

GRAINCORP LIMITED

APPENDIX 4D

FOR THE HALF-YEAR ENDED 31 MARCH 2023

Results for announcement to the market				
	Up / Down	% Movement		2023 \$ M
Revenue from ordinary activities	Up	18.2%	to	4,539.8
Profit from ordinary activities after tax attributable to owners of GrainCorp Limited	Down	18.6%	to	200.3
Net profit for the period attributable to owners of GrainCorp Limited	Down	18.6%	to	200.3

Dividend Information	Amount per security (cents)	Franked amount per security at 30% tax (cents)
Final fully franked dividend per share (paid 14 December 2022)	14.0	14.0
Final special franked dividend per share (paid 14 December 2022)	16.0	16.0
Interim ordinary dividend per share	14.0	14.0
Interim special dividend per share	10.0	10.0
Interim dividend dates		
Record date for determining entitlements to the interim dividend		6 July 2023
Payment date for interim dividend		20 July 2023

Additional information

Net tangible assets per share: \$6.54 (30 September 2022: \$5.99)

The following were the interests in joint ventures held by the entity during the half-year. The aggregate share of loss from joint ventures is \$12.0 million (31 March 2022: loss \$3.9 million).

	Ownership interest	
	31 March 2023	30 September 2022
GrainsConnect Canada Operations Inc	50%	50%
National Grower Register Pty Ltd	50%	50%
FutureFeed Pty Ltd	20%	20%
GRO Agriculture Pty Limited	50%	50%
Hone Corporation Pty Limited	15%	15%

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report for the half-year ended 31 March 2023.

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

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



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GrainCorp Limited
 Level 28, 175 Liverpool Street
 Sydney NSW 2000
 T: 02 9325 9100
 F: 02 9325 9180
 ABN 60 057 186 035

graincorp.com.au

Front cover image

GrainCorp Port Terminal
 Gladstone, Queensland

Directors' Report

The Directors present their report on the consolidated entity (collectively the 'Group') consisting of GrainCorp Limited ('GrainCorp' or the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 March 2023.

Directors

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

- P I Richards (Chairman)
- R J Spurway (Managing Director & CEO)
- N E Anderson
- K M Grigg
- D J Mangelsdorf
- C M S Stiff

Review of operations

Group Financial Analysis and Commentary

The Group recorded a net profit after tax (NPAT) of \$200.3 million for the half-year ended 31 March 2023 compared to a net profit after tax of \$246.0 million for the previous corresponding half-year.

Revenue increased by 18% to \$4,539.8 million (HY22: \$3,842.1 million).

Agribusiness

East Coast Australia (ECA):

- Positive cropping conditions supported ECA grain production of 31.4mmt in 2022-23
- Large carry-in of 4.9mmt supported total supply
- Strong supply chain margins, albeit lower than 1H22
- Higher costs arising from protracted, wet harvest
- Five-year extension of Pacific National rail contract in NSW and Victoria
- Result includes \$70.0 million payment (by GrainCorp) under Crop Production Contract (CPC) (HY22: \$70.0 million)
- Increase in bulk material volumes - improving utilisation of port assets

Million metric tonnes (mmt)	HY23	HY22
ECA production (total winter + sorghum)¹	31.4	33.9
Carry-in	4.9	4.3
Receivals ²	12.5	14.7
Total supply	17.4	19.0
Domestic outload	3.4	3.0
Exports ³	4.4	4.5
Carry-out	9.6	11.5
Total grain handled⁴	34.8	38.0
Bulk materials (non-grain) handled ⁵	1.5	1.3
Total contracted grain sales - ECA	3.3	3.7

¹ 'ECA production' represents the total ECA winter + ECA sorghum production. FY23 production of 31.4mmt is based on ABARES' March 2023 estimate for ECA winter (28.9mmt) and ECA sorghum (2.5mmt) production for the 2022/23 season.

² Receivals comprises total tonnes received up-country + direct-to-port.

³ Exports comprise bulk and container exports of grain and oilseeds.

⁴ 'Total grain handled' includes GrainCorp carry-in + receivals + imports + domestic outload + exports + GrainCorp carry-out.

⁵ Bulk materials handled ('non-grain') comprises in-bound receivals of sand, cement, sugar, woodchips, fertiliser and other materials.

International:

- Strong result, benefiting from multi-origination strategy and execution from Western Australia
- Global demand for Australian grain remained strong, driven by record Australian production and uncertainty around northern hemisphere supply (due to weather and Ukraine-Russia conflict)
- Good supply chain execution from GrainsConnect Canada, however margins impacted by region's recovery from drought

Feeds, Fats & Oils (FFO):

- Feeds business performed well despite counter-cyclical nature of business to ECA cropping conditions, supported by larger national herd size and high demand for animal proteins
- Exceptional result for Fats and Oils (Agri-energy) business, driven by strong execution and demand for renewable fuel feedstocks, including used cooking oil (UCO) and tallow

Million metric tonnes (mmt)	HY23	HY22
Total contracted grain sales – international	2.1	2.1
Feeds, Fats & Oils executed sales	0.4	0.4
Auscol collection volumes (kmt)	10.2	9.8

Processing**Oilseeds:**

- Record half-year oilseed crush volumes with continued operational improvements being delivered
- Excellent crush margins, driven by:
 - Elevated domestic supply of canola seed – i.e. three consecutive years of record Australian canola production
 - Production challenges in key oilseed-growing regions outside of Australia
 - Ukraine conflict disrupting supply of oilseeds out of Black Sea
 - Strong demand for renewable fuels/feedstocks

Foods:

- Good volumes, with a focus on value-add product offerings
- Continued strong demand for refined vegetable oils, driven partially by Black Sea supply disruptions

Processing volumes (kt)	HY23	HY22
Oilseed crush volumes	256	232
Foods sales volumes	117	116

Auditor's independence declaration

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

Rounding of amounts

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

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



Peter Richards
Chairman
Sydney
11 May 2023



Auditor's Independence Declaration

As lead auditor for the review of GrainCorp Limited for the half-year ended 31 March 2023, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink, appearing to read 'EPenny', is written above the printed name.

Eliza Penny
Partner
PricewaterhouseCoopers

Sydney
11 May 2023

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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Half-year Financial Report

Consolidated Income Statement
For the half-year ended 31 March 2023

	Note	Half-year	
		31 March 2023	31 March 2022
		\$ M	\$ M
Revenue	1.1	4,539.8	3,842.1
Other income / (loss)	1.2	(55.9)	(12.2)
Goods purchased for resale		(3,147.7)	(2,615.9)
Raw materials and consumables used		(591.3)	(484.5)
Employee benefits expense		(232.4)	(210.4)
Finance costs		(37.4)	(15.3)
Depreciation and amortisation		(57.4)	(56.7)
Repairs and maintenance		(32.8)	(23.4)
Other expenses	1.3	(80.1)	(65.1)
Share of results of investments accounted for using the equity method		(12.0)	(3.9)
Profit before income tax		292.8	354.7
Income tax expense	1.4	(92.5)	(108.7)
Profit after tax		200.3	246.0

	Half-year	
	31 March 2023	31 March 2022
	Cents	Cents
Earnings per share attributable to owners of GrainCorp Limited		
Basic earnings per share	89.7	107.7
Diluted earnings per share	89.2	107.1

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the half-year ended 31 March 2023

	Half-year	
	31 March 2023 \$ M	31 March 2022 \$ M
Profit for the period	200.3	246.0
Other comprehensive income		
<i>Items that may be reclassified to profit and loss:</i>		
Changes in fair value of cash flow hedges	(2.3)	4.2
Income tax relating to these items	0.4	(1.0)
Exchange differences on translation of foreign operations	6.2	(5.9)
Other comprehensive income / (loss) for the period, net of tax	4.3	(2.7)
Total comprehensive income for the period, net of tax	204.6	243.3

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 March 2023

	Note	31 March 2023 \$ M	30 September 2022 \$ M
Current assets			
Cash and cash equivalents		319.3	322.4
Trade and other receivables		808.7	630.2
Inventories	3.1	1,738.0	857.5
Derivative financial instruments	2.3	373.6	423.7
Assets classified as held for sale		-	0.1
Total current assets		3,239.6	2,233.9
Non-current assets			
Derivative financial instruments	2.3	1.9	5.6
Investments in other entities	2.3	132.0	84.6
Deferred tax assets		36.7	18.3
Property, plant and equipment		664.6	663.8
Right of use assets		181.0	190.1
Intangible assets		93.3	99.0
Investments accounted for using the equity method		38.8	49.7
Total non-current assets		1,148.3	1,111.1
Total assets		4,387.9	3,345.0
Current liabilities			
Trade and other payables	3.2	458.8	278.4
Lease liabilities		38.1	37.8
Deferred revenue		38.9	30.0
Borrowings	2.1	1,584.2	712.5
Derivative financial instruments	2.3	135.3	271.2
Current tax liabilities		80.7	112.6
Provisions		69.3	57.3
Total current liabilities		2,405.3	1,499.8
Non-current liabilities			
Trade and other payables	3.2	9.7	10.1
Lease liabilities		190.0	203.5
Borrowings	2.1	150.0	150.0
Derivative financial instruments	2.3	30.5	19.5
Deferred tax liabilities		0.1	0.1
Provisions		10.1	9.3
Total non-current liabilities		390.4	392.5
Total liabilities		2,795.7	1,892.3
Net assets		1,592.2	1,452.7
Equity			
Contributed equity		521.9	516.6
Reserves		21.8	21.0
Retained earnings		1,048.5	915.1
Total equity		1,592.2	1,452.7

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 March 2023

	Hedging reserve	Capital reserve	Share option reserve	Translation reserve	Total reserves	Contributed equity	Retained earnings	Total equity
	\$ M	\$ M	\$ M	\$ M	\$ M	\$ M	\$ M	\$ M
At 1 October 2021	1.6	8.3	4.9	8.5	23.3	570.6	611.2	1,205.1
Profit for the period	-	-	-	-	-	-	246.0	246.0
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	(5.9)	(5.9)	-	-	(5.9)
Changes in fair value of cash flow hedges	4.2	-	-	-	4.2	-	-	4.2
Deferred tax (expense) / benefit	(1.0)	-	-	-	(1.0)	-	-	(1.0)
Total other comprehensive income	3.2	-	-	(5.9)	(2.7)	-	-	(2.7)
Total comprehensive income for the period	3.2	-	-	(5.9)	(2.7)	-	246.0	243.3
Transactions with owners:								
Dividends paid on ordinary shares	-	-	-	-	-	-	(22.9)	(22.9)
Share-based payments	-	-	1.9	-	1.9	-	-	1.9
Treasury shares vested to employees	-	-	(1.0)	-	(1.0)	1.0	-	-
At 31 March 2022	4.8	8.3	5.8	2.6	21.5	571.6	834.3	1,427.4
At 1 October 2022	3.7	8.3	8.2	0.8	21.0	516.6	915.1	1,452.7
Profit for the period	-	-	-	-	-	-	200.3	200.3
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	-	6.2	6.2	-	-	6.2
Changes in fair value of cash flow hedges	(2.3)	-	-	-	(2.3)	-	-	(2.3)
Deferred tax (expense) / benefit	0.4	-	-	-	0.4	-	-	0.4
Total other comprehensive income	(1.9)	-	-	6.2	4.3	-	-	4.3
Total comprehensive income for the period	(1.9)	-	-	6.2	4.3	-	200.3	204.6
Transactions with owners:								
Dividends paid on ordinary shares	-	-	-	-	-	-	(67.1)	(67.1)
Dividends paid on treasury shares	-	-	-	-	-	-	0.2	0.2
Share-based payments	-	-	1.8	-	1.8	-	-	1.8
Treasury shares vested to employees	-	-	(5.3)	-	(5.3)	5.3	-	-
At 31 March 2023	1.8	8.3	4.7	7.0	21.8	521.9	1,048.5	1,592.2

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

Consolidated Statement of Cash Flows

For the half-year ended 31 March 2023

	Note	Half-year	
		31 March 2023 \$ M	31 March 2022 \$ M
Cash flows from operating activities			
Receipts from customers		4,944.5	3,868.5
Payments to suppliers and employees		(4,551.7)	(3,555.8)
		392.8	312.7
Proceeds for bank loans – inventory funding		835.7	1,285.5
Payment for commodity inventories		(897.4)	(1,526.6)
Interest received		4.4	0.2
Interest paid		(37.4)	(15.3)
Income taxes paid		(142.1)	(17.5)
Net outflow from crop production contract		(68.9)	(68.9)
Net cashflows from operating activities		87.1	(29.9)
Cash flows from investing activities			
Payments for property, plant and equipment and computer software		(32.4)	(22.1)
Proceeds from sale of property, plant and equipment		0.1	0.8
Payments for investments		(8.3)	(4.0)
Dividends received		-	0.9
Loans granted to related parties		-	(21.4)
Net cashflows from investing activities		(40.6)	(45.8)
Cash flows from financing activities			
Proceeds from borrowings		478.8	1,041.9
Repayment of borrowings		(440.3)	(741.4)
Principal elements of lease payments		(21.0)	(17.5)
Dividends paid	2.2	(67.1)	(22.9)
Net cashflows from financing activities		(49.6)	260.1
Net (decrease) / increase in cash and cash equivalents		(3.1)	184.4
Cash and cash equivalents at the beginning of the year		322.4	126.6
Cash and cash equivalents at the end of the period		319.3	311.0

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

Notes to the Financial Statements

For the half-year ended 31 March 2023

About this report

The financial report for the half-year ended 31 March 2023 includes consolidated financial statements for GrainCorp Limited (GrainCorp or the Company) and its controlled entities (collectively the Group). GrainCorp Limited is a company incorporated and domiciled in Australia, limited by shares that are publicly traded on the Australian Securities Exchange.

The GrainCorp Limited financial report for the half-year ended 31 March 2023 was authorised for issue in accordance with a resolution of the Directors on 11 May 2023. The Directors have the power to amend and reissue the financial report.

a) Basis of preparation

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

- i. has been prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*
- ii. does not include all of the information required for an Annual Report, and should be read in conjunction with the Annual Report of the Group as at 30 September 2022 and any public announcements made by GrainCorp Limited during the half-year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001* and ASX Listing Rules
- iii. is presented under the historical cost basis apart from derivative financial instruments, commodity inventories and investments which are measured at fair value
- iv. presents reclassified comparative information where necessary to conform to changes in the current year; and
- v. does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 30 September 2022 Annual Report. These accounting policies are consistent with the respective Australian Accounting Standards.

The 31 March 2022 comparative information within the consolidated income statement has been reclassified between goods purchased for resale and raw materials and consumables used by \$345 million. This reclassification had the impact of increasing raw materials and consumables used by \$345 million and reducing goods purchased for resale by the same amount to improve comparability and more accurately reflect the external consumption of raw material.

Climate Change

The Task Force on Climate-Related Financial Disclosures (TCFD) is a reporting framework that consists of a list of recommendations for companies to consider, with the aim to improve and increase the reporting of climate-related financial information. In accordance with the TCFD reporting framework, management have considered the impact of both physical and transition climate change risks on the current valuation of our assets and liabilities as part of the 2022 Annual Report.

The Group does not believe that there has been any change in the interim period that would cause a material impact on the financial reporting judgements and estimates arising from our considerations and as a result the valuations of our assets or liabilities have not been significantly impacted by these risks as at the half-year ended 31 March 2023.

b) New accounting standards and interpretations

There are no new or revised Standards issued by the Australian Accounting Standards Board (AASB) that are relevant to GrainCorp's operations that are effective for the current annual reporting period.

1. Group Performance

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

1.1 Segment information

a) Description of segments

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

Operating Segment	Products and Services
Agribusiness	A leading Australian end-to-end grains and oils supply chain business with diversified international grains and oils origination and destination capabilities. The key commodities and products handled and traded by this segment include wheat, coarse grains (including barley, sorghum and corn), oilseeds, pulses, organics, animal fats, used cooking oils and vegetable oils for animal feed purposes.
Processing	A vertically integrated edible oils crushing, processing, manufacturing and distribution business with a strong and well-invested footprint across both Australia and New Zealand.

Corporate includes the unallocated corporate costs such as group financing. Segment performance is based on a measure of EBITDA. EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation.

b) Performance of segments

Half-year 2023	Agribusiness \$ M	Processing \$ M	Reportable segments \$ M	Corporate \$ M	Eliminations \$ M	Total \$ M
Reportable segment revenue						
External revenue	3,969.1	570.7	4,539.8	-	-	4,539.8
Intersegment revenue	352.8	16.9	369.7	-	(369.7)	-
Total reportable segment revenue	4,321.9	587.6	4,909.5	-	(369.7)	4,539.8
Reportable segment result	265.0	103.3	368.3	(14.3)	-	354.0
Share of results of joint ventures	(10.8)	-	(10.8)	(1.2)	-	(12.0)
Net change in fair value of investments	-	-	-	41.2	-	41.2
EBITDA	254.2	103.3	357.5	25.7	-	383.2
Lease interest	(3.1)	(0.5)	(3.6)	(0.1)	-	(3.7)
Net interest	(26.9)	(1.2)	(28.1)	(1.2)	-	(29.3)
Depreciation and amortisation	(42.9)	(12.7)	(55.6)	(1.8)	-	(57.4)
Profit before income tax	181.3	88.9	270.2	22.6	-	292.8
Other segment information						
Capital expenditure	28.9	3.0	31.9	0.5	-	32.4
Reportable segment assets	3,242.1	610.3	3,852.4	535.5	-	4,387.9
Reportable segment liabilities	(2,276.1)	(199.1)	(2,475.2)	(320.5)	-	(2,795.7)

Half-year 2023	Agribusiness \$ M	Processing \$ M	Total \$ M
Reportable segment revenue			
Sale of commodities	3,534.4	5.5	3,539.9
Sale of finished goods	85.7	565.2	650.9
Service and other revenue	341.4	-	341.4
Rental income	7.6	-	7.6
Total external segment revenue	3,969.1	570.7	4,539.8
Revenue recognised at point in time	3,959.5	570.7	4,530.2
Revenue recognised over time	9.6	-	9.6
Total external segment revenue	3,969.1	570.7	4,539.8

1.1 Segment information (continued)

Half-year 2022	Agribusiness \$ M	Processing \$M	Reportable segments \$ M	Corporate \$ M	Eliminations \$ M	Total \$ M
Reportable segment revenue						
External revenue	3,392.8	449.3	3,842.1	-	-	3,842.1
Intersegment revenue	486.5	6.4	492.9	-	(492.9)	-
Total reportable segment revenue	3,879.3	455.7	4,335.0	-	(492.9)	3,842.1
Reportable segment result	379.3	69.5	448.8	(10.3)	-	438.5
Share of results of joint ventures	(3.2)	-	(3.2)	(0.7)	-	(3.9)
Net change in fair value of investments	-	-	-	(8.1)	-	(8.1)
EBITDA	376.1	69.5	445.6	(19.1)	-	426.5
Lease interest	(3.2)	(0.5)	(3.7)	(0.1)	-	(3.8)
Net interest	(7.5)	(1.0)	(8.5)	(2.8)	-	(11.3)
Depreciation and amortisation	(41.4)	(12.8)	(54.2)	(2.5)	-	(56.7)
Profit / (loss) before income tax	324.0	55.2	379.2	(24.5)	-	354.7
Other segment information						
Capital expenditure	19.1	3.0	22.1	-	-	22.1
Reportable segment assets	3,824.9	823.1	4,648.0	474.2	-	5,122.2
Reportable segment liabilities	(2,758.2)	(399.2)	(3,157.4)	(537.4)	-	(3,694.8)

Half-year 2022	Agribusiness \$ M	Processing \$ M	Total \$ M
Reportable segment revenue			
Sale of commodities	2,654.1	-	2,654.1
Sale of finished goods	72.8	449.3	522.1
Service and other revenue	659.0	-	659.0
Rental income	6.9	-	6.9
Total external segment revenue	3,392.8	449.3	3,842.1
Revenue recognised at point in time	3,377.7	449.3	3,827.0
Revenue recognised over time	15.1	-	15.1
Total external segment revenue	3,392.8	449.3	3,842.1

1.2 Other income

	Half-year	
	31 March	31 March
	2023	2022
	\$ M	\$ M
Net (loss) / gain on derivative / commodity trading:		
Net realised gain / (loss) on financial derivatives	114.3	(169.3)
Net realised loss on foreign currency derivatives	(51.3)	(25.0)
	63.0	(194.3)
Net unrealised gain / (loss) on financial derivatives	63.5	(140.0)
Net unrealised gain on foreign currency derivatives	61.2	143.6
Net unrealised (loss) / gain on commodity contracts (forward purchases and sales)	(38.1)	165.7
Fair value change on commodity inventories at period end	(175.2)	100.2
	(88.6)	269.5
Net realised loss on crop production contract ⁶	(75.9)	(75.9)
Net unrealised loss on fair value of crop production contract	(6.4)	(14.9)
	(82.3)	(90.8)
Net loss on derivative / commodity trading	(107.9)	(15.6)
Gain on sale of investments and property, plant and equipment	0.1	0.6
Net change in fair value of investments ⁷	41.2	(8.1)
Dividend income	-	0.9
Interest income	4.4	0.2
Sundry income	6.3	9.8
Total other (loss) / income	(55.9)	(12.2)

Unrealised gains / losses on commodity contracts (forward purchases and sales) will be recognised through revenue and goods purchased for resale respectively when the contract is executed at which point the gains / losses become realised. Income is recognised as realised gain / loss when the underlying sales contract is closed and unrealised when the contract is open at reporting date. Realised gains on financial derivatives and foreign currency derivatives, which typically are utilised to hedge forward contracts or commodity inventory holdings, continue to be reported in other income.

1.3 Other expenses

	Half-year	
	31 March	31 March
	2023	2022
	\$ M	\$ M
Other expenses		
Software maintenance	9.6	9.2
Insurance	8.9	8.4
Consulting	8.8	4.3
Rates and taxes	6.8	5.7
Travel	6.7	2.9
Lease expense	6.6	4.2
Employee related expenses	4.7	2.7
Motor vehicle	4.3	3.5
Legal	2.8	2.3
Other	20.9	21.9
Total other expenses	80.1	65.1

⁶ Includes payment on the crop production contract of \$70.0m and the annual premium payment of \$5.9m. Refer to note 2.3.

⁷ On 28 March 2023 UMG announced an indicative proposal had been received to acquire all ordinary shares for \$5.00 per share. The net change in fair value of investments reflects appreciation in share price during the period to \$4.75 at 31 March 2023 (\$3.13 at 30 September 2022). Refer to note 2.3.

1.4 Taxation

	Half-year	
	31 March 2023 \$ M	31 March 2022 \$ M
Income tax expense recognised in consolidated income statement		
Current tax	110.9	20.2
Deferred tax	(19.0)	87.8
Under / (over) provision in prior years	0.6	0.7
	92.5	108.7
Reconciliation to effective tax rate		
Profit before income tax expense	292.8	354.7
Add: equity accounted loss not subject to taxation	12.0	3.9
Profit subject to tax	304.8	358.6
Income tax expense calculated at 30% (2022: 30%)	91.4	107.6
<i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i>		
Non-deductible / non-assessable items	0.6	0.9
Under / (over) provision in prior years	0.6	0.7
Difference in overseas tax rates	(0.1)	(0.5)
Income tax expense	92.5	108.7
Effective tax rate⁸	30.3%	30.3%

⁸ Effective tax rate is calculated as the income tax expense divided by profit subject to tax (excluding equity accounted profit / loss).

2. Capital and Financial Risk Management

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

The Group's capital consists of core debt, commodity inventory funding and equity. Core debt is calculated as borrowings, net of cash assets and commodity inventory. The capital structure is monitored using the core debt gearing ratio and net debt gearing ratio. The core debt gearing ratio is calculated as core debt divided by core debt plus equity. For the purposes of core debt, commodity inventory is defined as trading grain and oilseeds inventories. GrainCorp intends to maintain minimal core debt through the cycle. Net debt primarily consists of funding for commodity inventory and the net debt gearing ratio is calculated as net debt divided by net debt plus equity. Net debt fluctuates in line with seasonal working capital requirements.

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

2.1 Borrowings

	31 March 2023 \$ M	30 September 2022 \$ M
Total borrowings	1,734.2	862.5
Cash and cash equivalents	(319.3)	(322.4)
Net debt	1,414.9	540.1
Commodity inventory	(1,614.5)	(717.1)
Core (cash) / debt	(199.6)	(177.0)
Total equity	1,592.2	1,452.7
Core (cash) / debt gearing ratio	(14%)	(14%)

	31 March 2023 \$ M	30 September 2022 \$ M
Current		
Commodity inventory funding facilities – secured	1,461.8	626.1
Working capital – unsecured	122.4	86.4
Total current borrowings	1,584.2	712.5
Non-current		
Term debt facilities – unsecured	150.0	150.0
Total non-current borrowings	150.0	150.0

a) Assets pledged as security

The carrying amount of assets pledged as security for borrowings is \$1,328.9m (2022: \$569.2m).

Inventory funding facilities are secured against the related inventory. The Group's secured inventory balance is GST exclusive.

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

2.1 Borrowings (continued)

b) Financing arrangements

Borrowings are drawn under the following Group debt facilities:

31 March 2023	Maturity date	Principal facility amount \$ M	Amount utilised \$ M
Term debt	March 2025	150.0	150.0
Commodity inventory funding	November 2023	1,963.5	1,461.8
Working capital	November 2023	545.0	117.4
Working capital	November 2023	15.0	5.0
Total financing arrangements		2,673.5	1,734.2

30 September 2022	Maturity date	As at 9 November 2022	As at 30 September 2022
		Principal facility amount \$ M	Amount utilised \$ M
Term debt	March 2025	150.0	150.0
Commodity inventory funding ⁹	November 2023	2,271.5	626.1
Working capital ¹⁰	November 2023	545.0	79.2
Working capital	December 2023	15.6	7.2
Total financing arrangements		2,982.1	862.5

2.2 Dividends

	Half-year	
	31 March 2023 \$ M	31 March 2022 \$ M
Dividends paid in the half-year:		
Final fully franked dividend for the year ended 30 September 2022 of 14 cents (2021: 10 cents)	31.3	22.9
Final special franked dividend for the year ended 30 September 2022 of 16 cents (2021: nil)	35.8	-
Total dividends paid	67.1	22.9

Dividend not recognised at half-year:

Subsequent to the period end the Directors have approved the payment of the following dividends, comprising an interim ordinary dividend of 14.0 cents and an interim special dividend of 10.0 cents, expected to be paid on 20 July 2023.

Interim ordinary fully franked dividend for half-year ended 31 March 2023 of 14.0 cents (2022: 12 cents)	31.3	26.8
Interim special fully franked dividend for half-year ended 31 March 2023 of 10.0 cents (2022: 12 cents)	22.4	26.8

No liability for the dividend has been recognised at 31 March 2023, as it was declared after the end of the reporting period.

⁹ The maturity date and principal facility amount for the inventory funding facility is as at 9 November 2022. Subsequent to 30 September 2022, the maturity date was extended from November 2022 to November 2023 and the principal facility amount changed from \$1,881 million to \$2,272 million. This facility is renewed subsequent to balance date each year to align with the seasonal requirements of the Group.

¹⁰ The maturity date and principal facility amount for the working capital facility is as at 9 November 2022. Subsequent to 30 September 2022, the maturity date was extended from November 2022 to November 2023 and the principal facility amount changed from \$595 million to \$545 million.

2.3 Financial instruments

Fair value measurements

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

- ▶ **Level 1** financial instruments held by the Group are instruments which are traded on an active market. The fair value of these financial instruments is the quoted market settlement price on the reporting date.
- ▶ **Level 2** financial instruments held by the Group are financial instruments that are not traded on an active market. The fair value is determined using valuation techniques which maximise observable market data and rely as little as possible on entity-specific estimates.
- ▶ **Level 3** financial instruments do not have quoted market prices available. The fair values are calculated by amending market price values obtained from traders and brokers for location and grade differentials.

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

31 March 2023	Level 1 \$ M	Level 2 \$ M	Level 3 \$ M	Total \$ M
Assets				
<i>Derivative financial instruments – fair value through profit and loss</i>				
Commodity futures and options	76.3	-	-	76.3
Commodity contracts (forward purchases and sales)	-	-	281.6	281.6
Foreign currency derivatives	-	13.5	-	13.5
<i>Derivative financial instruments – cash flow hedge</i>				
Foreign currency derivatives	-	1.2	-	1.2
Interest rate swap contracts	-	2.9	-	2.9
Total derivative financial instrument assets	76.3	17.6	281.6	375.5
Commodity inventory at fair value less costs to sell (note 3.1)	-	-	1,453.1	1,453.1
Investments at fair value	120.7	-	11.3	132.0
Total financial assets	197.0	17.6	1,746.0	1,960.6
Liabilities				
<i>Derivative financial instruments – fair value through profit and loss</i>				
Commodity futures and options	3.5	-	-	3.5
Commodity contracts (forward purchases and sales)	-	-	66.1	66.1
Foreign currency derivatives	-	64.9	-	64.9
Crop production contract	-	-	29.9	29.9
<i>Derivative financial instruments – cash flow hedge</i>				
Foreign currency derivatives	-	1.4	-	1.4
Total financial liabilities	3.5	66.3	96.0	165.8

2.3 Financial instruments (continued)

Fair value measurements (continued)

30 September 2022	Level 1 \$ M	Level 2 \$ M	Level 3 \$ M	Total \$ M
Assets				
<i>Derivative financial instruments – fair value through profit and loss</i>				
Commodity futures and options	48.4	-	-	48.4
Commodity contracts (forward purchases and sales)	-	-	339.6	339.6
Foreign currency derivatives	-	29.7	-	29.7
<i>Derivative financial instruments - cash flow hedge</i>				
Foreign currency derivatives	-	7.0	-	7.0
Interest rate swap contracts	-	4.6	-	4.6
Total derivative financial instrument assets	48.4	41.3	339.6	429.3
Commodity inventory at fair value less costs to sell (note 3.1)	-	-	583.8	583.8
Investments at fair value	79.6	-	5.0	84.6
Total financial assets	128.0	41.3	928.4	1,097.7
Liabilities				
<i>Derivative financial instruments – fair value through profit and loss</i>				
Commodity futures and options	28.9	2.6	-	31.5
Commodity contracts (forward purchases and sales)	-	-	92.9	92.9
Foreign currency derivatives	-	143.3	-	143.3
Crop production contract	-	-	16.6	16.6
<i>Derivative financial instruments – cash flow hedge</i>				
Foreign currency derivatives	-	6.4	-	6.4
Total financial liabilities	28.9	152.3	109.5	290.7

Investments in other entities

The Group holds investment in other entities, these are equity investments that are classified as fair value through profit or loss. They are classified as Level 1 and Level 3 financial instruments. Level 1 instruments are traded on an active market and the fair value of these financial instruments is the quoted market price at the reporting date.

The Group has an interest in United Malt Group (UMG) which is a listed entity on the Australian Stock Exchange. The Group's interest in UMG is recognised within investments in other entities in the consolidated statement of financial position. The fair value of the Group's interest, determined by reference to the closing share price on 31 March 2023, was \$120.7 million (FY22: \$79.6 million).

At 28 March 2023 UMG announced an indicative proposal had been received to acquire all ordinary shares for \$5.00 per share. Valuation at 31 March 2023 is based on a closing share price of \$4.75.

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition, measurement and disclosure purposes. There were no material changes made to any of the valuation techniques applied since 30 September 2022. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 March 2023.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no instruments reclassified between levels for the half-year ended 31 March 2023.

The following table presents the changes in Level 3 financial assets and liabilities:

	Half-year 2023			Full year 2022		
	Commodity Contracts	Commodity inventory at fair value	Crop Production Contract	Commodity Contracts	Commodity inventory at fair value	Crop Production Contract
	\$ M	\$ M	\$ M	\$ M	\$ M	\$ M
Opening balance	246.7	583.8	(16.6)	114.5	477.2	0.3
Unrealised gain / (loss) recognised in profit and loss	(38.1)	(175.2)	(13.3)	134.6	(63.4)	(16.9)
Net acquisitions / (disposals)	6.9	1,044.5	-	(2.4)	170.0	-
Closing balance	215.5	1,453.1	(29.9)	246.7	583.8	(16.6)

2.3 Financial instruments and risk management (continued)

› Financial risk management – commodity price risk

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

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

This sensitivity analysis shows the impact on post-tax profit if commodity prices changed by 20%. The 20% movement is calculated over the market value amount of the net exposure of the commodity physical and derivative contracts as at 31 March 2023 and 30 September 2022.

	31 March 2023 \$ M	30 September 2022 \$ M
Fair value of derivatives and physical inventory	1,741.5	847.4
Net effect of a 20% appreciation in price on post-tax profit or loss	18.5	2.3
Net effect of a 20% depreciation in price on post-tax profit or loss	(18.5)	(2.3)

› Crop production contract

The crop production contract is classified as a financial derivative at fair value through profit and loss designated as a level 3 instrument. The fair value of the crop production contract is determined using a valuation model which estimates future cash flows from the contract, discounted to present value. Future cash flows are determined by applying the crop production contract terms to estimated crop production levels for the remainder of the contract term. The fair value calculation is highly subjective given the degree of uncertainty in forecasting future weather patterns and crop production levels accurately. The fair value uses the following inputs:

- Cash flows are determined using the crop production contract terms
 - GrainCorp receives a payment of \$15 per tonne for each tonne of actual ECA winter crop production in any given year which is below the lower production threshold of 15.3 million tonnes (annual maximum of \$80 million).
 - GrainCorp pays a fixed payment of \$15 per tonne for each tonne above the upper production threshold of 19.3 million tonnes (annual maximum of \$70 million).
 - An aggregate net limit of payments to either GrainCorp or the counterparty of \$270 million over the contract term.
 - An annual contract premium is payable to the counterparty.
- Historical crop production data published by the Australian Bureau of Agricultural and Resource Economics (ABARES).
- Forecast ABARES data is not included in the valuation due to the uncertainty of crop production outcomes.
- Estimated future production growth rates and probabilities are derived from historical crop production data.
- Risk-adjusted discount rate based on the applicable zero-coupon AUD overnight index swap curve.

The initial fair value of the crop production contract was estimated as \$104.5m (asset) in 2019. In accordance with AASB 9, the initial fair value was not recognised in the Consolidated Income Statement as unobservable data points (as indicated above) were used for the initial fair value measurement. On subsequent measurement the deferred difference is recognised as a gain or loss in the income statement on a systematic basis over the life of the contract.

Derivative asset valuation gains / losses will be recognised in the income statement at the point-in-time when the valuation model inputs change. GrainCorp expects that this would occur over the life of the contract once historical ABARES crop production data becomes publicly available for each given year, and as such the deferred amount will be recognised in the income statement annually. The fair value of the crop production contract is disclosed in the table below.

Production payments / receipts are determined based on actual ABARES production in any given year only. In any given financial year, the realised gain / loss can range between the following:

- \$74 million realised gain (based on the annual maximum receipt of \$80 million, less annual premium of \$6 million).
- \$76 million realised loss (based on the annual maximum payment of \$70 million, plus annual premium of \$6 million).

There were no significant inter-relationships between unobservable inputs that materially affect fair value. There is a bank guarantee in place amounting to \$122.0 million¹¹ (FY22: \$127.3 million).

	31 March 2023 \$ M	30 September 2022 \$ M
Fair value of contract using unobservable data		
Fair value of crop production derivative recognised in the statement of financial position	32.8	56.6
Deferred difference on initial fair value netted off in the statement of financial position	(62.7)	(73.2)
Net position as presented in the consolidated statement of financial position	(29.9)	(16.6)

¹¹ Subsequent to 31 March 2023 the bank guarantee was reduced to \$52.0 million.

3. Operating Assets and Liabilities

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

3.1 Inventories

	31 March 2023 \$ M	30 September 2022 \$ M
Raw materials	156.0	152.0
Work in progress	15.2	14.9
Finished goods	38.7	36.6
Trading stock	75.0	70.2
Commodity inventory at fair value less cost to sell	1,453.1	583.8
Total inventories	1,738.0	857.5

3.2 Trade and other payables

	31 March 2023 \$ M	30 September 2022 \$ M
Current		
Trade payables	182.8	176.2
Inventory procurement trade payables	80.5	-
Accrued expenditure	21.0	33.8
Deferred grower payments	116.6	10.7
Other payables	57.9	57.7
Total current trade and other payables	458.8	278.4

	31 March 2023 \$ M	30 September 2022 \$ M
Non-current		
Income received in advance	8.9	9.9
Other payables	0.8	0.2
Total non-current trade and other payables	9.7	10.1

The Group has inventory procurement trade payables with third-party financial institutions, which are interest bearing. Trade bills of exchange are paid by the financial institution direct to the supplier or to GrainCorp and the Group settles the payable on extended payment terms. The amount utilised and recorded within trade and other payables at 31 March 2023 was \$80.5 million (30 September 2022: \$nil).

4. Other

4.1 Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

In the Directors' opinion:

- a) The financial statements and notes set out on pages 6 to 21 are in accordance with the *Corporations Act 2001*, including:
- i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the GrainCorp Limited and its controlled entities' financial position as at 31 March 2023 and of its performance for the half-year ended on that date; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Peter Richards
Chairman

Sydney
11 May 2023



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

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of GrainCorp Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 March 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated income statement for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 March 2023 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

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

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 March 2023 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

EPenny

Eliza Penny
Partner

Sydney
11 May 2023

