11 May 2018

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

GRAINCORP LIMITED: GNC

APPENDIX 4D AND INTERIM FINANCIAL REPORT

FINANCIAL HALF YEAR ENDED 31 MARCH 2018

Please find attached the Appendix 4D and Interim Financial Report for the Half Year ended 31 March 2018.

Yours faithfully,

GrainCorp Limited

Gregory Greer
Company Secretary

GrainCorp Limited

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GRAINCORP LIMITED

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 MARCH 2018

Results for announcement to the market				
	Up / Down	**% Movement**		**2018 $ M**
Revenue from ordinary activities	Down	19.1%	to	**1,986.8**
Profit before significant items[1] from ordinary activities after tax attributable to owners of GrainCorp Limited	Down	63.9%	to	**36.1**
Net profit for the period attributable to owners of GrainCorp Limited	Down	59.9%	to	**36.1**

Dividend information	**Amount per security**	**Franked amount per security at 30% tax**
Final dividend per share (paid 14 December 2017)	15.0 cents	15.0 cents
Interim dividend per share	8.0 cents	8.0 cents
Record date for determining entitlements to the interim dividend		2 July 2018
Payment date for interim dividend		16 July 2018

[1] Significant items: GrainCorp defines significant items as not in the ordinary course of business, non-recurring and material in nature and amount. Significant items are shown in Note 1.2 of the Financial Report for the half-year ended.

GrainCorp Limited

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Additional information

Net tangible assets per share: $6.18 (2017: $6.16)

The following were the interests in joint ventures held by the entity during the half-year. The aggregate share of profits or losses from joint ventures is immaterial.

	Ownership interest	
Company	**HY2018**	**FY2017**
GrainsConnect Canada Operations Inc	50%	50%
National Grower Register Pty Ltd	50%	50%
Flex Biofuels Pty Ltd[2]	50%	50%
PumpFree Pty Ltd	23%	23%

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report for the half-year ended 31 March 2018.

This report is based on the consolidated financial statements and notes which have been reviewed by PricewaterhouseCoopers.

Further information regarding the company and its business activities can be obtained by visiting the company's website at www.graincorp.com.au.

[2] The joint venture is being wound up and is under external administration effective 3 May 2018.

GrainCorp
100 YEARS OF GROWTH

GrainCorp Limited

2018 Half-year Financial Report

For GrainCorp Limited (ABN 60 057 186 035) and its controlled entities

This Interim Financial Report is provided to the Australian Stock Exchange (ASX) under ASX listing Rule 4.2A and should be read in conjunction with the Annual Report of GrainCorp Limited for the year ended 30 September 2017 and any announcements made by the Company during the period in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Contents

Directors' Report

The Directors present their report on the consolidated entity (collectively the 'Group') consisting of GrainCorp Limited ('GrainCorp' or the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 March 2018.

Directors

The following people were Directors of GrainCorp during the half-year and up to the date of this report:

- G J Bradley AM (Chairman)
- M L Palmquist (Managing Director & CEO)
- R P Dee-Bradbury
- B J Gibson
- P J Housden
- D J Mangelsdorf
- D G McGauchie AO
- P I Richards
- S L Tregoning

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of operations

Group Financial Analysis and Commentary

The Group recorded a statutory net profit after tax ('NPAT') of $36.1 million for the half-year ended 31 March 2018 compared to $90.0 million for the previous corresponding half-year. Revenue from continuing operations decreased 19.1% to $1,987 million (HY17: $2,456 million).

Malt

- Malt sales volumes down slightly on HY17.
- Upgraded existing Pocatello plant in Q1 FY18 after successfully commissioning new capacity in Q4 FY17.
- Reduction in capacity from sale of German malt plants in Q2/Q3 FY17.
- Continued good demand for malt and brewing ingredients/products from craft and distilling customers. US craft beer industry sales volumes increased 5% in 2017[1].
- Integration of Cryer Malt, a distributor of craft brewing ingredients in Australia and New Zealand which was acquired by GrainCorp in September 2017.
- Increase in energy costs in Australian business, year-to-date[2] (YTD): $2 million.

Grains

- Significantly smaller east coast Australia (ECA) crop, following near-record harvest in FY17.
- Low exportable surplus in ECA, with production skewed to Victoria and southern NSW.
- High global grain supply keeping international prices depressed and impacting Australia's global competitiveness.
- YTD[2] total grain receivals[3] of 5.6mmt.
- YTD[2] grain exports of 1.4mmt; FY18 grain exports expected to be 60-75% below last year (FY17: 7.2mmt).
- YTD[2] non-grain handled of 1.5mmt.
- ~145 silos operated during harvest (2017: ~160 sites). Continued to focus on flexing the network and managing cost base.

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[1] Brewers Association

[2] YTD: 1 Oct 2017 to 31 Mar 2018

[3] Tonnes received up-country and direct-to-port YTD. Excludes third-party deliveries direct to port.

- International growth strategy proceeding well:
  - successful execution out of South Australia, Western Australia, Europe, Canada and the Black Sea.
  - first GrainsConnect Canada site commissioned.
  - initial asset-light Ukraine presence being established.
- Formation of Grains has improved customer engagement, asset utilisation and competitiveness in domestic grains markets. Results include $3 million in integration costs.
- Take-or-pay rail commitment has been a challenge with lower volumes.

Oils

- **Liquid Terminals**: high utilisation, driven by strong customer demand across a range of product segments.
- **Oilseeds**: lower crush contribution due to temporary plant shut-down during crush expansion project, and lower canola supply and quality.
- **Foods**: good volumes, improving demand for specialty oils for infant formula, strong performance due to cost reduction and operational efficiency improvements.
- **Feeds**: improved performance due to strong NZ dairy demand.
- HY18 results impact of increased energy costs in Australia ($3 million) and restructure of Foods business ($2 million).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts

All figures in the financial statements are presented in Australian dollars and have been rounded off to the nearest hundred thousand dollars, or in certain cases, to the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191, unless otherwise indicated.

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

G J Bradley AM
Chairman

Sydney
11 May 2018

Auditor's Independence Declaration

pwc

As lead auditor for the review of GrainCorp Limited for the half-year ended 31 March 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of GrainCorp Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins
Partner
PricewaterhouseCoopers

Sydney
11 May 2018

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Half-Year Financial Report

Consolidated Income Statement

For the half-year ended 31 March 2018

	Note	Half-year 2018 $ M	Half-year 2017 $ M
Revenue		1,986.8	2,455.8
Other income	1.3	26.6	58.2
Goods purchased for resale		(1,084.3)	(1,165.1)
Raw materials and consumables used		(521.5)	(766.1)
Employee benefits expense		(180.0)	(213.5)
Finance costs		(21.9)	(22.2)
Depreciation and amortisation		(74.4)	(71.0)
Operating leases		(31.8)	(38.5)
Repairs and maintenance		(18.1)	(24.5)
Other expenses	1.4	(57.1)	(83.7)
Share of results of investments accounted for using the equity method		0.1	(0.1)
Profit before income tax		**24.4**	**129.3**
Income tax benefit / (expense)	1.5	11.7	(39.3)
Profit for the period		**36.1**	**90.0**
Profit for the period attributable to:			
Equity holders of the parent entity		**36.1**	**90.0**
Non-controlling interests		-	-
		36.1	**90.0**

	Cents	Cents
Earnings per share		
Basic earnings per share	15.8	39.3
Diluted earnings per share	15.7	39.3

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the half-year ended 31 March 2018

	Half-year	
	2018	2017
	$ M	$ M
Profit for the period	**36.1**	**90.0**
Other comprehensive income		
Items that will not be reclassified to profit and loss:		
Remeasurement of retirement benefit obligations	(0.3)	6.3
Income tax relating to these items	(0.6)	(2.3)
Items that may be reclassified to profit and loss:		
Changes in fair value of cash flow hedges	(9.0)	12.9
Income tax relating to these items	3.2	(3.2)
Exchange differences on translation of foreign operations	17.4	(6.3)
Other comprehensive income for the period, net of tax	**10.7**	**7.4**
Total comprehensive income for the period attributable to owners of GrainCorp Limited	**46.8**	**97.4**
Total comprehensive income for the period attributable to:		
Equity holders of the parent entity	46.8	97.4
Non-controlling interests	-	-
	46.8	**97.4**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	31 March 2018 $ M	30 September 2017 $ M
Current assets			
Cash and cash equivalents		292.7	388.9
Trade and other receivables		559.7	466.2
Inventories	3.1	1,093.4	579.1
Derivative financial instruments	2.3	40.2	56.6
Assets classified as held for sale		17.9	12.1
Current tax assets		20.6	16.0
Total current assets		**2,024.5**	**1,518.9**
Non-current assets			
Trade and other receivables		2.3	1.1
Derivative financial instruments	2.3	3.7	8.2
Investments in other entities		4.9	3.9
Deferred tax assets		34.9	37.6
Property, plant and equipment		1,498.2	1,500.5
Intangible assets		489.8	494.5
Retirement benefit asset		2.5	2.6
Investments accounted for using the equity method		31.0	31.1
Total non-current assets		**2,067.3**	**2,079.5**
Total assets		**4,091.8**	**3,598.4**
Current liabilities			
Trade and other payables		312.4	357.8
Borrowings	2.1	905.8	336.6
Derivative financial instruments	2.3	33.2	53.8
Current tax liabilities		2.2	1.7
Provisions		56.2	60.3
Total current liabilities		**1,309.8**	**810.2**
Non-current liabilities			
Trade and other payables		47.9	48.9
Borrowings	2.1	752.6	748.4
Derivative financial instruments	2.3	5.7	8.7
Deferred tax liabilities		64.1	80.6
Provisions		9.2	11.8
Retirement benefit obligations		28.4	29.4
Total non-current liabilities		**907.9**	**927.8**
Total liabilities		**2,217.7**	**1,738.0**
Net assets		**1,874.1**	**1,860.4**
Equity			
Contributed equity		1,346.5	1,343.8
Reserves		75.7	64.3
Retained earnings		450.3	450.8
Equity attributable to equity holders of the parent entity		**1,872.5**	**1,858.9**
Non-controlling interests (NCI)		1.6	1.5
Total equity		**1,874.1**	**1,860.4**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half-year ended 31 March 2018

	Hedging reserve $ M	Capital reserve $ M	Share option reserve $ M	Translation reserve $ M	Total reserves $ M	Contributed equity $ M	Retained earnings $ M	Non-controlling interest $ M	Total equity $ M
At 1 October 2016	**(15.6)**	**8.3**	**4.2**	**40.9**	**37.8**	**1,346.1**	**358.1**	**-**	**1,742.0**
Profit for the period	-	-	-	-	-	-	90.0	-	90.0
Other comprehensive income:									
Exchange difference on translation of foreign operations	(0.1)	-	-	(7.2)	(7.3)	-	1.0	-	(6.3)
Changes in fair value of cash flow hedges	12.9	-	-	-	12.9	-	-	-	12.9
Remeasurement of retirement benefit obligations	-	-	-	-	-	-	6.3	-	6.3
Deferred tax expense	(3.2)	-	-	-	(3.2)	-	(2.3)	-	(5.5)
Total other comprehensive income	**9.6**	**-**	**-**	**(7.2)**	**2.4**	**-**	**5.0**	**-**	**7.4**
Total comprehensive income for the period	9.6	-	-	(7.2)	2.4	-	95.0	-	97.4
Transactions with owners:									
Dividends paid (note 2.2)	-	-	-	-	-	-	(8.0)	-	(8.0)
Share-based payments	-	-	2.0	-	2.0	-	-	-	2.0
Treasury shares vested to employees	-	-	(1.7)	-	(1.7)	1.7	-	-	-
Treasury shares purchased	-	-	-	-	-	(0.6)	-	-	(0.6)
Transactions with non-controlling interests:									
Change in ownership interest	-	-	-	-	-	-	-	0.4	0.4
At 31 March 2017	**(6.0)**	**8.3**	**4.5**	**33.7**	**40.5**	**1,347.2**	**445.1**	**0.4**	**1,833.2**
At 1 October 2017	**6.5**	**8.3**	**6.8**	**42.7**	**64.3**	**1,343.8**	**450.8**	**1.5**	**1,860.4**
Profit for the period	-	-	-	-	-	-	36.1	-	36.1
Other comprehensive income:									
Exchange difference on translation of foreign operations	(0.2)	-	-	19.0	18.8	-	(1.4)	-	17.4
Changes in fair value of cash flow hedges	(9.0)	-	-	-	(9.0)	-	-	-	(9.0)
Remeasurement of retirement benefit obligations	-	-	-	-	-	-	(0.3)	-	(0.3)
Deferred tax credit / (expense)	3.2	-	-	-	3.2	-	(0.6)	-	2.6
Total other comprehensive income	**(6.0)**	**-**	**-**	**19.0**	**13.0**	**-**	**(2.3)**	**-**	**10.7**
Total comprehensive income for the period	(6.0)	-	-	19.0	13.0	-	33.8	-	46.8
Transactions with owners:									
Dividends paid (note 2.2)	-	-	-	-	-	-	(34.3)	-	(34.3)
Share-based payments	-	-	1.8	-	1.8	-	-	-	1.8
Treasury shares vested to employees	-	-	(3.4)	-	(3.4)	3.4	-	-	-
Treasury shares purchased	-	-	-	-	-	(0.7)	-	-	(0.7)
Transactions with non-controlling interests:									
Change in ownership interest	-	-	-	-	-	-	-	0.1	0.1
At 31 March 2018	**0.5**	**8.3**	**5.2**	**61.7**	**75.7**	**1,346.5**	**450.3**	**1.6**	**1,874.1**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the half-year ended 31 March 2018

		Half-year	
		2018	2017
	Note	$ M	$ M
Cash flows from operating activities			
Receipts from customers		2,186.2	2,547.7
Payments to suppliers and employees		(2,734.3)	(2,974.3)
		(548.1)	(426.6)
Proceeds from bank loans – inventory funding		531.0	504.7
Interest received		1.5	0.7
Interest paid		(21.7)	(22.3)
Income taxes paid		(2.0)	(21.5)
Net (outflow) / inflow from operating activities		**(39.3)**	**35.0**
Cash flows from investing activities			
Payments for property, plant and equipment		(50.4)	(98.3)
Payments for computer software		(8.7)	(3.7)
Proceeds from sale of property, plant and equipment		2.6	12.8
Proceeds from sale of investment / business		-	106.6
Dividends received		-	83.2
Payments for investment / business (net of cash acquired)		(1.0)	(10.7)
Net (outflow) / inflow from investing activities		**(57.5)**	**89.9**
Cash flows from financing activities			
Proceeds from borrowings		264.7	606.0
Repayment of borrowings		(231.3)	(566.0)
Dividends paid	2.2	(34.3)	(8.0)
Non-controlling interest		0.1	0.4
Net (outflow) / inflow from financing activities		**(0.8)**	**32.4**
Net (decrease) / increase in cash and cash equivalents		**(97.6)**	**157.3**
Cash and cash equivalents at the beginning of the period		388.9	307.6
Effect of exchange rate changes on cash and cash equivalents		1.4	(3.6)
Cash and cash equivalents at the end of the period		**292.7**	**461.3**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the half-year ended 31 March 2018

About this report

The financial report for the half-year ended includes consolidated financial statements for GrainCorp Limited ('GrainCorp' or the 'Company') and its controlled entities (collectively the 'Group'). GrainCorp Limited is a company incorporated and domiciled in Australia, limited by shares that are publicly traded on the Australian Securities Exchange.

The GrainCorp Limited financial report for the half-year ended 31 March 2018 was authorised for issue in accordance with a resolution of the Directors on 11 May 2018. The Directors have the power to amend and reissue the financial report.

a) Basis of preparation

This general purpose financial report for the half-year ended:

i. has been prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*;

ii. does not include all of the information required for an Annual Report, and should be read in conjunction with the Annual Report of the Group as at 30 September 2017 and any public announcements made by GrainCorp Limited during the half-year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001* and ASX Listing Rules;

iii. is presented under the historical cost basis apart from derivative financial instruments and commodity inventories which are measured at fair value;

iv. presents reclassified comparative information where necessary to conform to changes in the current year; and

v. does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

There have been no new or revised accounting standards which are effective from the periods beginning on or after 1 October 2017 that impact the half-year results. Refer to the 2017 Annual Report for details and the consolidated entity's assessment of new standards that have been published but are not yet mandatory.

1. Group Performance

This section of the Financial Report focuses on disclosures most relevant to understanding the financial performance of the Group during the half-year. Segment reporting provides a breakdown of profit and revenue by operational activity. The key line items of the Consolidated Income Statement along with their components provide detail behind the reported balances. Group performance also impacts earnings per share.

1.1 Segment information

a) Description of segments

The Group is organised into three segments that are based on the operational activity of each segment. These segments are consistent with internal reports that are reviewed and used by the Group's chief operating decision maker, the Managing Director & Chief Executive Officer, in assessing performance and determining the allocation of resources.

In August 2017, GrainCorp's Storage & Logistics and Marketing businesses were combined into a single 'Grains' business unit. For the majority of the 2017 financial year, Grains operated as two separate business units – Storage & Logistics and Marketing. From 1 October 2017, the Group now reports Storage & Logistics and the Marketing business as Grains to reflect the nature of operations and the review of the Managing Director & Chief Executive Officer. The comparative period has been restated to be in line with the current period reporting.

Operating Segment	Products and Services
Grains	Grain receivals, transport, testing, storage of grains and export / import of grain and other bulk commodities. Marketing of grain and agricultural products, and the operation of grain pools.
Malt	Production of malt products, provision of brewing inputs and other malting services to brewers and distillers, sale of farm inputs, and export of malt.
Oils	Processing and crushing of oilseeds, supplying edible oils and feeds, operating bulk liquid port terminals, storage, packaging, transport and logistics operations.

Corporate includes the share of profit from equity accounted investments and unallocated corporate costs such as Group financing and income taxes. Segment performance is based on a measure of underlying EBITDA[4].

b) Performance of segments

Half-year 2018	Grains $ M	Malt $ M	Oils $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total $ M
Reportable segment revenue							
External revenues	963.2	534.1	489.5	1,986.8	-	-	1,986.8
Intersegment revenue	63.5	-	-	63.5	-	(63.5)	-
Total reportable segment revenue	**1,026.7**	**534.1**	**489.5**	**2,050.3**	**-**	**(63.5)**	**1,986.8**
Reportable segment result	**29.4**	**74.6**	**28.8**	**132.8**	**(13.7)**	**-**	**119.1**
Share of profit of joint ventures	0.2	-	-	0.2	(0.1)	-	0.1
Underlying EBITDA[4]							119.2
Net interest	(5.9)	-	(0.5)	(6.4)	(14.0)	-	(20.4)
Depreciation and amortisation	(31.3)	(25.9)	(16.4)	(73.6)	(0.8)	-	(74.4)
Profit / (loss) before income tax from continuing operations	**(7.6)**	**48.7**	**11.9**	**53.0**	**(28.6)**	**-**	**24.4**
Other segment information							
Capital expenditure	28.2	11.0	18.2	57.4	1.7	-	59.1
Reportable segment assets	1,458.8	1,432.2	858.0	3,749.0	342.8	-	4,091.8
Reportable segment liabilities	(839.0)	(600.2)	(168.9)	(1,608.1)	(609.6)	-	(2,217.7)

[4] Underlying EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items.

1.1 Segment information (continued)

Half-year 2017	Grains $ M	Malt $ M	Oils $M	Reportable segments $ M	Corporate $ M	Eliminations $ M	Total $ M
Reportable segment revenue							
External revenues	1,458.6	537.9	459.3	2,455.8	-	-	2,455.8
Intersegment revenue	90.5	-	-	90.5	-	(90.5)	-
Total reportable segment revenue	**1,549.1**	**537.9**	**459.3**	**2,546.3**	**-**	**(90.5)**	**2,455.8**
Reportable segment result	**144.8**	**74.4**	**31.5**	**250.7**	**(14.7)**	**-**	**236.0**
Share of profit of joint ventures	-	-	-	-	(0.1)	-	(0.1)
Underlying EBITDA[5]							235.9
Net interest	(5.6)	-	(0.9)	(6.5)	(15.0)	-	(21.5)
Depreciation and amortisation	(30.0)	(25.1)	(17.0)	(72.1)	(0.4)	-	(72.5)
Significant items (note 1.2)	-	(8.3)	(3.4)	(11.7)	(0.9)	-	(12.6)
Profit before income tax from continuing operations	**109.2**	**41.0**	**10.2**	**160.4**	**(31.1)**	**-**	**129.3**
Other segment information							
Capital expenditure	48.6	44.8	18.8	112.2	0.5	-	112.7
Reportable segment assets	1,331.1	1,402.1	875.4	3,608.6	513.7	-	4,122.3
Reportable segment liabilities	(712.3)	(648.2)	(199.9)	(1,560.4)	(728.7)	-	(2,289.1)

1.2 Significant items

Net profit after tax for the half-year includes the following items whose disclosure is relevant in explaining the financial performance of the Group. The Group defines significant items as those items not in the ordinary course of business, non-recurring and material in nature and amount.

31 March 2018

There are no significant items in the half-year ended 31 March 2018.

31 March 2017

	Business Unit	Profit before tax $ M	Tax $ M	NPAT $ M
Net significant items comprise:				
Restructuring costs	Oils	(3.4)	1.0	(2.4)
Impairment of assets	Malt, Corporate	(20.8)	6.5	(14.3)
Gain on sale of assets	Malt, Corporate	11.6	(5.0)	6.6
Net significant items		**(12.6)**	**2.5**	**(10.1)**

[5] Underlying EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items.

1.3 Other income

	Half-year	
	2018 $ M	2017 $ M
Net gain / (loss) on derivative / commodity trading:		
Net realised gain / (loss) on financial derivatives	7.6	(2.5)
Net realised gain / (loss) on foreign currency derivatives	5.7	22.5
	13.3	**20.0**
Net unrealised gain / (loss) on financial derivatives	(2.4)	3.7
Net unrealised gain / (loss) on commodity contracts (forward purchases and sales)	23.7	9.6
Net unrealised gain / (loss) on foreign currency derivatives	(9.3)	2.0
Net unrealised gain / (loss) on commodity inventories at fair value less costs to sell	(9.5)	0.8
	2.5	16.1
Net gain on derivative / commodity trading	**15.8**	**36.1**
Interest income	1.5	0.7
Sundry income	9.3	21.4
Total other income	**26.6**	**58.2**

Unrealised gains / losses on commodity contracts (forward purchases and sales) and commodity inventories will be recognised through revenue and goods purchased for resale respectively when the contract is executed.

1.4 Other expenses

	Half-year	
	2018 $ M	2017 $ M
Software maintenance	6.7	7.9
Motor vehicle	6.5	6.3
Consulting	6.4	7.6
Travel	5.2	6.1
Insurance	4.1	3.4
Communication	2.3	2.8
Impairment expense	-	20.8
Other	25.9	28.8
Total other expenses	**57.1**	**83.7**

1.5 Taxation

	Half-year	
	2018 $ M	2017 $ M
Income tax (benefit) / expense recognised in Consolidated Income Statement		
Current tax	11.2	20.5
Deferred tax	(23.4)	19.7
Under / (over) provision in prior years	0.5	(0.9)
	(11.7)	**39.3**
Reconciliation to effective tax rate		
Profit from continuing operations before income tax	24.4	129.3
Less: equity accounted (profit) / loss not subject to taxation	(0.1)	0.1
Profit subject to tax	24.3	129.4
Income tax expense calculated at 30% (2017: 30%)	7.3	38.8
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income		
Non-deductible / non-assessable items	(0.2)	0.8
Change in US tax rate[6]	(18.7)	-
Under / (over) provision in prior years	0.5	(0.9)
Difference in overseas tax rates	(0.6)	0.6
Income tax (benefit) / expense	**(11.7)**	**39.3**

[6] On 22 December 2017, US tax reform legislation was enacted which reduced the US Federal Corporate Tax rate from 35% to 21%. The initial impact of this change was to adjust the carrying value of the Group's US deferred tax balances which resulted in a deferred tax credit of $18.7m.

2. Capital and Financial Risk Management

The Group manages its capital to safeguard its ability to maintain an optimal capital structure so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group's capital consists of core debt and equity. Core debt is calculated as borrowings, net of cash assets and commodity inventory.

The Group's capital structure is monitored using the core debt gearing ratio. The ratio is calculated as core debt divided by core debt plus equity. The Group maintains a core debt gearing ratio of less than 30%, though this may change as the earnings base continues to diversify.

The capital structure of the Group is continuously monitored and can be changed by adjusting the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. At 31 March 2018, the core debt gearing ratio is as follows:

	31 March 2018 $ M	30 September 2017 $ M
Total borrowings (note 2.1)	1,658.4	1,085.0
Cash and cash equivalents	(292.7)	(388.9)
Net debt	1,365.7	696.1
Commodity inventory[7]	(738.4)	(245.9)
Core debt	627.3	450.2
Total equity excluding non-controlling interest (NCI)	1,872.5	1,858.9
Core debt gearing ratio	**25%**	**20%**

2.1 Borrowings

	31 March 2018 $ M	30 September 2017 $ M
Current		
Short term facilities – unsecured	88.3	54.2
Inventory funding facilities – secured	817.3	282.2
Leases – secured	0.2	0.2
Total current borrowings	**905.8**	**336.6**
Non-current		
Term debt facilities – unsecured	743.9	739.6
Leases – secured	8.7	8.8
Total non-current borrowings	**752.6**	**748.4**

a) Assets pledged as security

Leases are secured by the underlying assets. The inventory funding facilities are secured against the related inventory. The total secured liabilities (current and non-current) are as follows:

	31 March 2018 $ M	30 September 2017 $ M
Lease liabilities	8.9	9.0
Inventory funding liabilities	817.3	282.2
Total secured liabilities	**826.2**	**291.2**

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	31 March 2018 $ M	30 September 2017 $ M
Leased assets	11.1	11.2
Inventory[8]	750.0	264.0
Total assets pledged as security	**761.1**	**275.2**

Lease liabilities are effectively secured as rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Loans under term and working capital funding facilities are secured by a negative pledge and these facilities provide the related entities in the Group that are party to the pledge the flexibility in funding their respective liquidity requirements as needed. The facilities impose certain financial covenants on the Group. All covenant ratios have been complied with during the half-year.

[7] Grains trading and Oils grain and oilseed inventories.

[8] The Group's secured inventory balance is GST exclusive.

2.1 Borrowings (continued)

b) Financing arrangements

Borrowings are drawn under the following Group debt facilities:

31 March 2018	Maturity date	Principal facility amount $ M	Amount utilised $ M
Term debt	November 2019	385.0	280.5
Term debt	April 2020	225.0	225.0
Term debt	April 2022	238.4	238.4
Commodity inventory funding	November 2018	1,006.8	817.3
Working capital	November 2018	390.0	88.3
Total financing arrangements		**2,245.2**	**1,649.5**

30 September 2017	Maturity date[9]	Principal facility amount $ M	Amount utilised $ M[10]
Term debt	November 2019	385.0	280.5
Term debt	April 2020	225.0	225.0
Term debt	April 2022	234.1	234.1
Commodity inventory funding[11]	November 2018	1,123.5	282.2
Working capital[12]	November 2018	390.0	54.2
Total financing arrangements		**2,357.6**	**1,076.0**

2.2 Dividends

	Half-year	
	2018 $ M	2017 $ M
Dividends paid in the half-year:		
Final fully franked dividend for the year ended 30 September 2017 of 15.0 cents (2016: 3.5 cents)	34.3	8.0
Total dividends paid	**34.3**	**8.0**

Dividend not recognised at half-year:

Subsequent to the period end the Directors have approved the payment of the following dividend, expected to be paid on 16 July 2018:

Interim fully franked dividend for the half-year ended 31 March 2018 of 8.0 cents (2017: 15.0 cents)	18.3	

No liability for the dividend has been recognised at 31 March 2018, as it was declared after the end of the reporting period.

[9] As at 12 November 2017.

[10] As at 30 September 2017.

[11] The maturity date and principal facility amount for the inventory funding facility is as at 12 November 2017. Subsequent to balance date, the maturity date was extended from November 2017 to November 2018 and the principal facility amount changed from $1,153.2 million to $1,123.5 million. This facility is renewed subsequent to balance date each year to align with the seasonal requirements of the Group.

[12] The maturity date and principal facility amount for the working capital facility is as at 12 November 2017. Subsequent to balance date, the maturity date was extended from November 2017 to November 2018. The principal facility amount remained at $390.0 million.

2.3 Financial instruments

Fair value measurements

The Group's derivative instruments are measured at fair value at the end of each reporting period. Derivative instruments are grouped into Levels 1 to 3 based on the degree to which fair value measurement inputs are observable. The fair value of derivative instruments has been determined as follows:

- **Level 1** derivative financial instruments held by the Group are instruments which are traded on an active market. The fair value of these financial instruments is the quoted market settlement price on the reporting date.

- **Level 2** derivative financial instruments held by the Group are financial instruments that are not traded on an active market. The fair value is determined using valuation techniques which maximise observable market data and rely as little as possible on entity-specific estimates.

- **Level 3** derivative financial instruments do not have quoted market prices available. The fair values are calculated by amending market price values obtained from traders and brokers for location and grade differentials.

The following table presents the Group's assets and liabilities measured and recognised at fair value at balance date:

31 March 2018	Level 1 $ M	Level 2 $ M	Level 3 $ M	Total $ M
Assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	5.5	-	-	5.5
Commodity contracts (forward purchases and sales)	-	1.0	24.7	25.7
Foreign currency derivatives	-	5.0	-	5.0
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	6.3	-	6.3
Interest rate swap contracts	-	1.4	-	1.4
Total derivative financial instrument assets	**5.5**	**13.7**	**24.7**	**43.9**
Commodity inventory at fair value less costs to sell (note 3.1)	-	5.6	644.9	650.5
Total financial assets	**5.5**	**19.3**	**669.6**	**694.4**
Liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	0.7	-	-	0.7
Commodity contracts (forward purchases and sales)	-	0.1	17.2	17.3
Foreign currency derivatives	-	12.3	-	12.3
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	4.7	-	4.7
Interest rate swap contracts	-	3.9	-	3.9
Total financial liabilities	**0.7**	**21.0**	**17.2**	**38.9**

2.3 Financial instruments (continued)

Fair value measurements (continued)

30 September 2017	Level 1 $ M	Level 2 $ M	Level 3 $ M	Total $ M
Assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	9.6	-	-	9.6
Commodity contracts (forward purchases and sales)	-	0.9	25.0	25.9
Foreign currency derivatives	-	14.0	-	14.0
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	15.2	-	15.2
Interest rate swap contracts	-	0.1	-	0.1
Total derivative financial instrument assets	**9.6**	**30.2**	**25.0**	**64.8**
Commodity inventory at fair value less costs to sell (note 3.1)	-	4.4	214.1	218.5
Total financial assets	**9.6**	**34.6**	**239.1**	**283.3**
Liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	2.3	0.1	-	2.4
Commodity contracts (forward purchases and sales)	-	-	40.8	40.8
Foreign currency derivatives	-	12.1	-	12.1
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	-	2.2	-	2.2
Interest rate swap contracts	-	5.0	-	5.0
Total financial liabilities	**2.3**	**19.4**	**40.8**	**62.5**

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition, measurement and disclosure purposes. There were no changes made to any of the valuation techniques applied since 30 September 2017. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 March 2018.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no instruments reclassified between levels for the half-year ended 31 March 2018.

The following table presents the changes in Level 3 financial assets and liabilities for the half-year ended 31 March 2018 and the year ended 30 September 2017.

	Half-year 2018		Full year 2017	
	Commodity Contracts $ M	Commodity inventory at fair value $ M	Commodity Contracts $ M	Commodity inventory at fair value $ M
Opening balance as at 1 October	(15.8)	214.1	6.6	106.8
Gain / (loss) recognised in profit and loss	21.6	(9.2)	(6.3)	32.6
Net acquisitions and disposals	1.7	440.0	(16.1)	74.7
Closing balance	**7.5**	**644.9**	**(15.8)**	**214.1**

Financial risk management – commodity price risk

Commodity price risk arises due to grain and edible oil price fluctuations impacting on the value of commodity forward purchase and forward sales contracts written by the Group as part of its grain, meal and edible oil marketing activities. The Group's policy is to lock in favourable margins between the purchase and sale price of commodities but differences in the timing of entering into these contracts create an exposure to commodity price risk.

To manage exposure to this risk, the Group enters into various exchange traded commodity derivative contracts (futures and options) as well as OTC contracts with terms between two and 24 months. These contracts are predominantly in Australia, New Zealand, US, Canada and Europe based financial markets and denominated in the currencies of those jurisdictions.

This sensitivity analysis shows the impact on post-tax profit if commodity prices changed by 20%. The 20% movement is calculated over the market value amount of the net exposure of the commodity physical and derivative contracts as at 31 March 2018 and 30 September 2017.

	Fair value of derivatives and physical inventory $ M	Net effect of a 20% appreciation in price on post-tax profit or loss $ M	Net effect of a 20% depreciation in price on post-tax profit or loss $ M
31 March 2018	663.8	11.9	(11.9)
30 September 2017	210.8	15.5	(15.5)

3. Operating Assets and Liabilities

This section shows the assets used to generate the Group's trading performance and liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 2. Capital and Financial Risk Management

3.1 Inventories

	31 March 2018 $ M	30 September 2017 $ M
Raw materials	238.2	190.8
Work in progress	17.8	17.2
Finished goods	166.0	129.9
Trading stock at net realisable value	20.9	22.7
Commodity inventory at fair value less costs to sell	650.5	218.5
Total inventories	**1,093.4**	**579.1**

3.2 Contingencies

The Group may from time to time receive notices of possible claims for losses or damages. A provision of $5.7 million (2017: $5.0 million) has been recognised to cover any liabilities that may arise out of such claims. Based on information currently available, the Directors believe that no further provision is required at this time. A contingent liability exists for any amounts that ultimately become payable over and above current provisioning levels.

4. Other

4.1 Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 2018 that has significantly affected or may significantly affect:

a) the Group's operations in future financial years; or

b) the results of those operations in future financial years; or

c) the Group's state of affairs in future financial years

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 6 to 19 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 31 March 2018 and of its performance for the half-year ended on that date; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

G J Bradley AM
Chairman

Sydney
11 May 2018

Independent Auditor's Report

Independent auditor's review report to the members of GrainCorp Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of GrainCorp Limited (the Company), which comprises the consolidated statement of financial position as at 31 March 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, other explanatory notes and the directors' declaration for GrainCorp Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 31 March 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the group's financial position as at 31 March 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
11 May 2018

David Ronald

David Ronald
Partner

Sydney
11 May 2018