearby.

The newly launched publicsilotrail.com website serves as an information and planning tool for travellers wanting to plan a PUBLIC Silo Trail adventure.

Grower Service

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

Introduced more flexibility to manage your rebates

Continued to support the newly developed grain exchange, MarketPlace

Our Grower Service Centre and Business Relationship Manager teams continue to provide valuable assistance to growers, while our research program provides CBH with awareness and insight into key issues affecting Western Australian grain growers.

Grower Service Centre

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

During the harvest period between November 2017 and January 2018, the Grower Service Centre received approximately 10,100 calls. Outside of this period, total calls received were 11,300. The average time in queue was 20 seconds in the harvest period and 62 seconds outside of harvest.

The team provided extensive support to growers during the rollout of the new CDF app and LoadNet Paddock Planner technology, among other service and product enhancements from the business.

The eastern Australian Grower Service Centre located in Adelaide offers support to growers in other parts of Australia. Our operations in South Australia are focused on accumulating grain for the export market.

Enhancing Grower Patronage Rebates

The Grower Service Centre plays a central role in administrating the Grower Patronage Rebates Program, from co-ordinating requests, answering questions and advising you of your eligibility for rebates.

Offset Preferences

In 2017-18, we made enhancements to provide you more flexibility including an option to apply your rebates across a wider range of storage and handling fees including receival, freight, storage and outturn fees.

Following grower feedback in 2018, we added freight fees to the default rebate offset option in addition to receival fees. This means rebates will automatically be applied to both receival and freight fees unless you make changes to your offset preferences. Growers can continue to edit rebate offset preferences through LoadNet before invoices are generated.

Cash Out and Transfer Applications

Additionally, we introduced the capability for growers to cash out or transfer their rebate if there is a family succession or retirement from farming.

During the year, more than $2 million in rebates was cashed out or transferred. For the 2018-19 season, we will implement set time periods to apply for a cash out or transfer. These periods will be during the months of January, February and August.

Local support for growers

CBH has a team of 14 Business Relationship Managers located across Western Australia and South Australia, providing growers with a connection to international markets, and assistance with our suite of grain marketing and structured commodity products, finance products and specialist CBH information.

The Western Australian team also provides a local presence for CBH Fertiliser, providing you with a personal contact and informed assistance for your business.

Our research and insights program

Our annual post-harvest survey completed in January 2018 saw more than 1,000 growers respond with feedback.

Some of the key highlights include:

Value from CBH

- 86 per cent of growers believe they receive good value from CBH
- 88 per cent of growers were satisfied with site service, rating their main receival site as good or very good in its performance during harvest

Community

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

Grower Priorities

- When prompted for improvement suggestions, growers focused on faster site turnaround times, upgrading infrastructure, reducing fees, improving availability of Business Relationships Managers and seeking higher prices for grain.

DailyGrain

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.

In 2017-18, DailyGrain retained more than 1,500 members and created additional value for growers by providing 830 of these members with a free Basic Membership. DailyGrain members receive easy access to over 1,000 daily prices from 23 grain buyers for all commodities and grades in Western Australia.

The newly developed grain exchange, MarketPlace provides a transparent online space for growers and marketers to post and transact on cash prices. MarketPlace now allows transactions for wheat, barley and canola for both delivered grain and forward contracts.

MarketPlace is free for all DailyGrain members and continues to bring greater transparency to the Western Australian grain market place.

People

On track to achieving 30 per cent gender participation at every level by 2021

Simplified organisational structure implemented

Increased capability through talent acquisition and development

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

Right Structure

We have reviewed and optimised our organisational structure with a strong focus on supporting and enabling our frontline employees who operate or maintain equipment, or interface with our growers or customers. Support teams have used benchmarking to revise service delivery models and utilise technology to simplify structures and increase efficiency.

To ensure capital is deployed effectively across our network the Plan, Build and Operate functions – owned respectively by the divisions of Strategy, Planning and Development, Project Delivery and Operations – were established with clear lines of accountability for delivery of site upgrades and throughput improvement projects. This approach has been complemented by the introduction of process improvement capability in Operations to standardise processes across the network to optimise both harvest receivals and outloading activities.

Right People

As structures have evolved, equal focus has been placed on identifying people with the capability required to deliver outcomes in critical roles.

In Project Delivery, engineering capability has increased through the recruitment of experienced civil and project engineers, while Operations has recruited process engineers bringing experience from lean manufacturing environments and the resource sector. In Marketing and Trading, an investment in data science and analytics is creating new insights to support trading decisions and in our Technology team, Agile project management, system architecture and design skills are helping to shape our future Information Technology roadmap.

Our commitment to increasing gender diversity continues as we aim to achieve 30 per cent gender participation at every level of the business by 2021. In 2017-18, there was an increase in the number of women applying for opportunities at CBH and the investment over the past few years in our leadership pipeline has had a positive impact with 28 per cent of our senior leader roles and 30 per cent of our Lead Team roles now held by women.

Right Work

At CBH we recognise that leadership drives culture and culture drives performance. In February 2018 we conducted a survey of employees to assess our culture using the Organisational Health Index (OHI) assessment. Through OHI, CBH can benchmark how we perform in 37 management practices, against more than 1,500 organisations worldwide and identify areas of focus where improvements will have the greatest impact on overall business performance outcomes.

Based on the feedback provided by our people, we have focused on the management practices that enable us to 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.

In 2018, we introduced the Ability to Execute program, which will be incorporated into the CBH Leadership Academy. This business essentials program supports leaders and business initiative owners in identifying high priority activities, building a clear plan for implementation, identifying and managing potential risks to delivery, coaching and enabling others to contribute and measuring progress and outcomes. To date, over 200 people have participated in the program with further workshops planned post-harvest in 2019.

Acknowledgement of Service

20 years

Adrian Carter	Mark Iacus
Brett Smith	Matthew Bailey
Craig Gault	Mick Kalpakoff
David McGrinder	Peter Caley
Jeremy Mortimer	Richard Allen
John Holler	Bob Roberts
John Trythall	Simon Lowings
Mark Pinney	

25 years

Colin McAndrew	Stephen Maher
Erin Healy	Stuart Reid
Geoff Sutton	Terry Rowe
Jamie Leeson	Wes Ireland
Peter Stewart	

30 years

Beau Mete	Maurice Norman
Darron Jenkins	Ray Choules
Darryl Follington	Warren Caley
Lloyd Burges	Bill Singer
Mark Athanasoff	

35 years

Dave Ladhams	Neil Berry
Eric Cooper	Robert Franklin
Graeme Fleming	Robert Ward
John Burton	Terry Clark
Kim Thornton	Trevor Thompson

40 years

Geoff Desmond	Neil Murray
Graeme Sexton	Ramla Senihin
Kathy Bloomfield	Rob Partington
Kerry DeBonde	

45 years

Brian Davies

New values to drive our purpose

Our purpose is to sustainably create and return value to growers and to promote the development of the Western Australian grain industry for current and future generations of growers. This is why we exist.

How we act is determined by our values and the co-operative principles that underpin our decisions and our behaviours, individually and as an organisation.

This year, we adopted two new values, Sustainability and Simplicity, alongside our three long-standing values of Commitment, Courage and Collaboration.

Our values

Sustainability

We always put safety first and strive for outcomes that benefit the environment, and the communities in which we operate for the long term.

Simplicity

We relentlessly pursue the basics, eliminate waste and always focus on what matters most.

Commitment

We do what we say we will do and hold ourselves and others accountable for delivering outcomes.

Courage

We challenge ourselves and others through honest feedback, and continuously learn, improve and adapt.

Collaboration

We work together as one team focused on the success of CBH, we empower people, develop relationships and have fun.

Corporate Governance

This statement outlines the main corporate governance practices of the CBH Group's framework of governance for the year ended 30 September 2018.

The CBH Group of companies 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 updated and underwent a comprehensive review during the year ended 30 September 2018.

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

Role and responsibilities of the Board

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

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

The CBH Board is responsible for and has the authority to determine all matters relating to the policies, practices, management and operations of the co-operative. It is required to do all things that may be necessary in order to achieve the co-operative's objectives. The Board has 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 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 approved by the Board
- selecting and negotiating the terms and conditions of appointment of General Managers in consultation with the Remuneration and Nomination Committee
- spokesperson for CBH Group's performance matters and operational announcements
- spokesperson for the Board on policy and strategic issues as delegated by the Chairman or the Board
- providing strong leadership to, and effective management of, the CBH Group in order to:
    - encourage co-operation and teamwork
    - build and maintain staff morale at a high level
    - build and maintain a strong sense of staff identity with, and a sense of allegiance to, the CBH Group
- forming management committees and working parties from time-to-time to assist in the orderly conduct of the Group's business
- keeping the Board up to date and informed of all major activities of the Group

Board structure

The CBH Rules provide for the following Board structure:

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

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

In respect of the appointment of an Independent Director, the Board approves the key skills and attributes that it is seeking to complement the existing Board. The Remuneration and Nomination Committee considers the appointment or re-appointment of an Independent Director against the criteria approved by the Board and makes a recommendation to the Board 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	11 years 8 months	24 February 2016	February 2019
T J Bartlett*	28 February 2012	6 years 10 months	23 February 2018	February 2021
N A M Browning	23 February 2018	10 months	23 February 2018	February 2021
D G Clauson	27 February 2013	5 years 10 months	24 February 2016	February 2019
V A Dempster (Deputy Chairman)	2 April 2008	10 years 8 months	28 February 2017	February 2020
K J Fuchsbichler	4 April 2007	11 years 8 months	24 February 2016	February 2019
R G Madden	5 April 2006	10 years 8 months***	28 February 2017	February 2020
B E McAlpine	28 February 2012	6 years 10 months	23 February 2018	February 2021
A J Mulgrew*	24 February 2015	3 years 10 months	28 February 2017	February 2020
W A Newman (Chairman)	26 May 2000	18 years 7 months	28 February 2017	February 2020
S R Stead	23 February 2015	3 years 10 months	23 February 2018	February 2021
D S Willis*	30 March 2010	8 years 9 months	24 February 2016	February 2019

* Independent Director

** Period of office as a Director of CBH as at December 2018

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

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

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

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

Details of the background, experience and skills of each of the Directors is contained in pages 10 and 11 of this report.

Induction of new Directors

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

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

Role of individual Directors and conflicts of interest

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

Meetings of Directors

The Board meets formally at least 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 Board only strategy session. In addition, the Directors spend significant time at Board meetings discussing key strategic issues.

The number of meetings of the co-operative's Board of Directors and of each standing Board Committee held during the financial year ended 30 September 2018 and the number of meetings attended by each Director are set out in the Directors' Report.

Board access to information and independent professional advice

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

Directors and officers insurance and deeds of indemnity and access

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

Diversity

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

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

Knowledge, skills and experience

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

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

Director education

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

Directors are encouraged to continue professional development through attendance at various seminars, courses and conferences. The Board has adopted a Director Development Policy requiring each Director to undertake a minimum number of professional development hours, which the 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 44. Directors that are not members of a particular committee are entitled to attend committee meetings as observers.

Audit and Risk Management Committee

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

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

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

Mr David Willis (Chairman)

Mr Trent Bartlett

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 2018.

Remuneration and Nomination Committee

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

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

Mr Trent Bartlett (Chairman)

Mr Trevor Badger

Mr Vernon Dempster

Mr Kevin Fuchsbichler

Mr Wally Newman

Mr Simon Stead

The Committee met five times during the financial year ended 30 September 2018.

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 Derek Clauson

Mr Rod Madden

Mr Alan Mulgrew

Mr David Willis

The Committee met twice during the financial year ended 30 September 2018.

Workplace Health and Safety Committee

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

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

Mr Derek Clauson (Chairman)

Mr Kevin Fuchsbichler

Mr Brian McAlpine

Mr 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 2018.

Network and Engineering Committee

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

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

Mr Derek Clauson (Chairman)

Mr Rod Madden

Mr Brian McAlpine

Mr Alan Mulgrew

Mr Jimmy Wilson (CEO)

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

The Committee met five times during the financial year ended 30 September 2018.

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 2018.

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 2018 that it has maintained its independence in accordance with the Australian Charities and Not-for-profits Commission Act 2012 and any applicable code of professional conduct.

Risk identification and management

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

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

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

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

Director remuneration and performance review

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

At the 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 2018:

Name	Role	Directors' Fees ($)	Superannuation ($)	Total ($)
Wally Newman	Chairman	185,912	17,662	203,574
Vern Dempster	Deputy Chairman	123,072	11,692	134,764
Trevor Badger	Director (i)	95,456	9,068	104,524
Trent Bartlett	Independent Director; Chairman – Remuneration & Nomination Committee	103,162	9,800	112,962
Natalie Browning (ii)	Director	56,426	5,360	61,786
Derek Clauson	Director; Chairman – WHS Committee and N&E Committee	97,956	9,306	107,262
Kevin Fuchsbichler	Director	92,956	8,831	101,787
John Hassell (iii)	Director	38,052	3,615	41,667
Rodney Madden	Director	92,956	8,831	101,787
Brian McAlpine	Director	92,956	8,831	101,787
Alan Mulgrew	Independent Director	92,956	8,831	101,787
Simon Stead	Director	92,956	8,831	101,787
David Willis	Independent Director; Chairman – Audit and Risk Management Committee	119,553	11,358	130,911
Total		**1,284,369**	**122,015**	**1,406,384**

(i) Trevor Badger was the Chairman of the Board of CBH Pty Ltd (the sole shareholder of Blue Lake Milling Pty Ltd) until 6 June 2018.

(ii) Natalie Browning joined the Board on 23 February 2018

(iii) John Hassell resigned from the Board on 23 February 2018

In addition to the above, David Willis and Vern Dempster are Directors of Interflour Group Pte Ltd (IFG) in which CBH holds a 50% interest. During the financial year David Willis and Vern Dempster each received IFG Director's fees of $20,000.

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

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

Annual reviews

Annually the Remuneration and Nomination Committee reviews and recommends to the CBH Board the performance standards and remuneration results for the CEO. The Committee also 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 management programs are in place to ensure an adequate pool of successors exist for each Lead Team role.

Executive remuneration

CBH Group remuneration structures are aligned to the external market, considering role grading, labour market conditions and the CBH Group business performance. CBH uses external data sourced from remuneration specialists, such as Korn Ferry Hay Group and Mercer Rewards. Remuneration models are regularly benchmarked to the median of the Perth market for companies within the Industrial and Services sectors. This ensures remuneration remains fair and market competitive.

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

Set out below is the remuneration of the CEO, CFO and General Managers of the two key business units for the financial year ended 30 September 2018.

Name	Title	Base Salary $'000	Super $'000	Total Fixed Employment Cost $'000	Other Benefits * $'000
Jimmy Wilson	Chief Executive Officer	870	25	895	3
Edward Kalajzic	Chief Financial Officer**	454	25	479	21
Jason Craig	GM Marketing and Trading	479	24	503	20
David Capper	GM Operations	447	25	472	18

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

** Edward Kalajzic resigned as Chief Financial Officer of CBH and was replaced by Doug Warden on 8 October 2018.

Short 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 short term incentives 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 2018 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	97.0	873
Edward Kalajzic	Chief Financial Officer	30	29.1	141
Jason Craig	GM Marketing and Trading	30	32.0	165
David Capper	GM Operations	30	23.5	115

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 2018 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

Communication with members

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

The Annual Report is available to all members and an invitation to attend the CBH Annual General Meeting and Member Forum is sent to all members where they are given opportunities to address issues with the Board and management. In addition, the auditors of the co-operative are available at the Annual General Meeting to address specific issues raised by members in relation to the audit if required.

Throughout the year, the CBH Group holds many local and regional meetings with growers to provide information on co-operative and industry issues. Meetings include pre and post-harvest meetings, and grower focus groups, where growers are given the opportunity of expressing their views on relevant topical issues. 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.

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.

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:

Mrs Michelle Barrett (Chair)

Mr Royce Taylor (Deputy Chair)

Mr Christopher Antonio

Mr Bill Bailey

Mr David Cox

Mr Bryan Kilpatrick

Ms Renee Lynch

Mr Neville McDonald

Ms Romina Nicoletti

Mr Andrew Nixon

Mr Frank Panizza

Mr Gareth Rowe

Mr Stephen Strange

Mrs Kirrilee Warr

Mr Barry West

Mrs Helen Woodhams


PUBLIC Silo Trail Pingrup 2018
Photography by Bewley Shaylor

Directors' Report

For the year ended 30 September 2018

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 2018.

Directors and Company Secretary

The following persons held office as Directors of Co-operative Bulk Handling Limited during the financial year ended 30 September 2018 and up to the date of this report:

W A Newman, Chairman

V A Dempster, Deputy Chairman

T N Badger

T J Bartlett

N A M Browning (appointed 23 February 2018)

D G Clauson

K J Fuchsbichler

J P B Hassell (resigned 23 February 2018)

R G Madden

B E McAlpine

A J Mulgrew

S R Stead

D S Willis

A summary of the qualifications, experience and special responsibilities of each of the Directors is set out on pages 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 2018 and the number of meetings attended by each 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	
Director	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
T N Badger	7	7	4	4	-	-	5	5	-	-	-	-	2	2
T J Bartlett	7	7	4	4	5	5	5	5	-	-	-	-	-	-
N A M Browning	4	4	3	3	2	2	-	-	-	-	-	-	-	-
D G Clauson	7	7	4	4	-	-	-	-	4	4	5	5	2	2
V A Dempster	7	7	4	4	-	-	5	5	-	-	-	-	-	-
K J Fuchsbichler	7	7	4	4	-	-	5	5	4	4	-	-	-	-
J P B Hassell	3	3	1	1	3	3	-	-	2	2	-	-	-	-
R G Madden	7	7	4	4	-	-	-	-	-	-	5	5	2	2
B E McAlpine	7	7	4	4	5	5	-	-	2	2	5	5	-	-
A J Mulgrew	7	7	4	4	-	-	-	-	-	-	5	4	2	2
W A Newman	7	7	4	3	-	-	5	5	-	-	-	-	-	-
S R Stead	7	7	4	4	5	5	5	5	-	-	-	-	-	-
D S Willis	7	7	4	4	5	5	-	-	-	-	-	-	2	2

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 profit after income tax of $33,517,000 (2017: $91,302,000). The decrease in the Group's profit was mainly driven by a lower harvest and also incorporating grower patronage rebates of $94,471,000 (2017: $156,345,000).

The Marketing and Trading business recorded profit after tax of $4,382,000 (2017 profit: $10,110,000), after contributing $48,063,000 (2017: $48,124,000) to the Group's grower patronage rebate. The result was also impacted by restructuring costs in relation to the Group's transformation program.

The Operations business unit received 13.3 million tonnes of grain into its storage facilities during 2018 (2017:16.6 million tonnes), while exporting 12.3 million tonnes during the financial year (2017: 15.0 million tonnes).

The Marketing and Trading business unit traded 9.6 million tonnes during the financial year compared with 9.4 million tonnes the previous financial year, primarily due to an increased Western Australia grain market share in an environment of lower production, and an increase in tonnes from other origins.

	Units	2018	2017	2016	2015	2014
Grower Returns						
Tonnes Received	mt	**13.3**	16.6	13.6	13.6	15.9
Profit attributable to members after rebates	$'000	**33,517**	91,302	49,786	82,732	149,153
Revenue	$'000	**3,791,580**	3,476,854	3,270,597	3,719,985	3,936,617
Share of (loss)/profit from associates	$'000	**(9,726)**	4,464	653	8,958	12,740
Rebates*	$'000	**94,471**	156,345	62,732	16,940	53,614
Net assets	$'000	**1,767,018**	1,735,141	1,648,115	1,615,223	1,516,066

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

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

- Revenue increased by 9% to $3,791,580,000. The increase in revenue was mainly driven by significantly higher year on year market prices for traded grains and slightly higher tonnes traded. This was partially offset by lower grain handling and freight revenue.
- Share of loss from associates was $9,726,000 compared to previous year profit of $4,464,000. This is largely attributable to a deterioration in Interflour Group's performance driven by highly competitive market, adverse foreign exchange movements and recently commissioned processing facilities not generating expected profits. The Interflour Group also incurred restructuring costs as part of a turnaround plan.
- Net operating cash inflow for the year was $12,240,000 compared to the previous year cash inflow of $157,031,000. The decrease in operating cash inflow was mainly attributable to the increase in inventory and decrease in payables.
- The Group has recognised returns to growers in the form of rebates of $94,471,000. Included in this amount are 2017/18 rebates comprising an Operations rebate of $3.50 per tonne delivered to CBH Operations and a Marketing and Trading rebate of $7.00 per tonne sold to Marketing and Trading.

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 2018, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2018/19 season with various banks:

- Syndicated debt facility of $750,000,000;
- Banking facilities of $900,000,000;
- Trade facilities of $225,000,000.

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 the Co-operative's wholly-owned subsidiary Blue Lake Milling Pty Ltd ("BLM") received a breach notice regarding non-compliance with the noise level requirements under its Environment Protection Authority ("EPA") licence at its facility in Bordertown, South Australia. BLM is taking steps to remediate this non-compliance under an Environmental Improvement Plan submitted to the EPA in South Australia.

Other than the above, there has been no known breach of any environmental regulations to which the Group 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 $170,907.

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 47.

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
5 December 2018

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

To: the Directors of Co-operative Bulk Handling Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Trevor Hart
Partner

Perth

5 December 2018

Financial Report

ABN 29256604947

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 September 2018

	Notes	2018 $'000	2017 $'000
Revenue	5(a)	**3,791,580**	3,476,854
Other gains/(losses)	5(b)	**(25,278)**	34,673
Raw materials, traded grains and consumables used	6(a)	**(2,746,741)**	(2,495,075)
Employee benefits expense	6(b)	**(191,882)**	(194,451)
Depreciation and amortisation		**(100,582)**	(102,264)
Storage, handling and freight expenses	6(c)	**(272,845)**	(302,221)
Marketing and trading expenses	6(d)	**(277,254)**	(235,105)
Insurance		**(7,573)**	(9,163)
Rent expense		**(14,775)**	(14,647)
Other expenses	6(e)	**(85,133)**	(49,319)
Interest expense		**(20,611)**	(15,569)
Share of (loss)/profit from associates	11	**(9,726)**	4,464
Profit before income tax		**39,180**	98,177
Income tax expense	7	**(5,663)**	(6,875)
Profit attributable to members of Co-operative Bulk Handling Limited		**33,517**	91,302
Other comprehensive income **Items that will not be reclassified to the profit or loss**			
Share of other comprehensive income from associates		**856**	226
Items that may be reclassified subsequently to the profit or loss			
Net gain on cash flow hedge		**10**	165
Foreign currency translation gain/(loss)		**8,689**	(4,994)
Share of other comprehensive expense from associates		**(7,974)**	(3,914)
Other comprehensive income/(expense) for the year, net of tax		**1,581**	(8,517)
Total comprehensive income for the year, attributable to members of Co-operative Bulk Handling Limited		**35,098**	82,785

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 2018

	Notes	2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents	18	**139,820**	191,276
Trade and other receivables	13	**395,894**	376,395
Derivative financial instruments	23	**119,670**	39,916
Inventories	14	**494,904**	393,537
Income tax receivable		**1,767**	310
Prepayments		**4,077**	9,269
Total current assets		**1,156,132**	1,010,703
Non-current assets			
Trade and other receivables	13	**-**	1,200
Investments in associates	11	**106,068**	118,745
Derivative financial instruments	23	**1,612**	2,429
Other financial assets	12	**10,595**	13,623
Property, plant and equipment	8	**1,023,594**	966,530
Intangible assets and goodwill	9	**53,463**	59,299
Total non-current assets		**1,195,332**	1,161,826
Total assets		**2,351,464**	2,172,529
Liabilities			
Current liabilities			
Trade and other payables	15	**248,854**	290,314
Interest bearing loans and borrowings	19	**100,117**	1,514
Derivative financial instruments	23	**108,084**	40,611
Provisions	17	**52,726**	27,169
Other liabilities	16	**52,235**	56,652
Total current liabilities		**562,016**	416,260
Non-current liabilities			
Trade and other payables	15	**713**	1,270
Derivative financial instruments	23	**1,664**	2,749
Provisions	17	**5,332**	6,547
Deferred tax liability	7	**14,721**	10,562
Total non-current liabilities		**22,430**	21,128
Total liabilities		**584,446**	437,388
Net assets		**1,767,018**	1,735,141
Equity			
Contributed equity	20(a)	**5**	5
Reserves	20(c)	**1,511,542**	1,480,822
Retained earnings		**255,471**	254,314
Total equity		**1,767,018**	1,735,141

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

Consolidated statement of cash flows

For the year ended 30 September 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**4,029,806**	3,937,103
Payments to suppliers and employees		**(4,006,505)**	(3,778,262)
		23,301	158,841
Interest received		**12,479**	14,931
Interest and other costs of finance paid		**(20,494)**	(15,677)
Income taxes paid		**(3,046)**	(1,064)
Net operating cash flows	18	**12,240**	157,031
Cash flows from investing activities			
Payments for property, plant and equipment		**(128,841)**	(63,940)
Proceeds from sale of property, plant and equipment		**9,443**	672
Payments for intangible assets		**(6,889)**	(6,321)
Distributions from associates		**200**	750
Term deposits (net)		**(14,360)**	-
Loans to third parties		**(155,225)**	(152,932)
Loans repaid by third parties		**141,401**	190,461
(Loans to)/repayment from CBH Grain Pools		**(10,225)**	3,147
Repayment of loan from associated entities		**1,327**	512
Net investing cash flows		**(163,169)**	(27,651)
Cash flows from financing activities			
Proceeds from borrowings		**1,360,000**	660,000
Repayment of borrowings		**(1,261,514)**	(810,528)
Net financing cash flows		**98,486**	(150,528)
Net (decrease)/increase in cash and cash equivalents		**(52,443)**	(21,148)
Cash and cash equivalents at the beginning of the financial year		**191,276**	214,290
Effects of exchange rate changes on cash and cash equivalents		**987**	(1,866)
Cash and cash equivalents at end of year	18	**139,820**	191,276

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

Consolidated statement of changes in equity

For the year ended 30 September 2018

	Ordinary shares Note 20	Capital levy reserve Note 20	General reserve Note 20	Foreign currency translation reserve Note 20	Cash flow hedge reserve Note 20	Retained earnings	Acquisition reserve Note 20	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
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 associate's 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 changes in equity

For the year ended 30 September 2018

	Ordinary shares Note 20 $'000	Capital levy reserve Note 20 $'000	General reserve Note 20 $'000	Foreign currency translation reserve Note 20 $'000	Cash flow hedge reserve Note 20 $'000	Retained earnings $'000	Acquisition reserve Note 20 $'000	Total equity $'000
At 1 October 2016	5	52,587	1,391,245	(28,068)	37	233,484	(1,175)	1,648,115
Profit for the year	-	-	-	-	-	91,302	-	91,302
Other comprehensive income/(expense)	-	-	-	(4,994)	165	-	-	(4,829)
Share of associates' movement in reserves	-	-	-	(3,876)	(38)	226	-	(3,688)
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**(8,870)**	**127**	**91,528**	**-**	**82,785**
Change in associate's effective interest in its subsidiaries	-	-	-	(71)	-	4,312	-	4,241
Transfer (to)/from reserves/ retained earnings	-	-	75,010	-	-	(75,010)	-	-
At 30 September 2017	**5**	**52,587**	**1,466,255**	**(37,009)**	**164**	**254,314**	**(1,175)**	**1,735,141**

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

Notes to the consolidated financial statements

For the year ended 30 September 2018

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 2018 were authorised for issue in accordance with a resolution of the Directors on 5 December 2018.

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

The 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 to sell 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 2017 to 30 September 2018.

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

a. Statement of compliance

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

b. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Co-operative Bulk Handling Limited as at 30 September 2018 and the results of all subsidiaries for the year then ended. Co-operative Bulk Handling Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity. Subsidiaries are entities controlled by the Group.

c. Foreign currency

The consolidated financial statements are presented in Australian dollars (AUD) which is Co-operative Bulk Handling Limited's functional and presentation currency. For each controlled entity, the Group determines the functional currency. The functional currency of overseas subsidiaries are United States of America Dollars (USD), Hong Kong Dollars (HKD), Japanese Yen (JPY), Swiss Franc (CHF) and Russian Ruble (RUB).

(i) Transactions and balances

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into the presentation currency of the Group at the reporting date exchange rate. The income and expenses of foreign operations are translated using average rates of exchange for the year.

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

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

3. Significant accounting judgements, estimates and assumptions

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

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

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 2018

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 (ii) $'000	Eliminations (iii) $'000	Total $'000
Business Unit Revenue								
Revenue	274,172	161,541	3,246,393	474,704	-	48,907	(414,137)	3,791,580
Inter-unit revenue	176,340	124	743	-	76,363	-	(253,570)	-
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) Inter-group revenues are eliminated upon consolidation and reflected in the eliminations column. Business unit profit eliminations include inter-group dividends, revenue and expenses. Asset and liability eliminations relate to inter-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.

4. Business unit results (continued)

Year ended 30 September 2017	Operations (Grain Storage and Handling) $'000	Freight Fund $'000	Marketing and Trading $'000	Grain Processing (i) $'000	Corporate Services $'000	Other (ii) $'000	Eliminations (iii) $'000	Total $'000
Business Unit Revenue								
Revenue	318,033	196,457	2,873,801	467,316	-	36,163	(414,916)	3,476,854
Inter-unit revenue	157,997	1,567	616	-	60,698	-	(220,878)	-
Total Business Unit Revenue	476,030	198,024	2,874,417	467,316	60,698	36,163	(635,794)	3,476,854
Total Business Unit Results								
Profit/(loss) before tax	97,721	-	14,835	9,913	(22,711)	2,581	(4,162)	98,177
Income tax benefit/(expense)	-	-	(4,725)	(1,850)	-	(300)	-	(6,875)
Profit/(loss) after tax	**97,721**	**-**	**10,110**	**8,063**	**(22,711)**	**2,281**	**(4,162)**	**91,302**
Other Business Unit Information								
Interest revenue	12,084	131	13,990	5	1,291	224	(12,787)	14,938
Interest expense	-	(1,815)	(24,581)	(1,355)	(135)	(461)	12,778	(15,569)
Depreciation and amortisation expense	(79,534)	(8,106)	(4,919)	(1,712)	(7,648)	(345)	-	(102,264)
Unrealised (loss)/gain on financial instruments	(20)	-	(39,277)	65	(36)	44	-	(39,224)
Share of profit/(loss) from associates	-	-	-	3,749	-	715	-	4,464
Assets (excluding investments in associates)	1,629,048	137,187	904,068	452,083	206,548	33,695	(1,308,845)	2,053,784
Investment in associates	-	-	-	-	-	-	118,745	118,745
Total Assets	**1,629,048**	**137,187**	**904,068**	**452,083**	**206,548**	**33,695**	**(1,190,100)**	**2,172,529**
Capital Expenditure	51,004	-	464	15,374	3,375	44	-	70,261
Total Liabilities	**216,422**	**137,187**	**592,012**	**302,249**	**226,153**	**14,065**	**(1,050,700)**	**437,388**

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

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

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

5. Revenues and other income

a. Revenue

	2018 $'000	2017 $'000
Grain handling services (i)	**312,152**	409,881
Grain freight services (ii)	**162,041**	196,780
Grain sales (iii)	**3,254,514**	2,889,546
Sales of finished products (iv)	**107,561**	94,657
Management fees (v)	**4,508**	6,309
Interest (vi)	**16,273**	14,938
Other revenue (vii)	**29,002**	21,088
Grower patronage rebates (viii)	**(94,471)**	(156,345)
	3,791,580	3,476,854

Recognition and measurement

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of sales taxes applicable. The following specific recognition criteria must also be met before revenue is recognised:

(i) Grain handling services

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

(ii) Grain freight services

Revenue is earned from the movement of grain from up-country receival sites to port by either road or rail, 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 when the significant risks and rewards of ownership have passed from the Group to the customer.

Grain sales are primarily executed in USD. The Group enters foreign currency derivative contracts in order to manage its exposure to fluctuations in foreign exchange rates (refer to Note 22 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 when significant risks and rewards of ownership have transferred to the customer and the cost can be estimated reliably.

(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.

5. Revenues and other income (continued)

Recognition and measurement (continued)

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

	2018 $'000	2017 $'000
Operations rebate	**(46,408)**	(99,898)
Marketing and trading rebate	**(48,063)**	(48,124)
Investment rebate	**-**	(8,323)
	(94,471)	(156,345)

b. Other gains/(losses)

	2018 $'000	2017 $'000
Realised gain/(loss) on:		
Foreign currency exchange contracts, swaps and options (i)	**(74,921)**	72,586
Commodity derivatives	**9,056**	(3,407)
Other foreign currency exchange gain/(loss)	**13,231**	(2,276)
Unrealised gain/(loss) on:		
Foreign currency exchange contracts, swaps and options (i)	**(26,664)**	(20,673)
Commodity derivatives	**39,589**	(22,610)
Other unrealised fair value gain/(loss)	**1,476**	4,058
Net gain/(loss) on disposal of property, plant and equipment (ii)	**5,569**	(201)
Other income	**7,386**	7,196
	(25,278)	34,673

(i) It is the Group's policy to manage its foreign exchange risk through the use of derivative instruments. The 2018 and 2017 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 22 for the Financial Risk Management policies of the Group.

(ii) On 13 September 2018 the Group sold land and buildings located in Bibra Lake, WA, for the total consideration of $9,000,000. After deduction of net book value of the assets disposed and directly attributable costs, the net gain on disposal amounts to $6,238,000. Net losses made on the disposal of other assets partially offset this gain.

6. Expenses

a. Raw materials, traded grains and consumables used

	2018 $'000	2017 $'000
Fair value change on traded inventory at year end	**(53,721)**	(63,459)
Costs of goods sold	**2,800,483**	2,558,655
Changes in other inventories	**(21)**	(121)
	2,746,741	2,495,075

b. Employee benefits expense

	2018 $'000	2017 $'000
Wages and salaries	**170,230**	171,347
Defined contribution superannuation	**13,650**	15,160
Bonuses	**8,002**	7,944
	191,882	194,451

c. Storage, handling and freight expenses

	2018 $'000	2017 $'000
Storage and handling	**114,297**	115,162
Freight (i)	**158,548**	187,059
	272,845	302,221

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

d. Marketing and trading expenses

	2018 $'000	2017 $'000
Freight and demurrage (i)	**200,461**	148,822
Port and export charges	**22,773**	34,733
Storage and handling	**40,933**	37,658
Other (ii)	**13,087**	13,892
	277,254	235,105

(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.

6. Expenses (continued)

e. Other expenses

	Notes	2018 $'000	2017 $'000
Professional and consultancy fees (i)		**43,622**	15,671
Software and licences		**8,488**	7,492
Impairment of other financial assets	12	**3,061**	-
Property make-good		**1,717**	-
Other		**28,245**	26,156
		85,133	49,319

(i) Included within professional and consultancy fees are restructuring costs in relation to the Group's transformation.

7. Income tax

Major components of income tax expense for the year ended 30 September 2018 and the year ended 30 September 2017 are:

	2018 $'000	2017 $'000
Statement of profit or loss and other comprehensive income		
Current income tax		
Current income tax charge	**1,694**	3,915
Adjustments in respect of current income tax of previous years	**(190)**	(8)
Deferred income tax		
Relating to origination and reversal of temporary differences	**4,159**	2,968
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	**5,663**	6,875

7. Income tax (continued)

Deferred Tax	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	30 September 2018 $'000	30 September 2017 $'000	30 September 2018 $'000	30 September 2017 $'000
Deferred income tax assets				
Financial liabilities	**32,815**	13,382	**(19,433)**	(135)
Financial assets	**-**	2	**2**	312
Plant and equipment	**71**	135	**64**	(34)
Accruals and provisions	**4,354**	3,057	**(1,297)**	(1,137)
Foreign exchange on loans to foreign subsidiaries	**-**	36	**36**	(36)
Other	**231**	596	**365**	8
Carry forward tax losses	**14,856**	1,489	**(13,367)**	7,031
Gross deferred income tax assets	**52,327**	18,697	**(33,630)**	6,009
Deferred income tax liabilities				
Financial assets	**(35,916)**	(12,692)	**23,224**	(12,215)
Plant and equipment	**(3,068)**	(4,340)	**(1,272)**	(1,219)
Inventories	**(26,076)**	(10,744)	**15,332**	10,744
Accrued income	**(141)**	(202)	**(61)**	(188)
Prepayments	**(97)**	(9)	**88**	9
Intangible assets	**(1,114)**	(1,269)	**(155)**	(175)
Other	**(636)**	(3)	**633**	3
Gross deferred income tax liabilities	**(67,048)**	(29,259)	**37,789**	(3,041)
Net deferred tax liability	**(14,721)**	(10,562)		
Deferred tax expense			**4,159**	2,968

Notes to the consolidated financial statements

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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:

	2018 $'000	2017 $'000
Profit before income tax expense	**39,180**	98,177
Less: Parent entity profit (tax exempt)	**(31,021)**	(75,010)
Profit of parent entity eliminated on consolidation	**200**	750
Accounting profit before income tax expense	**8,359**	23,917
At the Group's statutory income tax rate of 30%	**2,508**	7,175
Other assessable income	**23**	18
Non-deductible expenses	**30**	81
Share of equity accounted results of associates	**3,002**	(1,210)
Difference in effective tax rate of overseas subsidiary	**(137)**	109
Prior year adjustments	**(195)**	23
Other	**432**	679
Income tax expense	**5,663**	6,875

7. Income tax (continued)

Recognition and measurement

(i) Income tax

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

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

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

Deferred income tax is not recognised:

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

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

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

Due to the tax exempt status of CBH, no deferred tax 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 $49,520,000 (2017: $4,960,000) of tax losses carried forward. The losses relate predominantly to unrealised, or mark-to-market, trading gains and inventory valuations which are only required to be included in the Group's taxable income when the underlying financial asset or liability is disposed of, or settled. The Group has recognised a deferred tax asset in respect of these losses as it expects to use these in future financial years.

Notes to the consolidated financial statements

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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:

30 September 2018	Land and buildings $'000	Leasehold properties $'000	Office furniture and equipment $'000	Plant and equipment $'000	Motor vehicles $'000	Low value assets $'000	Capital works in progress $'000	Total $'000
Cost								
1 October 2017	1,167,499	8,446	48,446	989,482	53,719	4,011	44,203	2,315,806
Additions	640	184	306	3,248	909	393	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	1,027,981	50,208	4,404	100,938	2,430,210
Accumulated depreciation and impairment								
At 1 October 2017	659,685	3,041	43,410	608,651	30,478	4,011	-	1,349,276
Depreciation charge	48,400	361	2,239	31,962	4,653	393	-	88,008
Disposals	(2,020)	2	(24,697)	1	(3,954)	-	-	(30,668)
At 30 September 2018	706,065	3,404	20,952	640,614	31,177	4,404	-	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**

8. Property, plant and equipment (continued)

Carrying amounts of property, plant and equipment (continued)

30 September 2017	Land and buildings $'000	Leasehold properties $'000	Office furniture and equipment $'000	Plant and equipment $'000	Motor vehicles $'000	Low value assets $'000	Capital works in progress $'000	Total $'000
Cost								
At 1 October 2016	1,144,775	8,393	48,018	979,314	55,210	3,635	17,177	2,256,522
Additions	17,146	-	489	8,964	2,953	382	34,006	63,940
Disposals	(182)	(6)	-	(19)	(4,443)	(6)	-	(4,656)
Transfers from work-in-progress	5,760	59	(61)	1,223	(1)	-	(6,980)	-
At 30 September 2017	1,167,499	8,446	48,446	989,482	53,719	4,011	44,203	2,315,806
Accumulated depreciation and impairment								
At 1 October 2016	612,157	2,741	41,948	574,624	29,397	3,629	-	1,264,496
Depreciation charge	47,710	300	1,462	34,036	4,676	382	-	88,566
Disposals	(182)	-	-	(9)	(3,595)	-	-	(3,786)
At 30 September 2017	659,685	3,041	43,410	608,651	30,478	4,011	-	1,349,276
Net book value at 30 September 2017	**507,814**	**5,405**	**5,036**	**380,831**	**23,241**	**-**	**44,203**	**966,530**

Recognition and measurement

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. 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.

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 2018, the net carrying amount of leased assets was $2,223,258 (2017: $3,512,949).

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.

8. Property, plant and equipment (continued)

Recognition and measurement (continued)

(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
Low value assets: Immediate write off

Depreciation of rail rolling stock

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

(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 $126,377,000 (2017: $128,812,000) 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.

9. Intangible assets and goodwill

30 September 2018	Goodwill $'000	Software costs $'000	Customer contracts $'000	Software development costs $'000	Total $'000
Cost					
1 October 2017	18,755	131,897	5,500	10,291	166,443
Additions	-	-	-	6,889	6,889
Disposal	-	(150)	-	-	(150)
Transfers from work-in-progress	-	10,972	-	(10,972)	-
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**

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

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

9. Intangible assets and goodwill (continued)

Recognition and measurement (continued)

(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 judgement, 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. When goodwill forms part of a CGU and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill primarily relates to the acquisition of Blue Lake Milling Pty Ltd ("BLM") in 2015. The carrying amount of goodwill allocated to BLM is $18,180,000.

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

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

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

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

Notes to the consolidated financial statements

For the year ended 30 September 2018

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 2018 %	2017 %
CBH Grain Pty Ltd	Australia	**100**	100
CBH Group Holdings Pty Ltd (i)	Australia	**100**	100
Bulkwest Pty Ltd	Australia	**100**	100
Westgrains Insurance Pte Ltd	Singapore	**100**	100
CBH Grain Pty Ltd controlled entities			
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
CBH Group Holdings Pty Ltd controlled entities			
CBH Pty Ltd (i)	Australia	**100**	100
CBH (WA) Pty Ltd	Australia	**100**	100
Blue Lake Milling Pty Ltd (i)	Australia	**100**	100
Bulkwest Pty Ltd controlled entities			
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 2018. Refer to Note 25.

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.

11. Investments in associates

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

Name of entity	Place of business/country of incorporation	Ownership interest held by the Group 2018 %	2017 %	Principal activities
Interflour Group entities ("Interflour Group"):				
Pacific Agrifoods Limited ("PAL")	British Virgin Islands	**50**	50	Holding company
Interflour Group Pte Limited ("IFG")*	Singapore	**50**	50	Flour milling
Other entities:				
Australian Bulk Stevedoring Pty Ltd ("ABS")	Australia	**50**	50	Stevedoring

* 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 44% of the consolidated Interflour Group's net assets.

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

	2018 Interflour Group $'000	2018 ABS $'000	2018 Total $'000	2017 Interflour Group $'000	2017 ABS $'000	2017 Total $'000
Carrying amount of associates						
Carrying amount at the beginning of the financial year	**118,486**	**259**	**118,745**	116,362	294	116,656
Cash dividends received by the Group	**-**	**(200)**	**(200)**	-	(750)	(750)
Share of associates' (losses)/profits after income tax (i)	**(10,152)**	**426**	**(9,726)**	3,749	715	4,464
Share of associates' movement in reserves (ii)	**(7,118)**	**-**	**(7,118)**	(3,688)	-	(3,688)
Unrealised foreign exchange translation movements (iii)	**7,575**	**-**	**7,575**	(2,178)	-	(2,178)
Change in associate's effective interest in its subsidiaries without change in control (iv), (v)	**(3,221)**	**-**	**(3,221)**	4,241	-	4,241
Other movements	**13**	**-**	**13**	-	-	-
Carrying amount at the end of the financial year	**105,583**	**485**	**106,068**	118,486	259	118,745

(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) During the financial 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%.

(v) At 1 October 2016, IFG held 99.99% of the shares in Mabuhay Interflour Mill Inc ("MIMI"), a flour mill based in the Philippines. In financial year 2017, IFG sold 25% of its shareholding in MIMI without a change in control. CBH recognised its share of IFG's equity adjustment ($4.2 million) as a direct increase in equity, with a corresponding increase in the carrying amount of the investment in IFG as shown above.

11. Investments in associates (continued)

Details of material associates

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

	Interflour Group	
	2018 $'000	2017 $'000
Current assets	**452,353**	357,560
Non-current assets	**408,436**	375,797
Current liabilities	**(429,583)**	(355,745)
Non-current liabilities	**(231,409)**	(153,259)
Net assets	**199,797**	224,353
Net assets (50%)	**99,899**	112,176
Non-controlling interests (50%)	**(18,142)**	(17,245)
Goodwill	**15,149**	14,878
Other intangible assets	**8,677**	8,677
Carrying amount of the Group's interest in Interflour Group	**105,583**	118,486
Revenue (100%)	**820,124**	803,387
(Loss)/Profit (100%)	**(19,046)**	10,083
Other comprehensive income (100%)	**(17,721)**	(4,360)
Total comprehensive income (100%)	**(36,767)**	5,723

The Group had the following receivable amounts due from the Interflour Group:

	2018 $'000	2017 $'000
Unsecured amount due to the Group at year end from IFG and its controlled entities under extended payment terms of up to 180 days with interest charged at commercial terms	**77,358**	72,882
Secured amount due to the Group at year end from IFG and its controlled entities under extended payment terms of up to 180 days with interest charged at commercial terms	**-**	7,775
	77,358	80,657

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 2017/18 is an indicator of impairment and have conducted an estimate of the recoverable amount.

11. Investments in associates (continued)

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; 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. Other financial assets

	2018 $'000	2017 $'000
Non-current assets		
Investment in Newcastle Agri Terminal Pty Ltd ("NAT") (i)	**9,990**	13,051
Other	**605**	572
	10,595	13,623

(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.

The fair value is determined using valuation techniques. Such techniques include using recent commercial based market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Operating assets and liabilities

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

13. Trade and other receivables

	2018 Current $'000	2018 Non-current $'000	2018 Total $'000	2017 Current $'000	2017 Non-current $'000	2017 Total $'000
Trade receivables (i)	**119,888**	**-**	**119,888**	108,890	-	108,890
Related party receivables (ii)	**77,358**	**-**	**77,358**	80,657	1,200	81,857
Loans to growers (iii)	**145,014**	**-**	**145,014**	102,973	-	102,973
Allowance for doubtful debts (iv)	**(3,082)**	**-**	**(3,082)**	(3,040)	-	(3,040)
	339,178	**-**	**339,178**	289,480	1,200	290,680
Accrued trade receivables	**41,766**	**-**	**41,766**	81,286	-	81,286
GST receivable	**-**	**-**	**-**	3,823	-	3,823
Term Deposit	**14,360**	**-**	**14,360**	-	-	-
Other receivables	**590**	**-**	**590**	1,806	-	1,806
	395,894	**-**	**395,894**	376,395	1,200	377,595

(i) Trade receivables

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

	2018 $'000	2017 $'000
Current	**65,859**	93,720
< 30 days overdue	**48,199**	13,775
30 - 60 days overdue	**1,275**	742
60 - 90 days overdue	**2,730**	295
> 90 days overdue	**1,825**	358
	119,888	108,890

Trade receivables past due but not considered impaired are $52,195,000 (2017: $14,314,000). These balances have been reviewed and it is expected that payment will be received in full. Of this amount $39,860,000 is covered by collateral held by the Group in the form of letters of credit.

Recognition and measurement

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

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

Significant accounting estimates and assumptions

Management makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the counterparty, the ageing profile of receivables and, historical experience. As at 30 September 2018 an allowance for doubtful debts of $3,082,000 (2017: $3,040,000) was recognised. Measures are being undertaken to recover the full value of the respective receivables, including recovering the assets of debtors in default and/or taking legal action.

13. Trade and other receivables (continued)

(ii) Related party receivables

Related party receivables are due from Interflour Group Pte Ltd and its controlled entities and are under extended credit terms of up to 180 days with interest charged on commercial terms.

(iii) 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 $124,697,000 (2017: $92,881,000), or;
- delivered into CBH Grain Pools of $20,317,000 (2017: $10,092,000).

These receivables are settled by distributions receivable from the Pools and deliveries of grain to the Group.

During the year, the interest rates charged on grower financial products ranged from 3.95% to 5.80% (2017: 3.95% to 5.80%).

Significant accounting estimates and assumptions

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

(iv) Allowance for doubtful debts

The doubtful debt allowance of $3,082,000 (2017: $3,040,000) includes a collective provision of $623,000 (2017: $229,000).

The allowance for doubtful debts for debts less than 90 days overdue is $1,375,000 (2017: $2,537,000) and over 90 days overdue $1,707,000 (2017: $503,000).

The Group has written back $692,000 during the period (2017: $1,555,000). These amounts have been included in other expenses.

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

Movements in the allowance for doubtful debts were as follows:

	2018 $'000	2017 $'000
At 1 October	**3,040**	3,240
Additions for the year	**1,286**	2,779
Bad debt write off	**(552)**	(1,424)
Amounts written back	**(692)**	(1,555)
At 30 September	**3,082**	3,040

(v) Term deposits

Term deposits are presented as current assets where they have a maturity of three months or more from the date of acquisition and are not repayable on demand without loss of interest. See note 18 for deposits classified as cash and cash equivalents.

14. Inventories

	2018 $'000	2017 $'000
At fair value less cost to sell		
Traded grain	**464,620**	351,839
At lower of cost and net realisable value:		
Raw materials and stores	**24,699**	33,167
Finished goods	**5,585**	8,531
	30,284	41,698
Total inventory	**494,904**	393,537

Recognition and measurement

(i) Traded grain

Traded grain is measured at fair value less costs to sell, with changes in fair value recognised in the profit or loss.

(ii) Finished goods and other inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs for completion and the estimated costs necessary to make the sale. Costs are assigned to individual items of stock on the basis of weighted average costs.

Significant accounting estimates and assumptions

Valuation of traded grain

Traded grain is carried at fair value less costs to sell. Traded grain is valued using either Level 2 or Level 3 fair value measurements (refer to Note 22(d)).

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

A change in the Level 3 input price for inventories of plus/minus 10% would have a 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:

	2018 $'000	2017 $'000
1 October	**76,081**	23,425
Purchases	**119,752**	162,142
Sales	**(136,336)**	(107,468)
Written off	**(276)**	(199)
Change in fair value (unrealised)	**14,052**	(1,820)
30 September	**73,273**	76,081

15. Trade and other payables

	2018 $'000	2017 $'000
Current		
Trade payables (i)	**63,416**	28,350
Accrued expenses (ii)	**60,198**	92,724
Grower patronage rebates (iii)	**113,757**	158,564
Sundry payables (iv)	**11,483**	10,676
	248,854	290,314
Non-current		
Other payables	**713**	1,270

(i) Trade payables

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

(ii) Accrued expenses

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

(iii) Grower patronage rebates

Grower patronage rebates payable include the Operations rebate of $61,779,000 (2017: $100,979,000), the Marketing and trading rebate of $51,528,000 (2017: $49,262,000) and the Investment rebate of $450,000 (2017: $8,323,000).

(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.

16. Other liabilities

	2018 $'000	2017 $'000
Current		
Deferred revenue (i)	**28,553**	26,228
Freight fund liability (ii)	**23,682**	30,424
	52,235	56,652

(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. During the year, a freight rebate of $13,364,000 (2017: Nil) was returned to freight paying growers.

17. Provisions

	Employee benefits Provision $'000	Restructuring Provision (i) $'000	Other Provisions (ii) $'000	Total $'000
1 October 2017	33,716	-	-	33,716
Arising during the year	13,087	22,087	4,017	39,191
Utilised	(14,849)	-	-	(14,849)
30 September 2018	**31,954**	**22,087**	**4,017**	**58,058**
30 September 2018				
Current	26,622	22,087	4,017	52,726
Non-current	5,332	-	-	5,332
	31,954	**22,087**	**4,017**	**58,058**

(i) Restructuring provision includes consulting fees and employee termination benefits in relation to the Group's transformation program that commenced during 2018.

(ii) Other provisions include a make good provision and an onerous lease provision in relation to the Group's head office lease that expires in 2019.

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 using discount rates derived from the high quality corporate bond market in Australia provided by Milliman Australia.

Provisions

The provision for restructuring costs, make good obligation and onerous lease contract 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.

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.

18. Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand (i)	**117,016**	112,705
Deposits at call (ii)	**983**	71,965
Cash - futures accounts at call (iii)	**21,821**	6,606
	139,820	191,276

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

(ii) Deposits at call are held in US Dollars at 1.58% average interest rate (2017: 1.1%). In 2017 the deposits at call also were held in Australian Dollars at 2.43% 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. See Note 13 for details.

(iii) Futures accounts at call are held in US Dollars, Canadian Dollars, Euro and Australian Dollars at nil average interest rate for foreign currency accounts and at 0.60% on Australian Dollar accounts (2017: nil on balances due in foreign currencies and 0.60% on Australian Dollar accounts).

Restricted cash

Futures accounts at call include $10.2 million (2017: $2.4 million) margin deposits on futures contracts.

a. Cash flow reconciliation

	2018 $'000	2017 $'000
Reconciliation of net profit after tax to net cash flows from operations:		
Net profit after income tax expense	**33,517**	91,302
Adjustments to reconcile profit after tax to net cash flows:		
Depreciation and amortisation	**100,582**	102,264
Impairment of other financial assets	**3,061**	-
Net (loss)/profit on disposal of property, plant and equipment	**(5,569)**	201
Share of associates loss/(profit)	**9,726**	(4,464)
Unrealised (gain)/loss on foreign exchange and derivatives	**(14,401)**	39,224
Income tax expense	**5,663**	6,875
Net finance costs	**4,338**	631
Impairment loss on trade and other receivables	**561**	1,244
Working capital adjustments:		
Increase in inventories	**(101,885)**	(177,028)
Decrease/(increase) in trade and other receivables	**25,141**	(19,461)
Decrease/(increase) in prepayments	**5,153**	(867)
(Decrease)/Increase in trade and other payables	**(62,521)**	130,931
Increase in provisions	**24,352**	332
Decrease in other liabilities	**(4,417)**	(12,343)

18. Cash and cash equivalents (continued)

a. Cash flow reconciliation (continued)

	2018 $'000	2017 $'000
Reconciliation of net profit after tax to net cash flows from operations:		
Other adjustments:		
Interest received	**12,479**	14,931
Interest paid	**(20,494)**	(15,677)
Income tax paid	**(3,046)**	(1,064)
Net cash inflow/(outflow) from operating activities	**12,240**	157,031

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.

19. Interest bearing loans and borrowings

	Notes	2018 $'000	2017 $'000
Unsecured (current)			
Bank loans	19(e)	**100,117**	-
Finance lease liabilities		**-**	1,514
		100,117	1,514

a. Reconciliation of interest bearing loans and borrowings

This section reconciles changes in liabilities arising from financing activities.

	Finance leases $'000	Bank loans $'000	Total $'000
As at 1 October 2017	1,514	-	1,514
Proceeds from borrowings	-	1,360,000	1,360,000
Repayment of borrowings	-	(1,260,000)	(1,260,000)
Payment of finance lease liabilities	(1,514)	-	(1,514)
Net financing cash flows	(1,514)	100,000	98,486
Other non-cash movements	-	117	117
As at 30 September 2018	**-**	**100,117**	100,117

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.

19. Interest bearing loans and borrowings (continued)

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 22.

d. Terms and conditions

The bank loans are predominantly denominated in Australian Dollars.

Bank loans are subject to annual review.

Negative Pledge - CBH Grain Pty Ltd

The bank loans of CBH Grain Pty Ltd are supported by a negative pledge that imposes certain covenants on CBH Grain Pty Ltd. The negative pledge at 30 September 2018 states that (subject to certain exceptions) CBH Grain Pty Ltd will not provide any other security over its assets, and will ensure that the following financial ratios and conditions are met throughout the term of the loan facilities:

(i) The financial indebtedness of CBH Grain Pty Ltd should not exceed the aggregate of:
- 100% of cash on hand;
- 90% of grain sold that is either on hand or in the course of delivery;
- 100% of the mark to market value of grain net open derivative position;
- 80% of the market value of grain that is not sold; and
- 80% of the total value of debtors on terms of 90 days or less.

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

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

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 - AUD	100,000	-	31/10/2018
CBH Grain Facility - AUD	100,000	-	31/10/2018
CBH Grain Facility - AUD	100,000	-	12/12/2018
CBH Grain Facility - AUD	100,000	-	31/10/2018
CBH Grain Facility - AUD	200,000	-	31/12/2018
CBH Grain Facility - AUD	50,000	-	31/10/2018
CBH Grain Facility - AUD	100,000	-	30/11/2018
CBH Grain Facility - AUD	100,000	100,000	02/11/2018

The Directors have approved these facilities, which will be renewed as required. Refer to subsequent events Note 31 for details.

The Australian Dollar facilities are a combination of bilateral term loans and trade facilities with total facility limits of $850,000,000. As at 30 September 2018, $100,000,000 of the bilateral term loans was drawn down, and there was no draw down on the trade facility.

CBH Grain Pty Ltd uses these facilities to fund the Pools by way of payments to growers and grain trading. Under the financing facilities, the lenders hold fixed and floating securities over the Group's assets. The interest rate is calculated with reference to the Australian Dollar bank bill rate, plus a margin at normal commercial terms. The effective interest rate for the year was 2.47% (2017: 2.52%).

f. Defaults and breaches

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

20. Contributed equity and reserves

a. Share capital

(i) Ordinary Shares

	2018 $	2017 $
Shares Issued	**4,602**	4,798
	4,602	4,798

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 2016	2,482	1,639	4,121	2.00	4,964
Shares issued (i)	-	181	181	-	-
Shares cancelled (ii)	(83)	(83)	(166)	-	(166)
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 30 September 2018	**2,301**	**1,753**	**4,054**	**2.00**	**4,602**

(i) During the year 104 ordinary shares (2017: 181) were issued and remained unpaid as at 30 September 2018. 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 1,753 (2017: 1,737).

(ii) During the year 185 ordinary shares (98 paid and 87 unpaid) were cancelled through failure to meet the Active Membership Requirements under Rule 4 of the Co-operative's Rules. An additional 1 unpaid share was cancelled due to a member resignation.

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).

20. Contributed equity and reserves (continued)

b. Capital management (continued)

	2018 $'000	2017 $'000
Profit after tax (A)	**33,517**	91,302
Opening capital	**1,735,141**	1,648,115
Closing capital	**1,767,018**	1,735,141
Average capital (B)	**1,751,080**	1,691,628
Return on average equity	**1.9%**	5.4%
Total equity (C)	**1,767,018**	1,735,141
Total assets (D)	**2,351,464**	2,172,529
Gearing ratio (C/D)	**75.1%**	79.9%

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

	2018 $'000	2017 $'000
Capital levy reserve	**52,587**	52,587
General reserve	**1,497,276**	1,466,255
Foreign currency translation reserve	**(36,694)**	(37,009)
Acquisition reserve	**(1,175)**	(1,175)
Cash flow hedge reserve	**(452)**	164
	1,511,542	1,480,822

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

Nature and purpose of other reserves

Capital Levy Reserve

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

General Reserve

The General Reserve is used to hold the transfer of profits relating to Co-operative Bulk Handling Limited from retained earnings as required by the Bulk Handling Act 1967.

Foreign Currency Translation Reserve

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

Acquisition Reserve

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

Cash Flow Hedge Reserve

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

Notes to the consolidated financial statements

For the year ended 30 September 2018

21. Contingent assets and liabilities

Co-operative Bulk Handling Limited (parent entity) has provided guarantees relating to loan facilities with certain controlled entities (Note 24).

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.

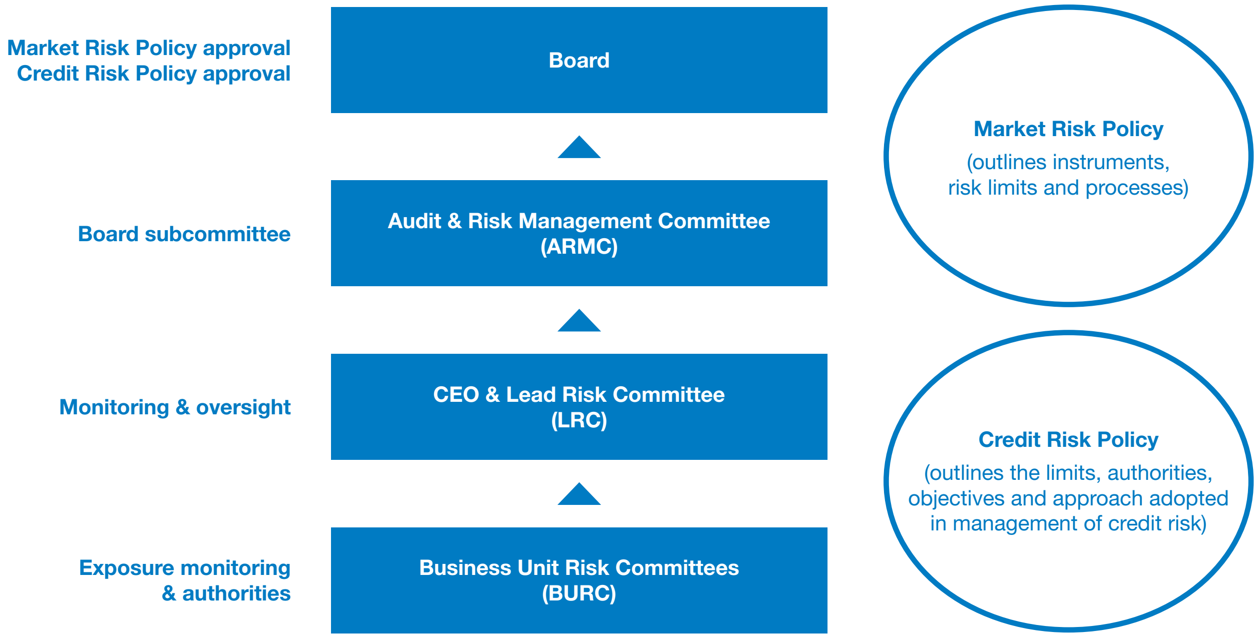
22. Financial risk management

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



These committees report regularly 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.

22. 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, monitor and limit market risk. VaR is a risk measurement technique that estimates the maximum potential loss on price exposures 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.

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

	2018 $'000	2017 $'000
Net derivative exposure (a)	**(231,320)**	(237,568)
Net physical exposure (b)	**384,314**	297,736
Undiversified VaR (c)	**(28,628)**	(22,065)
Diversified VaR (d)	**(15,599)**	(14,091)

(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.

(ii) 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 (Australian dollar). 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 use of forward exchange contracts and options.

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

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

22 Financial risk management (continued)

a. Market risk (continued)

(ii) Foreign currency risk (continued)

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

30 September 2018	USD in AUD equivalent $'000	CAD in AUD equivalent $'000	Euro in AUD equivalent $'000	JPY in AUD equivalent $'000	RUB in AUD equivalent $'000	OTHER* in AUD equivalent $'000	Total AUD equivalent $'000
Financial assets							
Cash and cash equivalents	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.

30 September 2017	USD in AUD equivalent $'000	CAD in AUD equivalent $'000	Euro in AUD equivalent $'000	JPY in AUD equivalent $'000	RUB in AUD equivalent $'000	OTHER* in AUD equivalent $'000	Total AUD equivalent $'000
Financial assets							
Cash and cash equivalents	8,814	1,355	8,120	11,015	3,776	603	**33,683**
Trade and other receivables	175,133	-	4,032	13,871	1,449	-	**194,485**
Derivative financial assets	31,560	9	1,953	1,543	95	1	**35,161**
	215,507	1,364	14,105	26,429	5,320	604	**263,329**
Financial liabilities							
Derivative financial liabilities	12,286	17	5,248	111	156	144	**17,962**
Trade and other payables	34,490	3	1,064	3,048	686	386	**39,677**
	46,776	20	6,312	3,159	842	530	**57,639**
Net exposure	**168,731**	**1,344**	**7,793**	**23,270**	**4,478**	**74**	**205,690**

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

22. 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 funds its ongoing seasonal 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:

	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	**139,820**	191,276
Term Deposit	**14,360**	-
Related party receivables	**77,358**	80,657
Loans to growers	**20,317**	10,092
	251,855	282,025
Financial liabilities		
Interest bearing loans and borrowings	**(100,117)**	(1,514)
Net exposure	**151,738**	280,511

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(b).

An increase of 25 basis points in underlying interest rates would increase profit before tax for the year by $379,000 (2017: $701,000). A decrease of 25 basis points in underlying interest rates would reduce profit before tax for the year by $379,000 (2017: $701,000). 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 as and when appropriate.

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

For more information on grower loan credit risk refer to Note 13.

22. 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 remaining contractual maturities of the Group's financial liabilities as at year end. For derivative financial instruments which are settled on a net basis, the market value of the net position is presented, whereas for other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at year end.

Contractual maturities of financial liabilities

At 30 September 2018	Carrying amount $'000	Total contractual cash flows $'000	Less than 6 months $'000	6 - 12 months $'000	1 - 5 years $'000
Financial liabilities					
Interest bearing loans and borrowings	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**

At 30 September 2017	Carrying amount $'000	Total contractual cash flows $'000	Less than 6 months $'000	6 - 12 months $'000	1 - 5 years $'000
Financial liabilities					
Interest bearing loans and borrowings	1,514	2,042	176	210	1,656
Trade and other payables	291,582	291,582	290,312	-	1,270
Total non-derivatives	**293,096**	**293,624**	**290,488**	**210**	**2,926**
Derivative financial liabilities					
- (inflow)	(722,254)	(722,254)	(706,446)	(6,834)	(8,974)
- outflow	765,614	765,614	745,401	8,490	11,723
Net derivative financial liabilities	**43,360**	**43,360**	**38,955**	**1,656**	**2,749**
	336,456	**336,984**	**329,443**	**1,866**	**5,675**

22. 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 (i.e. inventory) carried at fair value. The methods comprise:

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

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

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

The fair value of the financial instruments and non-financial assets are summarised in the table below.

30 September 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial and non-financial assets				
Derivative instruments				
Forward foreign currency exchange contracts, swaps and options	-	7,618	-	7,618
Commodity futures and options	6,300	-	-	6,300
Forward commodity sale and purchase contracts	-	102,729	4,635	107,364
Inventories	-	391,347	73,273	464,620
Other financial assets	-	-	10,595	10,595
Total financial and non-financial assets	**6,300**	**501,694**	**88,503**	**596,497**
Financial Liabilities				
Derivative instruments				
Forward foreign currency exchange contracts, swaps and options	-	36,032	-	36,032
Commodity futures and options	2,569	-	-	2,569
Interest rate swaps and options	-	892	-	892
Forward commodity sale and purchase contracts	-	67,796	2,459	70,255
Total financial liabilities	**2,569**	**104,720**	**2,459**	**109,748**

22. Financial risk management (continued)

d. Fair value measurements (continued)

30 September 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial and non-financial assets				
Derivative instruments				
Forward foreign currency exchange contracts, swaps and options	-	10,197	-	10,197
Commodity futures and options	8,565	-	-	8,565
Forward commodity sale and purchase contracts	-	16,698	6,885	23,583
Inventories	-	275,758	76,081	351,839
Other financial assets	-	-	13,623	13,623
Total financial and non-financial assets	**8,565**	**302,653**	**96,589**	**407,807**
Financial liabilities				
Derivative instruments				
Forward foreign currency exchange contracts, swaps and options	-	11,577	-	11,577
Commodity futures and options	946	-	-	946
Interest rate swaps and options	-	1,871	-	1,871
Forward commodity sale and purchase contracts	-	28,028	938	28,966
Total financial liabilities	**946**	**41,476**	**938**	**43,360**

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

Forward commodity sale and purchase contracts	Total $'000
30 September 2017	5,947
Net movement taken to profit or loss	(3,771)
30 September 2018	**2,176**

22. Financial risk management (continued)

d. Fair value measurements (continued)

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.

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.

Transfers between categories

There were no transfers between Level 1, 2 and 3 during the year.

Recognition and measurement

Investments and financial assets within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either:

- financial assets at fair value through the profit or loss;
- loan and receivables;
- held-to-maturity investments; or
- available-for-sale investments, as appropriate.

The Group determines the classification of its financial assets on initial recognition. When financial assets are initially recognised, they are measured at fair value less directly attributable transaction costs.

Significant accounting estimates and assumptions

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and forward purchases and sales) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Physical positions comprising some inventories, forward sales and forward purchases do not have exchange quoted prices available. Therefore other techniques, such as obtaining assessments from independent commodity brokers, are used to determine fair value.

The valuation techniques adopted for traded grain inventories are discussed in Note 14.

The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date for contracts with similar maturity profiles. The fair value assessments include consideration of inputs such as liquidity risk, credit risk and market volatility. Any change in assumptions for these factors could affect the reported fair value of financial instruments.

23. Derivative financial instruments

	2018 $'000	2017 $'000
Current Assets		
At fair value		
Forward foreign exchange contracts, swaps and options	**7,618**	10,181
Commodity futures and options	**6,057**	7,318
Forward commodity sale and purchase contracts	**105,995**	22,417
	119,670	39,916
Non-Current Assets		
At fair value		
Forward foreign exchange contracts and swaps	**-**	16
Commodity futures and options	**243**	1,247
Forward commodity sale and purchase contracts	**1,369**	1,166
	1,612	2,429
Current Liabilities		
At fair value		
Forward foreign exchange contracts, swaps and options	**35,653**	11,577
Commodity futures and options	**2,519**	946
Forward commodity sale and purchase contracts	**69,912**	28,088
	108,084	40,611
Non-Current Liabilities		
At fair value		
Interest rate swaps and options	**892**	1,871
Forward foreign exchange contracts, swaps and options	**379**	-
Commodity futures and options	**50**	-
Forward commodity sale and purchase contracts	**343**	878
	1,664	2,749

a. Instruments used by the Group

The Group primarily uses the following derivatives to manage the 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 22(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 fair value at 30 September 2018 was an unrealised gain of $11,534,000 (2017: $1,015,000 unrealised loss). The assessment of the value of these financial instruments at any given point in time will, in times of volatile market conditions, show substantial variation over the short term.

Notes to the consolidated financial statements

For the year ended 30 September 2018

23. Derivative financial instruments (continued)

b. Interest rate derivatives contracts

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

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

	2018 $'000	2017 $'000
Interest rate swaps 1 - 2 years	**(892)**	-
Interest rate swaps 2 - 3 years	**-**	(1,871)
	(892)	(1,871)

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses of interest rate swaps are recognised are disclosed in Note 22(d).

Recognition and measurement

(i) Derivatives

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and available-for-sale securities) is based on the quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is discussed in Note 22(d).

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

(ii) Offsetting financial instruments

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

Notes to the consolidated financial statements

For the year ended 30 September 2018

Other information

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

24. Parent entity disclosures

	2018 $'000	2017 $'000
Assets		
Current assets	**581,162**	586,976
Non-current assets	**1,282,381**	1,233,618
Total assets	**1,863,543**	1,820,594
Liabilities		
Current liabilities	**304,647**	291,504
Non-current liabilities	**5,451**	6,666
Total liabilities	**310,098**	298,170
Net assets	**1,553,445**	1,522,424
Equity attributable to equity owners of the parent		
Issued capital	**5**	5
Reserves	**1,553,440**	1,522,419
Total equity	**1,553,445**	1,522,424
Profit or loss for the year	**31,021**	75,010
Total comprehensive income	**31,021**	75,010

a. Financial guarantees - Parent

The parent has entered into a Deed of Cross Guarantee ("Deed") with the effect that it guarantees debts in respect of certain subsidiaries. Further details of the Deed and the subsidiaries subject to the Deed are disclosed in Note 25.

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

The guarantees provided by CBH to the lenders of CBH Grain Pty Ltd are only exercisable where total indebtedness of CBH Grain Pty Ltd is greater than $2.0 billion. As at 30 September 2018, this debt is $100,000,000 (2017:nil).

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:

	2018 $'000	2017 $'000
Within one year	**27,503**	8,353

25. Deed of cross guarantee

Co-operative Bulk Handling Limited, Blue Lake Milling Pty Ltd, CBH Pty Ltd and CBH Group Holdings Pty Ltd are parties to the Deed under which each entity guarantees the debts of the others. By entering into the Deed, the wholly-owned entities (Blue Lake Milling Pty Ltd, CBH Pty Ltd and CBH Group Holdings Pty Ltd) have been relieved by the Australian Securities and Investments Commission ("ASIC") from requirements for preparation, audit and lodgement of financial reports and directors' reports under ASIC Instrument 16-0845 ("Order").

Consolidated statements

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

Set out below is a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 September 2018 of the closed group.

	2018 $'000	2017 $'000
Consolidated statement of profit or loss and other comprehensive income		
Revenue	**698,043**	749,258
Other income	**5,165**	5,679
Expenses from ordinary activities	**(668,607)**	(679,066)
Interest expense	**(73)**	(198)
Profit before income tax	**34,528**	75,673
Income tax expense	**(825)**	(1,850)
Profit for the year	**33,703**	73,823
Other comprehensive income		
Items that may be reclassified subsequently to the profit or loss		
Net (loss)/gain on cash flow hedge	**(169)**	166
Total comprehensive income for the year	**33,534**	73,989
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**(1,055)**	132
Profit for the year	**33,703**	73,823
Transfer to reserves	**(31,021)**	(75,010)
Retained earnings at the end of the financial year	**1,627**	(1,055)

Notes to the consolidated financial statements

For the year ended 30 September 2018

25. Deed of cross guarantee (continued)

Consolidated statements (continued)

Set out below is a consolidated statement of financial position as at 30 September 2018 of the closed group.

	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	**49,325**	54,311
Trade and other receivables	**497,652**	494,965
Inventories	**26,013**	34,613
Derivatives financial instruments	**24**	87
Prepayments	**3,461**	2,843
Total current assets	**576,475**	586,819
Non-current assets		
Investments in associates	**129,402**	129,402
Investment in controlled entities	**96,722**	96,722
Property, plant and equipment	**1,041,110**	982,188
Intangible assets and goodwill	**31,708**	33,950
Total non-current assets	**1,298,942**	1,242,262
Total assets	**1,875,417**	1,829,081
Current liabilities		
Trade and other payables	**260,839**	270,160
Interest bearing loans and borrowings	**-**	1,514
Income tax payable	**680**	680
Provisions	**52,201**	27,042
Total current liabilities	**313,720**	299,396
Non-current liabilities		
Trade and other payables	**214**	761
Deferred tax liabilities	**1,083**	1,022
Provisions	**5,332**	6,547
Total non-current liabilities	**6,629**	8,330
Total liabilities	**320,349**	307,726
Net assets	**1,555,068**	1,521,355
Equity		
Contributed equity	**5**	5
Reserves	**1,553,436**	1,522,405
Retained earnings	**1,627**	(1,055)
Total equity	**1,555,068**	1,521,355

26. Key management personnel compensation

	2018 $	2017 $
Short-term employee benefits (i)	**8,033,060**	6,694,433
Post-employment benefits (ii)	**391,271**	365,847
Long-term benefits (iii)	**1,047,885**	797,950
Termination benefits (iv)	**526,444**	775,220
	9,998,660	8,633,450

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.

During the year organisation structural changes were made to support the delivery of a stronger and sustainable CBH supply chain. The organisation is now defined by four business divisions that reflect CBH's management of the supply chain: Plan; Deliver Projects; Operate and Market. To support this structure, changes were made to the Lead Team resulting in three additional General Manager positions for Planning, Strategy & Development; Project Delivery and People & Performance.

(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.

27. Related party transactions

a. Parent and ultimate controlling party

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

b. Transactions with key management personnel

(i) Directors fees

In addition to the Directors fees disclosed in Note 26, Mr D S Willis and Mr V A Dempster (both Directors of the parent entity), each received $20,000 (2017: $20,000) for their roles as directors of Interflour Group Pte Ltd, an associated company for the year.

Directors fees received from CBH are included within Note 26.

Total aggregate number of shares held by Directors and Director-related entities is 14 (2017: 14).

(ii) Related party transactions with Directors

Certain Directors have dealings either in their own name or through director-related entities with Co-operative Bulk Handling Limited and its controlled entities under commercial terms no more favourable than those available to other grain growers and shareholders.

	2018 $	2017 $
K J Fuchsbichler, T N Badger, N A M Browning, B E McAlpine, J P B Hassell, W A Newman, V A Dempster, D G Clauson, R G Madden, and S R Stead received payments or were due to receive payment for grain deliveries during the financial year	**9,669,463**	7,758,251
Freight and receival fees	**1,466,934**	1,194,273
Fertiliser purchases	**937,625**	748,882
(iii) Balances outstanding (to)/from Directors		
Rebates payable	**(1,101,963)**	(577,869)

There is no balance due from directors to the Group as at year end. Balances owing from directors during the year are priced at normal commercial terms and are generally settled within 30 days. None of the balance is secured. No expense has been recognised in current year or prior year for bad or doubtful debts in respect of amounts owing by directors.

27. Related party transactions (continued)

c. Other related party transactions

	2018 $	2017 $
(i) Transactions with associates		
The Group has sold grain to Interflour Group Pte Ltd ("IFG") and its controlled entities in the ordinary course of business on a commercial basis	**150,898,392**	143,888,490
The Group has purchased grain from IFG and its controlled entities in the ordinary course of business on agreed commercial terms	**100,653,548**	69,826,632
The Group received stevedoring services from Australian Bulk Stevedoring Pty Ltd in the ordinary course of business on a commercial basis	**3,463,478**	3,524,029
(ii) Receivables from associates		
Unsecured amount due to the Group at year end from IFG and its controlled entities under extended payment terms of up to 180 days with interest charged at commercial terms	**77,357,682**	72,882,077
Secured amount due to the Group at year end from IFG and its controlled entities under extended payment terms of up to 180 days with interest charged at commercial terms	**-**	7,775,237
	77,357,682	80,657,314
(iii) Receivables from other related parties		
Newcastle Agri Terminal Pty Ltd	**-**	1,200,470

NAT has fully repaid the loan in 2018. The loan was unsecured with no fixed repayment date.

No expense has been recognised in current year or prior year for bad or doubtful debts in respect of amounts owing from associates or other related parties. Settlement occurs in cash.

28. Auditor's remuneration

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

	30 September 2018 $	30 September 2017 $
Auditors of the Group - KPMG Australia		
Audit of financial statements	**398,307**	403,670
Other assurance services	**8,450**	8,450
Other services	**170,907**	194,330
	577,664	606,450
Related overseas offices of KPMG Australia		
Audit of financial reports	**57,649**	55,480
	635,313	661,930

29. Changes in accounting policies

New accounting standards and interpretations

(i) New and amended accounting standards and interpretations adopted from 1 October 2017

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 2017.

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has included a reconciliation of changes in liabilities arising from financing activities in note 19 to comply with this amendment.

AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the accounting treatment for deferred tax assets related to debt instruments measured at fair value. The adoption of these amendments has had no material impact on the Group.

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

Certain new accounting standards and interpretations have been published that are not effective for the 30 September 2018 reporting period. The Group's assessment of the impact of these new standards and interpretations considered relevant to the Group are set out below.

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

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

The Group plans to early adopt the new standard from 1 October 2018 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 October 2018 and comparatives will not be restated.

Based on assessments undertaken to date, the Group has noted potential impacts in respect of the recognition of revenue from ocean freight and grain handling services. Management is continuing its assessment of the effects of applying the new standard on the Group's financial statements.

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

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

The Group does not expect the new guidance to have a significant impact to the following accounting policies:

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

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

The Group will adopt the new standard from 1 October 2018. The cumulative impact of the adoption will be recognised in retained earnings as of 1 October 2018 and comparatives will not be restated.

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

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

Under adoption of AASB 16, the Group's recognised assets and liabilities will increase. The most significant impact will be the present value of operating lease commitments (see Note 30) except short term and low value leases being shown as a liability on the consolidated statement of financial position together with an asset representing the right of use. The right of use asset depreciation and interest expense on the lease liability will replace operating lease expenses currently recognised in the consolidated statement of profit or loss and other comprehensive income. The Group is still evaluating the potential impact of AASB 16, including the assessment of whether an arrangement entered into by the Group contains a lease and the remeasurement of a lease liability upon the occurrence of certain events such as variable lease payments or a change in the lease term.

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.

30. Commitments

a. Operating lease commitments

The Group has entered into commercial leases on certain properties and items of equipment. These leases have a life of between 1 and 50 years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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

	2018 $'000	2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**9,745**	10,243
Later than one year but not later than five years	**23,983**	17,209
Later than five years	**105,452**	92,196
	139,180	119,648

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:

	2018 $'000	2017 $'000
Within one year	**3,339**	297
Later than one year but not later than five years	**2,711**	251
Later than five years	**379**	-
	6,429	548

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:

	2018 $'000	2017 $'000
Within one year	**35,501**	11,140
	35,501	11,140

31. Events Subsequent to Balance Date

Subsequent to 30 September 2018, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2018/19 season with various banks:

- Syndicated debt facility of $750,000,000;
- Banking facilities of $900,000,000;
- Trade facilities of $225,000,000.

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 49 to 102 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 2018 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 25 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Co-operative and those group entities pursuant to ASIC Instrument 16-0845.

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

W A Newman
Director

Perth
5 December 2018

KPMG

Independent Auditor's Report

To the members of Co-operative Bulk Handling Limited

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 30 September 2018 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 2018
- 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. 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

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

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

KPMG

Trevor Hart
Partner

Perth

5 December 2018

Five year financial and operational history

Co-operative Bulk Handling and its controlled entities

		2018	2017	2016	2015	2014
Tonnes handled	mt	**13.3**	16.6	13.6	13.6	15.9
All time injury frequency rate		**13**	11	20	22	28
Revenue from continuing operations	$m	**3,792**	3,477	3,271	3,720	3,937
Pools revenue	$m	**266**	363	390	361	493
Other gains and losses	$m	**(25)**	35	125	(173)	132
Total revenue including other income	**$m**	**4,033**	**3,875**	**3,786**	**3,908**	**4,562**
Net profit contribution from:						
Grain storage and handling	$m	**45**	98	70	116	112
Marketing and trading	$m	**3**	10	6	(17)	34
Grain processing	$m	**(7)**	8	2	9	11
Corporate and other	$m	**(7)**	(25)	(28)	(25)	(8)
Profit attributable to members of Co-operative Bulk Handling Limited	**$m**	**34**	**91**	**50**	**83**	**149**
Rebates*	$m	**95**	156	63	17	54
Capital expenditure	$m	**156**	70	92	124	113
Total assets	$m	**2,351**	2,173	2,110	2,169	1,980
Total liabilities	$m	**(584)**	(437)	(462)	(554)	(464)
Equity	**$m**	**1,767**	**1,735**	**1,648**	**1,615**	**1,516**
Debt owing	$m	**(100)**	(2)	(152)	(211)	(47)

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

Co-operative Bulk Handling Ltd

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