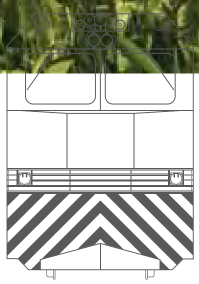
ANNUAL REPORT 2012



CREATING AND RETURNING VALUE TO GROWERS

CBH GROUP

2012 WAS THE AUSTRALIAN YEAR OF THE FARMER AND WE CHOSE THIS THEME FOR OUR ANNUAL PHOTOGRAPHIC COMPETITION. A NUMBER OF THE PHOTOS CONTAINED IN THIS REPORT ARE THE WORK OF THE MANY GROWERS, EMPLOYEES AND RURAL COMMUNITY RESIDENTS WHO SUBMITTED ENTRIES.

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OVERVIEW

The CBH Group is an integrated grain storage, handling and marketing co-operative controlled by growers for their benefit and the benefit of the grain industry in Western Australia. We are Australia's biggest co-operative and a leader in the Australian grain industry, with operations extending along the value chain from grain storage, handling and transport to marketing, shipping and processing.

Owned and controlled by around 4,300 grain grower enterprises, the core purpose of the CBH Group is to create and return value to growers.

Since being established in Western Australia nearly 80 years ago, CBH has constantly evolved, innovated and grown. The Group currently employs approximately 1,000 permanent employees supported by up to 2,000 casual employees during harvest months. These employees are located across the state at one of our nine regional offices, 197 receival site locations, four ports, our engineering workshops or at our head office in West Perth.

Our marketing division, aided by additional offices in Eastern Australia, Hong Kong and Tokyo, is responsible for exporting a range of grains to more than 20 markets across the world.

4300
GRAIN GROWER ENTERPRISES

1000
PERMANENT EMPLOYEES

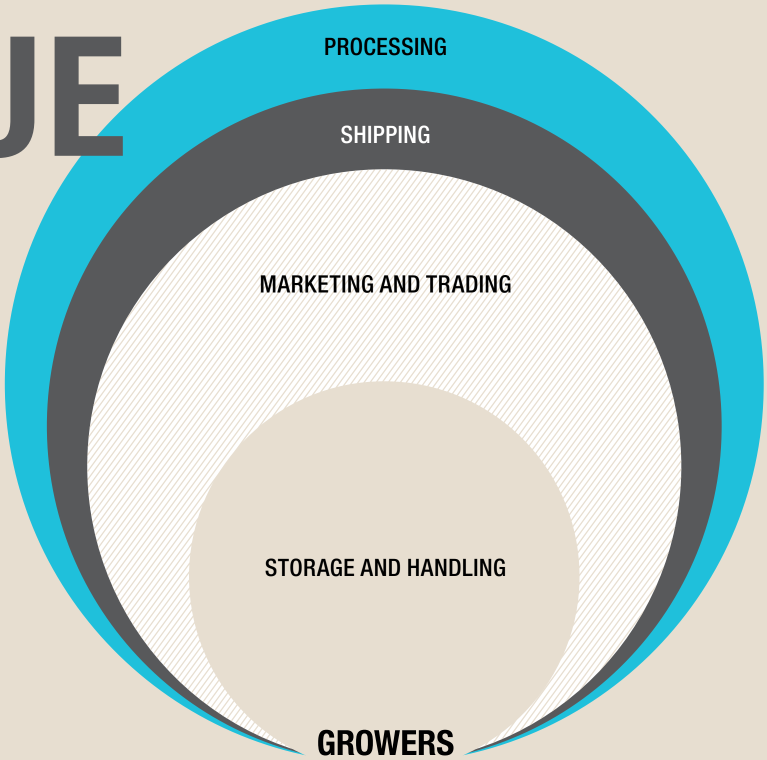
9
REGIONAL OFFICES

197
RECEIVAL LOCATIONS

>20
GLOBAL MARKETS

CREATING AND RETURNING VALUE TO GROWERS

VALUE



YOUR CHAIRMAN'S REPORT

2012 MARKED THE UNITED NATIONS INTERNATIONAL YEAR OF CO-OPERATIVES. IT IS TIMELY THAT THIS EVENT FOLLOWED THE PREVIOUS YEAR'S OVERWHELMING SUPPORT FROM YOU, OUR GROWERS, FOR THE CBH GROUP TO REMAIN A CO-OPERATIVE WITH A MODERNISED STRUCTURE AND CONSTITUTION THAT ENABLES US TO RETURN VALUE TO GROWERS IN THE WAY YOU VALUE MOST.

Fittingly, in 2012, the CBH Group retained its ranking as Australia's largest co-operative in the Top 100 Co-operatives, Credit Unions and Mutuals listed by Co-operatives Australia, which includes businesses from agriculture, financial services, insurance and retail.

Throughout the past 12 months, I have had the opportunity to meet with many other representatives from co-operatives around the world and one of the main things I have taken away from this experience is greater confidence in our co-operative model being able to continue to grow and deliver value back to our growers.

The past year has reinforced my belief that co-operatives can be just as successful as corporate entities and, in our sector, can do better, provided they adapt to their changing environment and the changing needs of their members. Indeed, in the aftermath of the Global Financial Crisis, it is clear that many corporations are now learning from the co-operative model by taking longer term views and aligning their values and actions with social good.

Creating and Returning Value to Growers

Your Board and Management are fully engaged in continually exploring mechanisms for returning value to growers and the benefits to growers of our co-operative structure were clearly evident throughout the past year.

NEIL WANDEL, CHAIRMAN CBH GROUP

Storage and Handling Fees

Maintaining competitive storage and handling fees remains the key priority of your co-operative. In September 2011, we advised a modest increase for the 2011-12 harvest, after three years of keeping charges flat. Limiting that increase to only five per cent in three years resulted in our charges being materially lower than equivalent bulk handling services elsewhere in Australia.

In 2012-13 we have again kept charges flat, with the record 2011-12 harvest positioning us to absorb cost increases and avoid passing them on to growers. This is our primary way of value return to growers and we will continue to benchmark ourselves to ensure CBH remains the lowest cost supply chain in Australia.

Freight Rates

As with storage and handling fees, we announced a minimal increase in freight rates of two per cent for the 2011-12 harvest. This figure was below CPI and a very positive result, given the increases in operating costs experienced by the co-operative.

The size of the 2011-12 harvest contributed to us being able to reduce the final freight rate per tonne compared with our initial estimate, so freight rates in real terms were lower than the previous year. As a co-operative, we did not hesitate to pass back to our growers the freight savings that eventuated as a result of the record harvest.

Rail Investment

Our decision to invest in new rail infrastructure is another way we are providing real value to our growers and we are confident that the acquisition on your behalf of 22 new locomotives and 574 new wagons will deliver real reductions in freight rates to port, minimising the cost of getting your grain to market. The benefits of the acquisition are already evident in our estimated freight rates for the 2012-13 season, which include an average reduction of around seven per cent in rail freight rates.

Investment in the Network

Maintaining and enhancing your storage and handling network remains a priority for your Board, and this year, CBH reinvested another $125 million in capital expenditure and maintenance on the network to ensure it can continue to meet the needs of growers, now and in the future. The Board has taken a long term view on re-investment into the network and last year, we committed to a regular annual spend of $85 million on capital expenditure.

We are confident that we can maintain this spend in both good and bad years and the greater predictability of investment will actually maximise the value of the invested dollar. In addition, on the back of the record harvest, we have committed to invest an extra $40 million over the next three years, specifically targeted at improving site turnaround times.

Grain Express continues to deliver benefits of scale by combining the export freight task managed by your co-operative for the overall benefit of growers and the industry. At the time of writing, we are still awaiting the Australian Competition Tribunal's decision on our appeal against the ACCC's revocation of the exclusive dealing notification for Grain Express.

Reward Program

In September 2012, CBH announced plans to reward growers' patronage of the co-operative through a new program to offset future receival fees.

Under the program, growers in Western Australia who marketed grain through CBH Grain in the 2011-12 season will receive a rebate which will be offset against future CBH receival fees.

This initiative is another way in which your co-operative can uniquely create and return value to our growers and we anticipate this new program will deliver total savings of more than $6 million to growers delivering to us in the 2012-13 harvest.

Board Update

The CBH Group welcomed two new Board members in 2012.

Trent Bartlett joined our Board as an Independent Director, bringing a wealth of experience from his previous senior executive roles with Capricorn Society and Peter Stannard Homes. Trent replaced Peter

PETER WATERHOUSE, LATHAM

COLIN TUTT, CBH EMPLOYEE

Knowles, who provided a valuable contribution to the co-operative through his commercial experience and expertise, clarity of thought in decision making and sound judgement.

Brian McAlpine joined the Board as a Grower-elected Director from District 1, replacing Rod Madden. A former member of our Growers Advisory Council, Brian is an experienced grain farmer from Maya who brings youth, education and experience to the Board. I thank Rod for the significant contribution he made during his six years on the Board.

Finally, it was pleasing to see John Hassell re-elected to the Board in 2012 by grower members in District 3.

In April 2012, the Board announced a new Deputy Chairman in Clancy Michael, who has been a member of the Board since 2008. Mr Michael replaced Wally Newman who had been Deputy Chairman since May 2008 and chose not re-nominate for the position. I thank Wally for his support and valuable contribution as Deputy Chairman over that period.

Growers Advisory Council

On behalf of the Board, I again thank the members of the CBH Growers Advisory Council for their service and commitment. The Growers Advisory Council is now in its eighth year and continues to provide a valuable link between grass roots growers and your Board and Management. The feedback and advice of its 14 members remains greatly appreciated.

In July, we welcomed eight new members to the GAC and introduced an adjusted structure which will see each GAC member's term remain at three years but the terms will be staggered so that approximately one third of Councillors are up for nomination each year.

I extend my thanks and recognise the significant contribution of the outgoing Councillors Darrin Lee of Mingenew; Ruth Young of Calingiri; Donna Lynch of Hyden; Rory Graham of Salmon Gums; Mark Roberts of Cascades and Ray Harrington of Darkan. I particularly thank Ray, who completed 21 years of service for this organisation including on the Grain Pool Producers Council, as a Grain Pool Board Member and as the inaugural Chairman of the GAC.

Creating and Returning Value to Growers

The decisions your Board has taken this year have continued to progress your co-operative towards its goal of being a sustainable, competitive player in a rapidly changing industry.

Central to that is putting growers at the centre of our business. We exist for your benefit and that of your industry – it is what drives us and stands us apart from other investor-owned companies in the grain industry today.

Our growers are at the very core of every business decision that we make and I can assure you that your Board will continue to focus on creating and returning value to growers in the year ahead.

Neil Wandel
Chairman

CBH Purpose – to create and return value to growers and to promote the development of the Western Australian grains industry.

VALUES

Commitment to perform – being accountable, staying focussed on the goal and delivering standards of excellence

Courage to change – challenging ourselves and others through honest feedback and then applying the learning to ensure growth

Strength of many to succeed – working as One CBH team, putting safety first and investing in people

YOUR CEO'S REPORT

WHAT A DIFFERENCE A YEAR MAKES. IN CONTRAST TO 2010-11, WHICH WAS ONE OF THE WORST PRODUCTION YEARS ON RECORD WITH TOTAL RECEIVALS OF ONLY 6.5 MILLION TONNES, THE 2011-12 SEASON SAW WESTERN AUSTRALIA PRODUCE ITS LARGEST HARVEST ON RECORD OF JUST OVER 15 MILLION TONNES.

As much as we welcomed the extraordinary turnaround, the record harvest presented a number of challenges to growers, employees and the CBH Group as a whole, not only due to its size but the extreme wet weather that accompanied it. Your co-operative's resources and people were pushed to the limit as we managed sites, equipment, segregations and grain movements to create the most value for growers.

In this record year, our marketing arm, CBH Grain, was able to maintain the majority market share in Western Australia and remained the largest exporter of wheat, barley and canola from Australia. This is a significant achievement by the only grower-owned marketer operating within Australia, in what is an increasingly deregulated and competitive marketplace.

Safety

The safety of our employees and growers remains the highest priority for myself and the CBH Group.

Over the past three years, we have actively changed our approach to safety to instil a culture at CBH where we believe that all injuries are preventable and that no activity is so important that it can't be done safely.

A consistent focus on changing the way we think about safety has led to a 40 per cent reduction in the number of Lost Time Injuries ensuring our staff are kept safe while at work and go home to their families safe each night. An additional benefit for the business has been a significant reduction in the cost of workers compensation claims.

I thank growers for their continued support and co-operation in helping to create a safer working environment for their co-operative and hope that some of this change in thinking is being adopted on our member's farms across WA.

Creating and Returning Value

Our purpose is to create and return value to our growers and we have now embedded within CBH a single core measure of our performance, Grower Value Return on Capital (GVROC), to enable us to demonstrate the value that you receive from this co-operative.

Having a measure is fine but we also need to communicate to growers what that actually means to them, transparently and clearly. In 2012 we provided you with your second Grower Value Statement, a document unique to every grower. This annual personalised statement provided an overview of your individual transactions with the CBH Group and sets out how CBH creates and returns value to you, your community, your port zone and your industry. This has been a major step for CBH and we will continue to refine and improve it to give you greater clarity on the real value provided by your co-operative. During the year we also held a series of Chairman and CEO grower meetings where we demonstrated the value captured along each part of the CBH supply chain from your farm through to the market.

ANDREW CRANE, CEO CBH GROUP

Two of the most significant contributors to creating new value for growers in 2012 were the state-wide rollout of Quality Optimisation and the once-in-a-generation investment in our new rail infrastructure.

Quality Optimisation

In what is one of the most significant innovations in the wheat industry for years, Quality Optimisation (QO) was rolled out to growers across the state for the 2011-12 harvest.

The system developed by CBH allows growers to virtually blend their individual wheat loads, via CBH's LoadNet® facility, to allow growers to maximize the value of their grain without having to blend on-farm.

Nearly 2,700 growers took up QO in its first full harvest, with close to 4.6 million tonnes of wheat optimised and just under 2 million tonnes shifting grades. The conservative benefit to growers of QO from grade uplifts equates to at least $4 per tonne across the 2011-12 wheat crop. We have refined QO further for the 2012-13 season to ensure it can continue to deliver value to growers over the long term.

Rail Investment

In 2010, CBH conducted a pioneering global tender for its grain rail freight services, resulting in to the investment of approximately $175 million in new rail rolling stock and the engagement of a new long-term US operator, Watco Companies. In 2012, 22 new locomotives and 574 new wagons arrived in WA to replace ageing infrastructure and provide WA growers with the most modern and efficient grain fleet in Australia.

One of the highlights of our year was the formal launch of our new fleet at a special event at the Metro Grain Centre in August to which all growers were invited. It was a tremendous day where 700 growers, staff and supporters got to celebrate a truly generational investment by growers in their own future. Guests included our longest serving Chairman, Mick Gayfer, our former CEO, Imre Mencshelyi, State Minister for Agriculture and Food, Terry Redman, Federal Special Minister of State, Gary Gray, and the US Consul General, Aleisha Woodward.

As well as putting the ownership of rail assets into growers' hands and helping to provide a sustainable future for rail, the new rail fleet will provide growers with an increase in the amount of tonnes delivered to port by rail, more competitive freight rates and safer rail operations for our employees. The tangible benefits to growers of this investment were evident in the estimated freight rates we announced for the 2012-13 season, which include an average 7 per cent reduction in rail freight rates.

Grower Loyalty Rebate

Last year I reported to you that it was our strong intent to continue to reward growers for their loyalty and patronage in the future. It was therefore pleasing to announce in September our plans for a new grower loyalty reward program which will see patronage rewarded through a rebate that will be offset against future CBH receival fees.

Growers will receive a $1 per tonne credit for the tonnes they sold to CBH Grain between 1 October 2011 and 30 September 2012. This will be used to automatically offset receival fees on future deliveries to CBH. You have told us that one of your key priorities is lower storage and handling fees and this will deliver total savings to growers of more than $6 million during the 2012-13 harvest.

Financial Performance

In contrast to last year, the CBH Group posted a record Net Profit After Tax of $162.4 million for the year to September 30, 2012.

The record 15 million tonne harvest of 2011-12 was the main contributor to the significant profit achieved this year.

Our marketing and trading division also achieved a stronger result this year, benefitting from higher commodity prices resulting from supply shortages in a number of key grain growing regions across the globe, including the US and Russia.

The high commodity prices experienced throughout the last quarter of 2012 created very challenging conditions for our flour mills in South East Asia. Despite this, however, the mills delivered another strong financial performance, achieving a Profit After Tax of $7 million attributable to the CBH Group. This also resulted in another strong direct cash return to CBH of just over USD7 million, which was used to meet debt obligations of approximately USD3 million and for general operational purposes.

There is more detail on the Interflour Group later in this report. However, I would highlight that the value of our investment is now estimated to have grown substantially since our acquisition, based on recent valuations of the Interflour Group. This growth, plus cash returns of around USD25 million since we acquired the investment in 2005, equates to an average 30 per cent return per year in US dollars and 24 per cent per year in Australian dollars. This is a very strong performance and our aim over time is to make sure you feel more closely connected to the value which is being created for growers from this investment.

The most important thing to remember about the significant profit your co-operative has made in the 2012 financial year is that it will all be returned one way or another to growers.

We have demonstrated this already in the decision to keep your storage and handling charges flat for the 2012-13 season, despite anticipated labour cost increases of 4-6 per cent and inflation on other expenses of around 4 per cent.

The Board has also committed to invest an additional $40 million over the next three years on network upgrades, on top of the regular annual commitment of around $85 million. This additional funding will be particularly targeted at speeding up turnaround times at sites, one of the most important ways you have told us we can return value to you.

Looking ahead, 2013 will be another challenging year for your co-operative. While we have a disappointingly smaller harvest to manage, there is still the task of out-turning a large volume of both new and old season's grain to port for export.

The potential benefits of our new rail strategy are huge but so is the challenge of the transition to our new operator and rail fleet. The full implementation will take place with the 2012-13 harvest and we expect to be able to report on the full flow of benefits to growers over the coming year.

By 2020 CBH needs to be ready to handle potential deliveries of up to 20 million tonnes on a regular basis. We are always balancing the cost benefit analysis of whether emergency storage to handle certain peaks is more cost effective than building long-term storage, as often areas of overproduction and underproduction move around the state. We handled a record crop this year using emergency storage where it made sense. We will continue to manage our storage capacity to sensibly balance the service you need with keeping your storage and handling charges as competitive as possible.

Our ports are very efficient; they can outload large crops very capably. Our biggest challenge continues to be feeding those ports. The rail investment is pivotal to doing this faster and more reliably. So too is our commitment to Grain Express, CBH's co-ordinated logistics system. Grain Express will continue regardless of whether it keeps an exclusive dealing authorisation. We strongly believe it can deliver more value to growers and the industry as a complete bundled system; however we fully expect it to remain the most efficient and effective system for getting grain to port even if other transport options are available.

There is no doubt in my mind that CBH is investing many times what other bulk handlers or marketers would in maintaining and upgrading infrastructure in Western Australia. We will continue to explore and implement new initiatives to create and capture value along the supply chain and return that to you through your co-operative.

Dr Andrew Crane
Chief Executive Officer

FINANCIAL AND OPERATIONAL SUMMARY 2012

Received a record breaking 15 million tonnes in the network

Acquired more than 6.3 million tonnes of grain across Australia, including more than 40 per cent of the Western Australian harvest

Remained the largest exporter of wheat, barley and canola in Australia in 2011-12

Posted a record net profit after tax of $162 million

Completed more than $125 million of capital works and maintenance on the network

Completed $192 million of capital reinvestment across the Group

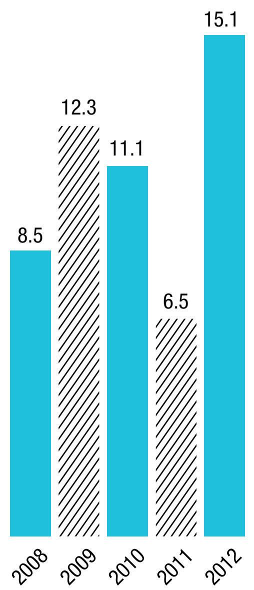
Commissioned our new rail fleet of 22 locomotives and 574 rail wagons at a cost of approximately $175 million

Provided more than $390,000 of sponsorship and support to rural communities and the grain industry

Delivered, on average, an additional $4 per tonne to wheat growers through grade uplifts at harvest through the state-wide rollout of Quality Optimisation

TONNES HANDLED

(million tonnes)



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LOCOMOTIVES

Commissioned our new rail fleet of 22 locomotives and 574 rail wagons at a cost of approximately $175 million

>$390,000

SUPPORT

Provided more than $390,000 of sponsorship and support to rural communities and the grain industry

>$125

MILLION

Completed more than $125 million of capital works and maintenance on the network

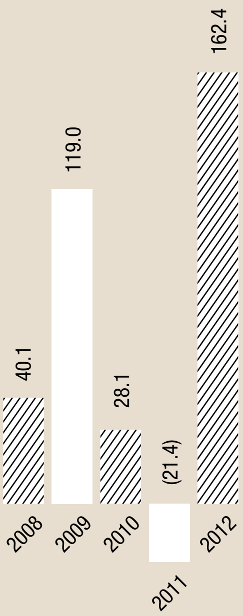
15

MILLION TONNES

Received a record breaking 15 million tonnes in the network

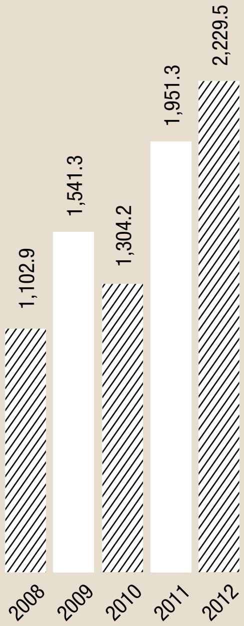
NET PROFIT (LOSS) AFTER TAX

($m)



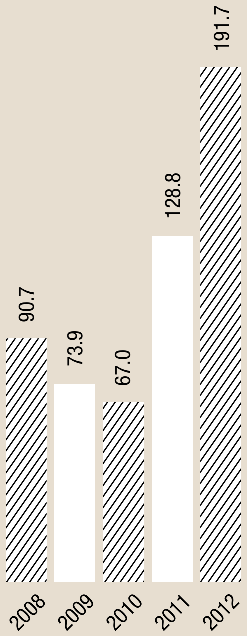
REVENUE

($m)



CAPITAL REINVESTMENT

($m)



Installed additional permanent and temporary storage capacity of more than 800,000 tonnes

Announced a new grower loyalty reward program

Acquired full ownership of grain price discovery and management service, DailyGrain

Became a full member of the Kwinana Industries Council

Won the Australian Institute of Project Management's national award for agricultural project of the year (Quality Optimisation)

Won the Asian Banker's international award for The Bankers Choice Award of Leading Corporations in Australia

Our Chief Risk Officer, Rob Maurich, was awarded 2012 Risk Manager of the Year by the Risk Management Institution of Australasia

SUMMARISED RESULTS

		2012	2011
Tonnes handled	mt	15.1	6.5
Revenue	$m	2,229.5	1,951.3
Revenue including pool revenue	$m	3,089.9	2,870.4
Net operating profit/(loss) before interest and tax	$m	202.0	9.8
Net profit/ (loss) after tax	$m	162.4	(21.4)
Capital expenditure on property, plant and equipment	$m	191.7	128.8
Total assets	$m	2,155.6	1,506.5
Debt owing	$m	392.6	182.2
Equity	$m	1,242.8	1,086.5
Return on average equity	%	13.3%	-1.9%
Gearing (net debt to net debt plus equity)	%	0.0%	3.2%

SUMMARISED REVIEW 2012

THE CBH GROUP IS AN INTEGRATED GRAIN STORAGE, HANDLING AND MARKETING CO-OPERATIVE OWNED AND CONTROLLED BY GROWERS FOR THE BENEFIT OF GROWERS.

STORAGE AND HANDLING NETWORK

The CBH Group's storage and handling network receives, handles, stores and outloads bulk grain at nearly 200 receival points throughout Western Australia's grain belt. Total capacity is over 20 million tonnes, including the addition of approximately 450,000 tonnes of permanent storage and approximately 360,000 tonnes of temporary storage in 2011-12. On average, 10 million tonnes is received from Western Australia's annual harvest.

Highlights

- Received a record breaking 15 million tonne crop
- Broke the records for the amount of grain exported from our four grain export terminals for the months of February and July
- Commenced new above-rail partnership with Watco WA Rail
- Officially launched our new fleet of 22 locomotives and 574 wagons
- Around 2,700 wheat growers used Quality Optimisation receiving, on average, an additional $4 per tonne in grade uplifts at harvest
- Ran 5.8 million tonnes through falling numbers tests, saving growers $195 million
- Invested $125 million in capital expenditure and maintenance on the network

CBH GRAIN – MARKETING

CBH Grain, the CBH Group's marketing arm, is Australia's leading grain marketer and trader, shipping more than $2.6 billion of grain in 2012. CBH Grain exported grains from Australia to more than 20 markets and 180 customers around the globe.

Highlights

Accumulated more than 40 per cent of the Western Australian crop in 2011-12

Achieved accumulated sales of $2.6 billion

Shipped first wheat tender through the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) after becoming the first WA buyer to be accredited to participate in June 2012

Loaded first shipment of wheat for Saudi Arabia under a pioneering contract agreement that re-opened this market to WA growers

Announced an extension of the Pool Management Agreement with Plum Grove for an additional five seasons

INTERFLOUR

CBH's investments include a 50 per cent partnership in Interflour, one of the largest flour milling operations in South East Asia. Interflour has milling interests in Indonesia, Vietnam and Malaysia and an annual milling capacity of 1.3 million tonnes.

Highlights

Flour mills posted a Profit After Tax of $14 million, with $7 million attributable to the CBH Group

Completed expansion of Interflour Vietnam, providing a total rated capacity of 1,000mt of wheat per day

$195

MILLION

Ran 5.8 million tonnes through falling numbers tests, saving growers $195 million

>40%

Accumulated more than 40 per cent of the Western Australian crop in 2011-12

$7

MILLION

Returned in cash by Interflour to the CBH Group

HIGHLIGHTS

Received a record breaking 15 million tonne crop

Commenced new above-rail partnership with Watco WA Rail

New fleet of 22 locomotives and 574 wagons began working for growers

Around 2,700 growers used Quality Optimisation with the value of grade uplifts equating to an average $4 per tonne across the wheat crop at harvest

Ran 5.8 million tonnes through falling numbers tests which saved growers $195 million

Invested $125 million in capital expenditure and maintenance on the network

YOUR NETWORK

THE YEAR 2012 WAS AN HISTORIC YEAR FOR THE CO-OPERATIVE AND A YEAR OF CHANGE. IT WAS AN OUTSTANDING 12 MONTH PERIOD THAT INCLUDED THE BIGGEST CROP ON RECORD, A GROUNDBREAKING RAIL PROJECT THAT SAW $175 MILLION WORTH OF NEW ROLLING STOCK ARRIVE IN WESTERN AUSTRALIA AND QUALITY OPTIMISATION DELIVER THE VALUE PROMISED TO GROWERS ACROSS THE STATE.

Harvest Management and Logistics

Harvest 2011-12 was extraordinary, with record deliveries of just over 15 million tonnes. This was mainly driven by late rains in September and October maximizing yields across a large part of the state's grain growing areas.

The Geraldton zone received a record 3.6 million tonnes, 850,000 tonnes above its previous record. The Albany zone also achieved a record 3.0 million tonnes of deliveries, 300,000 tonnes above its previous record.

There were numerous receival records broken around the network including the Geraldton Terminal, which received a season record of 935,000 tonnes, and Mingenew, which received a daily receival record of 19,014 tonnes on 22 November 2011.

Unfortunately the harvest period was impacted by extremely adverse wet weather which caused considerable delays to harvesting activities and grain quality to deteriorate. A significant portion of the wheat crop underwent falling number testing, which created additional delays on site but proved to save growers around $195 million in quality value.

The 2011-12 harvest would not have been so smooth without the great support of growers who showed considerable patience and tolerance.

GRAIN RECEIVALS FOR HARVEST 2011-12

Zone	Million tonnes 2011-12	Million tonnes 2010 – 2011
Albany	3.0	1.2
Esperance	1.6	1.5
Geraldton	3.6	1.5
Kwinana	6.9	2.3
TOTAL	**15.1**	**6.5**

Creating Value for You

Quality Optimisation

Quality Optimisation was rolled out across the state for the 2011-12 harvest, offering all Western Australian growers the chance to blend wheat online through the custom-built LoadNet® Optimiser.

The aim of the program is to allow growers to maximise the value of their grain without having to blend on-farm, reducing time and complexity in the peak harvest period. At the same time, Quality Optimisation protects Western Australia's reputation as a reliable supplier of quality grain.

Harvest 2011-12 was extraordinary, with record deliveries of just over 15 million tonnes and numerous receival records broken around the network.

The program was highly successful with almost 2,700 growers optimising wheat, 4.6 million tonnes of wheat shifting grade and an average of $4 per tonne value uplift received by participating growers. Growers reported an average saving of 10.5 hours on pre-delivery activities, including cleaning and blending, and an average saving of 6.1 hours overall from harvest time.

A dedicated Quality Optimisation call centre was established for the harvest to provide service and support to growers as they adjusted to the benefits of the new system.

Quality Optimisation was further refined for the 2012-13 harvest and will continue to be offered to growers to blend wheat after delivery online.

Falling Numbers

A record number of falling number tests were conducted across all four zones, given the wet finish to the 2011-12 harvest. These tests are run to identify if wheat loads are weather damaged and quantify the impact on dough making properties. During the 2011-12 harvest, more than 5.8 million tonnes were tested and, as a result, 158,381 loads were received under falling numbers which protected over $195 million of grower value.

Building a Sustainable Grain Freight Network

Your New Rail Fleet

The fleet of 574 new aluminium wagons arrived in Western Australia in several batches over the first half of 2012 from their manufacturing location in China. The fleet consists of 446 narrow gauge and 128 standard gauge wagons, all providing maximum loading capacity due to their lightweight bodies. The wagons have proved to be even more productive in terms of loading capacity than previously anticipated, with 19 tonne axle narrow gauge capacity increasing from 42 to 60 tonnes.

The fleet of 22 new locomotives was delivered in batches throughout 2012 from the United States of America. There are 17 narrow gauge and five standard gauge locomotives in the fleet, which boast the highest emissions standards ratings currently in the world. They are more efficient and productive than previous locomotives, given their distributed power and dynamic braking technologies.

Your co-operative also introduced new technology to support the new rail fleet, to make the transportation of grain by rail more efficient but also far safer for staff operating close to trains.

Radio Frequency Identification (RFID) tags were installed on all the wagons and each rail site has a scanner and a touchpad that displays information relayed to it from the tag on the wagon. This allows for safer interactions with trains for employees at a distance rather than the manual rail cards of the past.

Transition

Several transition strategies were put in place throughout 2012 to address the challenges of moving to a new above-rail operator and an entire fleet of new rolling stock.

One locomotive was leased from SCT Logistics and two from Chicago Freight Car Leasing Australia to provide much needed horsepower for the early phase of the transition. This gave Watco WA Rail the locomotives to pull the new CBH wagons until the new locomotives had arrived and been commissioned.

An additional two locomotives were leased from Greentrains to aid in the transportation of the new locomotives from the wharf to the commissioning site in Forrestfield.

The QR National above-rail services contract was also extended, providing three locomotives and wagons for a six month period post the 1 May expiration of their initial contract.

These strategies assisted greatly in ensuring the maximum crop volume was offered to the marketplace through a difficult season.

A New Above-Rail Operator

The new above-rail services contract officially commenced with Watco WA Rail on 1 May 2012, with Watco running several trains prior to this date, given the need for tonnes to move to port from the record harvest and performance declines from the incumbent provider.

Watco WA Rail provides a comprehensive rail logistics service including train planning and scheduling, tracking, maintenance and inventory control. Over 2012, Watco WA Rail has grown to employ around 100 employees across the state, with close links to CBH offices in regional Western Australia. A key challenge during the transition period has been to ensure its drivers gained the experience required to operate trains efficiently along the challenging routes on Western Australia's narrow gauge network.

Watco WA Rail is headquartered in CBH's Head Office in West Perth.

Keeping Grain on Rail

The future operation of Tier 3 rail lines remained in focus throughout 2012. The CBH Group continues to support grain on rail where it is available and the most efficient path to port. We believe that with the significantly more efficient new rail fleet, Tier 3 lines can be economically viable.

CBH has been committed to working closely with the State Government and Brookfield Rail, the lessee and operator of the track, to find an appropriate solution to allow future operation on the Tier 3 lines.

In October 2012, the State Government announced that Tier 3 lines would remain open for at least another 12 months to 31 October 2013 while CBH and Brookfield continue discussions to reach a long-term and sustainable commercial outcome.

Maintaining Low Fees

Maintaining low storage and handling costs is our primary way of value return to growers and we will continue to benchmark ourselves to ensure we remain the lowest cost comparable supply chain in Australia.

In September 2012, we announced that storage and handling fees would remain flat for the 2012-13 season. This follows an increase of only 5 per cent in our baseline fees over the previous three years, a particularly satisfying achievement in Western Australia's high cost environment.

Capital Works and Maintenance

2011-12 Emergency Harvest Program

In response to increased harvest projections for 2011-12, CBH implemented a program to construct approximately 812,500 tonnes of additional or replacement open bulkhead storage capacity in the Geraldton and central zones. Of this, approximately 360,000 tonnes was temporary storage while the balance will be available for continuing storage.

Capital Works and Maintenance

Your co-operative completed a range of capital works projects during 2012, enhancing the network's storage capacity and improving receival and discharge efficiency.

The total expenditure for minor and major maintenance works was $41.7 million including critical maintenance works at the Geraldton and Esperance Port facilities.

The number of large scale maintenance projects has increased across the network, mainly due to corrosion levels reaching a stage that warrants maintenance works to be carried out.

Major maintenance has also been carried out as per the annual program which covers roads and approaches, marine, electrical, mechanical, structural and painting.

Highlights of our capital works program included:

- Completion of the $6.3 million Ravensthorpe West upgrade in time for the 2011-12 harvest, providing growers with a significantly improved receival site for the future. This included rebuilding two 30,000 tonne open bulkheads in a better location, constructing an additional 30,000 tonne open bulk head, installing two new grids and stackers and relocating the sample hut to create additional and safer truck queuing space.
- Commencement of the $17 million Gairdner site upgrade which will see 80,000 tonnes of new sealed storage at the Gairdner receival site, along with a new sample platform and weighbridge.

These projects will improve your co-operative's ability to service growers in the southern district and provide the full range of services.

We have continued with the second year of a five-year weighbridge modification program to achieve compliance with National Trade Measurement Regulations for end to end weighing. This involved extending level concrete approaches to 14 weighbridges and installation of a new weighbridge at Kojaneerup.

New plant equipment totalling $5 million has been fabricated for installation across the network including 20 new trippers and 25 new stacker loaders, each with 500 tonnes per hour capacity.

Port Terminal Major Refurbishment

Maintaining current infrastructure remained a high priority for your co-operative in 2012 with considerable funds expended on refurbishments at the four port terminals. This included:

- Completion of the repainting of cell roofs and galleries at Esperance Terminal
- Continuation with major repairs to Albany concrete cells
- Continuation of Geraldton Terminal Cell Refurbishment program involving the banding of 24 cells and 14 star cells
- Continuation of the major roof cladding replacement program at Kwinana Terminal
- Commencement of the refurbishment of shiploaders 3 and 4 at Kwinana Terminal.

Other important annual maintenance work included mechanical/electrical upgrades, road sealing and resurfacing and the major sealing program of fixed storage to maintain grain quality including the re-roofing of the Mingenew Q Type horizontal storage.

Throughput Strategy

In 2012, your co-operative committed to investing an extra $40 million of capital expenditure over three financial years to improve grower delivery times during the harvest period. This is in addition to the annual capital budget of $85 million. Throughput projects cover a range of improvements such as upgrading tonnage rates on selected conveyors and elevators to 500 tonnes per hour, installation of relocated E pits, raising weighbridge huts, new Open Bulkhead (OBH) storages and various other works.

The 2012-13 harvest will see approximately 17 sites receive various throughput upgrades including:

Borden Sample Hut Upgrade – replace old sample platforms with one new Type 10 to improve traffic flow.

Borden Open Bulkhead (OBH) Upgrade – upgrade emergency OBH to full specification including installation of a 500 tonne per hour V Pit and conveyor loading system.

Beaumont E Pit – installation of upgraded 500 tonne per hour E pit on the existing OBH01.

Bodallin Conveyor Loading System – installation of a 500 tonne per hour conveyor loading system and refurbished E-pit to existing bulkhead.

Broomehill OBH Development – construction of two bulkheads, associated earthworks increasing storage capacity by 50,000 tonnes, as well as installation of two 500 tonne per hour conveyor loading systems and E-pits.

Cranbrook Conveyor Loading System Upgrade – replaced 200 tonne per hour conveyor loading system on existing OBH with 500 tonne per hour system. Created sampling bypass road.

Cranbrook – automation of exit weighbridge.

Lake Grace – installation of two upgraded 500 tonne per hour E pits on the OBH 05/06 and removal of D pit.

Mukinbudin – installation of upgraded 500 tonne per hour E pit on existing OBH.

Moora Conveyor Loading System Upgrade – replaced 200 tonne per hour machinery on two existing OBH with 500 tonne per hour systems.

Nyabing – installation of upgraded 500 tonne per hour E pit, new 500 tonne per hour conveyor system, new full specification OBH.

Narrakine – upgraded 500 tonne per hour E pit and new 500 tonne per hour conveyor system on existing OBH.

Newdegate – replace old conveyor systems with two new 500 tonne conveyors on existing OBH.

Regans Ford – extend length of existing conveyor to full length of OBH.

Yuna, Binnu, Northampton and Mullewa – raise weighbridge huts at each site to enable truck driver to remain in the truck.

Koorda – installation of second sample spear on existing platform.

Canna – improve throughput on existing OBH by upgrading E Pit augers, and changing out 200 tonne per hour trippers and stackers for 300 tonnes per hour.

Planning on the 2013-14 program is well underway.

In addition to the annual capital budget of $85 million, the co-operative has committed to investing an extra $40 million of capital expenditure over three financial years to improve grower delivery times during harvest.

New Grower Receival Interface

Following a trial during the 2011-12 harvest at five sites, the decision was made to roll out a new grower receival IT interface across the network in time for the 2012-13 harvest. For growers, the system will help speed up data entry at the sample hut and weighbridge during the harvest and deliver load information to LoadNet® faster.

Quality Assurance

CBH's commitment to preserving the quality of the Western Australian grain supply chain extends right back to the farm through our voluntary on-farm quality assurance program, CBH Quality Assurance, formerly Better Farm IQ.

One of the newest incentives being offered to QA growers is the ability to combine their annual Quality Assurance audit with their annual Heavy Vehicle Accreditation audit. The service, which began in April 2012, is completed by trained RABQSA registered CBH staff during an on-farm visit.

This latest service offering is one of several changes that have occurred with the program. CBH believes a commitment to preserving the quality of the Western Australian grain supply chain deserves rewards. The Rewards and Recognition Scheme, a risk-based audit program, provides QA growers who have two years of good audits and no Level 1 contaminations with the option of an audit extension. An audit extension gives growers one year audit-free while maintaining their access to the QA incentives and market access benefits.

Biosecurity

We are a co-operative focussed on growers' interests and that includes jealously guarding the biosecurity of your supply chain. This includes investing around $6 million a year on sealing and maintenance related to biosecurity and keeping pests out of our system. We are also a core participant in the Co-operative Research Centre for Plant Biosecurity, including contributing $300,000 a year in cash and a similar amount in kind.

The CBH Group continues to be the state's leading grain marketer and acquired more than 40 per cent of the total Western Australian grain crop in 2012.

HIGHLIGHTS

Accumulated more than 40 per cent of the Western Australia crop 2011-12

Achieved accumulated sales of over $2.6 billion

Awarded first wheat tender through Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) after being the first WA buyer accredited to participate in June 2012

Announced an extension of Pool Management Agreement with Plum Grove for an additional five seasons

Loaded first shipment of wheat for Saudi Arabia under a pioneering contract agreement that re-opened this market to WA growers

YOUR MARKETER

Grain Accumulation

On the back of one of the biggest seasons on record, the CBH Group acquired more than 40 per cent of the total Western Australian grain crop in 2012.

In addition to record production, the 2011-12 season presented a number of challenges including declining grain prices, issues with quality and late rains delaying harvest.

The selling profile of the 2011-12 crop was determined by lower values throughout the harvest period and the cash flow requirements of growers. As a result, we saw a swing back to traditional harvest pools, with more than three million tonnes contracted to pools.

The CBH Group recognises the challenges faced by growers including declining terms of trade and volatile grain prices. With this in mind, we have continued to develop a product suite to assist growers in managing some of these risks.

Over the past year, we have continued to work on products that assist our growers to create better value at the farm gate.

Pre-Pay Advantage

Pre-Pay Advantage was first introduced in the lead up to the 2010-11 harvest and was offered again in 2011-12.

This product offers Western Australian growers a pre-payment option, giving them funds up front in return for commitment of grain while allowing time and flexibility to decide how and when they want to sell their grain to CBH. Pre-Pay Advantage again received overwhelming support from growers and industry professionals in its second year.

Harvest Cash Advance

In the lead up to the 2011-12 harvest, the CBH Group trialled the Harvest Cash Advance product with a limited number of Western Australian grain growers. Harvest Cash Advance was introduced as a result of the marketing and trading environment during harvest, which saw low grain prices. The product offered limited tonnages to participating growers, giving them the option of a cash contract without a fixed price and allowing them to capture upside on their cash contract if the market rallied. It provided participants with a cash advance once grain is nominated, giving growers cash flow at harvest while allowing time and flexibility to finalise the price of their grain.

Pool Performance

CBH has a proud history of pool management for Western Australian grain growers which spans 90 years. Today, the CBH Group offers options across five states, four commodities and up to 10 different pool products.

As a co-operative, CBH continues to listen to grower feedback and innovate and adapt its product suite accordingly to suit the changing needs and requirements of growers in an increasingly competitive marketing environment.

In the lead up to the 2012-13 harvest, CBH released a new Accelerator product, allowing wheat growers to capture values that are reflective of the current cash market while providing a spread of basis participation over a period of six months.

CBH continues to explore new innovations in the pooling space and hopes to release more product options to the market in the lead up to the 2013-14 harvest.

Unlike others in the marketplace, CBH is the only grower-owned pool operator with a primary focus to create and return value to growers. As such, we have led the way in delivering transparency of our products through such initiatives as independent audits of our pools, updates on the pools' performance through our quarterly Pool Talk publication and a monthly Grower Budget Guide.

Our achievements in pool management have been recognised by the Kondinin Group, which has rated our wheat pools to be among the best performing over the past six years. Importantly, our final returns have generally been near or above our estimates when growers were committing their grain, a reflection that they are a genuine assessment of what we can deliver.

Loyalty Payment

CBH introduced a Grower Loyalty Payment in 2009 and continued the program in 2010 by delivering $2.90 per tonne for grain sold to the co-operative. The payment applied to cash and pool deliveries and saw $14.2 million of additional value delivered back to growers.

Due to the difficult trading environment and low volumes received in 2010-11, no loyalty payment was made in that year.

Following the record season of 2011-12, CBH announced in September 2012 that it will provide a new reward payment to growers who sold their grain to the co-operative. Under the new reward program, growers in Western Australia who marketed grain through the co-operative in the 2011-12 season will receive a rebate which will be offset against future CBH receival fees.

The program is expected to deliver total savings of more than $6 million to growers for the 2012-13 harvest.

Plum Grove Partnership Extended

In May 2012, CBH announced an extension to the Pool Management Agreement with Plum Grove for an additional five seasons.

Under the agreement, CBH and Plum Grove will continue to jointly offer the Managed Pool and ProtectionPlus products, in addition to our own separate harvest pool products.

The extension of this agreement aligns with our key objective of creating and returning value to growers and allows Western Australian grain growers to diversify their marketing program, access the unique skill sets of two different organisations and provide the scale to enable the market development activities that we have been undertaking in the interests of WA growers for more than 90 years.

Eastern Australia

In 2012, CBH consolidated its activities in the eastern states with a solid bulk export grain program complemented by opportunities in the container and domestic markets.

Operating with a small Melbourne based team and supported by a strategically located Regional Manager network, CBH's eastern states grain accumulation and trading activities continued to penetrate the competitive eastern seaboard and South Australian grain marketing landscape. CBH's marketing products and services continued to provide eastern states grain growers with a competitive range of cash and pooling options.

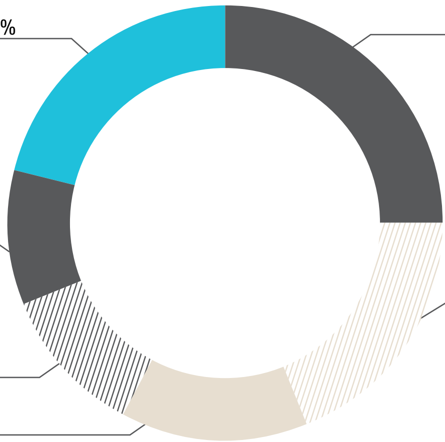
The critical role of the supply chain in the efficient execution of grain sales in eastern Australia led to CBH actively assessing bulk export options, with a view to managing supply risk for international customers.

Export Marketing and Market Development

CBH successfully exported 5.7 million tonnes of grain during the 2011-12 shipment period, with sales equating to more than $2.6 billion. This accounts for approximately 22 per cent of the Australian grain export industry across all major cereal, grains and oilseeds and ranks CBH as the country's largest grain exporter.

Our major marketing initiatives for the year focussed on customer and market growth, setting proactive goals to ensure that CBH could create more value for growers by accessing a greater number of customers more directly. During the year, CBH sold grain to 188 individual customers, a 53 per cent increase on the previous year. Of the total volume exported, 57 per cent of our sales were direct to end-user customers. Our market spread reached 29 countries with long term demand for Australian grain. By taking a more proactive marketing strategy, we were able to export 22 per cent of the total volume received to new customers, further cementing our customer base for future growth.

CBH GRAIN EXPORT DESTINATIONS



Key highlights for the year included:

- Awarded first wheat tender through the Japanese Ministry of Agriculture, Forestry and Fisheries (MAFF) following accreditation in June 2012
- Significant new customer growth across Indonesia, Philippines, China and the Middle East
- New market development exporting lupins into the Middle East and Europe
- Conducting grower study tours for 12 Western Australian grain growers across South East Asia and the Middle East
- Loading the first shipment of wheat for Saudi Arabia under a pioneering contract agreement that re-opened this market to WA growers.

New Regional Service Model

Heading into the 2012-13 harvest, CBH's marketing team transitioned to a 100 per cent regional service model.

Since the deregulation of the Australian wheat export market in 2007, CBH has serviced our export customers via a hybrid structure of Commodity Managers and Regional Managers. The cross over of functions in these roles serviced CBH well, as the Australian grain market transitioned from a regulated environment to a deregulated environment. During this period, we doubled our export volume and tripled our customer base; an extraordinary achievement for the co-operative given the larger scale of our global competitors.

Moving forward, however, our marketing division servicing customers will be set up under a regional service model to support our growth projections and better service our customers.

International Grower Study Tours

There is no better way for growers to understand some of the major forces affecting their business than to personally meet with customers and see first hand the issues and trends occurring in the major markets for their grain. It is also immensely valuable for our customers to meet growers and better understand their issues and the unique supply chain that CBH provides right back to the farm.

During 2012, CBH conducted two grower study tours to two of the most important regions for Western Australian growers – South East Asia and the Middle East. The first was an 8-day study tour by six growers to South East Asia taking in Indonesia, Vietnam and Singapore. It included visits to a number of leading CBH customers and their facilities and ended with participants attending the Global Grain Asia 2012 conference in Singapore. In September we conducted our first grower study tour to the Middle East region, to which CBH exports about 15-20 per cent of all its traded grains. The tour group of six growers from throughout the Western Australian grainbelt visited customers in the United Arab Emirates, Oman and Kuwait.

HIGHLIGHTS

Flour mills posted a Profit after Tax of $14 million, with $7 million attributable to the CBH Group

Completed expansion of Interflour Vietnam, providing a total rated capacity of 1,000mt of wheat per day

Construction of Newcastle Agri Terminal has commenced and is due for completion mid to late 2013

DANI MCCREERY, KALANNIE

Interflour's sales volumes increase 13.4 per cent in 2012 to help provide another strong financial performance of $14 million Profit After Tax, of which $7 was attributable to the CBH Group.

YOUR INVESTMENTS

Interflour Group

The CBH Group has a 50 per cent interest in the Interflour Group which operates six flour mills and one port facility in South East Asia. The investment was made in 2005 to diversify our income streams to help protect revenues in years of poor WA crop, better understand downstream market dynamics and customer requirements, leverage our untapped balance sheet to derive value for growers by way of investment returns and to gain exposure to the world's fastest growing market for grains.

Interflour experienced challenging conditions during 2012 as it weathered intense competition across all markets primarily brought about by increases in milling capacity across all regions. In addition, the Group faced a sharp increase in wheat prices from late June, peaking in early July. This increase of up to 40 per cent over a very short period resulted in an overall flour price increase lag during the last quarter. Despite this, the Interflour Group delivered another strong financial performance posting a Profit After Tax of $14 million of which $7 million is attributable to the CBH Group.

Interflour's decision to defend market share proved successful with 2012 sales volume increasing 13.4 per cent to 981,000mt. The flour mill in Indonesia operated at 94 per cent capacity and the combined Malaysian mills operated at 85 per cent capacity, with the Prestasi mill running at full capacity for the second consecutive year.

The expansion of Interflour Vietnam was completed in 2012, providing a total rated capacity of 1,000mt of wheat per day, which equates to 780mt of flour per day. Within three months of the completion of the mill expansion, the mill was operating at close to 75 per cent utilisation capacity.

With the forecast increase in flour demand across South East Asia, Interflour is looking forward to further growth in the coming years via further expansion in its existing markets as well as entry into other South East Asian markets with a view to firmly entrench the Interflour Group as a key player in the flour manufacturing business in this region.

DOC FETHERSTONHAUGH, ESPERANCE

Australasian Lupin Processing

The Australasian Lupin Processing (ALP) plant was established in 2004 as a joint venture between the CBH Group and George Weston Foods.

Its main activity is focused on creating a suite of high nutritional-value food options derived from lupins that will ultimately command a fair and stable price as a market commodity for the benefit of our growers.

Over the past year, the ALP business has been focussed on improving product processing at the mill in Forrestfield as well as lifting the profile of lupins as a viable food product in the global market, with the market development of the use of lupin splits into food products progressing well.

CBH remains committed to ALP and, in consultation with our joint venture partner, is reviewing the most appropriate ownership structure and actions going forward to enable this asset to achieve its potential and create the most value for growers.

Australian Bulk Stevedoring

Australian Bulk Stevedoring (ABS) is a joint venture between the CBH Group and Hudson Shipping Lines and provides stevedoring services to exporters at all Western Australian grain ports. ABS allows us to create additional value for growers by tightening the link between growers and customers and providing services at another stage in the supply chain.

Over the past year, ABS continued its work with related parties to further improve workforce conditions for its employees. ABS experienced a record shipping year in 2012, shipping 12 million tonnes of grain and handling approximately 1.5 million tonnes of non grain commodities including woodchips and mineral sands.

ABS delivered a Profit After Tax of $1.2 million for the year, with $600,000 attributable to the CBH Group.

Newcastle Agri Terminal

In December 2009, the CBH Group acquired an option to be a minor shareholder in a consortium proposing to develop a new agricultural export terminal at the Port of Newcastle in New South Wales. The Newcastle Agri Terminal (NAT) has strong potential to support our strategy to provide an integrated supply chain to our customers using grain acquisition in eastern Australia to complement the supply and quality from Western Australia.

DOC FETHERSTONHAUGH, ESPERANCE

The CBH Group exercised its option to acquire a minority position in the NAT consortium in December 2011 for $3.78 million. Construction of the terminal has commenced and is scheduled for completion by mid to late 2013.

Throughout the coming year, work will be undertaken to implement an up-country supply chain to ensure an efficient pathway to port.

United Bulk Carriers

As noted in last year's Annual Report, the CBH Group took the decision to exit the formal United Bulk Carriers (UBC) bulk freight management joint venture formed in 2005 with Hudson Shipping.

At the time of writing, the finalisation of this joint venture was still taking place and was expected to be completed in early 2013.

HIGHLIGHTS

Average wait time of 20 seconds for calls to Grower Service Centre

Grower Service Centre achieved an average outstanding Net Promoter Score of +42

Launch of CBH Mobile

DEBBIE CRISTINELLI, TAMBELLUP

YOUR SUPPORT

Grower Service Centre

Our Grower Service Centre in Perth provides Western Australian growers with assistance on all aspects of the CBH Group business, including operational issues, the online portal LoadNet®, transferring grain online as well as product information, prices and payment arrangements offered by CBH's marketing arm.

The Grower Service Centre was staffed throughout 2011-12 by five full time employees, with an additional eight casuals employed during the harvest period. During the harvest period, between November 2011 and January 2012, the Grower Service Centre received over 15,000 calls. Outside of this period, total calls were over 16,000. The average time in queue remained low again for 2011-12 at 20 seconds.

To ensure a high standard of service is maintained, every grower who called the Grower Service Centre during harvest received a survey to measure the Net Promoter Score (NPS), a grower satisfaction score, as well as provide a forum for feedback to the CBH Group. NPS is an industry leading loyalty metric and is based on a customer's likelihood to recommend a product or service. It is calculated as the percentage of customers who rate us 9 or 10 on a zero-to-10 scale minus those who rate us six or lower. The 2011-12 harvest saw an average NPS of +42, an outstanding result by industry standards and similar to the 2010-11 harvest.

The 2011-12 harvest also saw the addition of a Quality Optimisation team in line with the release of the Quality Optimisation tool within LoadNet®. This team, staffed by two full time and four casual employees during the harvest period, provided a high level of support to assist growers using the Optimiser tool in its first full year of operation.

The Grower Service Centre's vision is to ensure that all growers who call for support get the right information on the first call while receiving a friendly, high level of service at all times.

CBH Grain Eastern Australia also runs a dedicated Melbourne-based Grower Service Centre from October to February to assist Eastern Australian growers with their enquiries.

Local Support

The CBH Group has been partnering with grain growers for 90 years and is dedicated to providing advice at a local level. Our team of 12 Business Relationship Managers, located throughout rural Western Australia, provide growers with a local contact to assist with their grain marketing needs and to facilitate contact with other areas of CBH where it may help their businesses.

In Eastern Australia, CBH supports and services growers through a team of four Regional Managers.

LoadNet®

LoadNet® is a free online service, offered by CBH, allowing growers to track deliveries and payments, write forward contracts and optimise and nominate (sell) grain online.

LIZ ROBERTSON, KATANNING

Growers can view all their load date online, download load data for use in farm management packages, sort loads by acquirer, commodity, payment method and more. Built for rural internet speeds, LoadNet® is a powerful tool that allows growers to streamline their interactions with the CBH Group. It is available 24 hours a day, 7 days a week.

LoadNet® also incorporates the LoadNet® Optimiser, so growers can blend wheat online, and provides users with the ability to download or export data to popular farm management packages used by growers and their advisors.

CBH Mobile

During 2012, CBH developed a new smartphone and tablet tool, CBH Mobile, which will give growers access to load information almost as soon as loads have been delivered to the bin. It also provides information on receival site segregations, live CBH Grain prices and key CBH contact details. CBH Mobile was available in time for the 2012-13 harvest and accessible from iPhone and Android smartphones and iPad tablets.

This is another way we can provide value back to growers, especially during the busy harvest period when decisions often need to be made on the go. This equips growers with virtually real-time load quality information and site segregations, allowing them to make amendments to harvest programs on the run rather than waiting to get information back from their contractor or to get home to the office computer.

DailyGrain

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

The online platform offered by DailyGrain allows growers to price grain and sell to their preferred buyer in one simple step. Buyers can enter their live prices directly into the system, ensuring their bids are up to date.

In April 2012, the CBH Group acquired the remaining 50 per cent share of DailyGrain to become sole owner. DailyGrain remains a separate subsidiary of the CBH Group and continues to be governed by an experienced board including independent directors. It remains an innovative and user-driven business.

DailyGrain introduced a number of new features in 2012, including:

- Star Rating to indicate where today's price sits in relation to prices for the season so far, as well as in previous seasons;
- New snapshot charts for your Top 5 grades, plus improved historical price charts, allowing growers to save, then quickly and easily retrieve commonly used queries;
- Default calculator profiles based on your deliveries when your LoadNet® account is linked; and
- Ability to select Contract Type (i.e. Fixed, Multi or both) and Name (e.g. Standard, Milling, Noodle etc) for your Top 5 grades.


CBH

HIGHLIGHTS

Reduction of our Lost Time Injury Frequency Rate by 40 per cent

Reduction of the average cost of workers compensation claims by more than 50 per cent

Implementation and improvement of people management processes

Employee engagement improvement of eight points or 16 per cent

Employees report a 22 per cent improvement in cross-divisional collaboration

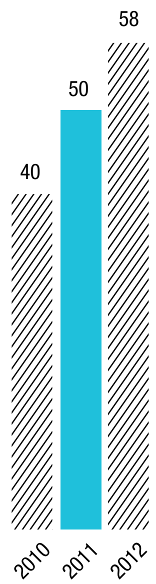
YOUR PEOPLE

AT CBH WE ARE CREATING A SAFER, ENGAGED AND PRODUCTIVE WORKPLACE FOR AROUND 1,000 PERMANENT EMPLOYEES AND UP TO 2,000 HARVEST CASUALS. IN 2012 WE FOCUSSED ON IMPROVING OUR SAFETY CULTURE AND PERFORMANCE AND IMPLEMENTING PROGRAMS TO IMPROVE OUR LEADERSHIP AND PEOPLE CAPABILITIES.

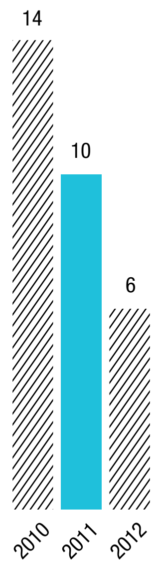
Our focus on people and safety has contributed positive results in our key measures – employee engagement and Lost Time Injury Frequency Rate (LTIFR).

EMPLOYEE ENGAGEMENT

(Percent)



LOST TIME INJURY FREQUENCY RATE (LTIFR)



One CBH

One CBH is about the way we work together. It's how we collaborate across divisions to work effectively and efficiently along the supply chain; ensuring value is created and returned to our growers. The One CBH cultural change program has continued during 2012.

A focus during the year was to improve the capabilities of our leaders. A number of development opportunities for managers, including individual coaching, equipped them to effectively lead their teams with a focus on achieving our group objectives.

The implementation of a new performance management system ensured our people are part of a process to allow them to perform at their best. The achievement and development review system guides employees in their day to day efforts to achieve outcomes that contribute to a high performance culture.

A way of recognising and celebrating our outstanding achievers is through our new recognition program, Harvesting Excellence. A framework with tools and resources helps managers and employees to acknowledge 'above and beyond' efforts.

SAFETY STARTS WITH LEADERSHIP, ACCOUNTABILITY AND PUTTING SAFETY FIRST ABOVE PRODUCTIVITY. AT CBH WE BELIEVE THAT ALL INJURIES ARE PREVENTABLE.

The peer nomination aspect of our Recognition Program has been particularly important in acknowledging the efforts of employees at CBH. We have received over 115 peer nominations and recognised and rewarded half of these employees with Values Champion or Safety Star Awards for their demonstration of the One CBH Values and Safety behaviours.

Safety and Health

At CBH we are building a safety culture where each employee is committed to providing a productive, safe and healthy work environment for each other, as well as growers, contractors and visitors.

The foundation of the CBH safety and health program is built on our values, our Safety Principles and our Safety Ideals. These remind everyone at CBH of their responsibilities and guide decision making and actions so that we:

- protect all employees from injury;
- ensure the safety of growers, contractors and visitors in our workplace; and
- build a culture that continuously improves safety and health.

Safety starts with leadership, accountability and putting safety first above productivity. At CBH we believe that all injuries are preventable. This shift in mindset has been challenging but our results demonstrate that behavioural and cultural change is occurring.

Our safety journey requires growers and employees to work closely together to ensure safety remains a priority, particularly during the pressures of harvest. We have welcomed the support received from growers.

A highlight during 2012 was a program to improve how we respond to emergencies at CBH. The program involved the establishment of a Mobile Emergency Response Team (MERT).

Safety Performance Indicators

We have continued to see positive trends over the last year:

Historic (Lag) Indicators

- Number of Lost Time Injuries (LTIs) down 21 per cent.
- Lost Time Injury Frequency Rate (LTIFR) down 40 per cent.
- There has been a continued decrease in injury severity, resulting in a 50 per cent reduction in the average cost of workers compensation claims.

Predictive (Lead) Indicators

- Employees reported 888 incidents, an increase of 26 per cent. This highlights that people are identifying and reporting issues early through our online safety management system.
- Leaders conducted 4,210 safety interactions with their employees, an increase of 17 per cent, facilitating a proactive process to identify safe and unsafe behaviours and make corrective actions.

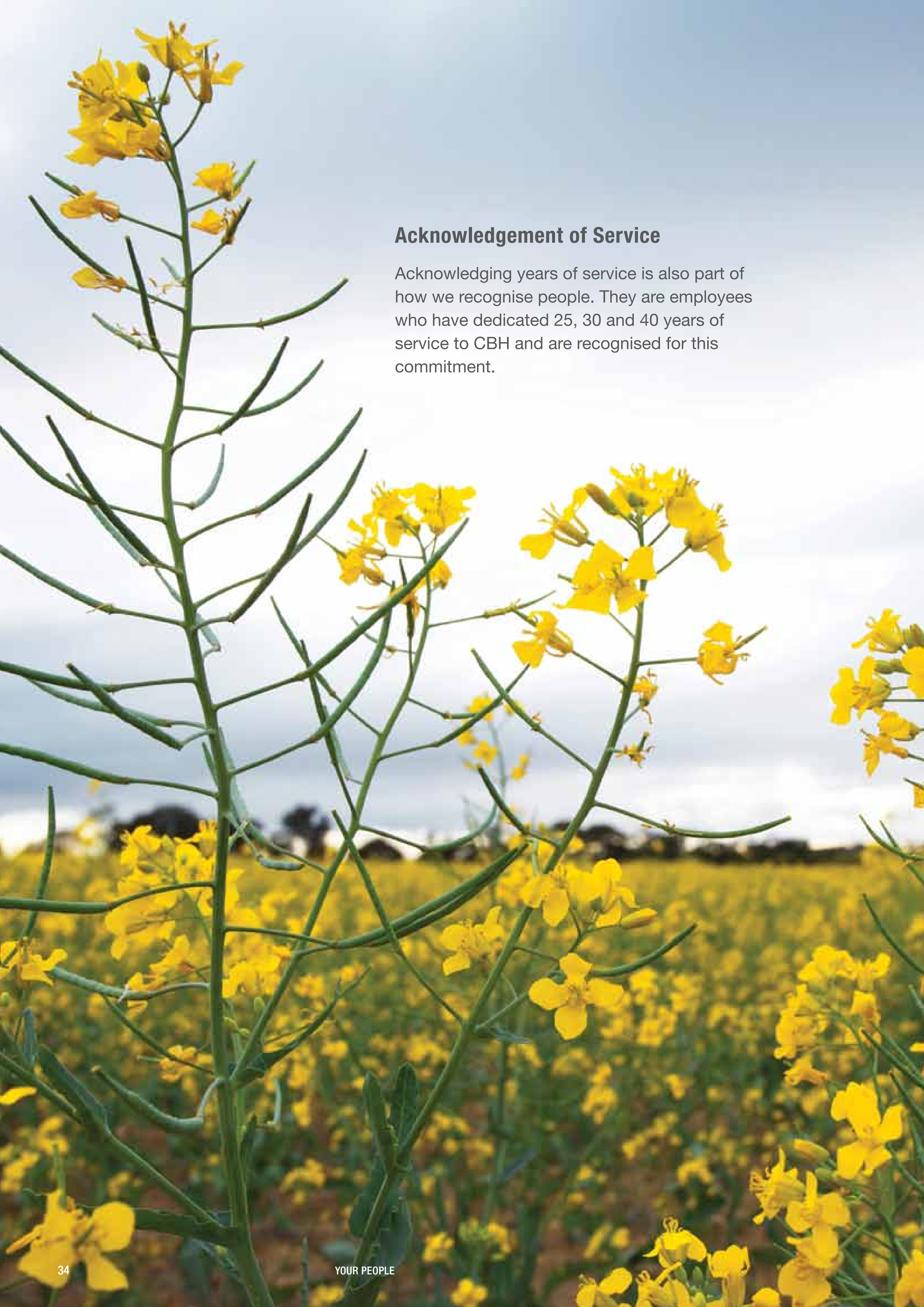
Learning and Development

At CBH we put importance on attracting and retaining talented people to achieve organisational goals. Various new opportunities existed for employees in 2012, including for current and emerging leaders, harvest casuals and for those leading safety both in the field and in management.

- Emerging leaders were identified and commenced an 18 month leadership program, Next Crop, facilitated through Curtin University.
- A new online safety induction for harvest casuals streamlined processes and has given them the skills to work safely when trucks start rolling into site.
- A group of safety leaders toured a leading local mining company to observe and learn from their safety culture and performance.
- Leading safety expert, Professor E Scott Gellar, spoke to managers at a one day workshop about safety leadership and culture, accountability and improving systems.
- Improving leadership capabilities has been a focus to specifically support the One CBH culture transformation. Managers attended workshops to improve their communication skills and completed training or one-on-one sessions for our new performance management system.

Systems Improvement

The CBH Group's employees have a strong focus on innovation, productivity and efficiency to ensure the business continues to generate optimal grower value. A key feature of this productivity drive has been strengthening our technology systems, improving processes and automating low value administrative tasks. Highlights this year included the introduction of an automated invoicing system which will streamline payments to vendors and suppliers and result in improved cash management.



Acknowledgement of Service

Acknowledging years of service is also part of how we recognise people. They are employees who have dedicated 25, 30 and 40 years of service to CBH and are recognised for this commitment.

45

YEARS OF SERVICE

Brian "Spike" Jones, Receival Point Operator

40

YEARS OF SERVICE

Michael Leonard, Project Site Supervisor

30

YEARS OF SERVICE

Bobby Jakovcevic, Expeditor

Mark Van Opijnen, Network Coordinator

Mark Mills, Receival Point Operator

Andrew Ackermans, Receival Systems & Process Coordinator

Marco Difulvio, Area Supervisor

Mark Whyte, Senior Health & Safety Advisor

Warren Davies, Plant Operator

Robert Ward, Receival Point Operator

Graeme Fleming, Plant Operator

Jeffrey Moir, Plant Operator

Keith Ahearn, Plant Operator

Eric Cooper, Terminal Manager

Neil Berry, Terminal Supervisor

Trevor Thompson, Receival Point Operator

25

YEARS OF SERVICE

Brian Ball, Print Coordinator

Mario Discenza, Grain Protection Coordinator

Danny Crane, Mechanical Tradesperson

John Finessi, Maintenance Planner

HIGHLIGHTS

Provided more than $390,000 in sponsorship and support to rural communities and industry

Foundation supporter of the Narembeen Grain Discovery Centre, opened in April 2012

Completed a decade of partnership with the WA Country Football League

Co-ordinated the donation of $140,000 to charities from the HMMS scheme

YOUR COMMUNITY

AS THE LARGEST CO-OPERATIVE IN AUSTRALIA, AND THE ONLY MAJOR GROWER-OWNED GRAIN BUSINESS, WE HAVE A STRONG COMMITMENT TO THE SUSTAINABILITY OF OUR FARMING COMMUNITIES AND THE GRAIN INDUSTRY. WE DEMONSTRATE THIS EVERY YEAR THROUGH OUR SUPPORT AND SPONSORSHIP OF MANY ORGANISATIONS AND COMMUNITY PROJECTS. OUR GOAL IS TO MAKE A DIFFERENCE IN THE COMMUNITIES IN WHICH WE OPERATE.

During 2012, your co-operative provided more than $390,000 in support and sponsorship for organisations which contribute to improving the wellbeing of rural communities and the grain industry.

The types of support ranged from major support and sponsorships of community, grower and industry groups to smaller but vital donations to local clubs and projects.

Community Engagement

These sponsorships focus on events, organisations and projects which contribute towards rural community development and sustainability, wellbeing and safety, and vitality and diversity.

Sport and Health

We recognise how important sport is in bringing community members of all ages, interests and abilities together on and off the field.

To ensure these activities can continue, we maintain a number of major sporting partnerships aimed at helping provide the vital but often less visible core funding required to ensure country sport keeps running every week of every season.

In 2011-12, we completed a decade of partnership with the WA Country Football League. Our annual $40,000 sponsorship brought to nearly $350,000 the contribution CBH has made to supporting grass roots footy.

The funds help to run the country competition comprising 13 league, 82 football clubs and 188 football teams. In addition, we supported the WACFL State Colts and the CBH Colt All-Stars and were major sponsors of five individual leagues: Eastern Districts, Upper Great Southern, North Midlands, Central Midlands and Esperance Districts.

We also signed a new two-year agreement with Hockey WA in 2012 which will mark a decade of partnership.

Our support contributed to the development and running of country hockey including the 2012 CBH Group Men's Country Championships (2-4 June) and the 2012 CBH Group Women's Championships (22-24 June).

DANI MCCREERY, KALANNIE

Last year, the co-operative provided more than $390,000 in support and sponsorship for organisations which contribute to improving the wellbeing of rural communities and the grain industry.

NICOLE CONNELLY, CORRIGIN

Through our continuing partnership with Tennis West, we were the major sponsor of the 84th Country Week tennis carnival held from January 16-20 in Perth. We were also the major sponsor of the Country Zone Challenge in April involving around 120 juniors and 40 senior players in 38 teams from eight zones.

Leadership, Education and Inspiration

CBH is committed to supporting education, arts and personal development programs which will build future contributors and leaders of rural communities, inspire ideas and creativity and promote agriculture. We demonstrate this through a range of sponsorships.

One of the most rewarding events in 2012 for our community sponsorship program was the opening of the Narembeen Grain Discovery Centre on 24 April. CBH was a foundation sponsor of the Centre, which showcases the Western Australian grain industry through static and interactive displays, conveying the industry's proud heritage and the technology and challenges of farming today.

We were proud to continue our longstanding sponsorship of the Nuffield Scholars program. The merit of this program was again evident in the positive feedback we received from the CBH-CSBP 2012 Nuffield Scholar, Kelly Manton-Pearce of Yealering, after her 6-week study tour of the Philippines, China, United States, Canada, Belgium, France and Ireland.

Other awards sponsored by CBH to develop the skills of individuals who choose farming as a career included the TAFE – CY O'Connor Rural Business Student of the Year.

We continued our sponsorship of the CBH Group Kellerberrin Little Learners, an early learning program for children aged 0 to 5 years designed to provide them with the best possible start to school life.

CBH is a leader in supporting the growing number of events now held throughout the wheatbelt which focus on women's development and wellbeing. In 2012, these events attracted hundreds of women and included:

- SEPWA Ladies Day, Esperance
- Facey Group Women in Agriculture, Wickepin
- Wheatbelt Women's Day, Bruce Rock
- West Midlands Group's Wine, Women & Wellbeing Dandaragan
- Narembeen Ladies Long Lunch, Narembeen
- Liebe Group Women's Field Day, Dalwallinu
- Women in Farm Enterprises Farm Business Workshop, Lake Varley
- Wild Women of the West Seminar, Beverley

In 2012, CBH was again a proud sponsor of the RIRDC Rural Women's Award in Western Australia. The award recognises the vital role women play in agriculture, aiming to help them reach their potential and develop their leadership skills. Our state winner, Catherine Marriott, has been another outstanding and passionate advocate for agriculture and went on to become runner-up in the national award in October, 2012.

CBH believes that the arts play an important role in opening our minds to new experiences and ideas and encouraging vitality and diversity. We are also keen to support events in rural communities that are taken for granted in the city or major regional centres.

In 2012 we joined with Oakajee Port and Rail to bring some of Australia's finest classical musicians to Geraldton in mid-August for a free community concert. The woodwind quintet from the West Australian Symphony Orchestra toured the Geraldton region as part of the WASO on the Road program, which aims to introduce students in rural and regional school to the instruments of the orchestra.

NICOLE CONNELLY, CORRIGIN

CBH was also pleased to sign on this year as a sponsor of the 2012 Great Southern Hidden Treasures Bloom Festival which ran from 20 September to 24 October. This included more than 30 events across eight local shires in the Great Southern.

Community Investment Fund

Your co-operative supports many local groups at varying levels to assist them to put on events and programs which add value to the life and wellbeing of grain growing communities and regions.

We make our guidelines available to assist the numerous organisations who request funding and in 2012 the beneficiaries included:

- Avondale Harvest Festival
- Bike it to Ballidu
- Brookton Old Time Motor Show
- EA Bowling League Cunderdin
- Esperance Biennial Photography Competition
- Geraldton WA Policy Legacy Bike Tour
- Mingenew Bowling Club
- North Midlands Agricultural Show
- Newdegate Golf Club
- Nyabing Centenary
- Perenjori Agricultural Show
- Three Springs Child Care
- Wellstead Harvest Carnival
- Williams Gateway Expo
- Wongan Art and Craft Exhibition

To improve the efficiency and administration of our local area sponsorship program, we plan to move to a thrice-yearly application system in 2012-13.

Industry and Government

Your co-operative supports a range of organisations and programs which provide value to growers by contributing to the sustainability and growth of the grain industry and agriculture.

Farm Profitability and Sustainability

CBH continued to provide significant support to grower-directed organisations which aim to lift farm profitability and sustainability in their regions. This support included financial contributions and in-kind support.

Western Australian grower groups which are carrying out this vital work with CBH support included:

- Facey Group
- Liebe Group
- Mingenew Irwin Group
- Morawa Farm Improvement Group
- South East Premium Wheatgrowers Association (SEPWA)
- Stirlings to Coast Farmers
- West Midlands Group
- Western Australian No-Tillage Farmers Association (WANTFA)

We also were a major sponsor of:

- Western Australian Farmers Federation 2012 Centenary Conference
- Pastoralists & Graziers Association 2012 Convention

This recognises the important work done by these organisations in representing grain growers at all levels of government and in the wider community.

MELINA TURRIFF, DOWERIN

As Australia's leading co-operative, CBH has actively supported organisations and activities associated with the 2012 United Nations International Year of Co-operatives (IYC) – the first time the UN has conferred this status on a business structure.

MERV FRENCH, NORTHAM

Additionally, CBH sponsored a number of major conferences encouraging discussion and debate about latest developments, trends and challenges affecting our industry. These included:

- Co-operatives WA Annual Conference, November 2011
- GIWA Crop Updates, February 2012
- Australian Grains Industry Conference, Melbourne, July 2012

Industry Associations and Memberships

As Australia's largest co-operative and Western Australia's biggest agribusiness, we take our obligations and responsibilities as a leading member of the state's business community seriously. We achieve this by maintaining strong proactive presence in industry groups dedicated to upholding and promoting high standards, collaboration and performance. These organisations include:

- Grain Industry Association of Western Australia
- Grain Trade Australia
- Kwinana Industries Council
- Western Australian Chamber of Commerce & Industry
- Australian Institute of Company Directors
- Co-operatives WA
- International Co-operative Alliance

As Australia's leading co-operative, CBH has actively supported organisations and activities associated with the 2012 United Nations International Year of Co-operatives (IYC) – the first time the UN has conferred this status on a business structure.

We provided core sponsorship for the Australian Secretariat of the 2012 IYC and additional sponsorship during 2012 for Co-operatives WA to assist in running activities and promotional campaigns associated with the IYC.

In conjunction with the University of Western Australia's Business School, Co-operatives WA held a major conference in Western Australia in November 2012, bringing together recognised local and international experts under the theme: *Co-operatives in the Fourth Sector: the role of member-owned businesses in the Global Economy*. We were also a foundation supporter of *Building a Better Australia – 50+ Stories of Co-operation*, a landmark publication marking this historic year.

Government Engagement

The CBH Group engages regularly with all levels of Government – Federal, State and Local – to ensure that growers' interests are understood and taken into account in the government decision-making process.

In 2012, our efforts were heavily focussed on ensuring the wheat industry continues its transition to a multi-marketer system free of unnecessary, costly and inefficient regulation. This included support for the Federal Government's proposed amendments to the Wheat Export Marketing Act, including an end to Wheat Exports Australia and the Wheat Export Charge, and the removal in 2014 of the existing Port Access Undertaking arrangements.

Another key area of focus has been the continued operation of the Tier 3 rail network in Western Australia.

DARRYN WALKER, CBH EMPLOYEE

TARA JOHNSON, SOUTHERN CROSS

International Agricultural Research and Development

CBH continued its sponsorship of the Crawford Fund in 2012. The Fund promotes and supports international agricultural research and development involving the participation of Australian organisations. Our recent focus has been on working with the Crawford Fund in providing training programs in grain storage pest management for international customers.

Encouraging Safety in Local Communities

Your co-operative supports the Paraplegic Benefit Fund and Farmsafe WA Alliance as a part of our commitment to be an industry leader in safety. CBH has also become a part of the St John Ambulance First Responder Program, which creates a direct link between St John Ambulance and local communities and businesses, enabling ordinary people to help cardiac arrest victims immediately before an ambulance arrives.

Donations

HMMS

In May, CBH presented six charitable organisations with a total of $140,000 in sale proceeds from grain forfeited under the 2011-12 Harvest Mass Management Scheme (HMMS).

The HMMS scheme, developed by CBH in conjunction with Main Roads Western Australia, is designed to ensure trucks are not loaded beyond safe levels while allowing a small tolerance for the unpredictable weight of grain volumes from one season to the next and one paddock to the next.

Based on feedback from regional areas, the six organisations were selected because of their important role in helping rural communities and families.

They were:

Royal Flying Doctor Service – providing emergency medical care to anyone who lives, works or travels in remote and rural Australia;

Ronald McDonald House – providing accommodation and support for families of country children receiving treatment for serious illnesses at Princess Margaret Hospital;

St John Ambulance – funds went towards providing life-saving defibrillator units in rural centres;

Cancer Council of WA's Milroy Lodge and Crawford Lodge – providing accommodation for country people whose families are receiving treatment for serious illnesses at Perth hospitals;

Breast Cancer Care WA – providing emotional, practical and financial support and care to those affected by breast cancer; and

Compassionate Friends WA – providing support to families throughout Western Australia who are grieving the death of a child of any age from any cause.

Each one of the charities has made a difference in the life of at least one of our employees, growers or regional communities and we were proud to be able to recognise their hard work and show our support so that they can continue to offer assistance and support to those in need.

ADAM SMITH, BEVERLEY

Seed Donation Program

While Western Australia produced a record harvest in 2011-12, some areas continued to endure exceptionally difficult seasonal conditions. In recognition of this, CBH kept active the Seed Donation program re-introduced in the drought-hit 2010-11 season. Four growers from Southern Cross affected by the poor season in that region received seed under the scheme to help them with their 2011 cropping programs.

Employee Voluntary Contributions

The CBH Group proudly supports all country and city-based employees who continue to participate in charitable and community events and activities.

Not only does this directly benefit the local communities in which we all live and work but it also promotes continued employee engagement with our communities. Charities and events that have benefitted this year in terms of support, time and donations include:

- Activ Foundation's 2012 City to Surf
- Angel Flight
- Beyond Blue
- CanTeen
- Landcare
- MoVember (raising funds for prostate cancer research)
- Ronald McDonald House
- RSPCA
- St Vinnies CEO Sleepout
- St Vinnies Winter Appeal
- Salvos Red Shield Appeal
- Starlight Foundation

HIGHLIGHTS

Commissioned a renewable energy trial site to continue to further develop the concept of large scale solar energy generation across the CBH network

13 new highly efficient and low emitting locomotives were placed in service to manage the grain freight task in WA as part of the CBH Group's $175 million investment in rail stock

Maintained certification to the International Standards Organisation ISO14001 Environmental Management standard at all port terminals

YOUR ENVIRONMENT

In 2012, your co-operative continued its long term commitment to a sustainability vision designed to deliver value to all its stakeholders by protecting, sustaining and enhancing the human and natural resources needed for the future.

The key objectives of the CBH Group's Sustainability plan centres on ensuring we prevent harm to the environment and continually reduce our overall environmental footprint while also striving to be involved with initiatives designed to have positive long term impact within the communities in which we operate.

In 2012, CBH continued to grow and implement a number of initiatives and programs that ensured progress towards these objectives.

Environmental Management Systems

CBH again maintained certification to the International Standards Organisation ISO14001 Environmental Management Standard at all port terminals. For the fifth consecutive year, no major corrective actions or non-compliance issues were raised. Ensuring the CBH Environmental Management System meets the continuous improvement principles required of this internationally recognised standard for environmental management remains a key objective in 2013, as does striving to ensure all regional sites are managed to the requirements of the ISO14001 standard.

In the last year, CBH recorded no breaches to any environmental regulations to which it is subject.

Energy Management

CBH continues our ongoing commitment to energy efficiency and reducing the overall greenhouse intensity of our business, and this saw many of our energy efficiency programs continue to return significant energy savings in 2012.

During 2012, the CBH Group also commissioned a solar energy trial site to continue to further develop the concept of large scale solar energy generation across the CBH network.

A trial was also conducted on the feasibility of micro wind turbines as both a supplementary and stand alone energy source.

Wireless plant control and power monitoring units have also been established, allowing better load control, load comparison and switch off capabilities for a range of plant and infrastructure.

Nitrogen Generation Plant

A nitrogen generation plant was established at a CBH Group facility to trial the generation and use of nitrogen to control grain insects. The inert gas, which can be generated and used in controlled atmosphere conditions, has significant benefits from a safety and environmental perspective, and has proven successful in removing some previous hazards and risks from the grain fumigation process while still ensuring the highest standards of grain quality can be met.

Fleet Management

The official launch of the CBH Group's $175 million investment in new rail rolling stock demonstrated a continued commitment to its sustainability vision. Thirteen new fuel efficient and low emitting locomotives were placed into service to manage the grain freight task in WA by 30 September 2012. The remaining nine new locomotives are scheduled to be in service by the end of 2012.

We have worked in collaboration with rail providers, government and other stakeholders to ensure Western Australian Tier 3 rail lines remain open, so reducing the leakage of bulk grain from rail to road.

Improving the efficiency and safety of our vehicle fleet also continues to be a key sustainability action. After having achieved significant improvements in the selection, safety and environmental ratings of fleet vehicles, a pilot program was conducted in 2012 on a Vehicle Technology Solution that aims to assist drivers in identifying behavioural improvements in the area of safe and efficient vehicle and journey management.

Waste Management

CBH continues to concentrate on reducing the amount of waste produced, while also maximising our resource recovery and recycling programs.

In addition to the programs that continue to be run for all CBH waste streams, such as paper, oil, plastics, scrap metal, grain covers and e-waste, and with an ongoing focus on reducing our waste to landfill burden, an innovative waste re-use program now sees dust captured via dust extraction systems at several large CBH facilities and utilised as an additive into brick manufacturing.

Water Management

Protecting water quality and improving water continues as a fundamental sustainability objective for CBH.

The last year has seen a full review of all water quality management plans and monitoring programs we undertake, with additional control measures implemented at several sites.

We also benchmarked water consumption at all CBH sites, and a Water Efficiency Management Plan was put in place at the Cee and See Caravan Park in Rockingham, currently leased from the City of Rockingham and managed by CBH, and the largest consumer of scheme water of all CBH facilities.

Kwinana Industries Council

In 2012 the CBH Group was pleased to move from 'Associate Member' status to 'Full Member' of the Kwinana Industries Council. With membership drawn from the Kwinana Industrial Area, Western Australia's premier industrial estate, the Kwinana Industries Council's primary focus is promoting and contributing to the sustainable co-existence of Kwinana Industry, the community and the environment. The move to full member status was a continued demonstration of our commitment to the long term sustainability of the Kwinana Industrial Area.

YOUR
BOARD OF DIRECTORS

Neil Wandel Chairman

Neil Wandel was elected as a Director of the CBH Group in 2002, was appointed Deputy Chairman of the Board in May 2005 and became Chairman in April 2008. He is also Chairman of the Board's Remuneration and Nomination Committee, a member of the Investment Committee and a Director of the Trustee of the CBH Superannuation Fund.

Additionally, Neil was an inaugural member and Chairman of the Pulse Association of the South East (PASE) until 2002, and is a current Member of the Australian Institute of Company Directors.

Neil produces grain and cattle on his property at Scadden, near Esperance, in Western Australia's South East.

Clancy Michael Deputy Chairman

Clancy Michael was elected as a Director to the CBH Group Board in April 2008 and is a member of the CBH Group Board Audit and Risk Management Committee and the Communications Committee. He became Deputy Chairman in April 2012.

Clancy has more than 30 years farming experience in the Midwest region of Western Australia. He was the inaugural Vice Chairman of one of Australia's leading grower groups, the Mingenew Irwin Group (MIG) from 1997 to 2007, and still farms at Mingenew.

Additionally, Clancy is current Chairman, and was a founding member of the Grower Group Alliance – an organisation set up to develop effective information channels between farmer groups and research organisations. He has also been active on many consultative and reference groups associated with the Agricultural industry. Clancy is a Graduate Member of the Australian Institute of Company Directors.

Trevor Badger Director

Trevor Badger was elected as a Director of the CBH Group in April 2007. He is a member of the Board's Investment Committee and Communications Committee.

Trevor has held executive positions on various grower representative bodies in Western Australia and is currently Chairman of the Pingrup CBH Water Harvesting Project, and Lake Chinocup Catchment Resource Management Committee.

A Graduate Member of the Australian Institute of Company Directors, Trevor produces grain and sheep on his properties in Pingrup and Mindarabin in Western Australia's South West.

Trent Bartlett Independent Director

Trent Bartlett became a Director of the CBH Group in February 2012 and is a member of the Remuneration and Nomination Committee and the Investment Committee.

Mr Bartlett currently holds the position of Chief Executive Officer at Peter Stannard Homes and prior to this was the Chief Executive Officer of Capricorn Society, one of Australia's most successful co-operative enterprises, from 2001 to 2011.

Before that, he held senior executive positions with David Jones Ltd and Target Australia, then part of the Coles Myer Group. Mr Bartlett is also a Director of Good Samaritan Industries and a Fellow of the Australian Institute of Company Directors.

Vern Dempster Director

Vern Dempster was appointed Director of the CBH Group in April 2008. He is a member of the Board's Audit and Risk Management Committee.

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

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

Kevin Fuchsbichler Director

Kevin Fuchsbichler was elected as a Director of the CBH Group in April 2007. He is a member of the Board's Remuneration and Nomination Committee and Communications Committee.

Kevin is a grain producer from Bruce Rock with more than 30 years industry experience.

He was formerly a Director of Bruce Rock Bendigo Community Bank, is a past State President of the International Agricultural Exchange Association and an inaugural Board member of the International Rural Exchange. Kevin is also a Member of the Australian Institute of Company Directors.

John Hassell Director

John Hassell was elected to the CBH Group Board of Directors in April 2009 and is a member of the Board's Remuneration and Nomination Committee and Communications Committee.

A grain and livestock producer from Pingelly, located in the central wheatbelt region of Western Australia, John has held a number of executive positions with the Western Australian Farmers Federation.

John holds a Bachelor of Business in Agriculture from Curtin Muresk Institute of Agriculture and is a Graduate Member of the Australian Institute of Company Directors. He has also been an active participant in a number of local community associations including Rural Youth and Apex.

Brian McAlpine Director

Brian McAlpine was elected to the CBH Group Board of Directors in February 2012 by members in District 1 and is a member of the Board's Audit and Risk Management Committee.

Mr McAlpine is an experienced grain farmer from Maya.

He has completed a Diploma of Business and a Nuffield Scholarship. Mr McAlpine is a past president of the Liebe Group, a past councillor of the Dalwallinu Shire and is a Graduate Member of the Australian Institute of Company Directors.

Mick McGinniss Director

Mick McGinniss first joined the CBH Group Board of Directors in 2002 and served as a Director until 2009 before being re-elected in 2010. He is a member of the Board's Remuneration and Nomination Committee and the Investment Committee.

A grain grower in the Merredin area, Mick is a past Director of the Grains Research and Development Corporation and is a Member of the Australian Institute of Company Directors.

Wally Newman Director

Wally Newman has been a Director of the CBH Group Board since August 2000, was the Deputy Chairman from 2008 to 2012 and was Chairman of CBH subsidiary Bulkwest in 2002. He is also Chairman of the Board's Communication Committee and a member of the Remuneration and Nomination Committee. He is also a Commissioner of PT Eastern Pearl Flour Mills, Indonesia.

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 currently a committee member and a former president.

Wally is a councillor of the Lake Grace Shire, a member of the International Agricultural Exchange Association, and is a Fellow of the Australian Institute of Company Directors.

Diane Smith-Gander Independent Director

Diane Smith-Gander became a Director of the CBH Group in March 2011 and is a member of the Audit and Risk Management Committee and the Investment Committee.

Diane has held senior executive roles with Westpac Banking Corporation and was a Partner with McKinsey & Co in the USA.

She holds Board positions with Wesfarmers, Transfield Services, NBN Co and Tourism Western Australia, is the past Chairman of Basketball Australia, a past Director of pieNETWORKS Ltd and a former Chairman of the Australian Sports Drug Agency.

Diane is a Member of the University of Western Australia Business School Advisory Board and a Fellow of the Australian Institute of Company Directors. She also grows grapes in Margaret River.

David Willis Independent Director

David Willis was appointed to the CBH Board in March 2010 and in 2011 accepted the role of Chairman of the Audit and Risk Management Committee. He is also a member of the Investment Committee.

David is a qualified accountant with more than 30 years business experience in the Asia Pacific, UK and USA, including more than 25 years working with Australian and foreign banks.

He holds a number of Board positions with public and private companies in several sectors and across Australia, New Zealand and Asia.

He also acts as advisor to several companies and chairs a charity assisting disadvantaged youth. David is a Member of the Australian Institute of Company Directors and the Australian Institute of Chartered Accountants.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YOUR EXECUTIVE

01 **Dr Andrew Crane** Chief Executive Officer

Andrew Crane joined grain marketer, Grain Pool Pty Ltd in 2001. He was appointed General Manager of Grain Pool when it merged with CBH Group in 2003. In 2008, Andrew became General Manager of Strategy and Business Development and was appointed Chief Executive Officer of the Group in April 2009.

Since joining CBH, Andrew has led the re-organisation of the business to ensure grower members benefit from the dramatic deregulation of their industry. Key initiatives include partnerships and acquisitions along the grain supply chain, their subsequent integration and improving the efficiency of the broader business. As the CEO he has led a reconfirmation with members of a competitive co-operative business model, the creation of value return measures and delivery and valuing employees through a commitment to improving safety and engagement.

Prior to joining the CBH Group, Andrew spent 12 years in the European malting industry in various production, operational and marketing management positions. His last role was as Commercial Director of Pauls Malt Ltd, responsible for raw material sourcing and global sales.

Andrew holds a Bachelor of Science (BSc) in Environmental Studies, a PhD in Agriculture and is a Graduate of the Australian Institute of Company Directors. Andrew is also a Director of Interflour Holdings Ltd, a member of the Curtin Business School Advisory Council and a member of Rabobank International's Food and Agribusiness Advisory Board for Australia and New Zealand.

02 **David Moroney** Chief Financial Officer

David Moroney joined the CBH Group as Chief Financial Officer in July 2009 with responsibility for the financial and IT management of the Group.

David has more than 20 years in senior finance roles, most recently as Chief Financial Officer of First Quantum Minerals Ltd, and previously at Wesfarmers Group, initially as Chief Financial Officer of CSBP and later as General Manager Group Business Services in Wesfarmers Corporate. David has also worked overseas in secondments to Indonesia and the United States.

He holds a Bachelor of Commerce from the University of Melbourne, is a Fellow of both the Institute of Chartered Accountants and CPA Australia, and a Graduate of the Australian Institute of Company Directors. David is a Director of Westgrains Insurance Pte Ltd and an Alternate Director of Interflour Holdings Ltd. David is also a Non-Executive Director of Western Australian Hockey Association Inc. and Geraldton Fishermen's Co-operative Ltd.

03 **Virginia Miltrup** General Manager Corporate Services

Virginia Miltrup joined the CBH Group in June 2009 as General Manager Human Resources and became General Manager Corporate Services in May 2010. She is responsible for the HR, Organisational Development, Safety & Environment and Shared Services portfolios.

Virginia was previously head of the HR and Brand Equity portfolios at Synergy and has experience in senior management roles in industries including utilities, technology, publishing and local government. Virginia has international experience gained as General Manager HR (Asia Pacific) with Thomson Reuters.

She holds a Bachelor of Commerce degree in HR and Industrial Relations and a Masters Degree in Leadership and Management. Virginia is also a Graduate of the Australian Institute of Company Directors, an Associate Fellow of the Australian Institute of Management and a Certified Professional of the Australian Human Resources Institute.

04 **Jason Craig** General Manager Marketing, Accumulation and Trading

Jason Craig was appointed to General Manager Marketing, Accumulation and Trading in April 2012 and is responsible for the CBH Group's grain marketing, accumulation and trading division.

Jason joins the CBH Group from its joint venture business, Interflour, where he held the position of President Director of PT Eastern Pearl Flour Mills (EPFM), the fifth largest flour milling business in the world and the second largest in Indonesia.

Prior to this, Jason was the Trading Manager, Proteins, Oilseeds and Oats with the Grain Pool of WA (now known as CBH Grain).

He holds a Postgraduate Diploma in Applied Investment & Finance from the Securities Institute of Australia (Treasury Stream) and a Bachelor of Commerce (Banking & Finance) from Curtin University, Western Australia.

05 **Karlie Mucjanko** General Manager Grower Services

Karlie Mucjanko joined the CBH Group in 2005 as a Marketing and Communications Advisor before taking on the role of Manager Corporate Affairs in November 2005 until May 2008. She is currently General Manager Grower Services, responsible for the Corporate Affairs, Grower Value and Grower Services Call Centre portfolios.

Prior to joining the CBH Group, Karlie was the Public Relations Manager for the Kondinin Group and the Communications Officer for the WA Farmers Federation.

Karlie holds a MBA (Executive) from the University of WA and a Bachelor of Arts (Communications and English & Comparative Literature) from Murdoch University.

06 **Colin Tutt** General Manager Operations

Colin Tutt was appointed General Manager Operations in 1995. His responsibilities include overseeing CBH's world-class storage and handling operations including grain receivals; road and rail transportation; grain storage, sampling and caretaking; freight for shipping; engineering services; and shipping freight.

Colin's career commenced in 1974 as a CBH Receival Point Operator and, as a result, he has gained extraordinary experience and knowledge, particularly in WA grain supply chains. Colin has also travelled overseas to examine other grain handling networks, including spending time at Viterra, Canada where he gained insight into their more competitive supply chain model.

Colin holds a Diploma in Business Management from Mt Eliza Management College and is a Graduate of the Australian Institute of Company Directors.

07 **Allyn Wasley** General Manager Strategy & Business Development

Allyn Wasley was appointed General Manager Strategy & Business Development in April 2009 after serving six years as Chief Financial Officer of the CBH Group.

Allyn is a Director of Pacific Agrifoods Ltd and Interflour Holdings Ltd. He is also a Commissioner of PT Eastern Pearl Flour Mill and a Director of United Bulk Carriers Pty Ltd. Allyn is Chairman of Australian Bulk Stevedoring, and a Director of CBH Superannuation Holdings Pty Ltd and Westgrains Insurance.

Allyn holds a Bachelor of Business in Accounting and a Post Graduate Diploma in Management from Curtin University. He is also a Graduate of the Australian Institute of Company Directors.

08 **David Woolfe** General Manager Legal and Risk

David Woolfe joined the CBH Group as General Manager, Secretarial and Legal in October 2003 and became General Manager Legal and Risk in May 2010. He is currently responsible for the company secretarial, corporate governance, risk and legal functions of the Group.

A qualified lawyer and Chartered Secretary, David was previously a partner at Freehills where he practised corporate and commercial law for more than 16 years.

David is a Fellow of the Australian Institute of Company Directors, the Institute of Chartered Secretaries and Administrators and of Chartered Secretaries Australia.

CORPORATE GOVERNANCE

THIS STATEMENT OUTLINES THE MAIN CORPORATE GOVERNANCE PRACTICES OF THE CBH GROUP'S SYSTEM OF GOVERNANCE FOR THE YEAR ENDED 30 SEPTEMBER 2012.

The CBH Group of Companies has in place a Corporate Governance Charter setting out the role, responsibilities and powers of Directors and documenting the way the Board of the Co-operative functions. During the year, the Board approved changes to various policies within the Charter to reflect changes in law and best practice to ensure appropriate corporate governance processes are in place within the CBH Group.

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

The Roles of the Board and Management

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 charter identifies the relationship between the Board and Management. 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. It is the role of senior management to manage the organisation in accordance with Board policies and the direction determined by the Board.

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. Without limiting this general role of the Board, the specific or principal functions and responsibilities include:

- providing the overall strategic direction and approving corporate strategy of the Co-operative;
- setting the goals of the CBH Group, including short, medium and long-term objectives;
- appointing and approving the terms and conditions of employment of the Chief Executive Officer and the Company Secretary;
- reviewing and approving the annual and long-term operating budgets;
- reviewing and approving capital expenditure, including the annual capital and miscellaneous budgets;
- monitoring the effectiveness of risk management policies and practices;
- monitoring the operational and financial performance of the Co-operative; and
- monitoring compliance with legislative, occupational health, safety and environmental and ethical standards.

The Board carries out its activities through the Chief Executive Officer, to whom specific powers and responsibilities have been delegated.

THE BOARD OF DIRECTORS IS RESPONSIBLE TO MEMBERS FOR THE PERFORMANCE OF CBH AND ITS CONTROLLED ENTITIES.

Board Structure

The CBH Rules provide for the following Board structure:

- Nine Member Directors. These Directors are elected from five districts comprised of Districts 1, 2, 3, 4 and 5. 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 consider 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 from the Western Australian Electoral Commission as returning officer to conduct the election of Member Directors in accordance with the Rules.

The Remuneration and Nomination Committee considers the appointment or re-appointment of an Independent Director and makes a recommendation to the Board with regard to a preferred candidate. The Board makes a final decision as to the 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 or any age after which a Director must be re-appointed on an annual basis.

The names of Directors in office at the date of this report, the commencement date of their current term and the expiry of their current term are set out in the table below.

NAME OF DIRECTOR	CURRENT TERM COMMENCED	TERM EXPIRES ANNUAL GENERAL MEETING
T N Badger	30 March 2010	February 2013
*T J Bartlett	28 February 2012	February 2015
V A Dempster	2 March 2011	February 2014
K J Fuchsbichler	30 March 2010	February 2013
J P B Hassell	28 February 2012	February 2015
B E McAlpine	28 February 2012	February 2015
M E McGinniss	30 March 2010	February 2013
M C Michael, Deputy Chairman	2 March 2011	February 2014
W A Newman	2 March 2011	February 2014
*D Smith-Gander	2 March 2011	February 2014
N J Wandel, Chairman	28 February 2012	February 2015
*D S Willis	30 March 2010	February 2013

* Denotes Independent Director

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 N J Wandel is the elected Chairman and Mr M C Michael 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 46 to 49 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 Committee Chairman and key executives. The program also includes site visits to key CBH Group operations and CBH related computer training.

Role of Individual Directors and Conflicts of Interest

The charter outlines the policy and process to be followed in respect of Conflicts of Interests and Related Party Transactions. 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 have passed a resolution to enable the Director to do so.

Meetings of Directors

The Board meets formally at least nine 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 strategic planning session and, in addition, spends 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 2012 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 them 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 withheld unreasonably, to seek independent professional advice at the Co-operative's expense to support a Director in fulfilling his 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.

Knowledge, Skills and Experience

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 Group businesses and on matters which may affect the CBH Group.

Director Education

To support Directors in their 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 CBH Directors have attended the AICD course.

Directors are encouraged to continue professional development through attendance at various seminars, courses and conferences. Subject to prior approval, the reasonable cost of these development activities is met by the Co-operative. In 2012, an in-house training session was provided on Co-operative Governance. In addition, representatives from the Graduate Institute of Co-operative Leadership in Missouri USA also provided in-house training to Directors through a Co-operative Identity Workshop – Making Co-operation a Competitive Advantage.

Review of Board and Director Performance

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

The CBH Board conducts a program whereby, with the assistance of an external provider, the Board assesses its performance and the performance of individual Directors every four months.

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Committees of the Board

Two standing Board committees assist the CBH Board on the discharge of its responsibilities and are governed by their respective charters, as approved by the Board. These are:

- the Audit and Risk Management Committee; and
- the Remuneration and Nomination Committee.

There are also three other committees of the Board which meet on an as needs basis.

The Investment Committee meets to review significant investment opportunities on behalf of the Group and assists Management by giving guidance in respect of key negotiation points, reviewing documentation and providing general advice in connection with proposed investments.

The Communication Committee oversees the CBH Group's member communication program with the overall aim of providing guidance and advice on the Co-operative's communications approach to ensure consistency in communicating the Board's direction and objectives.

The Share Transfers and Documents Committee consents to the transfer of member shares on behalf of the Board where these transfers are primarily a result of a member business restructure. In addition, the Committee has the power to approve changes to documents requiring Board approval under the Co-operatives Act 2009 (WA) or the Rules.

All of the above committees review matters on behalf of the Board and operate in accordance with their own charters.

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.

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 Audit and Risk Management Committee to maintain free and open communications 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 during the 12 months ended 30 September 2012 were as follows:

Mr David Willis (Chairman)
Mr Vernon Dempster
Mr Rodney Madden retired 28 February 2012
Mr Clancy Michael
Ms Diane Smith-Gander
Mr Brian McAlpine joined 4 April 2012

The Chairperson of the Committee is not the Chairperson of the Board.

The Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Chief Risk Officer, internal and external auditors and other persons considered appropriate attend meetings by invitation.

The Committee also meets with the 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 2012.

The Audit and Risk Management Committee charter is posted on the corporate governance section of the CBH Group website.

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 auditors.

The Co-operative's current external auditors are Ernst & Young, who were appointed at the 2004 Annual General Meeting. The appointment and remuneration of the external auditors and their effectiveness, performance and independence is reviewed annually by the Audit & Risk Management Committee.

The Audit & 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 external audit policy in this regard.

In order to ensure the independence of the external auditor, the external audit partner is rotated every five years at a minimum. This occurred during the 2011-12 financial year.

Ernst & Young have provided a declaration to the Audit and Risk Management Committee for the financial year ended 30 September 2012 that Ernst & Young have maintained their independence in accordance with the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 and the rules of the professional accounting bodies.

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 Risk Officer reports to the General Manager Legal & 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, 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;
- Executive Risk Management Committee – there is a disciplined approach to the identification and management of risk with an Executive Risk Committee comprising the Chief Executive Officer, the Chief Risk Officer and the Executive team, meeting on a fortnightly basis or as required; and
- Two 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, Accumulation and Trading Risk Committee. These two committees report to the Executive 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 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.

The internal audit function is independent of the external audit function. The Chief Risk Officer monitors the internal control framework of the group and provides reports to the Audit & Risk Management Committee. The Audit & Risk Management Committee endorses the audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to business risks. The Audit & Risk Management Committee also reviews internal audit reports and monitors progress with recommendations made in these reports to ensure ongoing improvement in the internal control environment of the Co-operative.

Information Segregation

The CBH Group has strict information segregation between CBH Operations and CBH Grain. Policies and procedures ensure that decisions made by CBH Operations are made in a consistent manner and do not unfairly or unreasonably discriminate between the acquirers of its services. These policies and procedures are in accordance with undertakings made to the ACCC and are subject to an independent external audit each year, which is reviewed by the Audit & Risk Management Committee.

Remuneration and Nomination Committee

The primary functions of the Remuneration and Nomination Committee are to:

- make specific recommendations to the Board on remuneration of Directors and key executives, with external advice being sought as appropriate;
- recommend the terms and conditions of employment for the CEO;
- undertake a review of the CEO's performance, at least annually, including setting with the CEO goals for the coming year and reviewing progress in achieving those goals;
- undertake a review of the performance of the Executive of the Co-operative, at least annually, including setting with them goals for the coming year and reviewing progress in achieving those goals;
- consider and report to the Board on the remuneration recommendations of staff reporting directly to the Chief Executive Officer;
- develop and facilitate a process for Board and Director evaluation;
- assess the necessary and desirable competencies of Board members;
- review Board succession plans; and
- recommend the appointment of Directors with special skills.

The members of the Remuneration and Nomination Committee during the financial year ended 30 September 2012 were as follows:

Mr Neil Wandel (Chairman)
Mr Trent Bartlett joined 4 April 2012
Mr Kevin Fuchsbichler
Mr John Hassell
Mr Peter Knowles resigned 28 February 2012
Mr Mick McGinniss
Mr Wally Newman

With regard to the level of fees payable to Directors, at the Co-operative's 2012 Annual General Meeting, members approved an aggregate amount of $1,126,000 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.

The Chief Executive Officer and key executives are employed under employment agreements, which include formal position descriptions.

The remuneration package of the Chief Executive Officer is recommended to the Board by the Remuneration and Nomination Committee having regard to his performance and the performance of the Co-operative as measured against agreed targets. The targets are set annually by the Remuneration and Nomination Committee.

The remuneration packages of key executives are set by the Remuneration and Nomination Committee in consultation with the Chief Executive Officer and recommended to the Board.

The Remuneration and Nomination Committee met six times during the financial year ended 30 September 2012.

A summary of the Committee's role, rights, responsibilities and membership requirements has been posted on the corporate governance section of the CBH Group website.

Communication with Members

The CBH Group places significant importance on achieving effective communication 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 forwarded to members with an invitation to attend the CBH Annual General Meeting, where members are given a reasonable opportunity to address issues with the Board. The auditors to the Co-operative are available at the Annual General Meeting to address specific financial issues raised by members if required.

Throughout the year the CBH Group holds many local and regional meetings with growers to provide advice on Co-operative and industry issues. Meetings include pre and post harvest meetings, proposed capital works 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 grower enterprise.

The CBH Group conducts regular grower surveys, including a quarterly corporate tracking survey, to assess grower attitudes to a range of CBH Group 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 Board Communications Committee and the Growers Advisory Council each assist in the effective communication between the Co-operative and its grower members.

Code of Conduct

The Board has adopted a Code of Conduct based on the Australian Institute of Company Directors (AICD) model as an appropriate standard of conduct that is to be followed by all CBH Directors.

In addition, a CBH Group Business Code of Conduct has been prepared for the guidance and benefit of all people employed by, contracted by, or acting on behalf of the CBH Group. The Business Code of Conduct, which was reviewed and updated by the Board this year, 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 Code encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Code and protects those that report breaches in good faith.

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.

A recent review of the GAC Charter has resulted in the introduction of an annual rotation system for Councillors whereby on an annual basis interested growers can apply for a 3 year term as a GAC Councillor.

Members of the Growers Advisory Council are:

- Mr Ashley Wiese (Chairman)
- Mr Bradley Millsteed (Deputy Chairman)
- Mr Tim Bock
- Mr Terry Counsel
- Mr Andrew Crook
- Mr Andy Duncan
- Mr Andrew Fowler
- Mr Mark Graham
- Mr Roger House
- Mr Norm Jenzen
- Mr Rodney Messina
- Mr Dwight Ness
- Mr Andrew Todd
- Mrs Lindsay Tuckwell
- Mr Wayne Walter

DEBBIE CRISTINELLI, TAMBELLUP

The CBH Group places significant importance on achieving effective communication 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.

DIRECTORS REPORT

YOUR DIRECTORS SUBMIT THE FINANCIAL REPORT OF CO-OPERATIVE BULK HANDLING LIMITED (THE “COMPANY”) AND ITS CONTROLLED ENTITIES (THE “GROUP”) FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012.

Directors

The following persons were Directors of Co-operative Bulk Handling Limited during the financial year:

N J Wandel (Chairman)
T N Badger
T J Bartlett joined 28 February 2012
V A Dempster
K J Fuchsbichler
J P B Hassell
P W Knowles retired 28 February 2012
R G Madden retired 28 February 2012
B E McAlpine joined 28 February 2012
M E McGinniss
M C Michael (Deputy Chairman)
W A Newman
D Smith-Gander
D S Willis

Mr Wandel was Chairman of the Board for the financial year. Mr Newman was Deputy Chairman from 1 October 2011 until 4 April 2012 when he chose not to nominate as Deputy Chairman for a further term and Mr Michael was elected Deputy Chairman.

A summary of the qualifications, experience and special responsibilities of each of the Directors together with a summary of the qualifications and experience of the Company Secretary is set out on pages 46 to 51 of this Annual Report.

Principal Activities

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

Review of Operations

From total revenue of $2,272,723,000 (2011 – $2,033,322,000) the consolidated entity realised a profit attributable to members of the parent entity for the financial year of $162,369,000 (2011 – $21,402,000 loss). Income tax expense from continuing operations of the consolidated entity was $7,670,000 (2011 – $9,830,000 benefit).

The CBH Group received 15.06 million tonnes of grain into its storage facilities during the financial year compared to only 6.55 million tonnes in the prior year. This significant increase in harvest size in Western Australia was the main reason for the increase in profit and the strengthened operating cashflow, which will assist the Board in meeting its commitment to invest in the storage and handling network in good seasons and in bad.

A more detailed review of the operations of the consolidated entity during the financial year and the results of those operations appear elsewhere in the Annual Report and in the accompanying financial statements.

Significant Changes in State of Affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the financial year are as follows:

- Revenue from continuing operations and other income increased by 12 per cent to $2,272,723,000.
- Insurance costs increased by 28 per cent to $10,725,000 due to the increased tonnes in storage.
- Storage, handling and freight expenses rose 58 per cent to $259,072,000 due to the exceptional harvest.
- The profit attributable to members of the parent entity for the year increased to $162,369,000 this year.
- The net cash inflow from operations was strong at $374,350,000 due to the larger harvest, and cash and cash equivalents increased to $439,141,000 at year end as a result of this, large auction premiums received and a higher level of short term debt.
- Property, Plant and Equipment assets rose by 15 per cent to $886,223,000 largely due to rail rolling stock purchases.
- Total assets increased by 43 per cent to $2,155,642,000.
- Other Current Liabilities increased to $241,846,000 due to a large increase in auction premium balances on the Group's books at 30 September 2012.
- Interest bearing debt increased to $392,608,000 due to a high carryover of grain inventory.
- Total liabilities increased by 117 per cent to $912,869,000.
- Equity increased by 14 per cent to $1,242,773,000.

Significant Events After Year End

Subsequent to year end, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2012/13 season:

- Syndicated debt facility for $350,000,000 with various banks;
- Syndicated inventory finance facility for $600,000,000 with various banks;
- Banking facility for $150,000,000 with National Australia Bank Ltd; and
- Uncommitted facility for $125,000,000 with Cooperative Centrale Raiffeisen-Boerenleenbank B.A.

Subsequent to year end, CBH Grain Pty Ltd negotiated a pre-shipment facility for $120,000,000 with Commonwealth Bank of Australia, which is to be used for the shipping of grain over the 2012/13 season.

Likely Developments and Expected Results

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to elsewhere in this Annual Report.

Environmental Regulation and Performance

The operations of the Company are subject to various Commonwealth and State environmental legislation and regulation.

The Company aims to control the impact of its activities on the environment as far as is reasonably possible and to ensure that its operations are conducted in accordance with legislative requirements.

There has been no known breach of any environmental regulations to which the Company is subject.

BOARD AND COMMITTEE MEETINGS

	SCHEDULED BOARD MEETINGS		UNSCHEDULED BOARD MEETINGS*		AUDIT & RISK MANAGEMENT COMMITTEE		REMUNERATION & NOMINATION COMMITTEE		INVESTMENT COMMITTEE		COMMUNICATIONS 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
T N Badger	9	9	2	2					4	4	2	1
T J Bartlett	5	5	2	2			3	3				
V A Dempster	9	8	2	2	5	5						
K J Fuchsbichler	9	9	2	2			6	5			2	2
J P B Hassell	9	9	2	2			6	6			2	2
P W Knowles	4	4					2	2	2	1		
R G Madden	4	4			3	3			2	1		
B E McAlpine	5	5	2	1	2	2						
M E McGinniss	9	9	2	2			6	5	1	1		
M C Michael	9	9	2	2	5	5					2	1
W A Newman	9	9	2	2			6	6			2	2
D Smith-Gander	9	9	2	2	5	5			4	4		
N J Wandel	9	9	2	2			6	5	4	4		
D S Willis	9	9	2	2	5	5			4	4		

* One unscheduled Board meeting was held by teleconference.

** In all cases where a Director was unable to attend a Board meeting, leave of absence was granted by the Chairman, who endeavoured to canvas the views of the Director on key matters prior to the meeting, in order to represent the Director's views at the meeting.

Board and Committee Meetings

The table above sets out the number of CBH Directors' meetings (including meetings of the standing board committees) held during the financial year ended 30 September 2012 and the number of meetings attended by each Director.

Indemnification and Insurance

The Company, through Deeds of Indemnity, Insurance and Access has indemnified all Directors for any liabilities incurred as a Director, other than liabilities to the Company or a related body corporate, or liabilities arising out of conduct involving lack of good faith.

A Directors' and Officers' insurance policy is maintained but the terms of the contract prohibit disclosure of the amount of the premium.

Auditor's Independence

A copy of the declaration given by our External Auditor to the Directors in relation to the auditors' compliance with the independence requirements of the Australian accounting bodies and the applicable code of professional conduct for External Auditors is provided on page 63.

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

Neil Wandel
Chairman
Perth, 5 December 2012

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF CO-OPERATIVE BULK HANDLING LIMITED

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of Co-operative Bulk Handling Limited

In relation to our audit of the financial report of Co-operative Bulk Handling Limited for the financial year ended 30 September 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of Australian accounting bodies or any applicable code of professional conduct.

Ernst & Young

Robert A Kirkby
Partner
Perth, 5 December 2012

FINANCIAL REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2012
ABN 29 256 604 947

SHANNON MORTON, CBH EMPLOYEE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Notes	**30 September 2012 $'000**	30 September 2011 $'000
Continuing operations			
Revenue from continuing operations	4(a)	**2,229,534**	1,951,317
Other income	4(b)	**43,189**	82,005
Changes in inventories		**(286)**	135
Raw materials, traded grains and consumables used	4(c)	**(1,399,543)**	(1,526,654)
Employee benefits expense	4(d)	**(164,595)**	(121,625)
Depreciation and amortisation expense	4(e)	**(64,780)**	(59,345)
Storage, handling and freight expenses	4(f)	**(259,072)**	(163,568)
Marketing and trading expenses		**(105,978)**	(97,597)
Insurance		**(10,725)**	(8,368)
Rent expense		**(12,802)**	(12,517)
Other expenses		**(59,969)**	(47,779)
Impairment in investment		**–**	(439)
Finance costs	4(g)	**(31,837)**	(40,888)
Share of profit/(loss) of associates accounted for using the equity method	27	**7,000**	14,260
Profit/(loss) from continuing operations before income tax		**170,136**	(31,063)
Income tax benefit/(expense) from continuing operations	5	**(7,670)**	9,830
Profit/(loss) from continuing operations after income tax expense		**162,466**	(21,233)
Other comprehensive income			
Foreign currency translation loss	17	**(2,704)**	(1,088)
Net gain/(loss) on foreign currency hedge	20	**(1,936)**	1,032
Actuarial loss on defined benefit plan	25	**(195)**	(1,089)
Other comprehensive income/(expense) for the year, net of tax		**(4,835)**	(1,145)
Total comprehensive income/(expense) for the year		**157,631**	(22,378)
Profit/(loss) for the year is attributable to:			
Non-controlling interest		**97**	169
Members of the parent entity		**162,369**	(21,402)
		162,466	(21,233)
Total comprehensive income/(expense) for the year is attributable to:			
Non-controlling interest		**97**	169
Members of the parent entity		**157,534**	(22,547)
		157,631	(22,378)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

	Notes	**30 September 2012 $'000**	30 September 2011 $'000
ASSETS			
Current assets			
Cash and bank balances	18	**439,141**	146,294
Trade and other receivables	6	**276,710**	168,382
Derivative financial instruments	20	**170,417**	74,137
Other financial assets	7	**–**	20
Inventories	8	**252,139**	229,313
Income tax receivable		**3,689**	–
Other assets	9	**4,972**	2,405
Total current assets		**1,147,068**	620,551
Non-current assets			
Investments in associates	27	**99,395**	95,999
Other financial assets	7	**3,780**	1
Derivative financial instruments	20	**984**	–
Property, plant and equipment	11	**886,223**	766,734
Intangible assets and goodwill	12	**11,979**	4,715
Other assets	9	**6,213**	10,636
Deferred tax assets	5	**–**	7,900
Total non-current assets		**1,008,574**	885,985
Total assets		**2,155,642**	1,506,536
LIABILITIES			
Current liabilities			
Trade and other payables	13	**95,953**	66,473
Interest bearing loans and borrowings	14	**381,116**	176,062
Derivative financial instruments	20	**152,150**	105,697
Income tax payable		**–**	6,416
Provisions	15	**20,183**	17,664
Deferred tax liability	5	**2,574**	–
Other liabilities	16	**241,846**	35,535
Total current liabilities		**893,822**	407,847
Non-current liabilities			
Interest bearing loans and borrowings	14	**11,492**	6,147
Derivative financial instruments	20	**529**	321
Provisions	15	**7,026**	5,721
Total non-current liabilities		**19,047**	12,189
Total liabilities		**912,869**	420,036
Net assets		**1,242,773**	1,086,500
EQUITY			
Equity attributable to equity owners of the parent			
Contributed equity	17	**6**	7
Reserves	17	**1,026,250**	900,891
Retained earnings	17	**216,517**	185,517
Parent interests		**1,242,773**	1,086,415
Non-controlling interests		**–**	85
Total equity		**1,242,773**	1,086,500

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Notes	30 September 2012 $'000	30 September 2011 $'000
Cash flows from operating activities			
Receipts from customers		**2,379,644**	1,986,153
Payments to suppliers and employees		**(1,994,714)**	(2,056,061)
		384,930	(69,908)
Interest received		**28,558**	26,303
Interest and other costs of finance paid		**(31,837)**	(40,888)
Income taxes refunded/(paid)		**(7,301)**	39,466
Net operating cash flows	18	**374,350**	(45,027)
Cash flows from investing activities			
Payments for property, plant and equipment		**(191,532)**	(126,947)
Payments for investments in associates by way of loan		**–**	(274)
Distributions from associates		**900**	810
Loans to third parties		**(384,346)**	(96,578)
Loans repaid by third parties		**287,838**	115,155
Proceeds from sale of property, plant and equipment		**582**	3,628
Receipt of loan from associated entities		**–**	6,147
Net investing cash flows		**(286,558)**	(98,059)
Cash flows from financing activities			
Borrowings from other parties		**960,371**	1,059,804
Repayment of borrowings to other parties		**(755,316)**	(1,060,148)
Debentures repaid		**–**	(6,002)
Net financing cash flows		**205,055**	(6,346)
Net increase/(decrease) in cash and cash equivalents held		**292,847**	(149,432)
Cash and cash equivalents at the beginning of the financial year		**146,294**	295,726
Cash and cash equivalents at the end of the financial year	18	**439,141**	146,294

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Ordinary shares $'000	Capital levy reserve $'000	General reserve $'000	Foreign currency translation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Acquisition reserve $'000	Owners of the parent $'000	Non-controlling interest $'000	Total $'000
At 1 October 2011	**7**	**52,587**	**868,489**	**(21,217)**	**1,032**	**185,517**	**–**	**1,086,415**	**85**	**1,086,500**
Profit/(loss) for the year	–	–	–	–	–	162,369	–	162,369	97	162,466
Other comprehensive income/(expense)	–	–	–	(2,704)	(1,936)	(195)	–	(4,835)	–	(4,835)
Total comprehensive income/(expense)	**–**	**–**	**–**	**(2,704)**	**(1,936)**	**162,174**	**–**	**157,534**	**97**	**157,631**
Transfers (to)/from reserves/retained earnings	–	–	131,174	–	–	(131,174)	–	–	–	–
Acquisition of minority interest of a controlled entity	–	–	–	–	–	–	(1,175)	(1,175)	(182)	(1,357)
Transactions with owners in the capacity as owners										
Shares cancelled	(1)	–	–	–	–	–	–	(1)	–	(1)
At 30 September 2012	**6**	**52,587**	**999,663**	**(23,921)**	**(904)**	**216,517**	**(1,175)**	**1,242,773**	**–**	**1,242,773**

	Ordinary shares $'000	Capital levy reserve $'000	General reserve $'000	Foreign currency translation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Owners of the parent $'000	Non-controlling interest $'000	Total $'000
At 1 October 2010	**7**	**52,587**	**874,351**	**(20,129)**	**–**	**202,146**	**1,108,962**	**–**	**1,108,962**
Profit/(loss) for the year	–	–	–	–	–	(21,402)	(21,402)	169	(21,233)
Other comprehensive income/(expense)	–	–	–	(1,088)	1,032	(1,089)	(1,145)	–	(1,145)
Total comprehensive income/(expense)	**–**	**–**	**–**	**(1,088)**	**1,032**	**(22,491)**	**(22,547)**	**169**	**(22,378)**
Transfers (to)/from reserves/retained earnings	–	–	(5,862)	–	–	5,862	–	–	–
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(84)	(84)
At 30 September 2011	**7**	**52,587**	**868,489**	**(21,217)**	**1,032**	**185,517**	**1,086,415**	**85**	**1,086,500**

The above 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 2012

Note 1. Corporate information

The financial report of Co-operative Bulk Handling Limited for the year ended 30 September 2012 was authorised for issue in accordance with a resolution of the directors on 5 December 2012.

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

The nature of the operations and principal activities of the Group include grain storage and handling services, grain trading and marketing, engineering and construction and investment in flour mills.

Note 2. Summary of significant accounting policies

a) Basis of preparation

This general purpose financial report has been prepared in accordance with the requirements of the Co-operatives Act 2009 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for grain inventory held for trading which has been measured at fair value less costs to sell and derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

The financial report covers a period of 12 months from 1 October 2011 to 30 September 2012.

b) 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.

c) New accounting standards and interpretations

i. *Changes in accounting policy and disclosures*

The accounting policies adopted are consistent with those of the previous financial year except as noted below:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 October 2011.

- AASB 124 (Revised) – Related Party Disclosures (December 2009) – simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition effective 1 October 2011
- AASB 2009-12 – Editorial amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] effective 1 October 2011
- AASB 2010-4 – Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13) effective 1 October 2011
- AASB 2010-5 – Editorial amendments to Australian Accounting Standards including changes to reflect changes made to the text of IFRS by the IASB (AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042) effective 1 October 2011
- AASB 1054 – Australian Additional Disclosures – relocation of all Australian specific disclosures from other standards to one place and disclosure revision effective 1 October 2011
- AASB 2010-6 – Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] effective 1 October 2011
- AASB 2011-5 – Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131] effective 1 October 2011

The Group has assessed the impact of the adoption of these new and amended Standards and Interpretations and has determined that they do not have an impact on the financial statements or performance of the Group.

Note 2. Summary of significant accounting policies (continued)

c) New accounting standards and interpretations (continued)

ii. *Accounting Standards and Interpretations issued but not yet effective*

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting ending 30 September 2012. The Group has not yet determined the extend of the impact of these amendments as outlined in the table below:

Reference	Summary	Application date of standard	Application date for Group
2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 Jan 2012	1 October 2012
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 October 2012
AASB 10 Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	1 October 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 2. Summary of significant accounting policies (continued)

c) New accounting standards and interpretations (continued)

ii. Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 11 – Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly – controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	1 October 2013
AASB 12 – Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 October 2013
AASB 13 – Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 October 2013
AASB 119 – Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 October 2013

Note 2. Summary of significant accounting policies (continued)

c) New accounting standards and interpretations (continued)

ii. Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Summary	Application date of standard	Application date for Group
Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 October 2013
AASB 1053 – Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1 and 2012-7.	1 July 2013	1 October 2013

Note 2. Summary of significant accounting policies (continued)

c) New accounting standards and interpretations (continued)

ii. Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 2012-2 – Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	1 October 2013
AASB 2012-5 – Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	1 October 2013
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 October 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 2. Summary of significant accounting policies (continued)

c) New accounting standards and interpretations (continued)

ii. Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 9 – Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: – The change attributable to changes in credit risk are presented in other comprehensive income (OCI) – The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2015	1 October 2015

Note 2. Summary of significant accounting policies (continued)

d) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Co-operative Bulk Handling Limited ("Company" or "parent entity") as at 30 September 2012 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 all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent entity using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Co-operative Bulk Handling Limited less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the statement of comprehensive income of the parent entity and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

Associates

Associates are those entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in the associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of associates' post-acquisition profits or losses is recognised in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in an associate, including any other unsecured long term receivables, the Group does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are consistent with the policies adopted by the Group.

The Group has loans to associates. These loans have been reclassified as part of the investments in associates at cost as they are considered in substance to form part of the net investment in associates.

Note 2. Summary of significant accounting policies (continued)

e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

f) Revenue recognition

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

i) Grain handling revenue

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 trading revenue

Revenue is generated from the sale of grain domestically, interstate and overseas and other grain related services. Overseas sales are sold on the basis of Free on Board (FOB), Cost and Freight (CFR) or Cost Insurance and Freight (CIF). Revenue is recognised when the significant risk and rewards of ownership have passed from the Group to an external party. Grain related services are recognised as revenue as services are rendered. Services revenue relate to chartering and logistics services for CIF and CFR export sales and are recognised at the time the services are provided.

iii) Interest

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

iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

v) Management fees revenue

Management fee revenue is recognised according to when the service is provided.

vi) Underwriting fees revenue

The underwriting fee charged on loan products is a fee for the service of providing a non-recourse loan. Underwriting fee revenue is recognised on a basis consistent with the pattern of the incidence of risk covered by the service provided.

vii) Construction revenue

Construction contract revenue is recognised in accordance with the percentage of completion method. Refer note 2 (g) for details.

viii) Logistic services revenue

Revenue is recognised as the services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 2. Summary of significant accounting policies (continued)

g) Construction contracts

Construction contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

For fixed price contracts, the stage of completion are measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Construction work-in-progress

Work-in-progress is valued at cost plus profit recognised to date based on the value of work completed, less provision for foreseeable losses. Any material losses on contracts are brought to account when identified.

Costs include both variable and fixed costs directly related to specific contracts. Those costs which are expected to be incurred under penalty clauses and warranty provisions are also included.

h) Trade and other receivables

Trade receivables, which generally have 14-30 day terms, 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 impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment.

i) Inventories

i) Consumables and stores

Consumables and stores, except for grain held for trading, are stated 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.

ii) Grain stock

Grain purchased with the purpose of selling in the near future and generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less costs to sell, with changes in fair value recognised in the statement of comprehensive income.

Note 2. Summary of significant accounting policies (continued)

j) Investments and other financial assets

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. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through the profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets on initial recognition.

i) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

iii) Financial assets at fair value through the profit and loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gain or losses on financial assets held for trading are recognised in profit or loss.

iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Note 2. Summary of significant accounting policies (continued)

j) Investments and other financial assets (continued)

v) Hedging

The group uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each year end.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (CBH Group does not have any fair value hedges)
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction (CBH Group currently has cash flow hedges attributable to future foreign currency purchases in respect of the rail assets)
- Hedges of a net investment in a foreign operation (CBH Group does not have any net investment hedges)

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges:

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction (finance costs or inventory and fixed asset purchases) when the forecast transaction occurs.

The Group tests each of the designated cash flow hedges for effectiveness on a monthly basis both retrospectively and prospectively using regression analysis. A minimum of 30 data points is used for regression analysis and if the testing falls within the 80:125 range, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

At each balance date, the Group measures ineffectiveness using the dollar offset method. For foreign currency cash flow hedges if the risk is over-hedged, the ineffective portion is taken immediately to other income/expense in the statement of comprehensive income. For interest rate cash flow hedges, any ineffective portion is taken to other expenses in the statement of comprehensive income.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 2. Summary of significant accounting policies (continued)

k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses (refer Note 2(l)). All such assets, except freehold land, are depreciated over their estimated useful lives on a straight line basis commencing from the time the asset is held ready for use. The expected useful lives are as follows:

Buildings	10-50 years
Plant and equipment	5-20 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, comprising locomotives and wagons, is depreciated on the usage basis. The usage is assessed based on the tonnes moved to port via rail each year.

l) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indicator exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

m) Repairs and maintenance

Plant of the Group is required to be overhauled on a regular basis. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a major component of an asset, in which case the costs are capitalised and depreciated in accordance with Note 2(k). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

n) Leasehold properties

The cost of leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the property to the Group, whichever is the shorter. Leasehold properties held at the reporting date are being amortised over a period not greater than 99 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 2. Summary of significant accounting policies (continued)

o) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units), is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) 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.

Impairment losses recognised for goodwill are not subsequently reversed.

p) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development cost, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at a cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether an indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

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

i) Computer software

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

Note 2. Summary of significant accounting policies (continued)

p) Intangible assets (continued)

ii) Research and development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised on a straight line basis over the estimated useful life. At 30 September 2012, the Group does not have any development assets.

iii) Patents

Patents and trademarks are recognised at cost of acquisition. Patents have a finite life and are carried at cost less accumulated amortisation and any impairment losses. Patents are amortised on a straight line basis over twenty years.

q) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangements and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

i) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

ii) Group as a lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

r) Trade and other payables

Trade payables and other payables are carried at amortised costs 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.

Note 2. Summary of significant accounting policies (continued)

s) Interest bearing loans and borrowings

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 statement of comprehensive income when the liabilities are derecognised.

t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

u) Foreign currency translation

The consolidated financial statements are presented in Australian dollars (AUD) which is Co-operative Bulk Handling Limited's functional and presentation currency.

Foreign currency transactions are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date and all differences are recognised in the statement of comprehensive income. Loans to subsidiaries are retranslated at the exchange rate ruling at reporting date and any retranslation difference is taken to a separate component of equity where the loan is determined to be equity in nature.

The functional currency of overseas subsidiaries is American Dollars (USD), Hong Kong Dollars (HKD) and Japanese Yen (JPY).

As at the reporting date the assets and liabilities of the foreign operations are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and the statement of comprehensive income are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

v) Employee benefits

i) Wages and salaries and annual leave

Liabilities for wages and salaries, annual leave and related on costs, are recognised and are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled.

ii) Long service leave and sick leave

A liability for long service leave and sick leave due to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave and vesting sick leave due to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Note 2. Summary of significant accounting policies (continued)

v) Employee benefits (continued)

ii) Long service leave and sick leave (continued)

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Terminations

Liabilities for termination benefits are recognised when a detailed plan for terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled.

iv) Superannuation

The Group offers employees a choice in certain superannuation matters. As such superannuation contributions are made to a number of funds, including the CBH Superannuation Fund (Note 25) which includes a defined benefit component within the plan.

Defined benefit members receive pension benefits on retirement, death and disablement, with an option to convert their benefits to a lump sum. On resignation, defined benefit members receive a lump sum benefit. The defined benefit section of the Fund is closed to new members. All new members receive accumulation only benefits.

The Group uses the Direct to Equity Approach to account for actual gains or losses. Under this approach actuarial gains and losses in respect of the defined benefit component of the superannuation plan are recognised in the retained earnings. They are not taken to profit and loss in future periods.

The defined benefit asset or liability is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date. Any asset resulting from this calculation is limited to unrecognised past service cost, plus the present value of any economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan. The defined benefit obligation includes actuarial estimates of future variables such as employee turnover and the plan's rate of return. Gains and losses arising from changes in actuarial estimates are recognised immediately through retained earnings in the year in which they occur.

w) Income tax

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 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 income tax liabilities are recognised for all taxable temporary differences except:

- 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 or interests in joint ventures, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 2. Summary of significant accounting policies (continued)

w) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off 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.

The parent entity is exempt from income tax by virtue of Section 50-40 of the Income Tax Assessment Act (1997).

x) Other taxes

Co-operative Bulk Handling Limited ('CBH') added CBH Grain Pty Ltd and AgraCorp Pty Ltd to its existing GST Group on 1 October 2010. An Indirect Tax Sharing Agreement ('ITSA') was entered into between CBH (as the Representative member) and members of the GST Group with the effect of managing the GST liability of the Group. The ITSA covers indirect taxes which include the GST, Luxury Car Tax, Wine Equalisation Tax 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 included in the Cash Flow Statement on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

y) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use. No borrowing costs were capitalised during the current year.

Other borrowing costs are recognised as an expense when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 2. Summary of significant accounting policies (continued)

z) Bank guarantees

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. The parent entity has undertaken guarantees relating to loan facilities with certain subsidiaries and associated entities.

Financial guarantee contracts are initially measured at fair value and recorded as a guarantee liability and an increase in investment on the statement of financial position. In future years, financial guarantee contracts are recognised and measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised less, where appropriate, cumulative amortisation.

aa) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedge instrument. The Group's commodity futures and options contracts, interest rate swap agreements and foreign exchange contracts are used to manage financial risk and exposure of commodity inventories but do not currently qualify for hedge accounting.

Where derivative instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the statement of comprehensive income. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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 quoted market price used for financial assets held by the Group is the current bid price, the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) 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 stocks, forward sales and forward purchases do not have quoted market prices available. Other techniques, such as obtaining bid values from a variety of commodity brokers and trade marketers, are used to determine fair value for these financial instruments. 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 carrying value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the futures contractual cash flows at current market interest rates that is available to the Group for similar financial instruments.

ab) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

ac) Contributed equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 3. Significant accounting judgements, estimates and assumptions

The preparation of the 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 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.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

CBH Grain Pools

The Group operates grain pools on behalf of growers and has legal title over the pool stocks; however the majority of the risks and benefits associated with the pools, principally price risk and benefit, together with credit risk, are attributable to growers. As a result, pool stocks and other related balances held by the Group on behalf of growers are not recognised in the Group's financial statements. Separate financial records are maintained for CBH Grain Pools.

Loans to overseas subsidiaries in foreign currency

Loans to overseas subsidiaries where there is no intention to recall the payment in the immediate future and there are no fixed repayment term are considered equity in nature.

Loans to overseas subsidiaries in foreign currency are translated at the exchange rate ruling at the reporting date. Any exchange differences arising on the translation are recognised in the foreign currency translation reserve on consolidation if it was determined that the loans are equity in nature. For all other loans, the exchange differences are recognised in the statement of comprehensive income.

Recognition of deferred income tax assets

Deferred income tax assets are recognised in relation to the subsidiaries of the Group to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. Due to the tax exempt status of CBH Limited, no deferred tax amounts are recognised in the parent entity.

Qualifying assets

The group has determined that Qualifying assets are those assets which take longer than twelve to get ready for their intended use.

ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting year are:

Allowance for doubtful debts

Management believe recoverability of some of the debts included in trade and other receivables are uncertain as they are overdue beyond their credit period and therefore an impairment allowance of $4,623,000 (2011: $3,917,000) has been raised. Measures are being undertaken to recover the full value of the relevant receivable, including taking charge over the assets of debtors in default and/or taking legal action.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of 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 environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial year. There was no impairment recognised during the year as a result of this.

Note 3. Significant accounting judgements, estimates and assumptions (continued)

ii) Significant accounting estimates and assumptions (continued)

Impairment of investment in associate

As at reporting date, the Company assessed the impairment of investments in associates by comparing the equity accounted value of the investments to expected cash flows from the investments. As a result, no impairments where recognised in any associates this financial year.

Derivative assets and liabilities

Fair value where there is no organised market

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) 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. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Physical positions comprising stocks, forward sales and forward purchases do not have quoted market prices available, therefore other techniques, such as obtaining bid values from a variety of commodity brokers and trade marketers, are used to determine fair value for these financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

Grain stock inventory

The Group measures the cost of grain stock inventory held for trading by reference to the fair value of grain stock as at reporting date less costs to sell. The fair value has been determined by reference to international and domestic grain prices as at reporting date. In cases where international or domestic prices are not readily available, the fair value is determined by reference to a forward price that may be available.

Defined benefit plan

Various actuarial assumptions are required when determining the Group's pension benefit obligations. These assumptions and related carrying amounts are discussed in Note 25.

Long service leave and sick leave entitlements

The Group measures the value of long service leave and sick leave liabilities at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit valuation method. The expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Bank guarantee liability

The fair value of guarantees discussed in Notes 2(z) and 10 has been assessed using the present value approach on initial recognition. In order to estimate the fair value under this approach, the Company used the differential between the interest rate with the guarantee (2.35%-5.4%) and what the interest rate would potentially have been without the guarantee (3.33%-6.84%). Subsequent to initial measurement, the guarantees are recognised at the higher of the present value of the expenditure required to settle the obligation or the amount initially recognised less cumulative amortisation, whichever is higher.

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 life are made when considered necessary. Depreciation charges are disclosed in Note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 4. Revenues and expenses		
Revenues and Expenses from Continuing Operations		
a) Revenue		
Grain handling services	**530,187**	223,206
Grain sales	**1,614,338**	1,642,638
Construction contract revenue	**5,759**	4,960
Logistic services revenue	**35,737**	36,401
Management fees	**21,231**	17,809
Interest	**28,558**	26,303
Customer Loyalty rebate	**(6,276)**	–
	2,229,534	1,951,317
b) Other income		
Net (loss)/gain on disposal of property, plant and equipment	**582**	2,793
Net realised gain on foreign exchange	**68,574**	123,973
Unrealised fair value gain/(loss) on derivatives	**(49,349)**	(84,121)
Realised fair value gain/(loss) on derivatives	**9,673**	22,570
Net unrealised (loss)/gain on foreign exchange on non derivatives	**(858)**	210
Amortisation of bank guarantee liability	**320**	363
Other	**14,247**	16,217
	43,189	82,005
c) Raw materials, traded grains and consumables		
Fair value change on traded inventory at year end	**(29,621)**	(11,779)
Construction contract costs	**5,477**	2,222
Costs of goods sold	**1,423,687**	1,536,211
	1,399,543	1,526,654
d) Employee benefits expense		
Wages and salaries	**146,118**	103,385
Defined contribution accumulation superannuation expense	**6,916**	5,085
Defined benefit superannuation expense	**4,228**	3,701
Other employee benefits expense	**7,333**	9,454
	164,595	121,625
e) Depreciation and amortisation		
Depreciation:		
Land and buildings	**32,742**	30,814
Plant and equipment	**23,234**	23,484
Office furniture and equipment	**1,682**	1,646
Motor vehicles	**2,039**	2,041
Low value assets	**858**	425
Leasehold properties	**168**	168
Amortisation:		
Patents and other intangibles	**4,057**	767
Total depreciation and amortisation	**64,780**	59,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 4. Revenues and expenses (continued)		
Revenues and Expenses from Continuing Operations (continued)		
f) Storage, handling and freight expenses		
Storage and handling	**117,053**	67,790
Freight	**142,019**	95,778
	259,072	163,568

Freight expense includes the amount Co-operative Bulk Handling Ltd pays to rail and road transporters under its Grain Express strategy which commenced in 2009 to move grain from up-country receival sites, to destination sites.

g) Finance costs		
Bank loans and overdrafts	**29,459**	34,546
Payments to CBH Grain Pools	**2,378**	6,342
Total finance costs	**31,837**	40,888
h) Unrealised gain/(loss)		
Net unrealised gain/(loss) on inventory at fair value, less cost to sell	**29,621**	11,779
Net unrealised gain/(loss) on derivatives at fair value	**(49,349)**	(84,121)
	(19,728)	(72,342)

Note 5. Income tax

Major components of income tax expense for the year ended 30 September 2011 and the year ended 30 September 2012 are:

Statement of comprehensive income		
Current income tax		
Current income tax charge	**808**	7,346
Adjustments in respect of current income tax of previous years	**(3,614)**	(258)
Adjustment in respect of current income tax due to CBH becoming a tax exempt entity	**–**	(57,285)
Deferred income tax		
Relating to origination and reversal of temporary differences	**8,055**	(15,040)
Adjustments in respect of deferred income tax of previous years	**2,421**	58
Adjustments in respect of CBH becoming tax exempt entity	**–**	55,349
Income tax (benefit)/expense reported in the statement of comprehensive income	**7,670**	(9,830)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF COMPREHENSIVE INCOME	
	30 September 2012 $'000	30 September 2011 $'000	**30 September 2012 $'000**	30 September 2011 $'000
Note 5. Income tax (continued)				
Deferred income tax liabilities				
Financial assets	**(51,420)**	(22,632)	**(28,788)**	35,510
Plant and equipment	**–**	–	**–**	–
Inventories	**(8,886)**	(3,557)	**(5,329)**	8,466
Accrued income	**–**	–	**–**	207
Prepayments	**–**	–	**–**	–
Other	**(1,575)**	(122)	**(1,453)**	319
Offset against deferred tax asset	**61,881**	26,311	**–**	–
Gross deferred income tax liabilities	**–**	–	**(35,570)**	44,502
Deferred income tax assets				
Financial liabilities	**45,488**	31,805	**13,683**	(11,678)
Financial assets	**345**	413	**(68)**	(742)
Plant and equipment	**100**	66	**34**	(21,178)
Land and buildings	**–**	–	**–**	(32,389)
Accruals and provisions	**1,273**	1,924	**(653)**	(11,937)
Shrinkage stock	**–**	–	**–**	(2,435)
Defined benefits super plan	**–**	–	**–**	(1,044)
Deferred expenses	**–**	–	**–**	–
Borrowing costs	**–**	–	**–**	–
Foreign exchange on loans to foreign subsidiaries	**–**	3	**(3)**	(5,581)
Other	**293**	–	**293**	–
Unearned revenue	**–**	–	**–**	–
Carry forward tax losses	**11,808**	–	**11,808**	(10,695)
Offset against deferred tax liabilities	**(61,881)**	(26,311)	**–**	–
Less: Unrecognised deferred tax asset on capital account	**–**	–	**–**	12,810
Gross deferred income tax assets	**(2,574)**	7,900	**25,094**	(84,869)
Net deferred tax asset/(liability)	**(2,574)**	7,900		
Deferred tax expense			**(10,476)**	(40,367)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 5. Income tax (continued)		
A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit/(loss) before income tax from continuing operations	**170,136**	(31,063)
Add: Parent entity (profit)/loss (tax exempt)	**(131,174)**	6,709
Accounting profit/(loss) before income tax from taxable entities	**38,962**	(24,354)
At the Group's statutory income tax rate of 30%	**11,689**	(7,306)
Net adjustment in respect of CBH becoming tax exempt	**–**	(1,936)
Non-assessable income	**(104)**	(34)
Other assessable income	**13**	–
Non-deductible expenses	**(617)**	2,588
Share of equity accounted results of associates	**(1,835)**	(4,247)
Difference in effective tax rate of overseas subsidiary	**52**	42
Loss of associate	**–**	82
Prior period adjustments	**(1,193)**	196
Temporary difference not recognised	**–**	176
DTA on foreign tax loss not recognised	**–**	18
Other	**(335)**	591
Income tax (benefit)/expense	**7,670**	(9,830)

At 30 September 2012, there was no recognised deferred tax liability (2011: $nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

The parent entity currently claims an exemption from income tax by virtue of Section 50-40 of the Income Tax Assessment Act 1997.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 6. Trade and other receivables		
CURRENT		
Trade receivables (i)	**67,865**	49,918
Loans to Growers (ii)	**140,614**	44,200
Less: Allowance for doubtful debts (iii)	**(4,623)**	(3,917)
	203,856	90,201
Other receivables (v)	**72,309**	78,180
Related party receivables: (iv)		
Associated entities	**545**	1
	276,710	168,382

(i) Trade receivables

Trade receivables are generally non-interest bearing and are 14-30 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

Non-current trade receivables comprise a deferred payment plan entered into with certain overseas customers. The amount is payable over 36 months in weekly instalments including interest. Interest is charged at LIBOR plus a margin on commercial terms.

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

Current	**38,898**	26,269
< 30 days overdue	**13,991**	19,475
30 – 60 days overdue	**4,015**	501
60 – 90 days overdue	**4,566**	455
> 90 days overdue	**6,395**	3,218
	67,865	49,918

(ii) Loans to Growers

Loans to growers are interest bearing and represent funds advanced to growers based on tonnes delivered to the Company, primarily for delivery into the CBH Grain Pools. This receivable is secured by and will be settled by distributions receivable from all commodity Pools. At 30 September 2012, the interest rate charged to growers was 6.75%. No amounts are past due or considered impaired.

At year end, the ageing analysis of Loans to Growers is as follows:

Current	**140,614**	44,200
	140,614	44,200

	30 September 2012 $'000	30 September 2011 $'000

Note 6. Trade and other receivables (continued)

(iii) Allowance for doubtful debts

An allowance for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. Bad debts are written off when an individual trade receivable or Loan to Grower is known to be uncollectable. An impairment loss of $706,000 (2011: $1,476,000) has been recognised by the Group. These amounts have been included in the other expense item.

Movements in the provision for doubtful debts were as follows:	**30 September 2012 $'000**	30 September 2011 $'000
At 1 October	**3,917**	2,441
Additions for the year	**2,614**	1,517
Amounts written back	**(1,908)**	(41)
At 30 September	**4,623**	3,917

The ageing analysis of the provision for doubtful debts is less than 90 days overdue $831,000 (2011; $432,000) and over 90 days overdue $3,792,000 (2011: $3,484,000).

Trade receivables past due but not considered impaired are Group $24,344,000 (2011: $19,732,000). Each entity within the group has been reviewed with the relevant debtor and is satisfied that payment will be received in full.

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

(iv) Related party receivables

For terms and conditions relating to related party receivables refer Note 27 and 28.

(v) Other receivables

Other receivables consist of GST receivables, and accrued income receivable within 12 months.

	30 September 2012 $'000	30 September 2011 $'000
Accrued income receivable within 12 months	**53,692**	70,814
GST receivable	**10,343**	6,251
Other	**8,274**	1,115
	72,309	78,180

(vi) Fair value and credit risk

Due to the short term nature of current receivables, their carrying amounts are estimated to represent their fair values. In respect of non-current receivables, carrying amounts approximate fair value as these carry interest at commercial rates.

The maximum exposure to credit risk is the carrying value of receivables. The Group will, where it is deemed appropriate, require collateral to be provided by third parties. It is not the Group's policy to transfer (on-sell) receivables to special purpose entities.

(vii) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 7. Other financial assets		
CURRENT		
Loans to CBH Grain Pools at amortised cost (i)	**–**	20
	–	20
NON-CURRENT		
Unlisted investments at cost		
– Investment in Newcastle Agri Terminal Pty Ltd	**3,780**	–
– Shares in other corporations	**–**	1
	3,780	1

(i) Loans to CBH Grain Pools

Loans to CBH Grain Pools have interest charged at the bank bill rate plus a commercial margin. The loan reflects amounts advanced to growers on behalf of CBH Grain Pools. All amounts receivable are not considered past due or impaired.

Credit risk

The maximum exposure is the carrying value of the loan to CBH Grain Pools. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in Note 19.

Note 8. Inventories		
At fair value less cost to sell		
Traded grain	**249,409**	225,664
At the lower of cost and net realisable value:		
Raw materials and stores (at cost)	**2,730**	3,649
Total inventories at the lower of cost and net realisable value	**2,730**	3,649
Total inventory	**252,139**	229,313
Note 9. Other assets		
CURRENT		
Prepayments	**4,972**	2,405
	4,972	2,405
NON-CURRENT		
Defined benefit superannuation plan surplus	**6,213**	10,636
	6,213	10,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 10. Extracted information relating to Co-operative Bulk Handling Limited ('the parent entity')		
a) Statement of Comprehensive Income – Parent		
Continuing operations		
Revenue from continuing operations	**684,723**	361,716
Other income	**5,213**	21,283
Changes in inventories	**(286)**	135
Employee benefits expense	**(154,066)**	(112,679)
Depreciation and amortisation expense	**(64,816)**	(61,019)
Storage, handling and freight expenses	**(253,609)**	(163,568)
Marketing and trading expenses	**(683)**	–
Insurance	**(10,587)**	(9,229)
Rent expense	**(12,752)**	(12,691)
Other expenses	**(57,782)**	(30,315)
Finance costs	**(4,181)**	(342)
Profit/(loss) from continuing operations before income tax	**131,174**	(6,709)
Income tax benefit/(expense) from continuing operations	**–**	1,936
Profit/(loss) from continuing operations after income tax expense	**131,174**	(4,773)
Other comprehensive income		
Net gain/(loss) on foreign currency hedge	**(1,936)**	1,032
Actuarial loss on defined benefit plan	**(195)**	(1,089)
Other comprehensive income/(expense) for the year, net of tax	**(2,131)**	(57)
Total comprehensive income/(expense) for the year	**129,043**	(4,830)
Profit/(loss) attributable to members of the parent entity	**131,174**	(4,773)
Total comprehensive income/(expense) for the year attributable to members of the parent entity	**129,043**	(4,830)

	30 September 2012 $'000	30 September 2011 $'000
Note 10. Extracted Information relating to Co-operative Bulk Handling Limited ('the parent entity' – continued)		
b) Statement of Financial Position – Parent		
ASSETS		
Current assets		
Cash and bank balances	**212,248**	22,054
Trade and other receivables	**35,940**	24,303
Derivative financial instruments	**–**	1,033
Inventories	**2,730**	3,649
Other assets	**222,854**	1,246
Total current assets	**473,772**	52,285
Non-current assets		
Trade and other receivables	**28,320**	32,030
Investments in associates	**37,481**	31,324
Other financial assets	**101,733**	108,918
Property, plant and equipment	**885,345**	775,466
Intangible assets	**10,423**	3,117
Other assets	**6,213**	10,636
Deferred tax assets	**–**	–
Total non-current assets	**1,069,515**	961,491
Total assets	**1,543,287**	1,013,776
LIABILITIES		
Current liabilities		
Trade and other payables	**66,128**	32,958
Derivative financial instruments	**1,053**	–
Income tax payable	**–**	–
Provisions	**12,654**	10,593
Other liabilities	**394,132**	32,251
Total current liabilities	**473,967**	75,802
Non-current liabilities		
Deferred tax liability	**–**	–
Provisions	**15,033**	12,792
Total non-current liabilities	**15,033**	12,792
Total liabilities	**489,000**	88,594
Net assets	**1,054,287**	925,182
EQUITY		
Contributed equity	**6**	7
Reserves	**1,054,281**	925,175
Retained earnings	**–**	–
Total equity	**1,054,287**	925,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 10. Extracted Information relating to Co-operative Bulk Handling Limited ('the parent entity' – continued)		
c) Statement of Cash Flows – Parent		
Cash flows from operating activities		
Receipts from customers	**1,035,820**	371,881
Payments to suppliers and employees	**(470,129)**	(352,834)
	565,691	19,047
Interest received	**13,345**	3,785
Interest and other costs of finance paid	**(4,181)**	(790)
Net operating cash flows	**574,855**	22,042
Cash flows from investing activities		
Payments for property, plant and equipment	**(181,966)**	(127,167)
Proceeds from sale of investment	**–**	–
Payments for investments in associates by way of loan	**(203,328)**	(274)
Proceeds from sale of property, plant and equipment	**657**	3,628
Receipt of loan from subsidiary	**–**	3,100
Net investing cash flows	**(384,637)**	(120,713)
Cash flows from financing activities		
Debentures repaid	**(24)**	(6,202)
Net financing cash flows	**(24)**	(6,202)
Net increase/(decrease) in cash and cash equivalents held	**190,194**	(104,873)
Cash and cash equivalents at the beginning of the financial year	**22,054**	126,922
Effect of exchange rates on cash holdings in foreign currencies	**–**	5
Cash and cash equivalents at the end of the financial year	**212,248**	22,054

d) Working capital deficiency – Parent

The parent entity has a working capital deficiency of $195,000 at 30 September 2012 (2011: $23,517,000). This deficiency is largely due to the timing of incoming cash flows from harvest and the capital expenditure program during the year. The Company believes that it has sufficient financial facilities in place, together with the option to reduce discretionary spending to meet any forecast short term working capital deficiencies. The Company also has the ability to borrow or advance funds from subsidiary entities which have significant working capital surpluses at 30 September 2012. The Group has a working capital surplus of $253,246,000 at 30 September 2012 (2011: $219,775,000).

Note 10. Extracted Information relating to Co-operative Bulk Handling Limited ('the parent entity' – continued)

e) Finance arrangements – Parent

The parent has issued the following guarantees in relation to loan facilities of its associates. All facilities are expressed in Australian dollars unless otherwise disclosed.

	Total facility amount $'000	Utilised facility amount $'000	Parent Entity maximum exposure $'000	Parent Entity fair value exposure (Note 2(z)) $'000	Facility expiry date
30 September 2012					
Controlled entities (a)					
CBH Grain Funding-AUD (i)	**100,000**	**100,000**	**–**	**–**	**2 November 2012**
CBH Grain Funding-AUD (ii)	**300,000**	**165,474**	**–**	**–**	**31 December 2012**
CBH Grain Funding-USD (iii)	**100,000**	**–**	**–**	**–**	**31 December 2012**
CBH Grain Funding – AUD (iv)	**150,000**	**37,800**	**–**	**–**	**29 October 2012**
CBH Grain Funding – USD (v)	**150,000**	**16,951**	**–**	**–**	**7 December 2012**
Associated entities					
Acquisition of flour mills (vi)	**39,963**	**35,089**	**17,545**	**239**	**30 November 2013**
	USD 41,000	**USD 36,000**	**USD 18,000**		

a) The guarantees provided by CBH Limited to the lenders of CBH Grain Pty Ltd are only exercisable where total indebtedness of CBH Grain is greater than $1.5 billion.

(i) During the year, this facility was reduced from $500 million to $100 million. In October 2012, this facility was renewed to 30 October 2013.

(ii) During the year, this facility was reduced from $800 million to $300 million. In September 2012, this facility was renewed to 31 December 2012.

(iii) In September 2012, this facility was executed maturing 31 December 2012.

(iv) New borrowing base facility established within the year.

(v) New packing credit facility established within the year.

(vi) In January 2012, this facility was renewed to 30 November 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 11. Property, plant and equipment		
Land and buildings		
Freehold land and buildings		
At cost	**875,488**	834,819
Less: Accumulated depreciation and impairment	**(453,564)**	(443,781)
	421,924	391,038
Leasehold property		
At cost	**8,263**	8,257
Less: Accumulated amortisation	**(1,614)**	(1,445)
	6,649	6,812
Office furniture, fittings and equipment		
At cost	**42,542**	40,881
Less: Accumulated depreciation and impairment	**(34,640)**	(33,171)
	7,902	7,710
Plant and equipment		
At cost	**768,726**	641,598
Less: Accumulated depreciation and impairment	**(447,306)**	(438,650)
	321,420	202,948
Motor vehicles		
At cost	**36,445**	29,354
Less: Accumulated depreciation and impairment	**(19,146)**	(18,658)
	17,299	10,696
Low value assets		
At cost	**1,284**	425
Less: Accumulated depreciation and impairment	**(1,284)**	(425)
	–	–
Capital works-in-progress (i)	**111,029**	147,530
Total property, plant and equipment	**886,223**	766,734

(i) Capital works in progress includes advances to suppliers amounting to $37 million for purchase of the locomotives and wagons.

Note 11. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

	Land and buildings $'000	Leasehold properties $'000	Office furniture, fittings and equipment $'000	Plant and equipment $'000	Motor vehicles $'000	Low Value Assets $'000	Capital works-in-progress $'000	Total $'000
2012								
Carrying amount at start of the year	**391,038**	**6,812**	**7,710**	**202,948**	**10,696**	**–**	**147,530**	**766,734**
Additions	**18,616**	**–**	**552**	**8,387**	**5,601**	**858**	**155,722**	**189,736**
Disposals	**(57)**	**–**	**(14)**	**(5)**	**(58)**	**–**	**(15)**	**(149)**
Transfer from capital works-in-progress	**45,070**	**5**	**1,336**	**133,323**	**3,099**	**–**	**(182,833)**	**182,833**
Transfer to intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**(9,375)**	**(9,375)**
Depreciation/Amortisation expense (Note 4(e), 2(k))	**(32,743)**	**(168)**	**(1,682)**	**(23,233)**	**(2,039)**	**(858)**	**–**	**(60,723)**
Carrying amount at end of the year	**421,924**	**6,649**	**7,902**	**321,420**	**17,299**	**–**	**111,029**	**886,223**
2011								
Carrying amount at start of year	413,685	6,980	8,627	219,422	11,660	–	36,406	696,780
Additions	3,024	–	703	3,055	1,219	425	119,774	128,200
Disposals	(203)	–	(12)	(439)	(179)	–	(187)	(1,020)
Transfer from capital works-in-progress	5,346	–	38	4,394	37	–	–	9,815
Transfer to property, plant and equipment	–	–	–	–	–	–	(8,438)	(8,438)
Transfer to intangible assets	–	–	–	–	–	–	(25)	(25)
Depreciation/Amortisation expense (Note 4(e), 2(k))	(30,814)	(168)	(1,646)	(23,484)	(2,041)	(425)	–	(58,578)
Carrying amount at end of year	391,038	6,812	7,710	202,948	10,696	–	147,530	766,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 11. Property, plant and equipment (continued)

Impairment of non-current assets

During the previous financial periods, new infrastructures were installed at Kwinana port which enabled growers to deliver direct to the port and effectively remove the interdependencies between the port and Metro Grain Centre. The freight subsidy that was previously provided for delivering to Metro Grain Centre was removed. As such Metro Grain Centre was separated from the Kwinana Zone and treated as a separate cash generating unit (CGU). As a result, impairment testing has been performed on the MGC as a separate cash generating unit to determine whether there is any impairment. It was assessed that the estimated recoverable amount based on the value in use discounted cash flow methodology was above the carrying amount of the assets and as such an impairment loss of nil was charged to the statement of comprehensive income.

The assumptions used in this estimation of recoverable amount of Metro Grain Centre are:

(a) *Cash-generating unit*: Metro Grain Centre (MGC) is a separate cash generating unit as decisions are made and reports are prepared at this level.

(b) Carrying amount of Metro Grain Centre

	CONSOLIDATED	
	30 September 2012 $'000	30 September 2011 $'000
Carrying amount before impairment	**31,706**	36,053
Impairment charge during the period	**–**	–
Carrying value after impairment	**31,706**	36,053

(c) Key Assumptions used in value in use calculations for Metro Grain Centre.

The calculation of value in use for the cash generating units is most sensitive to the following assumptions:

- Discount rate
- Cash flow estimates
- Inflation rate estimate
- Land escalation rate estimate

Discount rate – 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. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for the CGU, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for business risk specific to the Metro Grain Centre. A pre tax rate of 8.3% (2011: 8.3%) was applied to the forecast cash flows.

Cash flows estimates – are based on management judgements of the expected cash inflows and outflows over the remaining useful life of the facility (18 years) and based on the budgeted volumes and adjusted for growth rate expected over the life of the assets. Management applied a growth rate for cash flows estimates past year 1. A factor of 1.8% per annum was applied from years 2-6 and 2.5% for year 7 onwards for value added facility revenue stream cash inflows. $5 per tonne is added to cash inflows derived from existing contracts for years 1-6 and $10 per tonne is added for year 7 onwards for other revenue stream.

Inflation rate estimate – is based on the mid point of the Reserve Bank's inflation target range. Management then applies this rate to the expected cash flow. A rate of 2.5% (2011: 2.5%) was used.

Land escalation rate estimate – is based on industry research and cross checked with a professional valuer. Management then applies this rate to the expected terminal value of future cash flows. An annual rate of 5.1% (2011: 5.1%) was used.

(d) Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

	30 September 2012 $'000	30 September 2011 $'000
Note 12. Intangible assets		
Software costs		
Cost (gross carrying amount)	**52,860**	41,561
Accumulated amortisation and impairment	**(41,515)**	(37,485)
Net carrying amount	**11,345**	4,076
Patents		
Cost (gross carrying amount)	**93**	93
Accumulated amortisation and impairment	**(34)**	(29)
Net carrying amount	**59**	64
Goodwill on controlled entity	**575**	575
Total	**11,979**	4,715

	Goodwill $'000	Patent Costs $'000	Software Costs $'000	Total $'000
Period ended 30 September 2011				
Balance at the beginning of the year	–	44	8,085	8,129
Additions	575	25	46	646
Transfer from property, plant and equipment	–	–	(3,293)	(3,293)
Amortisation (Note 4(e), 2(p))	–	(5)	(762)	(767)
Closing value at 30 September 2011	575	64	4,076	4,715
Year ended 30 September 2012				
Balance at the beginning of the year	**575**	**64**	**4,076**	**4,715**
Additions	**–**	**–**	**1,978**	**1,978**
Disposals	**–**	**–**	**(32)**	**(32)**
Transfer from property, plant and equipment	**–**	**–**	**9,375**	**9,375**
Amortisation (Note 4(e), 2(p))	**–**	**(5)**	**(4,052)**	**(4,057)**
Closing value at 30 September 2012	**575**	**59**	**11,345**	**11,979**

Intangible assets consist of software costs and patents. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the statement of comprehensive income.

	30 September 2012 $'000	30 September 2011 $'000
Note 13. Trade and other payables		
CURRENT		
Trade payables (ii)	**42,166**	23,008
Sundry payables and accrued expenses (iii)	**53,542**	43,404
Financial guarantees (iv) (Note 22)	**245**	61
	95,953	66,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 13. Trade and other payables (continued)

(i) Fair value

Due to the short term nature of the current payables their carrying value is assumed to approximate fair value.

(ii) Trade payables

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

(iii) Sundry payables and accrued expenses

Sundry payables and accrued expenses represent other payables and payables to growers.

(iv) Financial guarantees

As described in Note 2(z) and Note 22, the Group has provided financial guarantees to its associates and subsidiaries, which commit the Group to make payments on behalf of these entities upon their failure to perform under the terms of the relevant contract.
The significant accounting estimates and assumptions used in determining the fair value of these guarantees on initial recognition has been disclosed in Note 3.

The amortisation of financial guarantees is included in other income, Note 4(b).

(v) Interest rate, foreign exchange and liquidity risk

Information regarding the effective interest rate and credit risk of current payables is set out in Note 19.

	30 September 2012 $'000	30 September 2011 $'000
Note 14. Interest bearing loans and borrowings		
CURRENT		
Unsecured:		
Bank loans (i)	**320,042**	176,062
Deposits from Pools (ii)	**61,074**	–
	381,116	176,062
NON CURRENT		
Unsecured:		
Loan from an Associate	**11,492**	6,147

(i) The bank loans are in both Australian Dollars and United States Dollars. For additional details refer to Note 14(c).

(ii) Deposits from Pools, managed by CBH Grain Pty Ltd, have interest paid to the Pools at the bank bill rate less a commercial margin.

(a) Fair value

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

Note 14. Interest bearing loans and borrowings (continued)

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 19.

(c) Terms and conditions

The Group has bank overdraft facilities which may be drawn at any time and may be terminated by the bank without notice. The bank loans are subject to annual review.

US dollar credit facilities

The United States Dollar denominated loans are subject to annual review and used for general purposes by CBH Grain Pty Ltd with a total facility as at 30 September 2012 of US$ 250,000,000 (2011: US$ 60,000,000). As at 30 September 2012, $16,951,351 of the facility had been drawn down. The average interest rate for the year was 1.14% (2011: 1.88%) payable in United States Dollars.

Australian dollar credit facilities

The Australian Dollar facility is a combination of syndicated term loan, inventory financing facilities and borrowing base facilities with facility limits of $550,000,000. As at 30 September 2012, $100,000,000 of the syndicated term loan, $165,474,324 of the inventory finance facilities and $37,800,000 of the borrowing base facilities were drawn down. The syndicated term loan facility matures on 2 November 2012, the inventory finance facility mature on 31 December 2012 and the borrowing base facility matures 29 October 2012.

CBH Grain Pty Ltd is to use these facilities to fund the 2012/2013 Pools by way of payments to growers and grain trading. Under the facility, the lenders hold fixed and floating securities over the Company's (and its subsidiaries') assets and the Company has agreed not to cause or permit to exist any additional encumbrances on its property. 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 5.41% (2011: 7.22%).

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 the Company. The negative pledge at 30 September 2012 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:

(a) 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 total value of debtors on terms of 90 days or less.

(b) The net realised and unrealised grain trading positions should not exceed minus $30,000,000; and

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

$11,492,000 (USD $12,000,000) loan

This United States Dollar denominated loan from Eastern Pearl Flour Mills and is used for general working capital purposes as part of the Group's investment in Asia. The loan is unsecured, incurs interest payable at 3M JIBOR plus 2% and is not repayable during the next financial year.

(d) Defaults and breaches

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

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	Long-term employee benefits $'000	Workers compensation $'000	Total $'000
Note 15. Provisions			
At 1 October 2011	**21,479**	**1,906**	**23,385**
Additional provisions	**4,364**	**(540)**	**3,824**
At 30 September 2012	**25,843**	**1,366**	**27,209**
Current 2012	**20,183**	**–**	**20,183**
Non-current 2012	**5,660**	**1,366**	**7,026**
	25,843	**1,366**	**27,209**
Current 2011	17,664	–	17,664
Non-current 2011	3,815	1,906	5,721
	21,479	1,906	23,385

	30 September 2012 $'000	30 September 2011 $'000
Note 16. Other liabilities		
CURRENT		
Deferred revenue (i)	**81,048**	35,282
Auction premium payable (ii)	**160,798**	253
	241,846	35,535

i) Deferred revenue includes deferred shipping revenue related to grain movements from up country grain depots to port.

ii) Auction premium payable relates to bid premium fees paid to the Company by grain marketers for shipping capacity and it will be returned to marketers net of administration costs on the basis of actual tonnes shipped.

	30 September 2012 $'000	30 September 2011 $'000
Note 17. Contributed equity and reserves		
(a) Ordinary shares		
Issued	**6**	7
	6	7

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 redemption of a share, the Bulk Handling Act (1967) and the Company's Rules prohibit the distribution of any surplus or profits to the stakeholders.

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.

	Paid Shares Number	Unpaid Shares Number	Total Number	Issue Price $	Share Capital $'000
Note 17. Contributed equity and reserves (continued)					
Movement in ordinary shares					
At 1 October 2011	3,489	1,214	4,703	$2.00	7
Shares issued (i)	–	210	210		–
Share cancelled (ii)	(460)	(130)	(590)		(1)
At 30 September 2012	**3,029**	**1,294**	**4,323**		**6**

(i) Shares issued

During the year 210 ordinary shares (2011: 129) were issued and remained unpaid as at 30 September 2012. The parent entity retains the right to call on all outstanding ordinary shares at anytime in the future. The total number of unpaid ordinary shares is 1,294 (2011: 1,214).

(ii) Shares cancelled

During the year 583 member shares (455 paid and 128 unpaid) were cancelled through failure to meet the Active Membership Requirements under Rule 4 of the company's Rules. An additional 7 member shares (5 paid and 2 unpaid) were cancelled due to member resignations.

(b) Capital management

The Group's objectives when managing capital are to safeguard the business as a going concern, to maximise benefits for shareholders and to maintain an optimal capital structure in order to reduce the cost of capital. Due to the structure of the business dividends are not paid to shareholders with sources of capital being through debt finance and retained earnings. Capital management involves the use of forecasting models which facilitates analysis of the Group's financial position including cash flow forecasts to determine future capital and operating requirements.

CBH Grain Pty Ltd holds an Australian Financial Services License and has operated within the requirements as prescribed in the license. This includes demonstrating through the preparation of cash flow forecast projections, that the Company will have access to sufficient financial resources to meet its liabilities over at least the next three months.

There were no changes in the Group's approach to capital management during the financial year.

	30 September 2012 $'000	30 September 2011 $'000
(c) Retained earnings		
Movements in retained earnings were as follows:		
Opening balance	**185,517**	202,146
Actuarial loss on defined benefit plan	**(195)**	(1,089)
Net profit/(loss) for the year	**162,369**	(21,402)
Aggregate of amounts transferred (to)/from reserves	**(131,174)**	5,862
Balance at year end	**216,517**	185,517
(d) Reserves		
Capital levy reserve	**52,587**	52,587
General reserve	**999,663**	868,489
Foreign currency translation reserve	**(23,921)**	(21,217)
Acquisition reserve	**(1,175)**	–
Cash flow hedge reserve	**(904)**	1,032
	1,026,250	900,891

	30 September 2012 $'000	30 September 2011 $'000
Note 17. Contributed equity and reserves (continued)		
Movement in reserves		
Capital levy reserve		
Balance at beginning of year	**52,587**	52,587
Balance at end of year	**52,587**	52,587
General reserve		
Balance at beginning of year	**868,489**	874,351
Transfer (to)/from retained earnings	**131,174**	(5,862)
Balance at end of year	**999,663**	868,489
Acquisition reserve		
Transfer (to)/from reserve	**(1,175)**	–
Balance at end of year	**(1,175)**	–
Foreign currency translation reserve		
Balance at beginning of year	**(21,217)**	(20,129)
Currency translation differences arising during the year	**(2,704)**	(1,088)
Balance at end of year	**(23,921)**	(21,217)
Cash flow hedge reserve		
Balance at beginning of year	**1,032**	–
Currency hedge differences arising during the year	**(1,936)**	1,032
Balance at end of year	**(904)**	1,032

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

Nature and purpose of reserves

Capital Levy Reserve

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

General Reserve

The General Reserve represents the transfer of the Co-operative Bulk Handling Limited retained profits.

Foreign Currency Translation Reserve

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

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.

Acquisition Reserve

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

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	30 September 2012 $'000	30 September 2011 $'000
Note 18. Cash and cash equivalents		
Cash at bank and on hand	**183,588**	125,479
Short-term deposits	**190,206**	8,932
Cash – futures account at call	**65,347**	11,883
	439,141	146,294

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

Short-term deposits are made for varying periods of between one day and 90 days and earn interest at the average short-term deposit rate of 4.88% (2011: 4.76%).

Cash – futures at call and on deposit are held in United States Dollars, Canadian Dollars, Euro and Australian Dollars at an average interest rate of nil for foreign currency accounts and 1.85% on Australian dollar accounts (2011: nil on balances due in foreign currencies and 4.68% on Australian dollar accounts).

Reconciliation of cash

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following as at year end:

	30 September 2012 $'000	30 September 2011 $'000
Cash and cash equivalents	**439,141**	146,294
Reconciliation of net profit/(loss) from ordinary activities after income tax to net cash flows from operating activities		
Net profit/(loss) from ordinary activities after income tax	**162,466**	(21,233)
Adjustments for:		
Depreciation and amortisation	**64,780**	59,345
Net (profit)/loss on disposal of property, plant and equipment	**(582)**	(2,567)
Impairment and write off of non-current assets	**–**	439
Bank guarantee	**(320)**	(363)
Share of associates' net (profits) and losses	**(7,000)**	(14,260)
Unrealised foreign exchange (gain)/loss	**1,809**	130
Changes in assets and liabilities		
(Increase)/decrease in inventories	**(22,826)**	(70,975)
(Increase)/decrease in trade and other receivables	**(11,821)**	(77,982)
(Increase)/decrease in derivative assets	**(97,264)**	122,016
(Increase)/decrease in prepayments	**(2,567)**	5,614
(Increase)/decrease in pension assets	**4,228**	3,701
(Increase)/decrease in deferred tax assets	**7,900**	40,367
(Increase)/decrease in other assets	**20**	546
(Decrease)/increase in derivative liabilities	**46,661**	(38,927)
(Decrease)/increase in deferred tax liability	**2,574**	–
(Decrease)/increase in current tax liability	**(10,105)**	(10,731)
(Decrease)/increase in trade and other payables	**26,262**	(12,589)
(Decrease)/increase in provision	**3,824**	3,799
(Decrease)/increase in other liabilities	**206,311**	(31,357)
Net cash from/(used in) operating activities	**374,350**	(45,027)

Disclosure of financing facilities

Refer to Note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

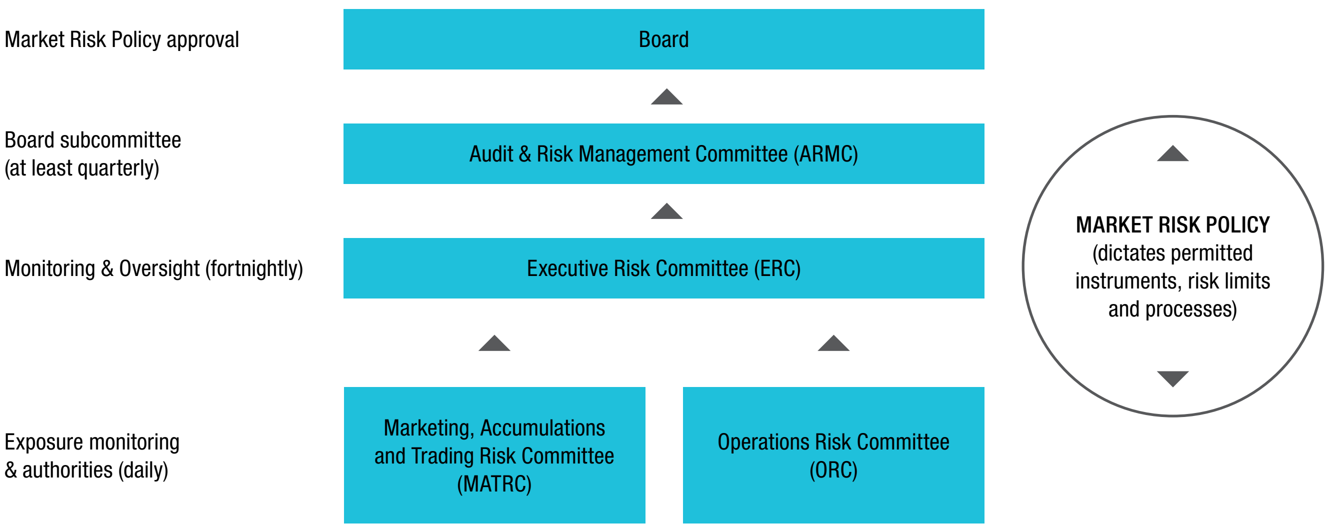
FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 19. Financial risk management objectives and policies

The Group's policies with regard to financial risk management are clearly defined and consistently applied. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, commodity risk and interest rate risk) credit risk and liquidity risk. The Group's overall risk management program focuses on minimising the potential adverse effects of financial markets on the financial performance of the Group.

The Group uses derivative financial instruments including (but not limited to) forward foreign exchange contracts and options, interest rate swaps, forward rate agreements and commodity futures and options to manage certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate, commodity and foreign exchange risk and assessments of market impacts for interest rate, foreign exchange and commodity prices using value-at-risk (VaR) techniques. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through development of future rolling cash flow forecasts. Day to day risk management is carried out by a central treasury department, commodity trading department and credit management department under policies approved by the Board of Directors. The treasury function manages liquidity of the CBH Group whilst the trading department manages commodity and basis risks as well as associated foreign currency risks. The credit department manages credit limits for all counterparties with the Group. The CBH Board considers and approves the market risk policy framework within which the Group is permitted to operate on recommendation by the Audit and Risk Management Committee (ARMC).

Primary responsibility for identification and control of the financial risks rests with the Business Risk Management Committees under the authority of the Board via the ARMC and Executive Risk Committee. The Board is responsible for annual review and approval of the Market Risk Policy along with approval of the guidelines within which the Treasury and Trading functions operate. The Board also approves the establishment, adjustment and deletion of counterparties and limits, country and currency limits and the scope of financial instruments and facilities to be used in managing the CBH Group's financial risks. The market risk policy establishes limits and guidelines relating to the market and financial risks of the Group and is overseen by a number of dedicated committees on behalf of the Board as outlined below:



a) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impacts on the future performance of the business. The market price movements that the Group is exposed to include interest rates, foreign currency exchange rates and commodity price risk that could adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. The Group has developed policies aimed at managing the volatility inherent in certain of its natural business exposures and in accordance with these policies the Group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial or commodity instruments, indices or prices that are defined in the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 19. Financial risk management objectives and policies (continued)

a) Market risk (continued)

The Group measures market risks from its market exposures using value-at-risk (VaR) techniques. VaR is calculated by applying recent volatility (last 5 years) against multiple simulations using monte carlo simulations across distributed and correlated price paths over a predetermined hold period and applying this to the market exposure. From the resultant outcomes the 99th percentile adverse case is drawn. 99th percentile VaR therefore creates what the risk outcome could be 99% of the time under normal market conditions. The limitations of VaR are that it does not calculate risk in circumstances of extreme volatility, instead it calculates probable risk in high volatility situations under normal market conditions. VaR does not predict the maximum risk position.

i) Commodity Price Risk

Commodity price risk refers to the Group's exposure to fluctuations in the prices of grain commodities. The Group operates in a variety of grain markets and is exposed to commodity price fluctuations from its commodity exposures. Commodity price exposures are created by a differential timing in the buying and selling of grain. The hold period that VaR is calculated over for commodity price risk varies dependent upon the grain type between 5 and 10 days.

The diversification benefit represents the reduction in risks from the correlated movements between physical and derivative positions and the correlated movements of the various grain positions when considered together. Exposures and 99% VaR are as follows:

	2012 AUD'000	2011 AUD'000
Net derivative exposure	**(436,616)**	(135,570)
Net physical exposure	**461,271**	149,120
Undiversified 99% VaR	**(50,660)**	(16,920)
Diversification benefit 99%	**10,370**	2,590
Diversified VaR	**(40,290)**	(14,330)

Traded Grains are grain books run by the CBH Group for the purpose of generating profits using its own funds. The primary objective of Traded Grains is to achieve a profit therefore risk management activities are undertaken for a variety of reasons from eliminating to initiating market risk. However, Traded Grain positions are required to be maintained within specified limits. The Executive Risk Committee may modify the limits for individual grains on the recommendation of the Financial and Commodity Risk Management Committee however the aggregate limit for all grains can only be modified by the Board.

ii) Foreign Currency Risk

Foreign currency risk refers to the Group's exposure to fluctuations in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange fluctuations from its foreign currency exposures. Foreign currency exposures are created by the buying and selling of grain in different currencies. The Group manages its exposure to foreign currency risk through utilising forward exchange contracts and options.

The net foreign exchange exposure which includes the cash balances and loans and borrowings is used in the calculation of the combined commodity price risk and foreign currency risk. As a result, the VaR of commodity price risk above includes foreign currency risk.

To enable appropriate comparison with prior year, the group has restated the prior year commodity price risk measure to include the foreign currency risk.

It is Group policy not to enter into forward contracts until a firm commitment is in place.

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. The Group does not hedge against this exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 19. Financial risk management objectives and policies (continued)

ii) Foreign Currency Risk (continued)

At year end, the Group had the following financial instruments denominated in another currency:

	USD in AUD equivalent $'000	CAD in AUD equivalent $'000	Euro in AUD equivalent $'000	JPY in AUD equivalent $'000	CNY in AUD equivalent $'000	GBP in AUD equivalent $'000	NZD in AUD equivalent $'000	HKD in AUD equivalent $'000	CHF in AUD equivalent $'000
2012									
Financial assets									
Cash and cash equivalents	**68,742**	**383**	**3,473**	**12,190**	**4**	**1**	**199**	**102**	**–**
Trade receivables	**24,345**	**–**	**454**	**10,467**	**–**	**–**	**–**	**–**	**–**
Other receivables	**32,164**	**50**	**5,022**	**1,768**	**–**	**–**	**–**	**–**	**–**
Derivative financial assets	**34,264**	**492**	**12,305**	**–**	**–**	**–**	**1**	**–**	**4**
	159,515	**925**	**21,254**	**24,425**	**4**	**1**	**200**	**102**	**4**
Financial liabilities									
Interest bearing loans and borrowings	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Derivative financial liabilities	**23,466**	**233**	**7,155**	**154**	**–**	**–**	**2**	**–**	**7**
Trade and Other Payables	**11,387**	**–**	**–**	**11,458**	**–**	**–**	**–**	**61**	**–**
	34,853	**233**	**7,155**	**11,612**	**–**	**–**	**2**	**61**	**7**
Net Exposure	**124,662**	**692**	**14,099**	**12,813**	**4**	**1**	**198**	**41**	**(3)**

	USD in AUD equivalent $'000	CAD in AUD equivalent $'000	Euro in AUD equivalent $'000	SGD in AUD equivalent $'000	JPY in AUD equivalent $'000	CNY in AUD equivalent $'000
2011						
Financial assets						
Cash and cash equivalents	56,813	1,697	8,778	22	13	7
Trade receivables	–	–	–	–	–	–
Derivative financial assets	64,420	3,094	1,598	–	342	–
	121,233	4,791	10,376	22	355	7
Financial liabilities						
Interest bearing loans and borrowings	77,921	–	–	–	–	–
Trade and other payables	28	–	–	–	–	–
Derivative financial liabilities	40,999	4,024	2,921	–	–	–
	118,948	4,024	2,921	–	–	–
Net Exposure	2,285	767	7,455	22	355	7

Note 19. Financial risk management objectives and policies (continued)

iii) Interest Rate Risk

Interest rate risk refers to the 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 hold period that VaR is calculated over for interest rate risk is 1 day. Exposures and 99% VaR are as follows:

	30 September 2012 A$'000	30 September 2011 A$'000
Net Market Exposure	**30,872**	(221,890)
99% VaR	**2**	(40)

At reporting date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	30 September 2012 $'000	30 September 2011 $'000
Financial assets		
Cash and cash equivalents	**439,141**	146,294
Trade and other receivables	**276,710**	168,382
Loans to CBH Grain Pools	**–**	20
	715,851	314,696
Financial liabilities		
Interest bearing liabilities and borrowings	**320,042**	183,168
Loan from CBH Grain Pool	**61,074**	–
	381,116	183,168
Net Exposure	**334,735**	131,528

The Group's policy is to manage the exposure to adverse movements in interest rates through either variation of the physical terms or structure of the various portfolios or through the use of derivative financial instruments. At 30 September, after taking into account the effect of interest rate derivatives contracts, none of the Group's borrowings are at a fixed rate of interest. Interest rate derivatives contracts are outlined in Note 20 (b).

b) Credit Risk

Credit risk arises from the financial assets of the Group and its guarantees.

The financial assets of the group comprise cash and cash equivalents, trade and other receivables, derivative instruments and other financial assets. The Group's exposure to credit risk arises from the potential default of the counter party, with maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed at each applicable note.

The Group does not hold any credit derivatives to offset its credit exposures.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The degree of credit exposure is measured by an Assessed Counterparty Exposure (ACE). The CBH Group also sets country risk limits due to the possibility of a counter party being affected by a country's decree such that specific financial obligations cannot be met in addition to credit limits for individual counterparties. Risk limits are set for each individual customer in accordance with parameters set by the Board. The risk limits are regularly reviewed.

Note 19. Financial risk management objectives and policies (continued)

b) Credit Risk (continued)

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group will, where it is deemed appropriate, require collateral to be provided by third parties. At 30 September, the Group did not hold any collateral (2011: $Nil).

The financial guarantees are disclosed in Note 10.

The Group has significant concentrations of credit risk with respect to the Group's derivative portfolio. The following additional comments apply:

1. Derivatives contracted with the CBH Grain Pools

For all derivatives contracted with the CBH Grain Pools, CBH Grain Pty Ltd enters into offsetting positions with external counterparties. However, any default in contract by the CBH Grain Pools cannot be offset with the external counterparty. This exposes the Group to credit risk, with a maximum exposure equal to the carrying amount of these derivatives. At 30 September, the total exposure from CBH Grain Pools was $12,804,000 (2011: $16,880,000). After consideration of the total net assets of the CBH Grain Pools, the Group has considered the credit risk of contracting with the CBH Grain Pools and believes the risk is acceptable.

2. Derivatives other than forward purchase and forward sales contracted with external counterparties in the Group's own right

For all derivatives other than forward purchases and forward sales contracted with external counterparties, namely banks, the Group is exposed to credit risk, with a maximum exposure equal to the carrying amount of these instruments. It is Group Policy to only trade with counterparties with a long-term rating of A – or above by Standard and Poor's or equivalent rating agencies. The Group has assessed credit risk of all counterparties and has no concerns at 30 September 2012.

A summary of exposures by credit rating is detailed in the table below:

	30 September 2012 Fair Value $'000	**30 September 2012 Notional $'000**	30 September 2011 Fair Value $'000	30 September 2011 Notional $'000
Credit rating A	**621**	**21,505**	5,645	95,487
Credit rating AA – and above	**26,171**	**1,062,306**	55,951	1,426,395
	26,792	**1,083,811**	61,596	1,521,882

3. Forward purchase and sale contracts

Forward purchase and sale contracts are undertaken with unrated external counterparties, including growers, grain traders and end-customers. At 30 September, the net exposure is $283,455,000 (2011: $116,077,000). The total face value of open purchase contracts is $601,035,000 (2011: $314,094,000) and the total face value of open sales contracts is $317,580,000 (2011: $198,017,000). After consideration of individual counterparty financial positions and current market values, the Group has considered the credit risk of all external counterparties and has no concerns at 30 September 2012. As such no collateral was held on these contracts.

4. Cash and cash equivalents

All cash within the Group are held in banks with credit ratings of A and above.

c) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit funds and the ability to close-out market positions. The Group's objective is to ensure that adequate liquid assets and funding sources are available at all times to meet both short and long term commitments of the CBH Group. The Group's liquidity is managed centrally with subsidiaries forecasting their cash requirements to a central treasury function. Unless restricted by local regulations or bank covenants, subsidiaries pool their cash surpluses to treasury, which will then arrange to fund other subsidiaries requirements, or invest any net surplus in the market or arrange for necessary external borrowings. The Treasury department aims at maintaining flexibility in funding by keeping committed credit lines available and maintaining cash flow reporting mechanisms to monitor the Group's estimated liquidity position.

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Note 19. Financial risk management objectives and policies (continued)

c) Liquidity Risk (continued)

The table below reflects the remaining contractual maturities of the Group and parent entities financial liabilities as at year end. For derivative financial instruments, the market value is presented where they are settled on a net basis, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at year end.

	Carrying Amount $'000	Total Contractual (undiscounted) Cash Flows $'000	Contractual (undiscounted) cash flows by period		
			≤6 months $'000	6-12 months $'000	1-5 years $'000
2012					
Financial liabilities					
Unsecured loans	**331,534**	**334,196**	**320,325**	**–**	**13,871**
Trade and other payables	**95,953**	**95,953**	**95,953**	**–**	**–**
Auction premium payable	**160,798**	**164,340**	**73,077**	**–**	**91,263**
Deposits from Pools	**61,074**	**61,911**	**61,911**	**–**	**–**
Derivatives financial liabilities					
– (inflow)	**(1,603,497)**	**(1,603,497)**	**(1,292,094)**	**(287,060)**	**(24,343)**
– outflow	**1,756,175**	**1,756,175**	**1,431,836**	**299,467**	**24,872**
Net derivative financial liabilities	**152,678**	**152,678**	**139,742**	**12,407**	**529**
Financial Guarantee	**245**	**17,545**	**17,545**		
	802,282	**826,623**	**708,553**	**12,407**	**105,663**
2011					
Financial liabilities					
Unsecured loans	182,209	183,953	177,806	–	6,147
Trade and other payables	66,473	66,473	66,473	–	–
Auction premium payable	253	253	253	–	–
Deposits from Pools	–	–	–	–	–
Derivatives financial liabilities					
– (inflow)	(1,946,828)	(1,946,828)	(1,673,433)	(270,515)	(2,880)
– outflow	2,052,845	2,052,845	1,736,896	312,748	3,201
Net derivative financial liabilities	106,017	106,017	63,463	42,233	321
Financial guarantee	61	26,122	26,122	–	–
	355,013	382,818	334,117	42,233	6,468

Note 19. Financial risk management objectives and policies (continued)

c) Liquidity Risk (continued)

Maturity analysis of financial assets and liabilities based on managements expectations

The risk implied from the values shown in the table below, reflects a balanced view of the timing of settlement and receipt of financial assets and liabilities. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investment in working capital e.g. inventories and trade receivables. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

	Total $'000	≤6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000
Year ended 30 September 2012					
Financial assets					
Cash and cash equivalents	**439,141**	**439,141**	**–**	**–**	**–**
Trade and other receivables	**276,710**	**276,710**	**–**	**–**	**–**
Other financial assets	**3,780**	**–**	**–**	**–**	**3,780**
Derivative financial assets	**171,401**	**146,419**	**23,998**	**984**	**–**
	891,032	**862,270**	**23,998**	**984**	**3,780**
Financial liabilities					
Unsecured loans	**331,534**	**320,042**	**–**	**11,492**	**–**
Trade and other payables	**95,953**	**95,953**	**–**	**–**	**–**
Derivative financial liabilities	**152,678**	**139,742**	**12,407**	**529**	**–**
Financial Guarantee	**17,545**	**17,545**	**–**	**–**	**–**
	597,710	**573,282**	**12,407**	**12,021**	**–**
Net maturity	**293,322**	**288,988**	**11,591**	**(11,037)**	**3,780**
Year ended 30 September 2011					
Financial assets					
Cash and cash equivalents	146,294	146,294	–	–	–
Trade and other receivables	168,382	167,214	1,168	–	–
Other financial assets	1	–	–	1	–
Deposits from Pools	20	20	–	–	–
Derivative financial assets	74,137	73,285	852	–	–
	388,834	386,813	2,020	1	–
Financial liabilities					
Unsecured loans	183,953	177,806	–	6,147	–
Trade and other payables	66,473	66,473	–	–	–
Auction premium payable	253	253	–	–	–
Derivative financial liabilities	106,017	104,749	947	321	–
Financial guarantee	10,807	10,807	–	–	–
	367,503	360,088	947	6,468	–
Net maturity	21,331	26,725	1,073	(6,467)	–

Note 19. Financial risk management objectives and policies (continued)

d) Fair value

The Group uses various methods in estimating the fair value of a financial instrument 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 of observable market data.

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

	YEAR END 30 SEPTEMBER 2012				YEAR END 30 SEPTEMBER 2011			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets								
Derivative instruments								
– Forward exchange contracts	**–**	**41,710**	**–**	**41,710**	–	25,267	–	25,267
– Forward exchange options	**–**	**98,745**	**–**	**98,745**	–	7,599	–	7,599
– Commodity futures and options	**697**	**–**	**–**	**697**	15,629	–	–	15,629
– Forward sales contracts	**–**	**6,498**	**–**	**6,498**	–	25,641	–	25,641
– Forward purchase contracts	**–**	**23,751**	**–**	**23,751**	–	1	–	1
	697	**170,704**	**–**	**171,401**	15,629	58,508	–	74,137
Financial liabilities								
Derivative instruments								
– Forward exchange contracts	**–**	**24,483**	**–**	**24,483**	–	47,944	–	47,944
– Forward exchange options	**–**	**101,038**	**–**	**101,038**	–	7,598	–	7,598
– Commodity futures and options	**8,125**	**–**	**–**	**8,125**	3,595	–	–	3,595
– Forward sales contracts	**–**	**7,573**	**–**	**7,573**	–	–	–	–
– Forward purchase contracts	**–**	**11,460**	**–**	**11,460**	–	46,881	–	46,881
	8,125	**144,554**	**–**	**152,679**	3,595	102,423	–	106,018

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 commodity contracts and foreign exchange contracts not traded on a recognised exchange.

Where the impact of credit risk on the fair value of a derivative is significant, and the inputs on credit risk (e.g. CDS spreads) are not observable, the derivative would be classified as based on non observable market inputs (level 3). Certain long dated forward commodity contracts where there are no observable forward prices in the market are classified as level 2 as the unobservable inputs are not considered significant to the overall value of the contract.

Transfers between categories

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

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	30 September 2012 $'000	30 September 2011 $'000
Note 20. Derivative financial instruments		
CURRENT ASSETS		
At fair value		
Forward foreign exchange contracts	**41,400**	25,267
Forward foreign exchange options	**98,745**	7,599
Commodity futures and options	**697**	15,629
Forward purchase contracts	**23,245**	25,641
Forward sales contracts	**6,330**	1
	170,417	74,137
NON-CURRENT ASSETS		
At fair value		
Forward foreign exchange contracts	**310**	–
Forward purchase contracts	**506**	–
Forward sale contracts	**168**	–
	984	–
CURRENT LIABILITIES		
At fair value		
Forward foreign exchange contracts	**24,254**	47,944
Forward foreign exchange options	**101,038**	7,598
Commodity futures and options	**8,125**	3,595
Forward purchase contracts	**11,160**	46,560
Forward sales contracts	**7,573**	–
	152,150	105,697
NON-CURRENT LIABILITIES		
At fair value		
Forward foreign exchange contracts	**229**	–
Forward purchase contracts	**300**	321
	529	321

a) Instruments used by the Group

An existing portfolio of derivatives, primarily forward foreign exchange contracts and options, commodity futures and options and forward sales and purchase contracts, is held by CBH Grain Pty Ltd and does not qualify for hedge accounting under AASB 139. Movements in the fair value of these derivatives are recognised in the Statement of Comprehensive Income for the year. The subjective 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.

In addition, CBH Grain Pty Ltd takes out foreign exchange contracts and options and commodity futures and options on behalf of the CBH Grain Pools. This is achieved by the CBH Grain Pools contracting with the CBH Grain Pty Ltd for the derivative contract and CBH Grain Pty Ltd contracting with an external counterparty for the opposing position. In the Group's Statement of Comprehensive Income, these positions are generally offsetting, resulting in a zero impact to profit and loss. However, in the Group's Statement of Financial Position, the Group recognised a derivative asset/liability for the position with the CBH Grain Pools, and an offsetting derivative asset/liability with the external counterparty.

The Group also uses financial instruments to hedge exposure to risks associated with the acquisition of significant assets (refer note 20 (c)).

The Group's net derivative portfolio, with all counterparties both internal and external, is outlined below. Internal counterparties are the CBH Grain Pools growers. External counterparties include banks, brokers, unrelated growers, end-customers and grain traders.

	2012	2011	Average Exchange Rate	
	$'000	$'000	2012	2011
Note 20. Derivative financial instruments (continued)				
Foreign exchange contract				
Sell USD : Buy AUD				
United States : Australian dollars				
Less than 6 months	**802,524**	545,331	**1.0124**	1.0146
6 months to 1 year	**6,182**	9,540	**1.0192**	1.0043
1 year to 2 years	**14,135**	–	**1.0011**	–
Buy USD : Sell AUD				
United States : Australian dollars				
Less than 6 months	**(25,436)**	(68,088)	**1.0248**	1.0329
6 months to 1 year	**(5,432)**	–	**1.0674**	–
1 year to 2 years	**(994)**	–	**0.9936**	–
Sell CAD : Buy AUD				
Canadian : Australian dollars				
Less than 6 months	**9,953**	49,500	**1.0047**	1.0043
6 months to 1 year	**–**	499	**–**	1.0013
Buy CAD : Sell AUD				
Canadian : Australian dollars				
Less than 6 months	**–**	(1,494)	**–**	1.0039
Buy CAD : Sell USD				
Canadian : United States dollars				
Less than 6 months	**(3,674)**	(6,513)	**0.9975**	0.9826
Sell USD : Buy EUR				
United States : Euro				
Less than 6 months	**(19,082)**	–	**1.2472**	–
Sell EUR : Buy USD				
Euro : United States				
Less than 6 months	**(309)**	–	**0.9563**	–
Sell EUR : Buy AUD				
Euro : Australian dollars				
Less than 6 months	**227,533**	56,902	**0.7821**	0.7260
6 months to 1 year	**1,656**	2,062	**0.7851**	0.7274
1 year to 2 years	**2,924**	–	**0.7866**	–
Sell CAD : Buy EUR				
Canadian : Euro				
Less than 6 months	**(1,847)**	(14,210)	**1.2316**	1.3639
Sell EUR : Buy CAD				
Euro : Canadian				
Less than 6 months	**(3,827)**	(35,868)	**0.9566**	1.3704
Buy EUR : Sell AUD				
Euro : Australian dollars				
Less than 6 months	**–**	(2,593)	**–**	0.7135

	2012	2011	Average Exchange Rate	
	$'000	$'000	2012	2011
Note 20. Derivative financial instruments (continued)				
a) Instruments used by the Group (continued)				
Buy AUD : Sell JPY				
Australian dollars : Japanese Yen				
Less than 6 months	**12,555**	13,918	**81.2564**	71.8487
Buy CHF : Sell AUD				
Swiss Franc : Australian dollar				
Less than 6 months	**(264)**	–	**1.0361**	–
Buy NZD : Sell JPY				
New Zealand dollar : Japanese Yen				
Less than 6 months	**(200)**	–	**65.8922**	–
Buy USD : Sell JPY				
United States dollar : Japanese Yen				
Less than 6 months	**(9,925)**	–	**80.449**	–
Foreign exchange contract options				
Sell USD : Buy AUD				
United States : Australian dollars				
Buy put options				
Less than 6 months	**83,868**	65,450	**1.0147**	1.0459
Sell put options				
Less than 6 months	**58,562**	45,250	**0.9989**	0.9843
Sell AUD : Buy USD				
Australian : United States dollars				
Buy call options				
Less than 6 months	**–**	(21,500)	**–**	1.0295
Sell call options				
Less than 6 months	**(22,936)**	–	**0.9174**	–
Sell put options				
Less than 6 months	**–**	(44,350)	**–**	1.0686

For all foreign exchange contracts listed above where Australian dollars are being purchased transactions are recorded as positive amounts without brackets. Brackets are included around the currency amount if either Australian dollars are being sold or the transaction is between currencies other than AUD.

	2012 $'000	2011 $'000	**2012 $ per tonne**	2011 $ per tonne
Note 20. Derivative financial instruments (continued)				
a) Instruments used by the Group (continued)				
Commodity future open positions				
Not later than one year				
Buy futures – AUD	**7,376**	3,963	**282**	239
Buy futures – USD	**23,917**	7,936	**336**	274
Sell futures – AUD	**5,461**	3,599	**303**	238
Sell futures – USD	**298,929**	74,500	**330**	247
Sell futures – CAD	**13,747**	19,699	**598**	540
Sell futures – EUR	**139,861**	40,856	**487**	420
Commodity options open position				
Not later than one year				
Buy call options – USD	**8,242**	–	**606**	–
Sell call options – USD	**13,399**	2,589	**656**	250
Sell put options – USD	**42,788**	–	**314**	–
Sell put options – CAD	**–**	–	**–**	–
Forward purchase and sale contracts				
Forward purchase contracts	**601,035**	314,094	**346**	205
Forward sale contracts	**317,580**	198,017	**323**	130

b) Interest rate derivatives contracts

In order to protect against rising interest rates in the short term, the Group entered into interest rate cap options at 4.75% and 5.5% and interest rate collar options with a floor of 1.84% and a cap of 3.5%.

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

	30 September 2012 $'000	30 September 2011 $'000
Interest rate options		
0 – 1 years	**2**	370
1 – 2 years	**–**	889
Forward rate agreement		
0 – 1 years	**–**	(46)
	2	1,213

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 2(ab).

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Note 20. Derivative financial instruments (continued)

c) Cash flow hedges

In the previous financial year, CBH Limited entered an agreement with MotivePower Inc. to purchase locomotives for USD 65,230,000 million. Payments of USD 56,800,000 million have been made to MotivePower to date. Other logistics related payments have also been made in USD denominated currency. In order to limit the exposure to USD/AUD exchange rate movement, the Group has fully hedged the remaining balance payable to MotivePower and the estimated remaining logistics costs by entering into a series of forward currency contracts to purchase US dollars. These contracts are timed to mature when payments are scheduled to be made.

The cash flows are expected to occur between 1-11 months from 30 September 2012. At balance date, the details of outstanding contracts are:

	NOTIONAL AMOUNTS		AVERAGE EXCHANGE RATE	
	AUD 2012 $000	2011 $000	**2012**	2011
Buy USD/sell AUD				
Buy USD maturity 1-11 months — Consolidated	**10,491**	44,250	**0.9385**	0.9764

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast cash payments and any gain or loss on the contracts attributable to the hedged risk is taken directly to equity. When the assets are received the amount recognised in equity is adjusted to the asset account in the statement of financial position:

Movement in forward currency contract cash flow hedge reserve

	30 September 2012 $'000	30 September 2011 $'000
Opening balance	**1,032**	–
Charged to other comprehensive income	**(1,936)**	1,032
Closing balance	**(904)**	1,032

Note these amounts have not been tax-effected as the Company is in a tax-exempt entity.

d) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. Information regarding credit risk exposure is set out in Note 19(b).

e) Interest rate risk

Information regarding interest rate risk exposure is set out in Note 19(a) (iii).

Note 21. Commitments

Operating lease commitments

The Group has entered into commercial leases on certain property and items of equipment. These leases have an average life of between 1 and 50 years with renewal options included in the contracts.

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

	30 September 2012 $'000	30 September 2011 $'000
Within one year	**12,116**	8,674
After one year but not more than five years	**27,514**	22,907
More than five years	**44,853**	32,593
	84,483	64,174
Capital commitments		
Commitments for the acquisition of property, plant and equipment contracted as at the reporting date but not recognised as liabilities payable:		
Within one year	**23,536**	95,822
	23,536	95,822

Note 22. Contingent liabilities

(i) Finance arrangements

Co-operative Bulk Handling Limited (parent entity) has undertaken guarantees relating to loan facilities with certain controlled and associated entities (note 10).

In addition to the above, Co-operative Bulk Handling Limited (parent entity) has also undertaken a commitment to provide a loan of $10 million to Willis Australia Limited in connection with establishment, support and operation of CBH Mutual Fund. As at 30 September 2012 $544,800 was drawn down. The commitment has an end date of 31 March 2014. CBH intends to deregister the fund before that time with an estimated cost to completion for that process of $21,250.

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	30 September 2012 $	30 September 2011 $
Note 23. Auditors' remuneration		
Amounts received or due and receivable by Ernst & Young (Australia) from entities in the consolidated entity or related entities		
– Audit of Financial Statements	**452,800**	404,700
– Other assurance services	**13,000**	82,519
	465,800	487,219
Amounts received or due and receivable by a related overseas office of Ernst & Young, from entities in the consolidated entity or related entities		
– Audit of Financial Statements	**45,200**	77,642
	511,000	564,861
Note 24. Compensation of key management personnel		
Short term	**4,236,457**	3,413,428
Post employment	**164,802**	414,604
Other long term benefits	**267,067**	437,197
Termination benefits	**75,022**	–
	4,743,348	4,265,229

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 (whether executive or otherwise) of that entity.

Short term employee benefits includes wages, salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees.

Post employee benefits include pensions and other retirement benefits paid for current employees.

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Note 25. Employee benefits

(a) Defined benefit superannuation plan

(i) Superannuation plan

The CBH Superannuation Fund ("the Fund") is an employer fund established to provide benefits to employees who are members on retirement, termination of employment, death and disability.

The defined benefit section of the plan provides defined benefit members with pension benefits on retirement, death and disablement, with an option to commute their benefits to a lump sum. On resignation, defined benefit members receive a lump sum benefit. The defined benefit section of the plan closed to new members from 1 November 2000 and all defined benefit members transferred to the accumulation section of the fund other than existing pension recipients. All new members now receive accumulation only benefits.

The following sets out details in respect of the defined benefit section only:

	30 September 2012 $'000	30 September 2011 $'000
(ii) Statement of financial position amounts		
The amounts recognised in the statement of financial position are determined as follows:		
Present value of the defined benefit	**281**	973
Fair value of defined benefit plan assets	**5,932**	9,663
Net asset in the statement of financial position	**6,213**	10,636
(iii) Categories of plan assets		
The major categories of plan assets are as follows:		
Australian equity	**45%**	47%
International equity	**3%**	
Fixed income	**19%**	18%
Property	**17%**	19%
Cash	**16%**	16%
(iv) Actual return on fund assets		
Actual return on fund assets	**534**	(119)

	30 September 2012 $'000	30 September 2011 $'000
Note 25. Employee benefits (continued)		
(a) Defined benefit superannuation plan (continued)		
(v) Reconciliations		
Reconciliation of the present value of the defined benefit obligation, which is fully funded:		
Balance at beginning of year	**(973)**	(1,648)
Current service cost	**4,735**	4,484
Interest cost	**25**	31
Plan participants contributions	**–**	–
Actuarial gains/(losses)	**197**	156
Benefits, administrative expenses, premiums and tax paid	**(176)**	(125)
Contributions to accumulation section	**(4,089)**	(3,871)
Past service cost	**–**	–
Curtailments	**–**	–
Settlements	**–**	–
Defined benefit at end of year	**(281)**	(973)
Reconciliation of the fair value of plan assets/(liabilities)		
Balance at beginning of year	**9,663**	13,778
Actuarial gains/(losses)	**532**	814
Expected return on fund assets	**2**	(933)
Contributions by fund participants	**–**	–
Benefits, administrative expenses, premiums and tax paid	**(176)**	(125)
Contributions to accumulation section	**(4,089)**	(3,871)
Settlements	**–**	–
Fair value of plan assets at end of year	**5,932**	9,663
(vi) Amounts recognised in statement of comprehensive income		
The amounts recognised in the statement of comprehensive income are as follows:		
Service cost	**4,735**	4,484
Interest cost	**25**	31
Expected return on assets	**(532)**	(814)
Past service costs	**–**	–
Effect of curtailments/settlements	**–**	–
Superannuation (income)/expense	**4,228**	3,701
Actuarial gains/(losses)	**(195)**	(1,089)
Adjustment for limit on net asset	**–**	–
Surplus distribution to accumulation members	**–**	–
Gain/(loss) recognised in the statement of income and expense	**(195)**	(1,089)
Cumulative amount of actuarial gain/(loss)	**(6,406)**	(6,211)

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	30 September 2012 % pa	30 September 2011 % pa
Note 25. Employee benefits (continued)		
(vii) Principal actuarial assumptions		
The principal actuarial assumptions used as at the reporting date were as follows:		
Discount rate – pensioners	**2.90**	4.30
Expected rate of return on plan assets – pensioners	**7.00**	7.00
Expected salary increase rate	**4.00**	4.00
Expected pension increase rate	**2.50**	2.50

The fair value of the defined benefit plan assets does not include any of the Company's own financial instruments or any property occupied by or other assets used by the Company. The expected return on assets assumption is determined by weighing the expected long-term return for each class by the target allocation of assets to each class and allowing for the correlations of the investment returns between asset classes. The returns used for each class are net of investment tax and investment fees. This resulted in the selection of a 7% rate of return on assets (discount rate).

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
(viii)Historical information – experience adjustments on plan					
Present value of defined benefit	**(281)**	(973)	(1,648)	(1,931)	(1,524)
Fair value of fund assets	**5,932**	9,663	13,778	18,669	19,629
(Surplus)/deficit in fund	**(6,213)**	(10,636)	(15,426)	(20,600)	(21,153)
Experience adjustments (gain)/loss – plan assets	**(2)**	933	1,842	(1,684)	8,238
Experience adjustments (gain)/loss – plan liabilities	**139**	128	380	(429)	2,071

(ix) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. The last actuarial assessment was made on 29 March 2012 in relation to the financial position as at 30 October 2011 and no employer contribution is expected to be paid to the plan within the next financial year.

At 30 September 2012 there were no active Defined Benefit Members and three pensioners.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the "projected unit credit valuation method". The method adopted determines that the contributions payable by the Company in the future will be sufficient to meet the benefits in respect of the current membership if the actuarial assumptions are fulfilled in practice.

Using the funding method described above and particular actuarial assumptions as to the plan's future, the actuary recommended to the trustee that the company suspend employer contributions on 1 July 2001. The Company is also on a contribution holiday for salary sacrifice contributions which commenced during the 2004/05 year. The contribution suspension resulted in savings of $4,089,000 (2011: $3,871,000) in legislatively mandated or contractually obliged contributions during the year ended 30 September 2012 and it is expected to continue until the actuary determines that surpluses have been absorbed.

The Trust Deed of the Plan states that if the Plan winds up, the remaining assets are to be distributed by the Trustee of the Plan in such a manner as will in the opinion of the Trustee after having considered the advice of the Actuary be fair and equitable according to the respective rights of the present and former Members and Beneficiaries.

The Company may at any time terminate its contribution by giving three months notice in writing to the Trustee. The Company has a liability to pay the contributions due prior to the effective date of the notice, but there is no requirement for the Company to pay any further contributions, irrespective of the financial condition of the Fund.

Note 26. Investment in controlled entities

The following were controlled entities as at 30 September 2012 and have been included in the consolidated accounts. All controlled entities have a reporting date of 30 September unless otherwise stated.

NAME OF CONTROLLED ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2012 %	2011 %
CBH Grain Pty Ltd	Australia	Ordinary	**100**	100
Bulkwest Pty Ltd	Australia	Ordinary	**100**	100
CBH Global Limited	Cyprus	Ordinary	**100**	100
Grainswest Pty Ltd (i)	Australia	Ordinary	**100**	100
Grain Pool Pty Ltd (i)	Australia	Ordinary	**100**	100
CBH (WA) Pty Ltd (i)	Australia	Ordinary	**100**	100
CBH Pty Ltd (i)	Australia	Ordinary	**100**	100
CBH Grain Pty Ltd controlled entities are as follows:				
AgraCorp Pty Ltd	Australia	Ordinary	**100**	100
CBH Grain Asia Ltd	Hong Kong	Ordinary	**100**	100
CBH Grain Japan Co. Ltd	Japan	Ordinary	**100**	100
Bulkwest Pty Ltd controlled entities are as follows:				
CBH Engineering Pty Ltd	Australia	Ordinary	**100**	100
C.B.H. Investment Pty Ltd (i)	Australia	Ordinary	**100**	100
Bulkeast Pty Ltd (i)	Australia	Ordinary	**100**	100
DailyGrain Pty Ltd (iii)	Australia	Ordinary	**100**	50
CBH Global Limited controlled entities are as follows:				
Co-operative Bulk Handling (Netherlands) BV	Netherlands	Ordinary	**100**	100
CBH Indonesia Limited (ii)	Malaysia	Ordinary	**100**	100
Westgrains Insurance Pte Ltd	Singapore	Ordinary	**100**	100

(i) These entities have remained inactive during the current and prior year.
(ii) The reporting date of CBH Indonesia Limited is 31 December.
(iii) During 2010, the investment in DailyGrain Pty Ltd was converted to a controlled entity.

Note 27. Investment in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Information relating to the associates is set out below:

NAME OF COMPANY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CARRYING AMOUNT		REPORTING DATE
		2012 %	2011 %	**2012 $'000**	2011 $'000	
Australian Bulk Stevedoring Pty Ltd	Stevedoring	**50**	50	**505**	212	30 September
Australasian Lupin Processing Pty Ltd	Lupins dehulling and processing	**50**	50	**–**	–	30 September
United Bulk Carriers Pty Ltd	Chartering	**50**	50	**–**	–	30 September
Pacific Agrifoods Limited	Investment	**50**	50	**39,447**	37,213	31 December
PT Eastern Pearl Flour Mills	Flour milling	**50**	50	**59,369**	58,500	31 December
Wheat Australia Pty Ltd	Wheat exporting	**33**	33	**74**	74	30 September
				99,395	95,999	

Each of the associated entities is incorporated in Australia, except for Pacific Agrifoods Limited and PT Eastern Pearl Flour Mills which reside in the British Virgin Islands and Indonesia respectively.

The following table illustrates summarised financial information relating to the Group's investment in associates:

	30 September 2012 $'000	30 September 2011 $'000
Equity accounted investment – Australian Bulk Stevedoring Pty Ltd	**505**	212
Equity accounted investment – Pacific Agrifoods Ltd	**19,960**	16,271
Equity accounted investment – PT Eastern Pearl Flour Mills	**59,369**	58,500
Equity accounted investment – Wheat Australia Ltd	**74**	74
	79,908	75,056
Investment by way of long term loans – Pacific Agrifoods Ltd	**19,487**	20,943
	99,395	95,999

	30 September 2012 $'000	30 September 2011 $'000
Note 27. Investment in associates (continued)		
Movements in carrying amounts of investments in associates		
Carrying amount at the beginning of the financial year	**95,999**	84,214
Increase in investment by way of loan	**–**	274
Repayment of loan and distributions	**(300)**	(1,084)
Share of associates profits/(losses) after income tax	**7,000**	14,260
Foreign exchange movements	**(3,304)**	(1,226)
Impairment of investment	**–**	(439)
Carrying amount at the end of the financial year	**99,395**	95,999
Share of associates' profits		
Profits before income tax and impairments	**9,389**	18,438
Income tax benefit/(expense)	**(2,389)**	(4,178)
Share of net profits/(losses) after income tax	**7,000**	14,260
Retained profits/(accumulated losses) attributable to associates at beginning of the year	**11,034**	(3,226)
Retained profits/(accumulated losses) attributable to associates at end of the year	**18,034**	11,034
Share of associates' profit or loss and statement of financial position		
a) Other Investments		
(i) Australasian Lupin Processing Pty Ltd		
Loss from ordinary activities after related income tax expense	**–**	–
Current assets	**59**	231
Non-current assets	**–**	–
Current liabilities	**(60)**	(43)
Non-current liabilities	**–**	–
Net assets/(liabilities)	**(1)**	188
(ii) Wheat Australia Pty Ltd		
Profit from ordinary activities after related income tax expense	**–**	–
Current assets	**19**	19
Non-current assets	**–**	–
Current liabilities	**(11)**	–
Non-current liabilities	**(5)**	(17)
Net assets	**3**	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

	30 September 2012 $'000	30 September 2011 $'000
Note 27. Investment in associates (continued)		
(iii) United Bulk Carriers Pty Ltd		
Profit/(loss) from ordinary activities after related income tax expense	**–**	104
Current assets	**201**	205
Non-current assets	**–**	–
Current liabilities	**(13)**	(52)
Non-current liabilities	**–**	–
Net assets	**188**	153
(iv) Australian Bulk Stevedoring Pty Ltd		
Profit/(loss) from ordinary activities after related income tax expense	**593**	57
Current assets	**1,114**	511
Non-current assets	**89**	–
Current liabilities	**(664)**	(283)
Non-current liabilities	**(21)**	(4)
Net assets/(liabilities)	**518**	224
b) Flour Mill Investments		
(i) Pacific Agrifoods Limited		
Profit from ordinary activities after related income tax expense before holding costs	**3,218**	8,494
Less: Holding costs (Note 29)	**(839)**	(1,510)
Profit from ordinary activities after related income tax	**2,379**	6,984
Current assets	**94,977**	85,598
Non-current assets	**136,781**	80,226
Current liabilities	**(138,254)**	(117,125)
Non-current liabilities	**(43,153)**	(16,951)
Net assets	**50,351**	31,748
(ii) PT Eastern Pearl Flour Mills		
Profit from ordinary activities after related income tax expense	**3,188**	7,115
Current assets	**60,036**	49,134
Non-current assets	**42,245**	35,828
Current liabilities	**(47,549)**	(28,453)
Non-current liabilities	**(4,301)**	(3,707)
Net assets	**50,431**	52,802

Note 27. Investment in associates (continued)

CBH Group invested USD 69.7 million in 2005 in a 50% stake in Interflour Group (comprising Pacific Agrifoods Ltd and PT Eastern Pearl Flour Mills) in 2005 to diversify the Group's revenue streams and gain exposure to the world's fastest growing market for grains.

CBH Group's current exposure – the total investment made and the net debt still owing to banks for which CBH is responsible is USD 55.0 million.

	30 September 2012 USD'000	30 September 2011 USD'000
Long term loan to Pacific Agrifoods Ltd (Note 1)	**20,349**	20,349
Investment in PT Eastern Pearl Flour Mills	**28,609**	27,957
Loan from PT Eastern Pearl Flour Mills (Note 2)	**(12,000)**	(6,000)
Total loans and investments	**36,958**	42,306
Outstanding acquisition debt (Note 3)	**18,000**	20,500
Current investment exposure	**54,958**	62,806
Share of equity accounted earnings	**51,747**	42,127
Total investment	**106,705**	104,933

CBH Group receives returns of earnings from the investment in various forms – dividends, repayments of loans and advances of loans. During the year the total amount received from the mills was USD 7.25 million (2011: USD 12 million), of which USD 2.5 million (2011: USD 2.5 million) was paid to ANZ Bank to repay the investment acquisition debt in Pacific Agrifoods Ltd with the balance received by CBH Group used for general working capital purposes.

Notes	**$'000**	$'000
1) Co-operative Bulk Handling Limited had a loan outstanding to Pacific Agrifoods Limited for specific and working capital purposes that is interest free and had no repayment date reflecting its nature as quasi equity. This has therefore been classified as an Equity Loan.	**19,487** **(USD 20,349)**	20,943 (USD 20,349)
2) Co-operative Bulk Handling (Netherlands) BV has a loan from PT Eastern Pearl Flour Mills for working capital purposes that is interest bearing.. The interest and capital repayment date is 30 September 2014 and 31st December 2012. The loan is denominated in USD.	**11,492** **(USD 12,000)**	6,146 (USD 6,000)
3) Pacific Agrifoods Ltd has a loan from ANZ Bank which was used for the acquisition of Interflour Holding Ltd. This loan has been guaranteed by the parent entity and the Salim Group on a 50/50 joint basis.	**34,476** **(USD 36,000)**	41,998 (USD 41,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2012

Note 28. Related parties transactions

(i) Key Management Personnel – 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.

During the year a director of the parent entity, Mr D S Willis, received remuneration of USD 9,000 (2011: nil) from Interflour Holdings Ltd ("IFHL"), an associated company, for his role as a director of IFHL.

Total aggregate number of shares held by directors and director related entities is 15 (2011: 15).

	30 September 2012 $	30 September 2011 $
Messrs N J Wandel, W A Newman, T N Badger, V A Dempster, K J Fuchsbichler, J P Hassell, R G Madden, B E McAlpine, M E McGinniss and M C Michael received payments or were due to receive payment for grain deliveries during the financial year.	**8,918,819**	7,210,036

Identification of Related Parties' Ultimate Parent Entity

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

Note 29. Business unit results

Year ended 30 September 2012	Storage and Handling $'000	Grain Trading and Marketing $'000	Flour Milling (Note 27(b)) $'000	Other Investments (Note 27(a)) (i) $'000	Other costs $'000	Eliminations $'000	Total $'000
Business Unit Revenue							
Sales	**684,749**	**1,669,649**	**659,268**	**1,039**	**327**	**(785,498)**	**2,229,534**
Total Business Unit Revenue	**684,479**	**1,669,649**	**659,268**	**1,039**	**327**	**(785,498)**	**2,229,534**
Total Business Unit Results							
Profit/(loss) before tax	**131,174**	**27,810**	**20,439**	**3,079**	**2,028**		
Minority interest share	**–**	**–**	**(2,153)**	**–**	**(97)**		
Operating profit/(loss) before tax	**131,174**	**27,810**	**18,286**	**3,079**	**1,931**		
CBH Share (%)	*100%*	*100%*	*50%*	*50-100%*	*100%*		
CBH Share Business Unit Result	**131,174**	**27,810**	**9,143**	**3,079**	**1,931**	**(114)**	**173,024**
CBH share of income tax expense	**–**	**(7,980)**	**(2,135)**	**502**	**(704)**	**512**	**(9,806)**
Net profit/(loss) after tax before adjustments	**131,174**	**19,830**	**7,008**	**3,581**	**1,227**	**398**	**163,218**
Adjusted for:							
Holding costs (ii)	**–**	**–**	**–**	**–**	**(849)**	**–**	**(849)**
Profit/(loss) after tax	**131,174**	**19,830**	**7,008**	**3,581**	**378**	**398**	**162,369**

(i) Includes investment in subsidiary Westgrains Insurance Pty Ltd.

(ii) Holding costs include costs incurred by the companies associated with holding the Group's investments in the Flour Mills.

Note 29. Business unit results (continued)

Year ended 30 September 2011	Storage and Handling $'000	Grain Trading and Marketing $'000	Flour Milling (Note 27(b)) $'000	Engineering and Other Services $'000	Other Investments (Note 27(a)) (i) $'000	Other costs $'000	Eliminations $'000	Total $'000
Business Unit Revenue								
Sales	361,716	1,688,834	505,596		243	5,433	(610,505)	1,951,317
Total Business Unit Revenue	361,716	1,688,834	505,596		243	5,433	(610,505)	1,951,317
Total Business Unit Results								
Profit/(loss) before tax	(6,709)	(33,060)	41,069		1,253	3,531		
Minority interest share	–	–	(3,513)		–	(169)		
Operating profit/(loss) before tax	(6,709)	(33,060)	37,556		1,253			
CBH Share (%)	*100%*	*100%*	*50%*	*100%*	*50-100%*	*100%*		
CBH Share Business Unit Result	(6,744)	(33,060)	18,778		1,253	3,362	(8,347)	(24,758)
CBH share of income tax expense	1,936	9,677	(4,061)		(159)	(1,772)	(619)	5,002
Net profit/(loss) after tax before adjustments	(4,808)	(23,383)	14,717		1,094	1,590	(8,966)	(19,756)
Adjusted for:								
Holding costs (ii)	–	–	–	–	–	(1,510)	–	(1,510)
Unrealised foreign exchange on translation	35	–	–	–	–	–	(171)	(136)
Profit/(loss) after tax	(4,773)	(23,383)	14,717		1,094	80	(9,137)	(21,402)

Note 30. Events subsequent to reporting date

Subsequent to year end, CBH Grain Pty Ltd negotiated the following facilities for the acquisition of grain over the 2012/13 season:

- Syndicated debt facility for $350,000,000 with various banks;
- Syndicated inventory finance facility for $600,000,000 with various banks;
- Banking facility for $150,000,000 with National Australia Bank; and
- Uncommitted facility for $125,000,000 with Cooperative Centrale Raiffeisen-Boerenleenbank B.A.

Subsequent to year end, CBH Grain Pty Ltd negotiated a pre-shipment facility for $120,000,000 with Commonwealth Bank of Australia, which is to be used for the shipping of grain over the 2012/13 season.

DIRECTORS' DECLARATION

1) In the opinion of the directors:
   (a) The financial statements and notes of the consolidated entity for the financial year ended 30 September 2012 are in accordance with the Co-operatives Act 2009 including
      i) giving a true and fair view of the financial position as at 30 September 2012 and performance for the year then ended;
      ii) complying with Accounting Standards (including the Australian Accounting Interpretations);
   (b) The financial statements and associated notes also comply with International Financial Reporting Standards as described in Note 2 to the financial statements; and
   (c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The above declarations are made in accordance with a resolution of the directors.

ON BEHALF OF THE BOARD

N J WANDEL
Chairman of Directors

M C MICHAEL
Deputy Chairman of Directors

Dated at Perth this 5 December 2012

INDEPENDENT AUDITOR'S REPORT

TO MEMBERS OF CO-OPERATIVE BULK HANDLING LIMITED

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We have audited the accompanying financial report of Co-operative Bulk Handling Limited, which comprises the consolidated statement of financial position as at 30 September 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Co-operatives Act 2009 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion:

(a) the financial report presents fairly, in all material respects, the financial position of the consolidated entity as of 30 September 2012, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards and the Co-operatives Act 2009; and

(b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Robert A Kirkby
Partner
Perth, 5 December 2012

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YOUR FIVE YEAR FINANCIAL AND OPERATIONAL HISTORY

CO-OPERATIVE BULK HANDLING LIMITED AND ITS CONTROLLED ENTITIES

		2012	2011	2010*	2009	2008
Tonnes handled	mt	**15.1**	6.5	11.1	12.3	8.5
Lost time injury frequency rate#		**6**	10	14	15	18
Revenue from continuing operations	$m	**2,230**	1,951	1,304	1,541	1,103
Pools revenue	$m	**860**	919	1,332	1,992	1,492
Other income	$m	**43**	82	52	153	5
Total revenue including other income	$m	**3,133**	2,952	2,688	3,686	2,600
Net profit contribution from:						
Storage and handling	$m	**131**	(5)	(9)	68	10
Marketing, accumulation and trading	$m	**20**	(23)	12	44	35
Flour milling	$m	**7**	15	20	7	6
Other	$m	**4**	(8)	5	0	(11)
Profit attributable to members of Co-operative Bulk Handling Limited	$m	**162**	(21)	28	119	40
Return on average equity	%	**13.3**	(1.9)	2.6	11.5	4.2
Customer loyalty payment	$m	**6.3**	0.0	14.2	16.3	0.0
Capital reinvestment	$m	**192**	67.0	73.9	90.7	30.9
Total assets	$m	**2,156**	1,507	1,619	1,506	1,699
Total liabilities	$m	**(913)**	(420)	(510)	(416)	(722)
Equity	$m	**1,243**	1,087	1,109	1,090	977
Debt owing	$m	**393**	182	176	82	173

* 2010 results are for an 11 month period only.
# Figures have been adjusted retrospectively to include contractor hours.

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