



Company announcement

GrainCorp Limited ABN 60 057 186 035

Date: 22 May, 2012
To: The Manager
Announcements
Company announcements office

PUBLIC ANNOUNCEMENT

GRAINCORP LIMITED INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 MARCH 2012

Appendix 4D and Interim Financial Report

A handwritten signature in black ink, appearing to read "A. Horne".

Andrew Horne
Company Secretary

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GRAINCORP LIMITED
APPENDIX 4D
FOR THE HALF YEAR ENDED 31 MARCH 2012

Results for Announcement to the Market				
	Up / Down	% Movement		2012 \$ M
Revenue from ordinary activities	Up	25.0	to	1,685.9
Profit before significant items from ordinary activities after tax attributable to members	Up	39.1	to	122.0
Significant items ⁽¹⁾ from ordinary activities net of tax	n/a	n/a		11.7
Profit from ordinary activities after tax attributable to members	Up	52.5	to	133.7
Net profit for the period attributable to members	Up	52.5	to	133.7

Dividend Information	Amount per security	Franked amount per security at 30% tax
Final dividend per share (paid 21 December 2011)	15.0 cents	15.0 cents
Final special dividend per share (paid 21 December 2011)	20.0 cents	20.0 cents
Interim dividend per share (to be paid 20 July 2012)	15.0 cents	15.0 cents
Interim special dividend per share (to be paid 20 July 2012)	15.0 cents	15.0 cents
Record date for determining entitlements to the interim dividend		6 July 2012
Payment date for interim dividend		20 July 2012

Additional Information

Net Tangible Assets per share: \$5.42 (2011: \$4.88)

Additional Appendix 4D disclosure requirements can be found in the attached Interim Financial Report.

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

1. Significant items: GrainCorp defines significant items as not in the ordinary course of business, non-recurring and material in nature and amount. Significant items are shown in Note 3 in the Interim Financial Report.

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

**GrainCorp Limited (ABN 60 057 186 035)
and Controlled Entities**

Interim Financial Report for the Half Year Ended
31 March 2012



This Half Year Financial Report is provided to the Australian Stock Exchange (ASX) under ASX listing Rule 4.2A.3 and should be read in conjunction with the 2011 Annual Financial Report and any announcements made to the market during the period

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The Directors present their report on the consolidated entity (referred to hereafter as 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 2012.

Directors

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

D C Taylor (Chairman)
A M Watkins (Managing Director & Chief Executive Officer)
B J Gibson
P J Housden
D J Mangelsdorf
D G McGauchie
D B Trebeck
S L Tregoning

Review of operations

The Group recorded a profit after tax excluding significant items of \$122.0 million (\$133.7 million including significant items) for the half year ended 31 March 2012 compared to a profit after tax of \$87.7 million for the previous half year.

Revenue from continuing operations increased 25% to \$1,685.9 million (2011: \$1,348.8 million).

Total up-country grain receivals during the half year were 11.6 million tonnes (2011: 14.4 million tonnes) with 5.0 million tonnes exported through GrainCorp ports (2011: 3.2 million tonnes). Grain in storage at the beginning of the half year was 6.0 million tonnes (2011: 2.6 million tonnes).

Malt sales volumes for the half year ended 31 March 2012 were 669.8 thousand tonnes (2011: 482.8 thousand tonnes).

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 3.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission (ASIC), relating to the "rounding off" of amounts in the Directors' report and financial report. In accordance with that class order, the Group has elected to round off amounts in the Directors' report and half year financial report to the nearest one hundred thousand dollars or in certain cases, to the nearest thousand dollars, as permitted by that Class Order.

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

A handwritten signature in black ink, appearing to read 'D C Taylor', with a stylized flourish at the end.

D C Taylor
Director

Sydney
22 May 2012



Auditor's Independence Declaration

As lead auditor for the review of GrainCorp Limited for the half year ended 31 March 2012, 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 "Matthew Lunn", with a long horizontal flourish extending to the right.

Matthew Lunn

Partner
PricewaterhouseCoopers

Sydney, 22 May 2012

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GrainCorp Limited

CONSOLIDATED INCOME STATEMENT

For the half year ended 31 March 2012

2012 Interim financial report

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	Note	Half year	
		2012 \$M	2011 \$M
Revenue from continuing operations		1,685.9	1,348.8
Other income	5	72.1	57.1
Goods purchased for resale		(1,142.9)	(915.4)
Raw materials and consumables used		(127.8)	(96.6)
Employee benefits expense		(154.3)	(139.2)
Depreciation and amortisation expense		(42.8)	(35.8)
Finance costs		(21.6)	(13.4)
Repairs and maintenance		(21.6)	(21.5)
Other expenses	5	(74.9)	(58.5)
Share of net profits of associates accounted for using the equity method		4.2	1.6
Defined benefit plan adjustment	3	16.8	-
Profit before income tax		193.1	127.1
Income tax expense		(59.4)	(39.4)
Profit from continuing operations for the half year		133.7	87.7
 Profit for the half year attributable to owners of GrainCorp Limited		 133.7	 87.7
		Cents	Cents
Earnings per share from continuing operations attributable to owners of the Company			
Basic earnings per share		67.5	41.7
Diluted earnings per share		67.4	41.7
 Earnings per share for profit attributable to owners of the Company			
Basic earnings per share		67.5	41.7
Diluted earnings per share		67.4	41.7

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

GrainCorp Limited**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the half year ended 31 March 2012

2012 Interim financial report

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	Half year	
	2012 \$M	2011 \$M
Profit for the half year	133.7	87.7
Other comprehensive income		
Exchange differences on translation of foreign operations	(13.5)	(16.5)
Changes in the fair value of cash flow hedges	7.4	2.4
Actuarial losses on retirement benefit obligations	(2.9)	-
Income tax relating to component of other comprehensive income	(1.0)	(0.7)
Other comprehensive income for the half year, net of tax	(10.0)	(14.8)
Total comprehensive income for the half year	123.7	72.9

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

GrainCorp Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

2012 Interim financial report

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	Note	31 March 2012 \$M	30 September 2011 \$M
Current assets			
Cash and cash equivalents		255.5	312.4
Trade and other receivables		485.7	326.1
Inventories	6	600.5	526.6
Derivative financial instruments		61.2	60.5
Total current assets		1,402.9	1,225.6
Non-current assets			
Receivables		20.0	20.0
Investments accounted for using the equity method		128.3	124.1
Other financial assets		1.0	1.0
Deferred tax assets		56.4	70.7
Property, plant and equipment		864.0	807.9
Intangible assets		378.8	380.7
Derivative financial instruments		0.8	5.2
Total non-current assets		1,449.3	1,409.6
Total assets		2,852.2	2,635.2
Current liabilities			
Trade and other payables		325.1	318.1
Borrowings	7	518.9	364.6
Derivative financial instruments		33.0	51.9
Other financial liabilities		0.2	0.2
Current tax liabilities		35.7	65.6
Provisions		53.1	47.9
Total current liabilities		966.0	848.3
Non-current liabilities			
Borrowings	7	342.1	278.4
Derivative financial instruments		1.4	5.8
Other financial liabilities		1.1	0.8
Deferred tax liabilities		81.2	79.5
Provisions		3.5	5.3
Retirement benefit obligations		27.6	44.4
Total non-current liabilities		456.9	414.2
Total liabilities		1,422.9	1,262.5
Net assets		1,429.3	1,372.7
Equity			
Contributed equity		1,064.5	1,064.5
Reserves		(20.4)	(15.0)
Retained earnings		385.2	323.2
Total equity		1,429.3	1,372.7

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

GrainCorp Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 March 2012

2012 Interim financial report

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	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 2010	0.7	8.3	7.4	(19.0)	(2.6)	1,063.2	222.0	1,282.6
Profit for the half year	-	-	-	-	-	-	87.7	87.7
Total other comprehensive income	1.7	-	-	(16.5)	(14.8)	-	-	(14.8)
Total comprehensive income for the half year	1.7	-	-	(16.5)	(14.8)	-	87.7	72.9
Transactions with owners:								
Dividends paid	-	-	-	-	-	-	(29.7)	(29.7)
Share options vested	-	-	(0.5)	-	(0.5)	-	-	(0.5)
Less: Treasury shares	-	-	-	-	-	(0.8)	-	(0.8)
Less: Treasury shares vested to employees	-	-	(0.4)	-	(0.4)	0.4	-	-
Total transactions with owners	-	-	(0.9)	-	(0.9)	(0.4)	(29.7)	(31.0)
At 31 March 2011	2.4	8.3	6.5	(35.5)	(18.3)	1,062.8	280.0	1,324.5

	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 2011	(4.6)	8.3	6.5	(25.2)	(15.0)	1,064.5	323.2	1,372.7
Profit for the half year	-	-	-	-	-	-	133.7	133.7
Total other comprehensive income	6.0	-	-	(13.5)	(7.5)	-	(2.5)	(10.0)
Total comprehensive income for the half year	6.0	-	-	(13.5)	(7.5)	-	131.2	123.7
Transactions with owners:								
Dividends paid	-	-	-	-	-	-	(69.4)	(69.4)
Share-based payments	-	-	2.2	-	2.2	-	-	2.2
Share options vested	-	-	(0.1)	-	(0.1)	-	-	(0.1)
Dividends received by Employee Trust	-	-	-	-	-	-	0.2	0.2
Total transactions with owners	-	-	2.1	-	2.1	-	(69.2)	(67.1)
At 31 March 2012	1.4	8.3	8.6	(38.7)	(20.4)	1,064.5	385.2	1,429.3

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

GrainCorp Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 March 2012

2012 Interim financial report

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	Note	Half year	
		2012 \$M	2011 \$M
Cash flows from operating activities			
Receipts from customers		1,617.0	1,331.3
Payments to suppliers and employees		(1,585.6)	(1,733.0)
		31.4	(401.7)
Proceeds of secured bank loan – commodity inventory funding		107.7	560.4
Interest received		6.5	2.4
Interest paid		(22.2)	(13.4)
Income taxes paid		(81.2)	(14.0)
Net inflow from operating activities		42.2	133.7
Cash flows from investing activities			
Payments for property, plant and equipment		(51.8)	(65.1)
Payments for computer software		(1.4)	(2.1)
Payment for investment/business (net of cash acquired)	9	(80.7)	-
Proceeds from sale of property, plant and equipment		-	0.2
Loans for pools funding (net)		(3.6)	-
Loans repaid by related parties		-	0.2
Net outflow from investing activities		(137.5)	(66.8)
Cash flows from financing activities			
Treasury share purchased		-	(0.8)
Purchase of shares for Performance Share Rights vested		(0.1)	(0.5)
Proceeds from borrowings		152.1	12.0
Repayment of borrowings		(36.0)	(55.5)
Dividend paid		(69.4)	(29.7)
Net inflow/(outflow) from financing activities		46.6	(74.5)
Net decrease in cash and cash equivalents		(48.7)	(7.6)
Cash and cash equivalents at the beginning of the half year		312.4	91.9
Effects of exchange rate changes on cash and cash equivalents		(8.2)	(0.4)
Cash and cash equivalents at the end of the half year		255.5	83.9

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

1. Summary of significant accounting policies

The interim financial report includes consolidated financial statements for GrainCorp Limited ("GrainCorp" or the "Company") and its controlled entities (collectively the "Group"). GrainCorp Limited is a company incorporated in Australia, limited by shares which are publicly traded on the Australian Securities Exchange.

The interim financial report of GrainCorp Limited for the period ended 31 March 2012 was authorised for issue in accordance with a resolution of the Directors on 22 May 2012. The Directors have the power to amend and reissue the financial report.

(a) Basis of preparation

The interim financial report is a general purpose financial report prepared in accordance with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The accounting policies have been applied consistently to all periods presented in the interim financial report. No accounting standards issued but not yet effective have been early adopted in the financial year. The financial report has been prepared on a going concern basis.

All amounts are presented in Australian Dollars, unless otherwise noted. The Company is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with the Class Order, amounts in the interim financial report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Statement of compliance

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 *Interim Financial Reporting*. The consolidated half year financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at 30 September 2011 and any public announcements made by GrainCorp Limited and its subsidiaries during the half year in accordance with continuous disclosure obligations under the *Corporations Act 2001*.

Historical cost convention

This interim financial report has been prepared on the basis of the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) and commodity inventories, at fair value through profit or loss.

Significant items

GrainCorp defines significant items as not in the ordinary course of business, non-recurring and material in nature and amount.

(b) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 March 2012 reporting period. The Group has assessed the impact of these new standards and interpretations, and does not expect that initial application of the following standards and interpretations will affect any of the amounts recognised in the financial report, but may change disclosures presently made in relation to the Group:

- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income* Effective 1 July 2012
- AASB 10 *Consolidated Financial Statements* Effective 1 January 2013
- AASB 11 *Joint Arrangements* Effective 1 January 2013
- AASB 12 *Disclosure of Interest in Other Entities* Effective 1 January 2013
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* Effective 1 January 2013
- AASB 119 *Employee Benefits* Effective 1 January 2013

1. Summary of significant accounting policies (continued)**(c) Changes to tax legislation**

On 18 April 2012, the Australian Government released an exposure draft of proposed amendments, *Tax Laws Amendment (2012 Measure No.2) Bill 2012*, that will implement retrospective changes to the income tax law affecting consolidated groups. GrainCorp understand it is the intention of the Federal Government that this bill will be substantially enacted prior to 30 June 2012, thus effective for GrainCorp's financial year ended 30 September 2012. If enacted into law, an additional deferred tax expense of approximately \$12m, relating to the resulting change in the tax base of certain customer contracts, will be recognised for the financial year ending 2012 as a significant item.

2. Segment information

(a) Description of segments

For management purposes, the Group is organised into four business units based on their products and services, forming the four reportable segments reviewed by the Managing Director in making strategic decisions:

- **Storage & Logistics** – receipt, transport, testing, storage of grains and other bulk commodities, export/import of grain and other bulk commodities;
- **Marketing** – marketing of grain and agricultural products, and the operation of grain pools;
- **Malt** – production of malt products, provision of brewing inputs and other malting services to brewers and distillers, sale of farm inputs and export of malt; and
- **Corporate/Unallocated** – includes the share of profit from Associates and corporate and support services costs.

Management evaluates performance based on a measure of EBITDA, after adjusting for the allocation of interest expense to the Marketing segment. Other than interest associated with Marketing, Group financing (including interest income and interest expense) and income taxes are managed on a Group basis and are not allocated to operating segments.

Revenue from external customers is measured in a manner consistent with that in the income statement. Inter-segment pricing is determined on an arm's length basis.

Segment assets reported to management are measured in a manner consistent with that of the financial statements, based on the operations of the segment.

Since 1 October 2011, corporate costs have been split between support service costs and corporate costs. The support service costs, including HR, IT and corporate services, are now included within the reportable segments and in accordance with AASB 8 *Operating Segments* the prior year comparative disclosure has been restated. This has resulted in a reallocation of \$8.8m from Corporate to Storage & Logistics (\$7.6m), Marketing (\$0.9m) and Malt (\$0.3m) in the current year.

GrainCorp Limited

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 March 2012

2012 Interim financial report

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2. Segment information (continued)

(b) Primary reporting format – business segments

Half year 2012	Storage & Logistics	Marketing	Malt	Reportable segments	Corporate/unallocated	Eliminations	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Reportable segment revenue							
External revenues	299.1	919.1	467.7	1,685.9	-	-	1,685.9
Inter-segment revenue	139.9	17.7	-	157.6	-	(157.6)	-
Total reportable segment revenue	439.0	936.8	467.7	1,843.5	-	(157.6)	1,685.9
Dividends							-
Total revenue from continuing operations	439.0	936.8	467.7	1,843.5	-	(157.6)	1,685.9
Reportable segment result	146.5	37.9	59.2	243.6	(12.7)	-	230.9
Share of profit of associates	-	-	-	-	4.2	-	4.2
Profit before net interest, depreciation, amortisation and income tax							235.1
Net Interest	-	(11.3)	-	(11.3)	(4.7)	-	(16.0)
Depreciation and amortisation	(23.8)	-	(18.7)	(42.5)	(0.3)	-	(42.8)
Significant items (Note 3)	-	-	16.8	16.8	-	-	16.8
Profit before income tax from continuing operations	122.7	26.6	57.3	206.6	(13.5)	-	193.1
Other segment information							
Reportable segment assets at 31 Mar 12	603.4	710.0	940.8	2,254.2	598.0	-	2,852.2

GrainCorp Limited

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 March 2012

2012 Interim financial report

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2. Segment information (continued)

(b) Primary reporting format – business segments (continued)

Half year 2011	Storage & Logistics \$M	Marketing \$M	Malt \$M	Reportable segments \$M	Corporate/ unallocated \$M	Eliminations \$M	Total \$M
Reportable segment revenue							
External revenues	272.8	659.1	416.7	1,348.6	0.2	-	1,348.8
Inter-segment revenue	101.2	4.4	-	105.6	-	(105.6)	-
Total reportable segment revenue	374.0	663.5	416.7	1,454.2	0.2	(105.6)	1,348.8
Dividends							
Total revenue from continuing operations	374.0	663.5	416.7	1,454.2	0.2	(105.6)	1,348.8
Reportable segment result	90.9	33.9	57.0	181.8	(10.6)	-	171.2
Share of profit of associates	-	-	-	-	1.6	-	1.6
Profit before net interest, depreciation, amortisation and income tax							172.8
Net Interest	-	(8.6)	-	(8.6)	(1.3)	-	(9.9)
Depreciation and amortisation	(19.4)	(0.2)	(14.8)	(34.4)	(1.4)	-	(35.8)
Profit before income tax from continuing operations	71.5	25.1	42.2	138.8	(11.7)	-	127.1
Other segment information							
Reportable segment assets at 30 Sep 11	612.3	518.8	880.3	2,011.4	623.8	-	2,635.2

GrainCorp Limited

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 March 2012

2012 Interim financial report

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3. Significant items

		Half year	
		2012	2011
		\$M	\$M
Net profit includes the following item whose disclosure is relevant in explaining the financial performance of the Group:			
Continuing operations			
Defined benefit plan adjustment		16.8	-
Income tax expense		(5.1)	
Net significant items	(i)	11.7	-

(i) Defined benefit plan adjustment reflects the remeasurement of the liability recognised in relation to the Australian Top-up Benefit Fund due to a curtailment of the obligation in the current period.

(ii) During the period, one of GrainCorp's international futures brokers, MF Global Australia Limited, appointed a liquidator and subsequently went into liquidation. At 31 October 2011 the net value of cash and margin call positions held on GrainCorp's behalf in client segregated accounts was \$29.5 million. As announced to the ASX, GrainCorp successfully transferred its offshore positions and reset its grain marketing futures with other brokers. The liquidators have since provided periodic updates and have commenced proceedings in the Supreme Court of NSW seeking direction from the Court as to the manner in which recoveries should be distributed among clients. GrainCorp accepted the liquidators' offer to be funded by the liquidators as a party to those proceedings, and is the Representative Defendant for Futures clients. The proceedings will be heard in June, and separately the liquidators continue to pursue various recoveries of the moneys owed. Whilst the recovery process is not yet complete and the Court proceedings remain ongoing, based on known facts at the date of this report, GrainCorp does not expect to report a materially adverse financial outcome.

4. Dividends

	Half year	
	2012	2011
	\$M	\$M
Dividends paid in the half year:		
Final fully franked dividend for the year ended 30 September 2011 of 15.0 cents (2010: 10.0 cents)	29.7	19.8
Special fully franked dividend for the year ended 30 September 2011 of 20.0 cents (2010: 5.0 cents)	39.7	9.9
Closing balance	69.4	29.7

Dividends not recognised at half year

Subsequent to the period end the Directors have approved the payment of the following dividends, expected to be paid on 20 July 2012:

Interim fully franked dividend for the half year ended 31 March 2012 of 15.0 cents (2011: 15.0 cents)	29.7
Special interim fully franked dividend for the half year ended 31 March 2012 of 15.0 cents (2011: 5.0 cents)	29.7
Closing balance	59.4

No dividends have been provided for during the period.

5. Other income and other expenses

	Half year	
	2012 \$M	2011 \$M
Included in other income		
Compensation for impairment of assets received from third party	4.8	7.1
Net gain on derivatives and commodity inventory	55.0	40.4
Interest	5.6	3.5
Foreign exchange gain	-	2.4
Other	6.7	3.7
	72.1	57.1
Included in other expenses		
Operating leases	(24.0)	(20.5)
Occupancy costs	(6.9)	(5.0)
Consulting	(5.3)	(4.1)
Insurance	(3.7)	(2.9)
Software maintenance	(3.1)	(2.9)
Travel	(3.5)	(2.8)
Motor Vehicle costs	(3.1)	(4.1)
Claims & Disputes	(4.9)	(2.7)
Telephone expenses	(2.6)	(1.3)
Other	(17.8)	(12.2)
	(74.9)	(58.5)

6. Inventory

	31 March 2012 \$M	30 September 2011 \$M
Consumable stores at cost	0.8	0.8
Raw materials	112.9	119.7
Work in progress	13.4	10.8
Finished goods	83.8	70.3
Trading stock at net realisable value	2.9	3.3
Commodities inventory at fair value less costs to sell	386.7	321.7
	600.5	526.6

Secured inventory

The value of inventory secured against bank loans is \$375.6 million (2011: \$312.5 million).

GrainCorp Limited

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 March 2012

2012 Interim financial report

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7. Borrowings

	31 March 2012 \$M	30 September 2011 \$M
Current		
Short term facilities - unsecured	46.9	-
Commodity inventory funding facility - secured	467.7	360.0
Leases - secured	4.3	4.6
Total current borrowings	518.9	364.6
Non-current		
Term funding facilities - unsecured	331.1	267.1
Leases - secured	11.0	11.3
Total non-current borrowings	342.1	278.4

(a) Assets pledged as security

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

	31 March 2012 \$M	30 September 2011 \$M
Lease liabilities	15.3	15.9
Commodity inventory funding facility	467.7	360.0
	483.0	375.9

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

	31 March 2012 \$M	30 September 2011 \$M
Leased assets	11.6	11.7
Commodity inventory	375.6	312.5
	387.2	324.2

GrainCorp Limited

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 March 2012

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7. Borrowings (continued)

Loans under term funding facilities are secured by a negative pledge that imposes certain covenants on the Group. The negative pledge states that (subject to certain exceptions) the subject entity will not provide any other security over its assets, and will ensure that certain financial ratios and limits are maintained at all times, including: interest cover, gearing ratios; and net tangible assets. All such borrowing covenant ratios and limits have been complied with during the half year.

(b) Financing arrangements

Borrowings are drawn under the following Group debt facilities:

31 March 2012	Maturity date	Principal facility amount	Amount utilised
		\$M	\$M
Term debt	Jul-13	371.4	331.1
Commodity inventory funding ¹	Nov-12	550.0	467.7
Working capital	Nov-12	175.0	46.9
		1,096.4	845.7

30 September 2011	Maturity date	Principal facility amount	Amount utilised
		\$M	\$M
Term debt	Jul-13	386.6	267.1
Commodity inventory funding	Nov-12	500.0	360.0
Working capital	Nov-12	200.0	-
		1,086.6	627.1

1. Since 30 September 2011, the commodity inventory funding facility has increased by \$50 million in line with the seasonal requirements of the Group.

GrainCorp Limited

NOTES TO THE FINANCIAL STATEMENTS

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8. Contingencies

(i) The Group may from time to time receive notices of possible claims for losses or damages. A provision of \$22.1 million (30 September 2011: \$20.4 million), primarily for customer claims, has been recognised to cover any liabilities which may arise out of such claims. The Directors continuously review customer claims and believe that no further provision is required at this time. A contingent liability exists for any amounts that ultimately become payable over and above current provisioning levels.

(ii) WorkSafe Victoria is currently investigating GrainCorp's compliance with the Occupational Health and Safety Act 2004 (Vic) in relation to an injury and death at GrainCorp sites in the last two financial years. A contingent liability exists for any amounts that ultimately may become payable over and above current provisioning levels.

9. Business combinations

(a) Acquisitions in the half year ended 31 March 2012

Acquisition of Schill Malz GmbH & Co. KG

(i) Summary of acquisition

On 4 October 2011, the Group acquired 100% of Schill Malz GmbH & Co. KG for the purchase consideration of \$62.5 million.

The acquired business contributed revenues of \$41.0 million, loss before interest, tax, depreciation and amortisation of \$0.8 million and net loss before tax of \$2.8 million to the Group for the period from 4 October 2011 to 31 March 2012. This contribution is in line with those anticipated at the time of acquisition. Details of the purchase consideration, net assets acquired and goodwill are as follows:

	\$M
Purchase consideration	62.5
Provisional fair value of net identifiable assets acquired	(46.5)
Provisional goodwill	16.0

The assets and liabilities arising from the acquisition are as follows:

	Provisional fair value
	\$M
Cash and cash equivalent	0.5
Property, plant and equipment	51.7
Software	0.8
Inventory	18.1
Other assets	0.6
Receivables	11.7
Payables	(5.9)
Borrowings	(18.7)
Net deferred tax	(9.5)
Other liabilities	(2.8)
Net identifiable assets acquired	46.5

The initial accounting for the acquisition of the Schill Malz GmbH & Co. KG business has been provisionally determined based upon the best information available as at the reporting date. As permitted under AASB 3 *Business Combinations*, acquisition accounting will be finalised within 12 months from the date of acquisition.

GrainCorp Limited

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 March 2012

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9. Business combinations (continued)

(ii) Purchase consideration – cash outflow

	\$M
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	62.5
Less: Balance acquired	
Cash	0.5
Borrowings	(18.7)
	(18.2)
Outflow of Cash – investing activities	80.7

(b) Acquisitions in the year ended 30 September 2011

Acquisition of Kirin Australia

On 15 April 2011, the Group acquired 100% of Kirin Australia (subsequently renamed Barrett Burston Malting Co. WA Pty Limited) for the purchase consideration of \$13.5 million.

The acquired business contributed revenues of \$13.1 million and net profit before tax of \$0.6 million to the Group for the period from 1 October 2011 to 31 March 2012. Details of the purchase consideration, net assets acquired and goodwill are as follows:

	\$M
Cash consideration	10.6
Accrued consideration	2.9
Purchase consideration	13.5
Fair value of net identifiable assets acquired	(13.5)
Goodwill	-

The assets and liabilities arising from the acquisition are as follows:

	Fair value \$M
Cash and cash equivalent	1.3
Property, plant and equipment	6.5
Inventory	4.5
Other current assets	0.2
Tax receivable	0.6
Receivables	1.7
Net deferred tax	(0.6)
Payables	(0.6)
Provisions	(0.1)
Net identifiable assets acquired	13.5

The accounting for the acquisition of the Kirin Australia business has been finalised, with no differences from the provisional values disclosed in the 2011 Annual Report.

10. Events occurring after the balance sheet date

Since half year end, an associate company, Allied Mills, has committed to the expansion of its Tennyson Mill in Queensland. The expansion will be funded by Allied's own resources and the insurance proceeds from a flood damaged mill.

Except for the matter disclosed above, there has not arisen in the interval between 31 March 2012 and the date of this report any event that would have had a material effect on the Interim Financial Report as at 31 March 2012.

GrainCorp Limited

DIRECTORS' DECLARATION

For the half year ended 31 March 2012

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 19 are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2012 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.



D C Taylor
Director

Sydney
22 May 2012

GrainCorp Limited

INDEPENDENT AUDITOR'S REVIEW REPORT

For the half year ended 31 March 2012

2012 Interim financial report

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

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of GrainCorp Limited, which comprises the statement of financial position as at 31 March 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, selected explanatory notes and the directors' declaration for the GrainCorp Limited Group (the consolidated entity). The consolidated entity comprises both GrainCorp Limited (the company) and the entities it controlled during that half year.

Directors' responsibility for the interim financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of GrainCorp Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

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GrainCorp Limited
INDEPENDENT AUDITOR'S REVIEW REPORT

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**Independent auditor's review report to the members of
GrainCorp Limited (continued)**

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2012 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers



Matthew Lunn
Partner

Sydney
22 May 2012