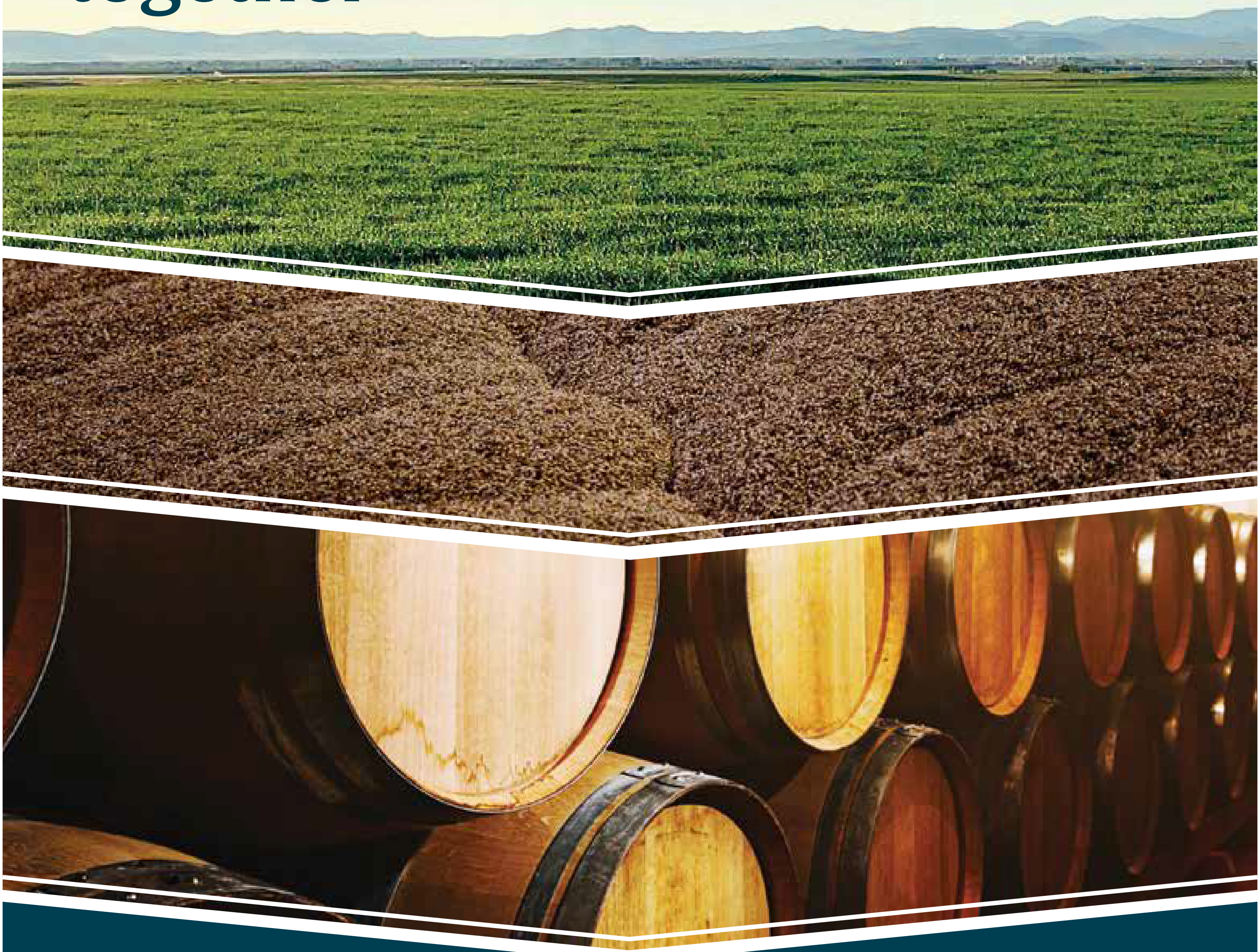
Annual Report 2020

Creating ingredients that bring people together



Contents

Our Values: Safety, Quality, Integrity & Passion

Letter from the Chairman

Graham Bradley AM
Chairman and Non-Executive Director

We are proud of our industry, our business and our people.

We bring a spirit of innovation and continuous improvement to everything that we do.

Letter from the Chairman

Fellow Shareholders,

It is my pleasure to present our 2020 Annual Report, our first since United Malt Group Limited (United Malt) listed on 23 March this year.

It is an understatement to say that the past year has been an extraordinary one for our Company, for our people and our customers, as it has for all the world.

Not only has our management team been called upon to adapt to unprecedented disruptions to normal operations caused by the health challenges of the COVID-19 (COVID) pandemic, as have so many management teams across our economies, our team has also been busy putting in place all the policies and procedures necessary for our new life as a listed company.

I would like to say at the outset of my report that our executive and management teams, and our people throughout United Malt, have responded magnificently to these dual challenges. While much remains to be done, and we have not yet seen the end of this global crisis, the Board and I are very pleased with the progress we have made towards our growth strategies and towards realising the opportunities that present themselves now that we are an independent company.

Financial Results

After a solid first-half, both product volumes shipped and revenues were negatively impacted, particularly in the April–June period, by the closure of on-premises dining in most of the Group's key markets in North America, Australia and the United Kingdom. Pleasingly, sales and revenues recovered well over the last quarter and, while still below those of the corresponding periods last year, are demonstrating the resilience of demand for our quality products.

Accordingly, the Group's full-year revenues in FY20 were $1,289 1 million, 2 per cent down on FY19. Full-year Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the Group, including the first half-year as a division of GrainCorp, was $156 1[1] million, down 11 per cent compared with $175.5[1] million in 2019, before application of the new accounting standard AASB 16 in FY20. For the second half-year to 30 September 2020 the Underlying EBITDA was $78.2[1] million, down 24 per cent from $102.8 million in 2H19. Removing the impact of AASB 16 for the full-year in FY20, Underlying EBITDA would have been $143.5 million, down 18 per cent compared with $175.5[1] million in 2019. The Group's Underlying Net Profit After Tax (NPAT) for the half-year was $29.1[2] million.

Dividend

Notwithstanding the uncertain outlook we continue to face in 2021, the Board has resolved to pay a final dividend of 3.9 cents per share in respect of our earnings in the second half of FY20. This represents a payout ratio of 40 per cent of our after tax profit for the second half. Our policy in future periods will be to distribute approximately 60 per cent of Underlying NPAT to shareholders. Our aim will be, subject always to trading conditions, to provide shareholders with a steady increase to the dividend as our profits grow.

Share Placement

Last May the Board undertook a placement of shares to institutional investors to raise $140.0 million, coupled with a shareholder purchase plan (SPP) which raised a further $30.6 million. Both components of the capital raising were over-subscribed. The equity raising was undertaken in order to strengthen the Group's balance sheet against possible reduced revenues and increased costs resulting from the COVID crisis at a time of heightened uncertainty about the trajectory of return to normal trading conditions. The capital raising also aimed to ensure that we were in a position to progress our strategic investment priorities and pursue new opportunities while maintaining our leverage in our target range of 2.0—2.5 times net debt/Underlying EBITDA. As a result of the capital raising, our leverage ratio stood at 1.7 times as at 30 September 2020 however, as we move into the first half of FY21 when we typically build up our barley inventories and increase our working capital usage, we anticipate that our leverage will be within our target range by March 2021. We acknowledge the support of our shareholders for the placement and SPP.

Operational Safety

I am pleased to report that as at 30 September 2020 we experienced no material shutdowns or other COVID-driven interruptions at our production or distribution facilities. Some logistics disruptions were encountered in transporting product and maintaining our warehouse distribution network in some regions. I am also pleased to report that the COVID-safe policies we implemented (working from home, reduced travel, increased sanitisation and others) have minimised safety issues for our employees and our customers.

Sustainability

The Board and management continue to focus on achieving sustainability across all our operations, including maintaining a safe working environment for our people, our customers and others with whom we do business, contributing as a good corporate citizen to the communities in which we operate, and minimising our impact on the physical environment through careful management and use of energy and water resources. Maintaining the safety and quality of our product is all-important to us. Our sustainability actions are set out in more detail in our FY20 Sustainability Report published on our website.

Outlook

Our Board and management are excited about the opportunities that lie ahead for United Malt as the world's fourth-largest commercial maltster providing high quality products and service to our brewing, distilling and food manufacturing customers around the world. Despite the disruptions in FY20, we have continued to progress the expansion of our malt production facilities in Arbroath and Inverness in Scotland, and we recently announced a major kiln replacement project at our Perth malting plant.

We continue to progress other investments to expand our production and improve cost efficiency, as well as improve energy efficiency. We are also progressing important profit-improvement initiatives in our warehouse and distribution operation.

Board Matters

I would like to thank all my Board colleagues for their commitment and contribution during a year like no other, particularly my new Board colleagues, Jane McAloon and Terry Williamson, who have, respectively, chaired our Nominations & Remuneration and Audit & Risk Committees during the year. Thanks also to Barbara Gibson for her chairmanship of our Environmental, Health & Safety Committee.

I would like to welcome our newly announced director, Gary W. Mize, who brings a wealth of relevant industry experience to our boardroom, including his knowledge of the North American markets in which we operate.

As previously announced, Simon Tregoning who joined us from the GrainCorp board where he served 10 years, has elected to retire at our AGM next year. I thank Simon sincerely for his contributions and his assistance during the demerger process over the past year.

Once again, on behalf of all shareholders, the Board sincerely thanks our executive leadership team and our people right across the Company who have demonstrated great adaptability and agility in the face of unprecedented disruptions over the past year.

I look forward to providing a further report to you at our annual general meeting in February 2021.

In the meantime, thank you for your continued support of United Malt.

Yours sincerely,

Graham Bradley AM
Chairman

1 Underlying EBITDA is earnings before interest, tax, depreciation and amortisation, and excluding material non-recurring items related to the demerger.

2 Underlying NPAT is net profit after tax, and excluding material non-recurring items related to the demerger.

We remain in a strong financial position to withstand the duration of COVID and any broader macroeconomic weakness, while continuing to invest in our business for medium to longer term growth.

Mark Palmquist
Managing Director and CEO

Managing Director & CEO's Review

Introduction

I am pleased to present the Managing Director and CEO's report for United Malt's first Annual Report.

United Malt successfully demerged from GrainCorp Limited on 23 March 2020 to form a stand-alone entity listed on the Australian Securities Exchange. I would like to extend a warm welcome to new shareholders to the Company and also acknowledge those shareholders who have maintained their shareholding in United Malt from their previous investment in GrainCorp.

Our focus is to balance the rich heritage of our established brands and market positions with future growth opportunities to create value for our shareholders over the medium to longer term.

$156.1m
Underlying EBITDA

$1.3b
Revenue

$101.7m
Operating Cash Flow

$57.4m
Underlying NPAT

1.7times
Gearing

$261.7m
Net Debt

Safety

The safety of our people remains paramount, and this remains a particular focus of United Malt during the COVID pandemic.

During FY20 we made continued progress in implementing our safety strategy, which is focused on site leadership and behavioural aspects of safety, as well as identifying and mitigating physical risks on site.

The number of recordable injuries in FY20 was 16. The Recordable Injury Frequency Rate (RIFR) for FY20 was 1.45[3], an improvement from 1.54 in the prior year. The Lost Time Injury Frequency Rate (LTIFR) was 3.63[4] for FY20.

FY20 Financial Results

Our financial performance was impacted in the second half of the year by the COVID pandemic. Government imposed containment restrictions adversely affected on-premise alcohol consumption, particularly for small craft beer brands. While off-premise consumption increased, this was not sufficient to mitigate the decline in on-premise consumption.

This resulting impact on volume caused a decline in Group revenue of 2 per cent to $1.3 billion.

Underlying EBITDA was $156.1[5] million; down 11 per cent on the prior year.

In the processing segment, revenue fell by 1 per cent to $989.4 million reflecting volume declines compared to the prior year. Underlying segment EBITDA declined by 12 per cent to $119.7[6] million reflecting lower volume, change in customer mix and additional costs associated with enhanced hygiene and social distancing measures keeping our employees safe.

Revenue in the warehouse & distribution segment reduced by 6 per cent to $328.9 million. Underlying segment EBITDA was down by 27 per cent to $28.3[6] million, impacted in the second half by COVID stay-at-home restrictions which reduced demand from craft brewers servicing only the on-premise market.

The Group delivered an Underlying Net Profit After Tax of $57.4[7] million compared to $59.0 million for FY19.

United Malt remains in a strong financial position to manage in the current environment and to continue our investment in strategic growth initiatives. The Group successfully completed a $170.6 million equity raising in May 2020 which comprised an institutional placement ($140 million) and a Share Purchase Plan ($30.6 million). Part of the proceeds of the raising were used to repay debt.

As a result, net debt at 30 September 2020 was $261.7 million compared to $584.1 million at 31 March 2020. The gearing ratio (net debt/underlying EBITDA[5]) was 1.7 times which is below the Company's target ratio of 2.0 to 2.5 times, reflecting the seasonal impact of lower working capital draw vs the 1H higher draw as we build up our barley inventories and increase our working capital usage.

The Company maintains comfortable headroom within its banking covenants and no significant near-term refinancing commitments with long-term debt facilities not maturing until November 2022.

Progressing Strategic Priorities

We continued to implement our growth strategy, including upgrading and expanding the capacity of our malting facilities.

The £51 million investment in the Bairds Scottish malting facilities will add 79,000t of capacity across our Arbroath and Inverness sites, bringing Baird's total

3 RIFR is calculated as the number of injuries per 200,000 hours worked, on a rolling 12-month basis. Includes lost time injuries, medical injuries and restricted work injuries. Includes permanent and casual employees and United Malt controlled contractors.

4 LTIFR is calculated as the number of lost time injuries per 1,000,000 hours worked, on a rolling 12-month basis. Includes permanent and casual employees and United Malt controlled contractors.

5 Underlying EBITDA is earnings before interest, tax, depreciation and amortisation, and excluding material non-recurring items related to the demerger.

6 Underlying EBITDA is earnings before interest, tax, depreciation and amortisation, and excluding material non-recurring items related to the demerger. The impact of *AASB 16 Leases*, which came into effect 1 October 2019 is excluded.

7 Underlying NPAT is net profit after tax, and excluding material non-recurring items related to the demerger.

Managing Director & CEO's Review
continued

capacity to approximately 300,000t per annum. Following a delay due to COVID restrictions, construction recommenced in August 2020. Commissioning of the Arbroath facility is planned for December 2020 to facilitate full production capability from January 2021. We expect commissioning of Inverness in December 2021.

In Australia, we announced a $27 million investment in Barrett Burston Malting's Perth malting plant.

The existing kiln at the site will be replaced with a new and indirect heating source kiln. This renewal provides immediate operating efficiencies and safer technology and allows for future production capacity expansion of up to 110,000mt from 50,000mt currently, with further investment. The project is expected to be completed by October 2021.

We have entered into an in-principle agreement with our existing Mexican distribution partner for an expanded partnership to further grow United Malt's penetration into the Mexican market. The expanded distribution will provide on the ground access to the growing craft market in Mexico, enhanced customer experience, and more efficient logistics.

Looking to the Future

United Malt remains in a strong financial position to withstand the duration of COVID and any broader macroeconomic weakness, while continuing to invest in our business for medium to longer-term growth.

As conditions stabilise, we remain well placed to return to growth, supported by our strong market positions and malting assets and our market-leading distribution platform, which is well positioned to service our customers' ingredient requirements.

We maintain a quality customer base which is diversified by product, end-market and geography, and we continue to focus on high-value markets where the long-term outlook for growth remains supportive for our business.

Conclusion

Our performance over the past year reflects the resilience of our business operations and customer relationships, despite the impact of COVID.

I would like to acknowledge and thank all our people across the Group for their efforts and commitment in our first year as a stand-alone entity. I would also like to thank our shareholders for your continued support of the business.

We are uncompromising in our pursuit of quality whether it's a product, service, relationship, experience or interaction.

REVENUE

UNDERLYING EBITDA

RECORDABLE INJURY FREQUENCY RATE[1] (RIFR)

1 Recordable Injury Frequency Rate (RIFR) is calculated as the number of injuries per 200,000 hours worked, on a rolling 12-month basis. Includes lost time injuries, medical injuries and restricted work injuries. Includes permanent and casual employees and United Malt controlled contractors.

COVID-19 Response

COVID-19 Response

As a result of the COVID pandemic, a major focus of United Malt's agenda has been on the health and safety of all our staff and visitors to our sites across our business.

We are also continuing to work with our key suppliers and customers to support their response efforts to COVID.

United Malt acted swiftly to implement business resilience plans to ensure the continued safe operation of our production and distribution services.

All our production and warehouses staff are working in split shifts with enhanced hygiene measures including consistent cleaning between shifts and social distancing protocols to meet the needs of our staff.

The majority of office-based staff continue to work remotely and have been provided with the necessary tools to facilitate remote working.

The Company has been required to implement some operational changes, including cost reduction, staff redeployment and aligning production with demand.

Our priority is to continue to ensure that United Malt operates in a safe and compliant manner to ensure the sustainability of our business and continuity of employment for our people where possible.

The Company did not access any government wage assistance in Australia and in the US; however, approximately A$4.4 million in government wage support was received in various forms in Canada, the UK and New Zealand.

During the pandemic to date, United Malt has continued to pay in full for product from all our suppliers globally while honouring previously agreed payment terms.

We will continue to closely monitor and adjust our business operations as required and in accordance with the latest government and regulatory health and safety advice.

United Malt Overview

OVERVIEW

United Malt is the fourth-largest commercial maltster globally, producing ingredients for the brewing, distilling and food markets.

United Malt has approximately 1.25Mtpa of capacity across 13 processing plants in Canada, United States of America (US), Australia and the United Kingdom (UK). United Malt also operates an international warehouse and distribution business, which provides a full service offering for craft brewers and distillers, including malt, hops, yeast, adjuncts and related products.

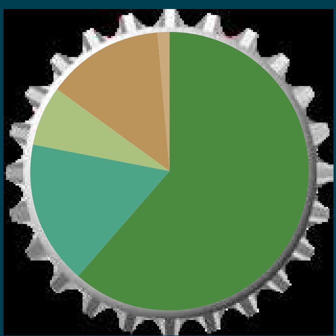
We are one of the leading malt suppliers to the craft brewing sector, supported by a distribution network comprising 21 warehouses (both Company-operated and through third party logistics providers) and have international craft distribution partnerships throughout North America, South America, Europe, Asia and Australia.

United Malt generates earnings along the malt supply chain, from barley procurement and handling, malt processing, and sale and distribution of value-added malt and related products. United Malt benefits from having high quality, low operating cost processing assets that are strategically located in premium barley growing regions, allowing it to source high quality barley and access a diverse range of customers, including global brewers, craft brewers, distillers and food companies.

Our customer base is diversified by product, end-market and geography, and comprises a range of high quality customers including global brewers, craft brewers, distillers and food companies.

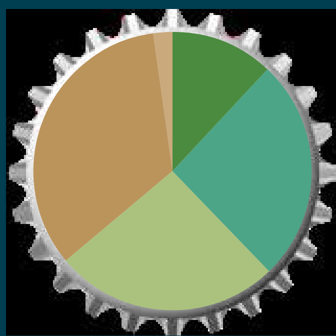
We sell into both domestic and export markets. Export markets (particularly Asia) are an important source of demand for malt produced in Australia.

REVENUE BY CUSTOMER GEOGRAPHY



- North America 61%
- Europe 17%
- Australasia 7%
- Asia 14%
- Other 1%

REVENUE BY CUSTOMER GROUP



- Distillers 12%
- Major Brewers Domestic 26%
- Major Brewers Export 26%
- Micro Brewers 34%
- Other 2%

KEY OPERATING BRANDS – PROCESSING

Bairds Malt	Canada Malting Co. Limited	Barrett Burston	Great Western Malting
5 facilities Established 1823	3 facilities Established 1902	3 facilities Established 1912	2 facilities Established 1934

In each of our operating geographies we have local brands that represent United Malt. Each of these brands has a long and rich history within the malting industry and represents who we are today as a Company.

Fourth largest commercial maltster globally

85%+ utilisation average rate across all plants

Exposure to high growth craft beer and Scotch whisky market

13 processing facilities across three continents
21 warehouse and distribution facilities

Largest commercial maltster in North America

Only listed maltster with exposure to predominantly US dollar earnings

KEY OPERATING BRANDS – WAREHOUSE AND DISTRIBUTION

COUNTRY MALT GROUP

12 facilities
Established 1995

CRYER MALT

8 facilities
Established 1995

BREWERS SELECT

1 facility
Established 2013

Where we Operate

PROCESSING

Our malting assets are strategically located across major barley growing regions providing access to high quality barley and in close proximity to critical transport infrastructure proving better access to customers.

The Processing division services over 600 customers including major brewers, national craft brewers, distillers and food companies with high visibility of earnings underpinned by long-term contracts.

WAREHOUSE AND DISTRIBUTION

Our Warehouse and Distribution segment generates revenue from the sales and distribution of bagged malt, hops, yeast, adjunctions and related products.

The Company owned distribution network is supported by international craft distribution partners focused on regions exhibiting growth in craft.

United Malt's competitive advantage is its ability to deliver all ingredients to the brewer on a just-in-time basis.

PROCESSING

CANADA MALTING CO. LIMITED 1902
GREAT WESTERN MALTING®

~750kt
Production capacity

Barrett Burston

~250kt
Production capacity

BAIRDS MALT UNITED KINGDOM

~250kt
Production capacity

WAREHOUSE AND DISTRIBUTION

COUNTRY MALT GROUP

12
Facilities

CRYER MALT

8
Facilities

BREWERS SELECT

1
Facility

Our Purpose & Values

We are focused on creating ingredients that bring people together

Safety

The safety of our people is paramount.

Safety is part of our way of life and requires the commitment of everyone throughout the organisation.

Safety extends to the health and wellbeing of ourselves and everyone around us and to the environment in which we operate. It is part of everything that we do as well as the way that we do it.

It is our way of coming together as a community.

Quality

We provide outstanding ingredients and unsurpassed service that, together, deliver premium value to our customers.

At every step in the process and in all our roles, we come together as a team to make sure that we always provide the best.

Integrity

We believe that nothing is more important than our reputation, and behaving with the highest levels of integrity is fundamental to who we are.

We are honest, open, ethical and fair at all times.

Passion

We are proud of our industry, our business and our people.

We are proud to be part of a wider community and are positive stewards in the way we work.

We bring a spirit of innovation and continuous improvement to everything that we do.

Our History of Established Brands

Bairds Malt United Kingdom

1823
Established

Year of inclusion in United Malt
1990

Canada Malting Co. Limited

1902
Established

Year of inclusion in United Malt
1995

Barrett Burston

1912
Established

Year of inclusion in United Malt
1995

GREAT WESTERN MALTING®
THE HEART OF YOUR CRAFT

1934
Established

Year of inclusion in United Malt
1989

MORAY FIRTH MALTINGS

1967
Established

Year of inclusion in United Malt
1999

TO INSPIRE YOUR BEST CRAFT
ESTD. 1995
COUNTRY MALT GROUP

1995
Established

Year of inclusion in United Malt
2007

CRYER MALT

1995
Established

Year of inclusion in United Malt
2017

BREWERS SELECT

2013
Established

Year of inclusion in United Malt
2013

Our Malts

We maintain a diverse range of grower relationships, over multiple growing regions. We contract directly with growers for production acres and planting of specific varieties to meet the needs of our customers.

Base Malts

Malt Variety: **Pilsen Malt**

Malt attributes: very light in colour, this malt typically tastes crisper than Pale Malt, which carries over into the beer.

Typically found in: Pilseners, Lagers

Malt Variety: **Distilling Malt Plain**

Malt attributes: clean, crisp, and with a fresh spirit character.

Typically found in: Distilled spirit production

Malt Variety: **Wheat Malt**

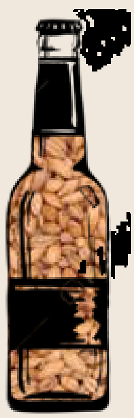
Malt attributes: premium white wheat is malted in the same way as barley and is used as a base in the production of classic wheat beers. At lower percentages of the grist, wheat malt can also be added to any number of beer styles to enhance foam stability and mouthfeel.

Typically found in: Weissbier, Witbier, Lambic, Berliner, Weisse and Gose

Malt Variety: **Ale Malt**

Malt attributes: rich malty complexity for beer flavour and aroma. Used as a base malt adding a golden colour; slightly darker colour and fuller flavoured.

Typically found in: Traditional British Pale Ales, Porters and Stouts



Malt Variety: **Pale Malt**

Malt attributes: light golden colour and smooth clean flavour make this malt a perfect base for most brews. It is kilned slightly higher than Pilsen Malt and imparts slightly richer flavours.

Typically found in: Pale Ales, Pilseners and IPAs

Specialty Malts

Malt Variety: **Distilling Peated Malts**

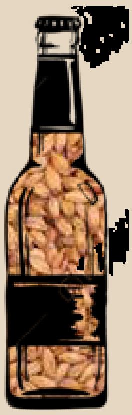
Malt attributes: smoke from a peat fire is circulated through malt, where it is absorbed into the malt surface.

Typically found in: Distilled spirit production

Malt Variety: **Vienna Malt**

Malt attributes: light golden to orange colour and a distinctive nutty aroma.

Typically found in: Vienna Lager, Märzen, Dunkelweizen and Bock



Malt Variety: **Munich Malt**

Malt attributes: robust, malty flavour and rich golden to dark colour. Depth and body without excessive sweetness.

Typically found in: Dark lagers, Märzen, Octoberfests

Malt Variety: **Oat Malt**

Malt attributes: the flavour of both a traditional Pale Malt, as well as the toasty flavours of granola.

Typically found in: Northeast IPA, Belgian Wit, Stouts

Roasted Malts

Malt Variety: **Crystal/Cara Malts**

Malt attributes: from a light, honey shade to a deep gold depending on the length of the final roasting. Provides sweet caramel and toffee character.

Typically found in: Pale Lagers to Darker Ales

Malt Variety: **Caramel Steam Malt**

Malt attributes: creates a delicate sweetness with reduced astringency imparting nutty, graham cracker, caramel, and plum flavours.

Typically found in: Red IPA, Irish Red, English Bitter, Porter and Barley Wine

Malt Variety: **Roasted Malts**

Malt attributes: varying colour and flavour profiles depending on the temperature and length of the final roasting stage but will generally impart a smooth roasted flavour without excessive bitterness.

Typically found in: Dark Ales, Stouts and Bock

Malt Variety: **Chocolate Malt**

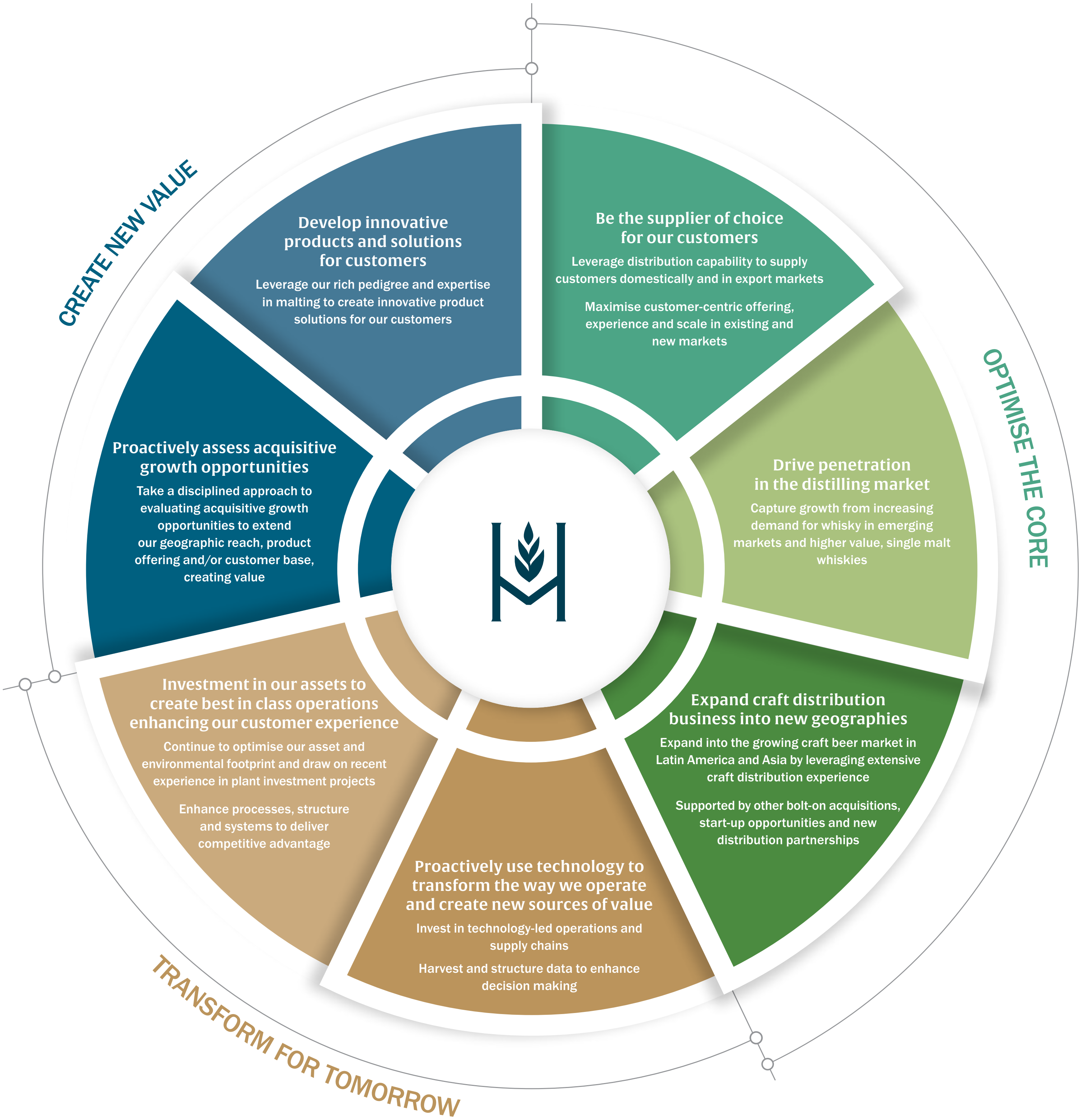
Malt attributes: lightly roasted product with subtle notes of coffee, cocoa and chocolate and a rich brown colour.

Typically found in: Golden Lagers to Darker Ales

Our Strategy

Strategic Priorities

Our strategy is focused on keeping our customers at the centre of everything we do, whist targeting those high value markets where the long-term outlook for growth remains supportive



Sustainability Highlights

We recognise that conducting our business in a sustainable and responsible way is important for us to earn and maintain the ongoing respect of our stakeholders, including our people, customers, supply partners, shareholders and the communities where we operate.

~10,000

Safety leader observations

26%

Female representation in United Malt (up from 25% in FY19)

35%

Target of female representation by 2025

Indigenous scholarship

Partnership with Indspire to provide scholarship support to indigenous students in Canada to help support pursuit of their educational and professional goals

28,500 MT CO_2e

Commenced 3-year agreement with electricity utility in the US to offset approximately 28,500 MT CO_2e from Vancouver and Pocatello facilities through to 2023

6%

Reduction in number of recordable injuries and reduction in Recordable Injury Frequency Rate (RIFR) to 1.45 compared to 1.54 in FY19

Further details on our sustainability agenda can be found in our Sustainability Report.

Board of Directors

MR GRAHAM BRADLEY AM

Independent Chairman and Non-Executive Director

BA, LLB (Hons. Sydney University), LLM (Harvard)

Appointed to the Board on 13 January 2020.

Skills and experience: Mr Bradley has over 30 years of business, executive leadership and governance experience at senior executive and board levels across banking and financial services, manufacturing, infrastructure, resources, agribusiness and corporate strategy consulting. Mr Bradley has previously held the position of Managing Director of Perpetual and senior roles at Blake Dawson and McKinsey & Company.

Mr Bradley is currently a Non-Executive Chairman of Energy Australia Holdings (since June 2012), Virgin Australia International Holdings (since March 2012), and Shine Justice Limited (since May 2020).

Mr Bradley is also a Director of Hong Kong and Shanghai Banking Corporation (since November 2012), the Chairman of Infrastructure NSW (since July 2013), a member of the Advisory Council of the Australian School of Business at UNSW and was made a member of The Order of Australia in 2009.

He is a former Chairman of GrainCorp (March 2017 until March 2020), Chairman of HSBC Bank Australia (October 2012 until October 2020) and Chairman of Stockland Corporation (until October 2016). Mr Bradley was the President of the Business Council of Australia and the Deputy President of the Takeovers Panel, among other notable roles.

Board Committee memberships:
Member of the Nominations and Remuneration Committee

MR MARK PALMQUIST

Managing Director & Chief Executive Officer

Bec, GAICD

Appointed to the Board on 13 January 2020.

Skills and experience: Mr Palmquist has over 30 years experience in food processing and agricultural sectors and has held a number of senior leadership roles prior to commencing his role at United Malt. Mr Palmquist is focused on building a sustainable business aligned to meeting the needs of our customers in each of our markets, whilst ensuring strong governance, risk management and continued innovation.

Prior to his role at United Malt, Mr Palmquist was the Managing Director and CEO of GrainCorp Limited from 2014 until 2020, which demerged its malt business that is now United Malt. Prior to this, he was Executive Vice President and Chief Operating Officer, Ag Business, for CHS Inc., a leading global agribusiness, diversified in energy, grains, and food. He has held a variety of global leadership roles for a broad range of CHS agricultural inputs and marketing areas, retail businesses, and grain-based food and food ingredients operations.

Mr Palmquist is currently a director of Telesense, Inc (September 2020) and is a former director of GrainCorp Limited (from October 2014 until March 2020).

MS BARBARA GIBSON

Independent Non-Executive Director

B.Sc MAACB FTSE MAICD

Appointed to the Board on 13 January 2020.

Skills and experience: Ms Gibson has over 30 years of business experience at senior executive and board levels across the chemicals, health care, agriculture and manufacturing sectors.

Ms Gibson is an experienced executive having spent 20 years with Orica Limited. Prior to this, she held positions in medical diagnostics, pharmaceuticals and fine chemicals.

Ms Gibson is currently a fellow of the Australian Academy of Technology and Engineering. In 2003, Ms Gibson was awarded a Centenary of Federation Medal for services to Australian society in medical technology. She is a Member of the Australian Institute of Company Directors.

She is a former director of GrainCorp Limited (March 2011 until March 2020), and Chair of Warakirri Asset Management Pty Ltd (July 2006 until December 2018).

Board Committee memberships:
Chair of the Environment, Health and Safety Committee

Member of the Audit and Risk Committee

MR TERRY WILLIAMSON

Independent Non-Executive Director

MBA, BEc, FCANZ, FGIA, FAICD

Appointed to the Board on 23 March 2020.

Skills and experience: Mr Williamson has an extensive background in financial reporting and risk management with prior roles as senior audit partner of Price Waterhouse, Chief Financial Officer Bankers Trust Australia, Member of the Global Controls Group Bankers Trust New York Group, Chair of Audit and Risk Committee Stockland Property Group, Avant Insurance and Member of the Audit Committee of the Reserve Bank Australia and financial advisor to a number of not-for-profit organisations.

Mr Williamson is a Fellow of The Australian Institute of Company Directors, Fellow Chartered Accountants in Australia and New Zealand, Fellow CPA Australia, Fellow Governance Institute of Australia and Member Australian Computer Society.

Mr Williamson is currently a Director of Stockland Capital Partners and Stockland Direct Retail Trust No. 1 (since April 2018), Member of the Building Estates Committee of the University of Sydney, and Finance Advisor to the Society of the Divine Word.

Mr Williamson has had no other public company directorships in the last three years.

Board Committee memberships:
Chair of the Audit and Risk Committee.

Member of the Environment, Health and Safety Committee

MS JANE MCALOON

Independent Non-Executive Director

BEc (Hons), LLB, GDip CorpGov, FAICD

Appointed to the Board on 13 January 2020.

Skills and experience: Ms McAloon has over 25 years of business, government and regulatory experience at senior executive and board levels across the energy, infrastructure and natural resources sectors. Ms McAloon was an executive at BHP Billiton and AGL. Prior to this, she held positions in government in energy, rail and natural resources.

Ms McAloon is currently a Non-Executive Director of Energy Australia (since June 2012), Home Consortium (since October 2019), Viva Energy (since June 2018) and Allianz Australia (since July 2020). Jane is also a board member of the Allens Advisory Board.

She is a former director of Healthscope Limited (February 2016 to June 2019), Cogstate Limited (January 2017 to November 2019), Civil Aviation Safety Authority (December 2017 to December 2019), Port of Melbourne (February 2018 to February 2020) and GrainCorp (December 2019 to March 2020).

Board Committee memberships:
Chair of the Nominations and Remuneration Committee

Member of the Audit and Risk Committee

MR SIMON TREGONING

Independent Non-Executive Director

BCom, FAICD

Appointed to the Board on 13 January 2020.

Skills and experience: Mr Tregoning has over 30 years of experience at senior executive and board level across the fast moving consumer goods, agriculture and energy sectors.

He was previously Vice President of Kimberly-Clark Corporation and has extensive overseas senior executive experience and is an experienced company Director.

Mr Tregoning is a former director of GrainCorp (December 2008 until March 2020) and Capilano Honey (July 2006 until November 2018).

Board Committee memberships:
Member of the Nominations and Remuneration Committee

Member of the Environment, Health and Safety Committee

Board of Directors continued

MR GARY W. MIZE

Independent Non-Executive Director

BA, Advance Executive Program (Northwestern University), NACD

Appointed to the Board on 23 October 2020.

Skills and experience: Mr Mize has over 36 years of experience managing commodity-based trading and processing businesses at the senior executive and board levels.

He was previously the Global Chief Operating Officer of Noble Group Hong Kong, President of Conagra Foods Grain Processing Group, CEO Conagra Malt and President Cargill Worldwide Juice Group. Mr Mize has lived in Hong Kong, Sao Paulo and Geneva.

Mr Mize is currently an Independent Director of Gevo Inc (a company listed on NASDAQ) (since September 2011); Ceres Global (a company listed on TSX) (since September 2013) and Darling Ingredients (a company listed on NYSE) (since May 2016).

Executive Leadership Team

MR MARK PALMQUIST

Managing Director & Chief Executive Officer

B.ec, GAICD

See page 18.

MS AMY SPANIK

Chief Financial Officer

Qualifications: Bachelor of Arts in Education from the University of Portland and Post Baccalaureate Certificate in Accounting from Washington State University. Licensed CPA.

Appointed: March 2020

Priorities: Amy is responsible for the Group's finance, treasury, tax, investor relations, information technology and risk functions. Her priorities are ensuring her team provides accurate, independent and objective analysis to drive decision making, performance and value creation for all the Group's stakeholders.

Experience: Prior to the demerger of United Malt, Amy held the position of Chief Financial Officer of GrainCorp Malt since 2015. Previously, Amy was Global Financial Controller and Assistant Controller at GrainCorp Malt.

Amy started her career with Ernst & Young where she had nine years' experience.

MR DARREN SMITH

President, Processing

Qualifications: Bachelor of Science in Food Science from the University of Alberta and a General Certificate in Brewing from the UK Institute of Brewing and Distilling.

Appointed: March 2020

Priorities: Darren is responsible for the Processing Operation of United Malt and responsible for serving the needs of the Group's major brewing, distilling and food customers, by providing the full range of base and specialities malts for the Group's customers at the right quality to meet their food and beverage requirements. His priorities are to ensure the Group leverages its assets and capabilities and continuously innovate to meet the changing needs of the Group's customers.

Experience: Prior to the demerger of United Malt, Darren held the position of Chief Operations Officer of GrainCorp since 2014. Prior, to that Darren was a Managing Partner at RMI Analytics.

Darren was previously Director of Sales at Canada Malting Company and has held various production roles in that business.

Darren has extensive experience with the brewing and malting industries in both operations and sales, along with consulting on various projects including malt trans-load and malt product warehouse design.

MR BRYAN BECHARD

President, Warehouse & Distribution

Qualifications: Bachelor of Applied Science from the Madden School of Business at LeMoyne College.

Appointed: March 2020

Priorities: Bryan is responsible for the Warehouse & Distribution operations of United Malt serving the needs of its craft brewing, distilling and food customers. Providing market leading services, and outcomes for the Group's customers in the craft segment is a primary focus. His priorities are to ensure the Group's warehouse and distribution business continually provides the one-stop-shop of ingredient solutions of branded and innovative products through its network of distribution facilities and a portfolio of services geared to the needs of its customers.

Experience: Bryan joined GrainCorp in 2009 and was appointed President of the Global Craft business in February 2019.

As one of the co-founders of the North Country Malt Supply business in 1995, which formed the basis of today's North American Country Malt Group, Bryan has been involved in ingredient distribution to the craft brewing industry for over 25 years. He previously held the role of President, Country Malt Group beginning in October 2014.

MS MARY WELLE

Vice President, Human Resources

Qualifications: Bachelor of Arts in Journalism from the University of Oregon and a Master of Organizational Management from Antioch University.

Appointed: March 2020

Priorities: Mary is responsible for the Group's Human Resources and Payroll functions, taking care of the people who take care of the Group's customers. Her priorities are both strategic and operational, with an overall goal of building and developing a workforce with the capability and capacity to help the Group meet its goals.

Experience: Prior to the demerger of United Malt, Mary was Vice President, Human Resources of GrainCorp Malt since 2014. Mary has also held several senior HR positions in her career including VP roles with HWR, DuraTherm and Siemens-US Filter. She also served as HR Manager for Great Western Malting from September 2010 to May 2012.

Mary has been responsible for building and leading the full HR function across a variety of service-related industrial and manufacturing businesses since 1994 including malting, water treatment, IT outsourcing, transport and industrial waste treatment/disposal.

MR DONALD MCBAIN

Vice President, Strategy and Business Development

Qualifications: Bachelor of Arts in Marketing and Communications from the Glasgow Caledonian University.

Appointed: March 2020

Priorities: Donald is responsible for overseeing the formulation and implementation of Group-wide strategies including mergers and acquisitions and major Group-wide programs. He also has responsibility for customer experience and group analytics.

Experience: Prior to the demerger of United Malt, Donald held the position of GM Customer Experience of GrainCorp since 2015. Prior to that, Donald held several senior marketing and strategy positions in the UK, Europe and Australasia. These included Lion (Brewing and Beverage company), General Motors (UK & Europe) and the Suncorp Financial Services Group.

Directors' Report

Directors

The Directors in office at the date of this report are:

Name	Position held	Period as Director during FY20
Graham Bradley AM	Chairman and Independent and Non-executive Director	Appointed 13 January 2020
Mark Palmquist	Managing Director and Chief Executive Officer	Appointed Managing Director 13 January 2020 and Chief Executive Officer on 23 March 2020
Barbara Gibson	Independent Non-executive Director	Appointed 13 January 2020
Jane McAloon	Independent Non-executive Director	Appointed 13 January 2020
Terry Williamson	Independent Non-executive Director	Appointed 23 March 2020
Gary W. Mize	Independent Non-executive Director	Appointed 23 October 2020 (not a Director during FY20)
Simon Tregoning	Independent Non-executive Director	Appointed 13 January 2020 (will retire at the 2021 AGM in February 2021)

Details of current Directors, including their experience, qualifications, special responsibilities and term of office are included on pages 18 to 20 of the Annual Report.

Details of Directors' interests in shares and options of United Malt Group are set out in Section 45 of the Remuneration Report.

The following persons were also Directors during FY20. As they were Directors during a period in which the Company was a subsidiary of GrainCorp Limited they were not separately remunerated for acting as Directors. There were no meetings of the Board held during the financial year prior to the resignation of these Directors.

Name	Position held	Period as Director during FY20
Alistair Bell	Director	Resigned 13 January 2020
Catherine Hathaway	Director	Resigned 13 January 2020
Klaus Pamminger	Director	Resigned 13 January 2020

Company Secretary

Ms Lisa Jones

Qualifications: LLB, University of Sydney

Lisa was appointed Company Secretary of United Malt at the time of its listing on ASX in March 2020 and is based in Sydney.

Lisa is an experienced corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs, working with both public and private companies in Australia and in Europe.

She has held executive positions with private and public listed companies in Australia and in Italy and prior to that was a senior associate in the corporate and commercial practice at Allens.

Board and Board Committee Meetings

Membership of each of United Malt's Committees of Directors is set out below:

	Membership
Environment, Health and Safety Committee	Barbara Gibson (Chair) Simon Tregoning Terry Williamson
Audit and Risk Committee	Terry Williamson (Chair) Barbara Gibson Jane McAloon
Nominations and Remuneration Committee	Jane McAloon (Chair) Graham Bradley Simon Tregoning

The number of United Malt Board meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company to 30 September 2020 are set out below:

	Board		Environment, Health and Safety Committee		Audit and Risk Committee		Nominations and Remuneration Committee	
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Graham Bradley AM	10	10					2	2
Mark Palmquist	10	10						
Barbara Gibson	10	10	1	1	2	2		
Jane McAloon	10	10			2	2	2	2
Simon Tregoning	10	9	1	1			2	1
Terry Williamson[1]	7	7	1	1	2	2		

1 Terry Williamson was appointed a Non-executive Director, United Malt Group Limited Board on 23 March 2020.

All Directors are sent Board committee agendas and papers and may attend any meeting. The Chairman of the Board and the CEO attend Board committee meetings by invitation as a matter of course. The above table excludes the attendance of Directors at Board Committee meetings of which they are not a member.

From time to time, additional Board sub-committees are established, for example, to consider material transactions or material issues which may arise, and meetings of those subcommittees are held throughout the year. These subcommittee meetings are not included in the above table.

Operating and Financial Review

About United Malt

Overview

United Malt is the fourth largest commercial maltster globally, producing ingredients for the brewing, distilling and food markets. United Malt has approximately 1.25Mtpa of capacity across 13 processing plants in Canada, US, Australia and the UK. United Malt also operates an international warehouse and distribution business, which provides a full service offering for craft brewers and distillers, including malt, hops, yeast, adjuncts and related products.

We are one of the leading malt suppliers to the craft brewing sector, supported by a distribution network comprising 21 warehouses (both Company-operated and through third party logistics providers) and international craft distribution partnerships throughout North America, South America, Europe, Asia and Australia.

United Malt generates earnings along the malt supply chain, from barley procurement and handling, malt processing, and sale and distribution of value-added malt and related products. United Malt benefits from having high quality, low operating cost processing assets that are strategically located in premium barley growing regions, allowing it to source high quality barley and access a diverse range of customers.

Our customer base is diversified by product, end-market and geography, and comprises a range of high-quality customers including global brewers, craft brewers, distillers and food companies.

We sell into both domestic and export markets. Export markets (particularly Asia) are an important source of demand for malt produced in Australia.

United Malt successfully demerged from GrainCorp Limited on 23 March 2020 to form a stand-alone entity listed on the Australian Securities Exchange. The financial reports contain two full years of results for FY19 and FY20, although only the second half earnings in FY20 are to the benefit of United Malt as a standalone listed entity. United Malt has two operating segments: Processing and Warehouse & Distribution.

Our Business Model

United Malt's business model, strategic positioning and expertise in leveraging key inputs into our business creates value for our customers, shareholders and employees.

United Malt generates earnings along the malt value chain, from barley procurement and handling, barley processing, and sale and distribution of value-added malt products and related products.

Our Processing assets are strategically located in premium quality barley growing regions and in close proximity to a diverse range of customers, including global brewers, craft brewers, distillers, and food companies. We benefit from having high quality and low operating cost processing assets.

Our Warehouse & Distribution segment has established itself as one of the leading malt and ingredient suppliers to the craft brewing sector and has a strong market position in our key markets.

United Malt has a highly capable team of ~1,000 employees across our operating geographies; this, combined with the long and rich history of our operating brands, delivers a business model to capitalise on growth trends to deliver shareholder returns over the medium to longer term.

Our Strategy

Our strategy is focused on keeping our customers at the centre of everything we do, whilst targeting those high value markets where the long-term outlook for growth remains supportive.

Our strategic priorities are centred on three areas, whilst remaining agile in times of uncertainty:

- Optimise the core
- Transform for tomorrow
- Create new value

Focus Area	Strategic Priorities	Strategic Action
Optimise the core	Be the supplier of choice for our customers	Leverage distribution capability to supply customers domestically and in export markets Maximise customer-centric offering, experience and scale in existing and new markets
	Drive penetration in the distilling market	Capture growth from increasing demand for whisky in emerging markets and higher value, single malt whiskies
	Expand craft distribution business into new geographies	Expand into the growing craft beer market in Latin America and Asia by leveraging extensive craft distribution experience Supported by other bolt-on acquisitions, start-up opportunities and new distribution partnerships
Transform for tomorrow	Proactively use technology to transform the way we operate and create new sources of value	Invest in technology-led operations and supply chains Harvest and structure data sources to enhance decision making
	Investment in our assets, to create best in class operations, enhancing our customer experience	Continue to optimise our asset and environmental footprint and draw on recent experience in plant investment projects Enhance processes, structure and systems to deliver competitive advantage
Create new value	Proactively assess acquisitive growth opportunities	Take a disciplined approach to evaluating acquisitive growth opportunities to extend our geographic reach, product offering and /or customer base, creating value
	Develop innovative products and solutions for customers	Leverage our rich pedigree and expertise in malting to create innovative product solutions for our customers

Group Financial Summary

Key Results ($ M)		2020	2019	Change %
Revenue		1,289.1	1,316.5	-2.1%
EBITDA[1]		156.1	175.5	-11.1%
EBIT[2]		92.0	123.2	-25.3%
Net Finance costs[3]		(14.6)	(36.5)	60.0%
Tax Expense		(20.0)	(27.7)	27.8%
Net profit after tax		45.6	56.9	-19.9%
Shareholder Returns				
Basic earnings per ordinary share	cents	16.8	22.4	-25.0%
Return on equity	%	4.4%	6.8%[4]	-2.3pp
Return on capital employed (ROCE)	%	7.5%	11.6%[5]	-1.6pp
Dividend per ordinary share	cents	3.9	-	>100%

[1] EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items related to the demerger.
[2] EBIT is earnings before interest, tax, and excluding significant items related to the demerger.
[3] Net finance costs include intercompany interest of $26.8m whilst part of GrainCorp Limited.
[4] 2019 equity adjusted to include impact of 2020 extinguishment $427 million of debt.
[5] 2019 capital employed adjusted to include impact of 2020 extinguishment $427 million of debt and FY19 net debt excludes the $633.8m related party loan.

Segment Results ($ M)	2020		2019		% Change	
	Revenue	EBITDA[6]	Revenue	EBITDA[6]	Revenue	EBITDA
Processing	989.4	126.0	1,001.4	136.7	-1.2%	-7.8%
Warehousing & Distribution	328.9	34.6	349.8	38.8	-6.0%	-10.8%
Corporate and eliminations	(29.2)	(4.5)	(34.7)	-	-15.9%	na
Total	**1,289.1**	**156.1**	**1,316.5**	**175.5**	**-2.1%**	**-11.1%**

Reconciliation of Underlying EBITDA to Statutory NPAT

($ M)	2020	2019
Underlying EBITDA	**156.1**	**175.5**
Net interest	(14.6)	(36.5)
Depreciation and amortisation	(64.1)	(52.3)
Significant items[6]	(11.8)	(2.1)
Profit before income tax	**65.6**	**84.6**
Income tax expense	(20.0)	(27.7)
Net Profit After Tax	**45.6**	**56.9**

Financial Analysis and Commentary

Between October 2019 and February 2020, United Malt's operating environment remained generally consistent with prior years and was uninterrupted by the COVID pandemic.

COVID began impacting United Malt in March 2020, as the pandemic spread across Europe and North America, followed by Australasia. The impact varied across each of our geographies depending on the severity and duration of the lock down measures introduced by each respective government.

Group Financial Results

Demand was impacted by the lock down measures and changes in consumer behaviours, with a shift to at home consumption across all regions, initial pantry filling and restrictions with on-premise consumption.

Revenue was down 2 per cent to $1.3 billion for the full year, driven by COVID related declines in the 2H after a firm performance delivered in the 1H.

EBITDA (post adoption of the AASB16 Lease accounting standard) was $156.1[6] million; down 11 per cent on the prior year.

The results included a $12.6 million uplift to Underlying EBITDA relating to the AASB 16 Lease accounting standard. Excluding the impact of this standard, underlying EBITDA fell by 18 per cent.

The 2H performance was characterised by lower volumes and a change in sales mix reducing EBITDA delivery, caused by the impact of COVID on our customers.

In addition, the Group results reflected an increase in corporate costs, associated with being a separately listed entity and higher Director & Officer insurance costs in FY20.

These increased costs were partially offset by cost-saving initiatives in the 2H20. Direct cost savings of $5.9 million were realised, and a further $4.4 million in government wage support schemes was accessed in Canada, the UK and New Zealand supporting retained staff who would have otherwise been furloughed. No government wage assistance was received in Australia and in the US.

The Company delivered an Underlying Net Profit After Tax of $57.4[7] million compared to $59.0 million for FY19.

Underlying earnings per share were 16.8 cents compared to 22.4 cents in the prior year, reflecting lower net profit and an increase in the weighted average number of shares on issue following the equity raising conducted in the second half.

Reported Net Profit After Tax for the period was $45.6 million.

[6] EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items related to he demerger.
[7] Underlying NPAT is net profit after tax, and excluding significant items related to the demerger.

Segment Financial Results

In the **Processing segment**, revenue fell by 1 per cent to $989.4 million reflecting volume declines compared to the prior year. Underlying segment EBITDA declined by 8 per cent to $126.0[8] million as a result of the impact of COVID in key markets. Underlying EBITDA margin was impacted by a change in sales mix and increased costs associated with hygiene and social distancing measures put in place to keep our workforce safe. In addition, some higher costs associated with operating at reduced utilisation and continued delays with containers and higher freight costs attributable to COVID.

Revenue in the **Warehouse & Distribution segment** reduced by 6 per cent to $328.9 million. Underlying segment EBITDA was down by 11 per cent to $34.6[8] million, impacted in the second half by COVID stay-at-home restrictions, which reduced demand from craft brewers servicing only the on-premise market.

The Underlying EBITDA margin was impacted by change in sales mix and higher costs associated with operating at reduced volumes. In addition, during the 1H20 $3 million aged hops inventory was written off.

Interest expense has benefited from reduced global interest rates, and loan forgiveness as part of the demerger, along with paying down debt with capital proceeds.

Financial Position and Balance Sheet

Key Results ($ M)		2020	2019	% Change
Financial Position				
Total assets	$ M	1,886.8	1,763.3	7.0%
Total equity	$ M	1,031.3	413.7	>100%
Net assets per ordinary share[9]	$	3.4	3.3	4.3%
Net debt to net debt and equity[10]	%	20.2%	20.8%	-0.6pp

United Malt remains in a strong financial position to manage in the current environment and to continue our investment in strategic growth initiatives. The Company successfully completed a $170.6 million equity raising in May 2020 which comprised an institutional placement ($140 million) and a Share Purchase Plan ($30.6 million). Part of the proceeds of the raising were used to repay debt.

As a result, net debt at 30 September 2020 was $261.7 million compared to $584.1 million at 31 March 2020. The gearing ratio (net debt/ Underlying EBITDA[11]) was 1.7 times, which is below the Company's target ratio of 2.0 to 2.5 times, reflecting the seasonal impact of working capital.

The Company maintains comfortable headroom within its banking covenants and has no significant near-term refinancing commitments with long-term debt facilities not maturing until November 2022.

Dividend

The Board has resolved to pay a final dividend of 3.9 cents per share. No interim dividend was paid during the reporting period. The dividend payment represents a payout ratio of 40 per cent of Underlying NPAT for the second half. The Company's dividend policy in future periods will be to distribute approximately 60 per cent of Underlying NPAT, subject to trading conditions.

Operating Cash Flow

Operating cash flow remained positive during FY20. Working capital in the second half was lower, reflecting the typical seasonal unwinding vs the first half and the lower barley price.

Interest paid was lower in FY20, due to debt restructure including debt forgiveness (FY19 internal interest payment of $9.4 million whilst part of GrainCorp), and partially paid down inventory funding commitments as part of the capital raise use of funds.

Tax paid was lower, due to lower earnings and timing of payments.

---

8 EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items related to the demerger.
9 Net assets per ordinary share in 2019 has been adjusted to reflect the number of shares issued as part of the demerger from GrainCorp Limited and equity adjusted to include impact of 2020 extinguishment $427 million of debt.
10 2019 equity adjusted to include impact of 2020 extinguishment $427 million of debt and FY19 net debt excludes the $633.8m related party loan.
11 Net debt included the value of capital leases and EBITDA is a non-IFRS measure representing earnings before net interest, tax, deprecia ion and amortisation, and excluding significant items related to the demerger and is post the impact of AASB16.

Future Business Prospects

The Company continued to implement its growth strategy, including upgrading and expanding the capacity of its malting facilities. Underway is the £51 million investment in the Bairds Scottish malting facilities, which will add 79,000t of capacity across the Arbroath and Inverness sites, bringing total Bairds capacity to ~300,000t per annum.

In Australia, the Company announced a $27 million investment renewing the Perth kiln, providing safety and efficiency benefits and the opportunity for future production capacity expansion at the plant with further investment.

United Malt entered into an in-principle agreement with its existing Mexican distribution partner for an expanded partnership to further grow United Malt's penetration into the Mexican market. The new agreement will provide on the ground access to the growing craft market in Mexico, enhanced customer experience, and more efficient logistics.

United Malt continues to be well positioned to manage through the current market uncertainty, which is expected to continue throughout FY21. Some signs of recovery have emerged in the Company's markets, and the business remains prepared for the evolving impact of COVID, and the potential for second and third waves, which could continue to disrupt demand, supply chains and operations.

United Malt remains well placed to return to growth, once conditions stabilise supported by:

- Strong market positions, strategically located malting assets and our market leading distribution platform, that is well positioned to service customers' ingredient requirements
- High quality customer base diversified by product, end-market and geography
- Disciplined investment in our assets to lower production costs, enhance efficiencies and expand capacity where necessary as we continue to focus on targeting those high value markets.

Rounding of amounts

The Directors' Report is presented in Australian dollars, with all amounts rounded to the nearest one hundred thousand dollars (unless specifically stated otherwise) under the option available to the Company under ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Risks

There are various risks associated with owning shares in United Malt. Some of these risks are specific to United Malt and its business, while others are risks of a more general nature that apply to any investment in publicly traded shares. The list of risks set out below is not exhaustive and does not consider the personal circumstances of shareholders. The list of risks set out below is also not arranged in any hierarchical manner. Shareholders should seek professional advice if they are in any doubt about the risk associated with holding shares in United Malt.

As a new standalone company, senior leadership at United Malt have agreed a Risk Management Framework that will sit under the aegis of the Audit and Risk Committee. This Committee meets quarterly and reviews the treatment of risk through Operation and Strategic Risk Registers and compares those to the risk appetite stance of the Board.

Risks affecting United Malt's business

Risks	Action
COVID. The COVID pandemic will continue to adversely impact the global economy and our customers, suppliers and employees. It has the potential to temporarily close down a production facility if a worker became infected. Also, the impact on global and regional economic conditions could disrupt the supply chain, operations, or industries of our customers which could reduce demand for our products.	Actions: United Malt has a strong balance sheet and is well positioned to respond to the current pandemic. We recently completed a capital raise to ensure that we had a stronger balance sheet to both respond to the pandemic and to continue our strategic capital plans. Our people are a key asset, and their safety has been of paramount concern to us during the pandemic. We have taken consistent and measurable steps to keep them safe in order to keep our production facilities open. This includes pre-shift screening, contract tracing, cohort working, partnerships with expert vendors and pre-negotiated testing agreements. We have also formed a standing committee of the Executive Leadership Team who meet regularly to monitor the pandemic and calibrate our response.

Risks	Action
Climate and Environmental Risks. We are intrinsically linked to the barley crops grown around the globe. Climate Change can imperil the global barley supply which we depend on for our core functions of processing and distributing malted products. Climate Change could lead to higher costs, lower margins and potentially increased costs associated with our business functions.	Actions: Our reporting is guided by the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and climate risk is emerging as a consideration in our customer and supplier contracts as well as in our future capital expenditure projects. We are also tracking proposed policy, legal and technological changes that are on the horizon during the transitional phase of a coordinated global response to climate change. We are investigating the feasibility of a Climate Change Impact Assessment of the North American barley production areas from which we source. We continue to review and, where poss ble, reduce our consumption of water and fossil fuels. Future capital expenditures managed by the Project Management Office do review opportunities for reduced consumption.
Water Access Risks. Water is an essential component of the malting process. Access to high-quality water may be impacted by Climate Change, long-term drought or wide-spread contamination of local aquifers. This could lead to adverse financial impacts in the form of higher costs or reduction in product quality.	Actions: We understand the critical importance of water to us all. United Malt is keenly focused on consumption reduction strategies, recycle, reclamation and effluent management regimes; all to reduce our consumption of water and creation of wastewater. Each of our processing facilities closely monitors and reports their consumption of water. We are committed to evaluating and rating the impact of our future capital expenditure projects' changes to water consumption and effluent treatment. Furthermore, all capital expenditure projects are evaluated for their access to abundant quality water supplies.
Customer and Supplier Risks. There is a risk to United Malt that a loss of key customers or suppliers could result in an adverse impact on our financial performance through either a reduction in revenue or an increase in costs associated with running the business.	Actions: This is a relationship business. We enjoy strong partnerships with our key customers and suppliers in our production and distribution businesses. The majority of these relationships are codified in the form of long-term agreements. They provide us with the stability in the form of forward orders that allow us to control costs and deliver savings to our customers, while also providing our suppliers with certainty. Our senior leaders regularly engage with their counterparts to find innovative ways to improve our commercial relationships. United Malt's Innovation Centre is driving product development, improving processes and quality; all with the goal of maintaining key customers. A recent marketing and branding refresh, combined with customer segmentation work, has also been a key focus during the current fiscal year.
Seasonal Fluctuation in Working Capital Risk. We face variations throughout the year in the draw on our working capital, relating to customer purchasing behaviour, payment terms and commodity prices. Historically, United Malt's working capital levels have peaked around 31 March and unwind in the second half to 30 September.	Actions: We closely monitor and manage our receivables and the timing of receipt of payment throughout the year. We are also mindful of, and constantly review, our inventory levels during harvest in each of the jurisdictions in which we operate, the requirements of our processing facilities and the timeliness of accounts payables to ensure that we meet our obligations.
Transportation and Supply Chain Risks. We rely on our supply chain to store and transport barley to our production sites and finished products to our customer. There is a risk that disruption to the supply of raw materials to our processing plants, and/or finished goods through our network, could adversely impact our financial results or increase the costs associated with running the business.	Actions: Our business is implementing a Transportation Management System (TMS) geared towards ensuring timely and safe delivery of our products to our customers. The TMS should allow us to be nimbler and more responsive to potential disruptions to our Supply Chain. All warehouses are subject to audit procedures relating to food safety standards. Food safety risks have been identified and are covered by Statements of Procedure (SOP) or contract. Also, where possible, we are shifting towards using owned and managed facilities, instead of 3PLs, to give us greater control of this risk. Inventory and stock controls that United Malt has in place include procedures such as inventory reconciliation against third-party logistics, stocktakes/cycle counts, site visits, due diligence conducted for new facilities and audit procedures. We also purchase appropriate insurances against loss of our stock in transit or while stored.

Risks	Action
Capital Requirement Risk. Like most businesses, we require significant capital to operate and fund capital expenditures. If United Malt is unable to generate sufficient cash flows or raise sufficient external financing, then we may be forced to limit our operations and growth plans.	Actions: United Malt strives to ensure strict cash management and has built-up cash reserves, and, when appropriate, will continue to build up those reserves up. We look to pay down debt when doing so is prudent. Our Group Strategy and Group Finance teams actively seek to optimise portfolio management. Meetings are held to review, prioritise and select capital projects based on an assessment of business needs and customer and financial benefits. The result of our recent capital raise in May of this year was a promising sign that we still enjoy strong support of shareholders and the wider market.
Commodity Pricing and Agricultural Risks. Barley growing and procurement are subject to a variety of agricultural factors beyond our control, such as disease, pests, rainfall, and extreme weather conditions. To the extent that any of these factors impact the quality and quantity of barley available to United Malt for malting, its operations could be adversely affected.	Actions: United Malt seeks to mitigate this risk by maintaining a diversified network of growers and leveraging its strong supplier relationships, allowing it to import barley when necessary in each jurisdiction it operates if necessary, to respond to local impacts to agricultural yields. We enter into forward contracts with multiple growers, co-operatives and grain companies in all geographies where we currently source barley, and we seek to renew these well in advance of expiry. We continually review options to diversify our procurement footprint. We also malt other cereal grains, which further mitigates this risk.
Project Management Risks. There is a risk that a lack of proper oversight or controls, delays to or increased costs of construction projects, or changes to government or regulatory approval regimes could result in future projects failing to achieve their intended benefits.	Actions: United Malt has a proven track record of managing large capital expenditure projects. This includes expansions and upgrades to production facilities, as well as, the continued deployment of our distribution businesses. We created a Project Management Office (PMO) to oversee large capital expenditure projects. This office works with local stakeholders, including business unit Presidents and specifically assigned construction and installation managers, to oversee the day to day progress of our expansion and improvement builds. For our larger projects, we form steering committees, which include Executive Leadership Team members and technical experts, and they meet on a regular basis before, during and after the build. The cadence of meetings is designed to ensure that our strategic objectives are met, the estimated returns are achieved. The post-completion meetings are as important and seek to extract key learnings that can be implemented in future projects. We utilise internal and external auditing support, as well as, engage with technical experts including engineers, brokers and other third parties as part of the PMO process.
Hard Brexit. One of the United Malt companies, Bairds Malt Limited, operates in the UK and has key customer and supplier contracts throughout Europe. There is considerable risk that a Hard Brexit could have a material impact on the performance of the business.	Actions: Senior Leadership of the United Malt and our UK business, Bairds Malt, meet regularly to discuss the ongoing revisions to the Brexit Withdrawal Agreement. We have reviewed the potential impacts on our customers and suppliers and will respond when the outcome is known.
Product and Food Safety Risks. United Malt operates malting and warehouse facilities globally and is subject to food and stock handling risks. These include spoilage, contamination, misappropriation, damage to food and stock through insurable and non-insurable risks, incorrect grading, product tampering, product recall, changes to government, industry or destination standards regarding product specification, product liability claims or perceived obsolescence of stock. Any of these occurrences could result in an adverse impact on our business and financial performance.	Actions: In the financial year 2019, United Malt worked with internal auditors and external parties to undertake a review of the food safety quality management (FSQM) processes and procedures of our distr bution businesses. We have implemented the findings of that review to include quality assurance accreditation and ISO9001 compliance, improved plant and warehouse housekeeping and hygiene procedures. We are also investing in increased staff training and assessments. United Malt will undertake a similar FSQM audit and review for our processing facilities globally in the coming financial year. The goals of both reviews are to deliver more consistent higher quality products to our customers and to strengthen our resilience while reducing potential business and financial performance impacts.

Risks	Action
Position Risk. We take large holding positions of commodities at various times of the year. In addition to these, United Malt also hedges energy and utilities prices, interest rates and foreign exchange rates. There is a risk that our hedging management strategies might not successfully minimise exposure to these risks. Moreover, there is the risk that an inadequate segregation of duties or improper oversight of these positions could lead to an adverse impact on United Malt's business and financial performance.	Actions: United Malt has put into place a robust Position & Trading Risk Management Policy (PTRMP) that is overseen by the company CFO and the Audit and Risk Committee. We continually monitor the positions and associated risks of each geography through daily tracking and weekly meetings of senior leadership. In each geography, we have appointed utility brokers to reduce the volatility of the group's utility pricing. We also utilize enterprise risk management software programs to track and hedge these risks. In addition, we have implemented a clear Segregation of Duties Protocol between the front, middle and back offices that clearly delineates the authority levels of all decision makers as sanctioned by the Audit and Risk Committee.
Systems, Reporting and Controls Risks. There is a chance that a major system outage to one of the business' core software or system platforms could increase United Malt's costs and could lead to regulatory or government intervention in the form of costs, investigations, penalties or liabilities. We rely on IT systems that, if breached, could lead to a loss of confidential data, deterioration in reputation and impacts on suppliers or customers. All of these outcomes would have an adverse impact on our business and financial performance.	Actions: United Malt deploys many methods to protect its systems, including but not limited to, security infrastructures such as firewalls, virus scanning, data back-up systems, network performance monitoring, improved and geographically dispersed redundancies, an Information Security Management System, Access Control Standards, Global Disaster Recovery and, in some jurisdictions, Business Continuity Plans. United Malt has completed an internal audit focusing on Information Technology General Controls (ITGC), and external penetration testing audits are performed annually. The learnings from the ITGC audit are being reviewed and incorporated into the business in aligning with ISO 27001.
Taxation and Regulatory Change Risks. Changes in taxation laws (or their interpretation) where we have operations could materially affect our financial performance. In addition, governments may review and impose additional or higher excise or other taxes on beer or whisky, which may have an adverse effect on consumer buying patterns and may adversely impact United Malt's financial results.	Actions: United Malt works closely with our advisors in all geographies to thoughtfully consider and confirm that we adhere to tax regulations and potential liabilities associated with doing business in each of the countries in which we operate. Our Legal Counsel provides guidance on compliance and governance matters and consults with us on ramifications of any potential changes in the jurisdictions where we operate. Where appropriate, our obligations and consent registers kept by our EHS colleagues are reviewed. Moreover, clearly defined compliance oversight respons bilities are assigned to specific job roles. Lastly, our internal audit program reviews compliance matters as required.
Market Preference Risks. United Malt is a food and beverage company specialising in the production of malted products for brewing and distilling customers. There is a risk that we may not optimally align with consumers, or that beer consumption could fall or that our products could be used less often in customer's end products. These risks could lead to a reduction in market share which could have an adverse impact on United Malt's business and financial performance.	Actions: United Malt is actively involved in industry forums and trade groups that shape and influence consumer trends. In addition, market research and competitor intelligence are incorporated into the Strategic Planning Process at all levels of the company. The recent implementation of the Net Promotor Score tracking methodology gives us early warning systems to see where we could better align with market or consumer trends. Our employees gather and act on customer feedback at all times. This includes formal research (utilising NPS and other research methods), as well as, providing training to members of staff in managing customer relationships.
Skills and Capabilities Risks. People capability or capacity could impact the effective execution of United Malt's strategic plans and future operation of the business.	Actions: We recently formalised our Strategy and Purpose Statements as a new stand-alone organisation, and our business model now clearly defines and communicates who and what United Malt wants to become. We are implementing a Global System of Record which will allow for standardisation and simplification of processes, automation, employee self-service and enhanced colleague development. The business undertakes a succession planning exercise annual to identify key individual related dependencies and works towards reducing those risks.

Risks	Action
Foreign Exchange Risks. United Malt and its related entities enter into foreign currency transactions, typically in the purchase of raw materials or in the sale of malt. Additionally, a significant proportion of United Malt's income is denominated in foreign currency. Therefore, our reported net income in Australian dollars will fluctuate inversely to the Australian dollar's relationship with the other foreign currencies in which we do business.	Actions: United Malt leverages a multi-desk foreign exchange processing platform to facilitate entering and sourcing of foreign exchange trades to improve operating efficiency and reduced foreign exchange exposure in purchases or sales. These actions and procedures are reviewed by the Board Audit and Risk Committee and monitored by internal audit for efficacy and compliance. Translation risk of the earnings of the overseas subsidiaries is mitigated by the fact that the assets and liabilities of those businesses, including external debt, are held in local currencies. Any change in exchange rates will not impact a business unit's ability to repay its debts or suppliers in its local currency.
Utility Pricing. Some of our largest expenditures are power and natural gas utilities costs. There is a risk that these costs could substantially increase due to factors largely outside of our control, and these higher costs could impact the business.	Actions: United Malt has undertaken a review of utilities pricing in each geography. We have appointed local expert energy brokers who are working tireless to reduce the volatility of these costs. In addition to the efforts of our utility brokers, our finance teams at times will hedge these costs in an effort to further mitigate this risk. As part of a longer-term strategy, a management working group has been formed which is developing a wholistic energy management plan and is reviewing alternative and renewable sources of energy.

General Risks

In addition to the risks specific to the United Malt noted above we also monitor the below risks which are generally associated with any investment in publicly traded shares. These risks are reviewed by the Audit and Risk Committee, as well as, Executive Leadership Team of the business. The Group Risk and Insurance Manager also provides guidance on the below matters as part of the annual reporting regime.

Risk
Economic Risks. General economic conditions, fluctuations in interest and inflation rates, commodity prices, currency exchange rates, energy costs, changes in government, including the change in US administration, changes in fiscal, monetary and regulatory policies, the development of new technologies and other changes to the general market conditions may have an adverse effect on United Malt, its future business activities and the value of United Malt shares.
Market Conditions Risks. Share market conditions may affect the value of shares regardless of United Malt's financial or operating performance. Share market conditions can be unpredictable and are affected by many factors including changes in investor sentiment towards market sectors (in particular food and beverage supply) and the domestic and international outlooks.
Significant Events Risks. Significant events may occur in Australia or internationally that could impact the market for United Malt's products and its operations, the share price and the overall economy generally. These events include war, terrorism, civil disturbance, political actions and natural events such as earthquakes, floods and pandemic risks.
Global, Regional and Country Specific Sovereign Risks. As an international maltster, United Malt is vulnerable to geopolitical tensions that may impact global trading patterns and flows. There is a risk that United Malt's financial performance may be impacted when those tensions affect markets or commodities that United Malt purchases. United Malt is also vulnerable to country / oversight risks such as the imposition of tariffs, foreign exchange restrictions or nationalisation of assets.

Subsequent Events

No matters or circumstances have arisen since 30 September 2020 which have significantly affected or may significantly affect: a) The Group's operations in future financial years; or b) The results of those operations in future financial years; or c) The Group's state of affairs in future financial years.

Additional Disclosures

Reporting relief for half year ended 31 March 2020

As United Malt advised in its ASX announcement on 14 May 2020, and as disclosed in the Demerger Scheme Booklet dated 6 February 2020 that was despatched to shareholders of GrainCorp Limited (ASX:GNC) (GrainCorp) in connection with the demerger of United Malt from GrainCorp on 1 April 2020, the Australian Securities and Investments Commission (ASIC) made an order under subsection 340(1) of the *Corporations Act 2001* (Cth) (Act) that United Malt did not have to comply with section 302, 306 or 320 of the Act for the half-year ended 31 March 2020 (HY20) (ASIC Order). The effect of the ASIC Order was that United Malt did not have to comply with the requirements under the Act to prepare and lodge with ASIC a half-year financial report and half-year directors' report for HY20. The Company relied on the ASIC Order and did not prepare or lodge with ASIC a half-year financial report or half-year directors' report for HY20. As disclosed in the Company's ASX announcements on 24 March and 14 May 2020, ASX Limited (ASX) also provided a waiver from ASX Listing Rule 4.2A to UMG to allow United Malt to not lodge with ASX a half-year report and Appendix 4D in respect of HY20.

Indemnification and Insurance of officers

Under the Company's constitution, the Company may indemnify, to the extent permitted by law, each director and company secretary of United Malt or its related bodies corporate as the directors determine, for all losses and liabilities incurred by the person as an officer to the extent that such losses and liabilities are not covered by insurance. If the directors so determine, Company may also extend this indemnity to its auditor or former auditors.

The Company has entered Deeds of Access, Indemnity and Insurance with its directors, company secretary and certain executives.

The Company has paid a premium in respect of a contract insuring current and former directors, company secretaries and executives of the Company and its subsidiaries against liability that they may incur as an officer of the Company, including liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with certain exceptions. It is a condition of the insurance contract that no details of the premiums payable or the nature of the liabilities insured are disclosed.

No proceedings

No application has been made under section 237 of the *Corporations Act 2001* (Cth) in respect of United Malt, and there are no proceedings that a person has brought or intervened in on behalf of United Malt under that section.

Audit services

Audit services during the year have been provided by PricewaterhouseCoopers (PwC), led by partner Kristin Stubbins. Details of the amounts paid to PwC for audit services are set out in note 4.5 of the financial report.

Non-audit services

The Company may decide to engage the external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid to the external auditor PwC for non-audit services provided during the year are set out in note 4.5 to the financial report.

In accordance with advice received from the Audit & Risk Committee (ARC), the Board is satisfied that the provision of non-audit services by PwC during the year is compatible with the auditor independence requirements of the *Corporations Act 2001* (Cth) The Board is satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services have been reviewed by the ARC to ensure that they do not impact the integrity and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants.

A copy of the external auditor's independence declaration as required by s307C of the *Corporations Act 2001* (Cth) is set out on page 46 and forms part of this report.

Corporate Governance Statement

From the date of the Company's admission to the Australian Securities Exchange on 23 March 2020 to the year ended 30 September 2020, the Company's corporate governance framework was consistent with the 4th edition of the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council. United Malt's corporate governance statement can be viewed at www.unitedmalt.com//corporate-governance.

Remuneration Report

Introduction

This Report covers the remuneration of Non-Executive Directors, the Managing Director and Chief Executive Officer (CEO) and senior executives, who are considered Key Management Personnel (KMP), who have authority for and are accountable for planning, directing and controlling the activities of United Malt consistent with the Australian Accounting Standards Board 124 (Related Party Disclosures ('AASB 124') definition).

This report outlines the remuneration structure in place for FY20 and refinements planned for FY21. It focuses on remuneration outcomes from United Malt's listing on 23 March 2020. It also references the pre-demerger period as relevant.

FY20 Year in Review

In a year of significant transition, as well as, significant disruption, our remuneration policies continue to be based on the sound principles that were well established pre-demerger. The demerger period was a busy one and taken as a whole, FY20 was not an easy year for the Company. Demerging and establishing United Malt as an independent business listed on the ASX was achieved through the effort and commitment of the entire GrainCorp and United Malt teams.

United Malt's policies, systems and processes for the listed environment were being established for the first time amid the challenges from COVID. Urgent action was taken to ensure the safety of our customers, people and products, as well as actions to address the rapidly unfolding market and commercial impacts.

We are pleased to report that, despite these challenges, safety was not compromised, and our FY20 safety and environmental performance was strong. Across all aspects of the business a great deal has been achieved in a difficult external environment. This is a credit to all our people.

COVID response

Our management team responded quickly to the pandemic with a focus on efficiencies and cost control to preserve cash. Employee furloughs (stand downs) were necessary and implemented in a timely manner. Many employees effectively reduced their base pay by 20 per cent for five months by taking the equivalent in leave, including some KMP. The base salary of the CEO was reduced by 20 per cent from 1 May to 30 September 2020. Non-Executive Directors also reduced their base fees by 20 per cent during this period.

Performance

As we look back at FY20, we are pleased with the performance of the leadership of the newly formed management team. While financial performance targets set pre-pandemic were not met, the Company performed strongly in the key areas of safety, customer engagement, product quality and cost-management.

In early 2020, both on-premise and craft customers experienced real time significant disruptions to their markets, requiring our teams across the USA, Canada, United Kingdom, New Zealand and Australia to respond flexibly and rapidly. The Board is particularly pleased that customer engagement feedback has been positive over the period.

FY20 Remuneration outcomes

The Board believes that the overall performance fully merits the moderate awards that were made under our Short Term Incentive (STI) plan for FY20 and recognises the strong performance, leadership and resilience demonstrated across the year. This is not withstanding below-target financial results which were negatively impacted by COVID disruptions. The payments reflect the achievement of the non-financial metrics in the STI and, while the Board actively considered whether the exercise of discretion was appropriate, ultimately it decided that the outcomes were appropriate.

Under normal circumstances our STI Plan grants half of any STI awarded to Executive KMP in cash and the other 50% as deferred equity in the Company. In recognising the current circumstances, the Board decided that 100% of STI awards will be paid in deferred equity, with 50% vesting after 12 months and 50% vesting after 24 months. In line with our new mandatory shareholding policy adopted during the year, KMP will be required to retain equity.

Recognising that past and future market conditions will continue to be challenging as markets and customer demand adjusts, the Board made the following remuneration decisions:

- Moderate STI awards for the Executive KMP group for achieving non-financial objectives as per the FY20 STI scorecard
- No increase in base pay for FY21 for CEO and KMP
- No increases to Non-Executive Director fees for FY21
- Proposed changes to the FY21 Long Term Incentive (LTI) plan to better align with shareholder interests.

Remuneration in FY21

For FY21 we will continue with the current structure of our STI program as outlined in this report. Our commitment to a focus on a strong financial outcome, as well as our Environment, Health and Safety (EH&S) and Customers outcomes, have not changed.

In terms of the LTI Plan, we committed in the Demerger Scheme Booklet to publish the FY20 LTI performance standards related to each of these performance conditions. That detail is provided in the Executive Remuneration Policy section of this report.

For the FY21 LTI plan we propose to adjust the performance hurdles as we believe this will enhance alignment between KMP LTI vesting outcomes and longer-term outcomes for the business. It is incumbent upon the Board to have a long term incentive plan that both drives outcomes for shareholders and supports alignment to business priorities for Executive KMP. We believe that the proposed changes will achieve both outcomes.

Specifically, we propose in FY21 to:

- Retain the current measure of return on capital employed (ROCE) with a weighting of 50%
- Retain absolute total shareholder return (aTSR) with a reduction of weighting to 25%
- Add an additional measure weighted at 25% based on delivering quantified outcomes from execution of strategic growth projects. This measure will be assessed by the Board based on specific and quantified targets. While these targets are commercially sensitive, we will disclose them more fully at the end of the three-year performance period. The proposed approach is explained further in this report.

A key rationale for demerging the Malt business from GrainCorp was to unlock value by establishing a standalone business which could pursue an independent strategy as outlined in detail in the Scheme Booklet. It includes maintaining and developing relationships with global brewers, continuing to be the maltster of choice for craft brewers, expanding our craft business in new geographies, driving penetration in the Scottish distilling market, proactively assessing expansion and acquisition opportunities, as well as, driving operational excellence and continuous improvement.

The Board and management team believe that there are critical strategic projects that must be delivered over the next three years, particularly in relation to streamlining operating cost structures and investing in strategic growth projects. The proposed change to our LTI targets aims to focus on repositioning the business for growth and robust financial performance.

Our existing measures of ROCE and aTSR affirm the importance of improving returns to our shareholders and our long-term financial performance. The additional measure, Strategic Execution, is being included to emphasise the importance of the achievement of our Strategic Plan in evolving the business.

Key Management Personnel (KMP)

KMP are listed in the table below. The CEO and other Executives considered KMP are collectively referred to as 'Executive KMP' in this report.

Non-Executive Directors	Role	Period as KMP
Graham Bradley AM	Chairman and Non-Executive Director	Appointed 13 January 2020
Barbara G bson	Non-Executive Director	Appointed 13 January 2020
Jane McAloon	Non-Executive Director	Appointed 13 January 2020
Simon Tregoning	Non-Executive Director	Appointed 13 January 2020
Terry Williamson	Non-Executive Director	Appointed 23 March 2020

Executive KMP	Role	Period as KMP
Mark Palmquist	Managing Director and Chief Executive Officer	Appointed Managing Director 13 January 2020 and Chief Executive Officer on 23 March 2020
Amy Span k*	Chief Financial Officer	Appointed as United Malt Chief Financial Officer on 23 March 2020
Bryan Bechard^	President, Warehouse & Distr bution	Appointed as United Malt President, Warehouse & Distr bution on 23 March 2020.
Darren Smith#	President, Processing	Appointed as United Malt President, Processing on 23 March 2020.

* Amy Spanik was Chief Financial Officer for the GrainCorp Malt business in the period prior to her appointment as United Malt Chief Financial Officer.

^ Bryan Bechard was President Global Craft for the GrainCorp Malt business in the period prior to his appointment as United Malt President, Warehouse & Distribution.

Darren Smith was President GrainCorp Malt for the GrainCorp Malt business in the period prior to his appointment as United Malt President, Processing. Darren Smith gave notice of resignation post balance date and ceased to be a KMP at this time. He has a six months' notice period.

FY20 Executive Remuneration Outcomes

FY20 Base Salary

Remuneration for the Executive KMP was set prior to demerger after a comprehensive review of relevant benchmarks. The Chief Financial Officer received a 19% increase in base salary due to the increase in the scope of the role as a result of becoming a listed Company. No other Executive KMP received an increase in base pay. Full details of commencing remuneration were provided in the Demerger Scheme Booklet. There have been no increases to any Executive KMP base salaries since demerger.

For the period from May to September 2020 all Executive KMP took a 20% base pay reduction, either as a cash or leave reduction. This initiative was taken to assist in absorbing the financial impact of COVID and to acknowledge the reduced pay outcomes of some United Malt employees.

FY20 Short Term Incentive

The United Malt Corporate Scorecard outcomes were measured across the full FY20 year. At the time of demerger, the FY20 scorecard was reviewed to reflect the standalone United Malt business and to align with United Malt targets, allowing STI participants to be measured against United Malt performance for the full year. FY20 outcomes are set out in the next table:

Executive KMP	Financial measures weighting (%) and performance	Environment, Health & Safety weighting (%) and performance	Customer weighting (%) and performance	Individual weighting (%) and performance
Name **Position Title**	**EBIT**	**RIFR, EH&S Engagements & Critical Risk Reviews**	**NPS & Customer Action Plan**	**Agreed objectives included people leadership, public company establishment, project completion, and management of COVID**
Mark Palmquist Managing Director & CEO	(50%) 🔴	(15%) 🟢	(15%) 🟡	(20%) 🟡
Amy Spanik Chief Financial Officer	(50%) 🔴	(15%) 🟢	(15%) 🟡	(20%) 🟢
Bryan Bechard President, Warehouse & Distribution	(50%) 🔴	(15%) 🟢	(15%) 🟡	(20%) 🟢
Darren Smith President, Processing	(50%) 🔴	(15%) 🟢	(15%) 🟡	(20%) 🟢

🔴	🟡	🟢	🔵
Minimum performance threshold not achieved	Threshold performance achieved	Target performance achieved	Stretch performance achieved

In determining the final scorecard results the Committee and the Board believe the right outcome for senior management and shareholders was to award a modest STI. The outcome for the CEO was achievement at 42% of target STI (28% of maximum potential), and the remaining Executive KMP have been assessed at 46% of target STI (31% of maximum potential).

There are several reasons for this outcome:

- The Company demerged in March 2020, requiring significant and sustained management effort to set United Malt up for success. This is a considerable achievement and was included in the Board's final assessment of performance, particularly in the individual component on the scorecard.
- Disappointingly, the EBIT metric was not achieved. No COVID-related government assistance was received in the USA or in Australia during FY20, but modest assistance was received in Canada, the UK and New Zealand. The Company's financial performance was underpinned by concerted management efforts to reduce costs and manage cash, as well as retain and develop customer relationships.
- Environment, Health and Safety performance during FY20 was strong with both the number of safety engagements and the Reportable Injury Frequency Rate outcomes being achieved well above the stretch targets. In a trying last few months, the whole management team worked together to achieve this positive outcome.
- Focusing on customers when they most needed our help resulted in an improvement in our Net Promoter Score (NPS), and there was good progress made on the development of our Customer Action Plan.

The Board considered whether there should be downwards discretion, given the impact of COVID. After reviewing the achievements of our Executive KMP, the Board believed the outcome was appropriate and balanced and did not apply any discretion and paid STI awards according to achievement of the scorecard. The CEO result, at 42% of target rather than 46% of target, is the outcome of the lower individual score which reflects his overall responsibility for Company performance. The Board believes these results fairly reflect both Company and individual Executive KMP performance in a challenging year.

Statutory Remuneration outcomes for FY20

Remuneration for Executive KMP for FY20 is shown in the table below.

Amount AU$		Short-Term Benefits			Post-Employment Benefits		Share-based Payments		
		Base Salary	Cash STI	Non-Monetary benefits	401k	Termination Benefits	STI deferral	LTI and FY18 DEP awards	Full Year Total
Mark Palmquist	**From 23 March 2020**	$550,766	$0	$10,660	$12,267	$0	$144,453	$347,807	$1,065,953
Amy Span k*	**Full Year**	$437,787	$0	$31,193	$13,134	$0	$34,840	$37,884	$554,838
Bryan Bechard*	**Full Year**	$396,067	$10,729	$31,193	$8,812	$0	$18,617	$20,861	$486,279
Darren Smith*	**Full Year**	$605,380	$0	$21,151	$12,301	$0	$51,278	$88,771	$778,881

Explanatory notes to the Statutory Remuneration outcomes for FY20 table:

i. The MD & CEO is reported from his commencement as CEO of United Malt on 23 March 2020. Prior to this date he was not a KMP of the Malt business. The CEO's annual base salary is US$885,500 (AU$1,301,810). The FY20 STI deferral outcome is equivalent to 42% of annual base salary.

ii. *These KMP have been reported for the full financial period in accordance with AASB 124.

iii. The Cash STI payment for Bryan Bechard is relating to a FY18 STI deferred cash payment.

iv. Non-monetary benefits include the gross value of health insurance and vehicle. All KMP are based in the US and have no superannuation or long service leave entitlements.

v. The LTI Awards amounts for Amy Spanik and Darren Smith include an award relating to FY18 STI deferred equity. Details are provided in the Movement of Rights Granted table.

vi. The value of the STI deferral and the LTI awards represents the accounting value rather than the cash value to participants. Balance excludes accelerated accounting expense of $109,226 for Darren Smith due to cancelled GrainCorp legacy awards.

vii. Amounts have been converted using the average exchange rate for the period the remuneration is reported. For all short-term benefits, for Mark Palmquist the exchange rate was USD = AUD1.4701 and for the other Executive KMP the exchange rate applied was USD1 = AUD1.4765. For the STI deferral and LTI awards the exchange rate was USD = AUD1.4563.

viii. No prior year comparisons have been provided as this is the first year of reporting for United Malt.

Executive Remuneration Policy

Our remuneration policy aims to engage and retain executive talent, while motivating to deliver business strategy and key performance targets that create value for shareholders. It seeks to provide remuneration that is structured in a manner that also encourages behaviours consistent with United Malt's corporate values.

The Board affirmed its commitment to the following principles underlying the Company's Remuneration Policy:

- Fixed remuneration is determined at a level to attract and retain top talent with a market competitive offering. It is determined regarding the complexity, responsibility, competence and levels that are competitive with remuneration levels for employees in comparable roles in the relevant market.
- Variable remuneration plans link outcomes to achievement of business and individual goals, as well as the behaviours through which goals are achieved, consistent with United Malt values.
- United Malt aims to position Executive KMP at the median of the relevant market for fixed remuneration with a range up to the 75th percentile of total remuneration for outstanding performance.

Remuneration framework

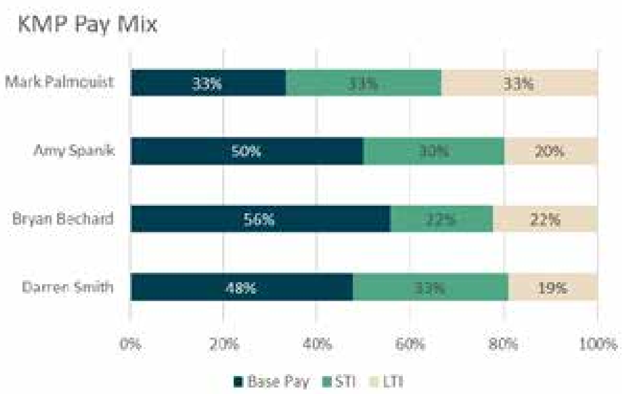
Remuneration for Executive KMP comprises fixed and variable ('at risk') elements. A significant proportion of the total remuneration for Executive KMP is 'at-risk' to create alignment with United Malt's strategic objectives and Shareholder interests.

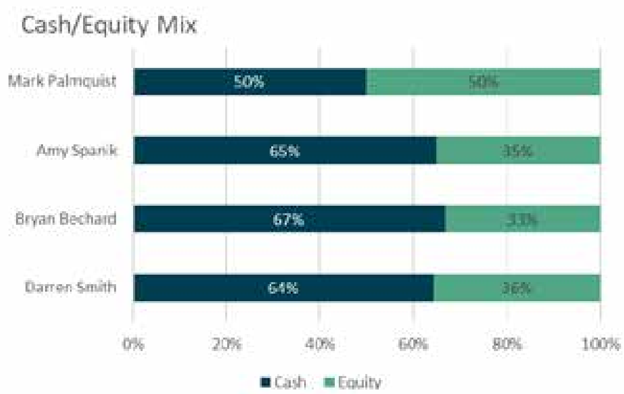
The executive remuneration framework elements and their links to performance are outlined below:

	Base Salary	Variable Remuneration (At-Risk)	
Elements	Salary (and benefits as relevant to local conditions)	Short Term Incentive (STI)	Long Term Incentive (LTI)
Delivery Method	Cash	Cash & Equity (Deferred Rights)	Equity (Performance Rights)
Intent	Attract & retain talent by providing competitive package, recognising job size, complexity and capability.	Reward for short-term business and personal goals with equity deferral, alignment with sustainable shareholder return performance.	Alignment with long-term business goals and shareholder value creation.
Link to Performance	Suitable and appropriate reward commensurate with the role.	A balanced scorecard of key business measures and individual measures aligned to core accountabilities.	Key measures set with three year targets to focus on cost efficiency and sustainable improvement.
Performance Measures	Position requirements and accountabilities that align to achieving business strategy.	Financial (EBIT), Environment, Health & Safety, Customer & Individual measures.	• aTSR • ROCE
How it works	• Set in relation to relevant external market considering experience & performance. • Target median of the market for base salary with range up to 75th percentile of base plus variable for outstanding performance.	• 50% paid in cash. • 50% deferred over 24 months into equity. • Measured against scorecard (financial, customer, safety and individual measures).	• Delivered as Rights. • Vest after three years subject to performance conditions of 50% aTSR and 50% ROCE.

Remuneration mix

The tables on the next page show the breakdown of total remuneration at target achievement by our three remuneration elements in accordance with our policy. The split of cash and equity is considered important for building alignment with shareholder value creation. The balance of the pay mix, and the cash and equity mix, will continue to be reviewed over time.





The decision to allocate 100% of FY20 STI awards to deferred equity increases the equity component of our Executive remuneration pay mix. For FY20 the split of total remuneration for the CEO will be one-third cash and two-thirds equity. It is envisaged that this will apply for this year only.

Variable Remuneration - Short Term Incentive

The United Malt STI Plan rewards achievement against annual business goals. It forms a part of our attraction strategy and provides for both recognition and retention. The terms of the STI plan are outlined below:

Term	Details
Eligibility	All Executive KMP are eligible to participate in the STI. The United Malt Board determines the employees who are elig ble to participate in the STI from time to time.
Opportunity	The opportunity is a set as a percentage of base salary. Maximum opportunity is 1.5 times target (150%). The CEO has a target opportunity of 100% and a maximum opportunity of 150%. The KMP opportunity ranges from a target of 40% up to 70% and a maximum opportunity from 60% to 105%.
Form of award	The proportion of the STI award that vests is delivered: • 50% as cash; and • 50% deferred into rights to acquire United Malt shares. Deferred rights do not carry any voting or dividend rights.
Deferred STI award and deferral period	The deferred rights will vest in two tranches – 50% of the deferred awards vest after 12 months and 50% after 24 months.
Performance period	Performance will be tested over one financial year.
Performance measures	The United Malt STI scorecard measures four key financial and non-financial elements and each element is weighted the same for the CEO and the other KMP. Financial (EBIT) — 50% weighting Environment, Health & Safety (RIRF, EH&S Engagements & Critical Risk Reviews) — 15% weighting Customers (NPS & Customer Surveys & Customer Action Planning) — 15% weighting Individual performance (including people leadership, project completion) — 20% weighting
Malus	The United Malt Board in its discretion may determine that some, or all, of an employee's deferred STI should be forfeited for gross misconduct, material misstatement or fraud.
Cessation of employment	Unless the United Malt Board determines otherwise, STI awards will: a. Remain on foot to be paid, or be awarded in full, at their normal payment or grant date for cessation of employment due to any other reason (including redundancy, disability, death or retirement), or b. Lapse where the participant ceases employment due to resignation or termination for cause.
Change of Control	All deferred STI awards will vest upon a change of control, unless the United Malt Board determines otherwise.

Variable Remuneration Long Term Incentive

The LTI Plan awards are granted under the United Malt Employee Incentive Plan Rules and are intended to reward superior long term performance and encourage retention and alignment with United Malt shareholders.

The terms of the Long Term Incentive Plan are outlined below.

Term	Details
Eligibility	The United Malt Board determines the employees who are eligible to participate. Currently, the LTI is open to Executive KMP.
Instrument	Performance rights, each being a right to acquire a United Malt share for nil consideration, upon specified performance measures being satisfied over the relevant performance period. Performance rights will not carry voting or dividend rights.
Opportunity	The number of performance rights granted to each participant is determined by dividing the dollar value of a participant's LTI opportunity by the Volume Weighted Average Price (VWAP) of shares over a period defined in the LTI plan. For the FY20 LTI the VWAP was the 20 consecutive days period from 7 April 2020 to 6 May 2020 (inclusive). For FY20 the target opportunity for the CEO was 100% (maximum was 150%). The other Executive KMP had a target opportunity of 40% (maximum of 60%).
Performance period	The FY20 LTI performance period commenced on the date on which United Malt shares commenced trading on the ASX (24 March 2020) and ends on 30 September 2022. Future grants will have a three-year vesting period.

<table>
<tr><th>Term</th><th>Details</th></tr>
<tr><td>Performance conditions</td><td>
Vesting of performance rights under the FY20 LTI plan will be subject to the participant's continued employment with United Malt and satisfaction of specified performance conditions. The performance conditions applicable to the FY20 award under the LTI plan are a combination of:
a. aTSR (applicable to 50% of the grant of performance rights) defined as the compound annual growth rate of United Malt's TSR over the performance period; and
b. ROCE (applicable to 50% of the grant of performance rights) defined as EBIT divided by capital employed. Earnings includes interest on commodity inventory funding. The average achieved for the five relevant financial half years ROCE outcomes will be calculated to determine the ROCE over the performance period.

The vesting schedule for both the aTSR and the ROCE performance conditions is as follows:
<table>
<tr><th>Performance attained</th><th>Percentage of rights to vest</th></tr>
<tr><td>Below the minimum of the target range</td><td>Nil</td></tr>
<tr><td>At the minimum of the target range</td><td>50%</td></tr>
<tr><td>Within target range</td><td>Straight line between 50% and 100%</td></tr>
<tr><td>At or above the target range</td><td>100%</td></tr>
</table>
</td></tr>
<tr><td>FY20 Vesting schedules</td><td>
The proportion of rights that may vest based on aTSR performance is determined by the Board, based on the vesting schedule. The aTSR vesting schedule for the FY20 LTI is:
<table>
<tr><th>Absolute TSR (CAGR)</th><th>Percentage of TSR rights to vest</th></tr>
<tr><td>Below threshold Absolute TSR CAGR target</td><td>Less than 6%</td></tr>
<tr><td>Equals threshold Absolute TSR CAGR target</td><td>6%</td></tr>
<tr><td>Between target and maximum Absolute TSR CAGR target</td><td>Greater than 6%; up to 9%</td></tr>
<tr><td>At or above maximum Absolute TSR CAGR target</td><td>Equal to or greater than 9%</td></tr>
</table>
The proportion of rights that may vest based on ROCE performance is determined by the Board, based on the vesting schedule. The ROCE vesting schedule for the FY20 LTI is:
<table>
<tr><th>ROCE achieved over Period</th><th>Percentage of ROCE rights to vest</th></tr>
<tr><td>Below threshold ROCE target</td><td>Less than 8.6%</td></tr>
<tr><td>Equals threshold ROCE target</td><td>8.6%</td></tr>
<tr><td>Between threshold and maximum ROCE target</td><td>Greater than 8.6%; up to 11.4%</td></tr>
<tr><td>At or above maximum ROCE target</td><td>Equal to or greater than 11.4%</td></tr>
</table>
</td></tr>
<tr><td>Vesting</td><td>Based on performance relative to the performance conditions, the relevant number of performance rights will vest, and each participant will receive a United Malt share in respect of each vested performance right (unless the United Malt Board, in its sole discretion, determines to settle vested performance rights by making a cash equivalent payment in lieu of the allocation of United Malt shares.</td></tr>
<tr><td>Malus</td><td>The United Malt Board in its discretion may vary downwards the number of an employee's shares due to vest, if the Board determines that the performance of the Group, any member of the Group, any business, area or team, and the conduct, capability, or performance of the Participant, justifies the variation.</td></tr>
<tr><td>Cessation of employment</td><td>Unless the United Malt Board determines a different treatment, where a participant ceases employment with United Malt:
a. as a result of resignation or termination for cause, all unvested performance rights will lapse;
b. for any other reason (including redundancy, disability, death or retirement), a pro-rata number of the participant's unvested performance rights (based on the proportion of the performance period that has elapsed at the time of cessation) will remain on foot and will be eligible to vest on the original vesting date.</td></tr>
<tr><td>Change of Control</td><td>In the event of a change of control all unvested performance rights will vest, unless the United Malt Board determines otherwise.</td></tr>
</table>

Remuneration in FY21

As described in our overview section at the beginning of the report, the Board and management team believe that there are critical strategic projects that must be delivered over the next three years. As a newly listed Company, the need to evolve to enable sustainable growth and managing for the changing business environment is essential. To drive the achievement of our Strategic Plan and provide an appropriate incentive to our Executive KMP, an additional measure will be added to our LTI plan for FY21.

Our existing measures will remain. ROCE is a measure of profitability and efficient use of capital efficiency; both are important to our business. aTSR is a clear indicator of improved shareholder value. The weightings and definitions for our FY21 measures are summarised below.

Measure	Weighting	Definition
Return on Capital Employed (ROCE)	50%	Earnings before interest and taxes (EBIT) divided by capital employed (being the sum of United Malt's total borrowings net of cash assets and average shareholders' equity). An average of the three financial year ROCE outcomes will be calculated to determine the ROCE over the three-year vesting period.
Absolute Total Shareholder Return (aTSR)	25%	The compound annual growth rate of United Malt's TSR over the performance period.
Strategic Execution	25%	Realisation of the pre-determined agreed metrics that will demonstrate the achievement of our Strategic Plan. Comprises three elements that are all underpinned by quantifiable metrics. • Profitability and customer performance – realign and enhance our marketing and decision making capabilities with a focus on customer efficiencies and increased profitability. • Operating Model – reposition our operating model to reflect the needs of United Malt as a stand-alone, listed Company involved in Malt and beverage products. • Growth – establishing and executing strategic growth opportunities.

Vesting of the Strategic Execution measure will be assessed by the Board against a set of predetermined financial and strategic metrics including cost savings and increased revenue. The release of these measures and the performance assessment will be provided at the completion of the three-year performance period due to the commercially sensitive nature of the targets.

Legacy Equity awards

As a stand-alone Company, there were no United Malt prior year LTI awards able to vest. During the first half of the year the achievement of the GrainCorp FY18 LTI was assessed and did not vest. The GrainCorp FY19 LTI plan was cancelled due to the timing of the demerger. The CEO and the President, Processing were participants in these LTI plans.

Under the United Malt Employee Incentive Plan Rules three awards were made in FY20.

United Malt FY20 Long Term Incentive and One-off Award

The first United Malt LTI (the FY20 LTI) was offered to Executive KMP post demerger. Due to the timing of the grant and demerger, it has a slightly shortened performance period (2.5 years) ending 30 September 2022.

As there were no LTI awards due to vest until FY22, to encourage retention of Executive KMP and to support alignment with United Malt shareholders during the period following the demerger, a One-off Award was granted to the CEO and the President Processing. The Chief Financial Officer and the President, Warehouse & Distribution had not been eligible for LTI prior to the offering of the United Malt FY20 LTI, and as such they were not offered participation in the One-off Award.

The performance period for this award commenced on the date United Malt shares commenced trading on the ASX (24 March 2020) and ends on 30 September 2021. All other terms and conditions, including performance conditions and measures, are as per the FY20 LTI.

The performance conditions, measures and terms for the FY20 LTI and the One-off Award have been outlined in the Variable Remuneration section of this report and were documented in the Scheme Booklet.

Discretionary Equity Award

Also, as a result of the demerger, all share rights held by United Malt employees under GrainCorp's deferred equity plan lapsed for nil consideration. After the demerger, a one-off grant of rights to United Malt shares was made to employees who had previously held rights under GrainCorp's deferred equity plan (including two Executive KMP) so that their interests were aligned with the interests of United Malt and its shareholders. Rights granted under this One-off Award were subject to a service condition and vested the day after the announcement of United Malt's financial results for the financial year ended 30 September 2020.

Non-Executive Director Fees

Full-year Non-Executive Director fees are set out below. They reflect the approach agreed as a result of the review undertaken in preparation for the demerger. The fees were positioned at market median for base fees, committee chair and membership fees, and aligned with positioning against companies of a similar size.

Fees are paid from the $1,500,000 aggregate annual fee pool. This pool value was set to allow for growth and changes within the structure of the United Malt Board over time. This fee pool was approved as part of the Scheme approved by shareholders in November 2019. Total Director fees paid during the period from listing to 30 September was $418,527. This represented 28% of the fee pool.

In response to the significant impact of COVID, the Board implemented a 20% reduction in base fees for the period 1 May to 30 September 2020.

In view of the current business environment, no changes to Board fees will be made for FY21.

Function	Role	Fees AU$ (including superannuation)
Board	Chairman	$340,000
	Non-Executive Director	$120,000
Audit and Risk Committee	Chair	$22,000
	Committee Member	$11,500
Nominations and Remuneration Committee	Chair	$22,000
	Committee Member	$11,500
Safety, Health & Environment Committee	Chair	$22,000
	Committee Member	$11,500

Superannuation contributions are made in accordance with Australian superannuation legislation at a rate of 9.5% up to the maximum contribution limit. Superannuation is included in the fees presented above.

Committee fees are not paid to the Chairman of the Board.

Actual fees paid to Non-Executive Directors in FY20 for the period commencing on 23 March 2020 are shown in the table below. While most Non-Executive Directors were appointed to the United Malt Board on 13 January 2020 (Terry Williamson was appointed from 23 March 2020), no payment was received by any Non-Executive Director from United Malt for the period between appointment and formalisation of the demerger in March 2020.

Non-Executive Directors	Board and Committee Fees	Superannuation	Other Benefits	Total Fees
Graham Bradley AM	$137,736	$13,085	0	$150,821
Barbara Gibson	$62,184	$5,907	0	$68,091
Jane McAloon	$62,184	$5,907	0	$68,091
Simon Tregoning	$57,930	$5,503	0	$63,433
Terry Williamson	$62,184	$5,907	0	$68,091

Remuneration Governance

The Board has ultimate responsibility for the Company's remuneration policies and takes that responsibility very seriously. Strong governance and oversight processes have been established for remuneration, assisted by the Nominations and Remuneration Committee which comprises three Non-Executive Directors. The Committee assists the Board to satisfy itself that the Company:

- has coherent remuneration and people management policies and practices which are aligned with the Company's purpose, values, strategic objectives and risk appetite and which enable the Company to attract, motivate and retain capable and talented Directors, executives and employees;
- fairly and responsibly remunerates Directors, executives and employees having regard to the performance of the Company and best market practices; and

- delivers on its overall people strategy, with regard to the Company's succession planning, talent management, diversity, performance management and employee relations policies.

The Committee operates under a Charter which was established at the commencement of the Company and will be reviewed every two years. The Charter is available on the Company's website.

Minimum Shareholding Policy

A Minimum Shareholding Policy was approved in July 2020 in recognition of the importance of aligning the interests of United Malt's Non-Executive Directors and Executives with the long-term interests of the Company's shareholders. Non-Executive Directors must hold a share ownership equal to one times base fees within five years, Executive KMP must hold one times base salary, and the CEO must hold two times base salary also within five years from commencement of the policy or appointment. As the Policy is in its first year of operation, compliance was not assessed. A full copy of the Policy is available on the Company website.

Remuneration Advisers

The Board and the Nominations and Remuneration Committee may seek advice from external advisers as required.

In the period since demerger no remuneration recommendations relating to KMP remuneration were obtained.

Employment Terms

- The Executive KMP are employed under employment contracts which are open-ended.
- The Non-Executive Directors have a letter of appointment which outlines their duties and their remuneration.
- Non-executive Directors are not eligible to receive variable pay, bonuses or termination payments.

A summary of the key employment terms for the Executive KMP is shown in the table below.

Executive KMP	Notice period Company	Notice period KMP	Termination entitlements
Managing Director & CEO	6 months	6 months	Redundancy – 6 months
Other Executive KMP	3 months	6 months	Redundancy – 6 months

Shareholdings and other mandatory disclosures

Movement of Rights held during the reporting period

Details of the issue of Performance Rights in the Company are shown in the table below. As this is the first year of operation, the opening balance is zero.

KMP	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited or lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mark Palmquist	0	576,610	0	0	576,610	0
Amy Span k	0	48,221	0	0	48,221	2,861
Bryan Bechard	0	36,358	0	0	36,358	0
Darren Smith	0	119,186	0	0	119,186	4,740

Number of rights granted, vested and forfeited under the deferred STI and LTI awards

Details of the number of rights granted to Executive KMP, as well as, the number of rights that vested or were forfeited during the year are provided on the following page:

	Equity granted					Vested in FY20		
Current Executive KMP	**Plan**	**Number of rights**	**Grant date**	**Fair value at grant**	**Financial year in which rights may vest**	**Vested in the year (%)**	**Forfeited in the year (%)**	**Number of ordinary shares**
Mark Palmquist	FY20 LTI	296,067	1 Sept 2020	789,019	2022	0	0	0
	One-Off Award	280,543	1 Sept 2020	758,869	2021	0	0	0
Amy Spanik	FY20 LTI	45,360	1 Sept 2020	120,884	2022	0	0	0
	Discretionary Equity Award	2,861	1 Sept 2020	11,015	2020	100%	0	2,861
Bryan Bechard	FY20 LTI	36,358	1 Sept 2020	96,084	2022	0	0	0
Darren Smith	FY20 LTI	57,223	1 Sept 2020	153,499	2022	0	0	0
	One-Off Award	57,223	1 Sept 2020	154,788	2021	0	0	0
	Discretionary Equity Award	4,740	1 Sept 2020	18,249	2020	100%	0	4,740

Shares held by KMP

The table below details the number of Company shares, in which KMP have a relevant interest, as at the date of this report.

Executive KMP & Non-Executive Directors	Balance as at 23 March 2020	Received During the year	Purchases and Sales	Balance as at 30 September 2020
Mark Palmquist	302,000	0	125,000	427,000
Amy Spanik	8,182	0	0	8,182
Bryan Bechard	2,898	0	0	2,898
Darren Smith	23,066	0	0	23,066
Graham Bradley AM	58,500	0	22,895	81,395
Barbara Gibson	22,000	0	7,895	29,895
Jane McAloon	6,038	0	6,038	12,076
Simon Tregoning	40,000	0	32,895	72,895
Terry Williamson	5,000	0	29,586	34,586

Transactions and Loans to KMP

No transactions or loans involving Directors or Executive KMP, or their related parties, were made.

Signed on behalf of the Board in accordance with a resolution of Directors.

Graham Bradley AM
Chairman
18 November 2020

Auditor's Independence Declaration

As lead auditor for the audit of United Malt Group Limited for the year ended 30 September 2020, 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 audit; and

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

This declaration is in respect of United Malt Group Limited and the entities it controlled during the period.

K. Stubbins

Kristin Stubbins Partner PricewaterhouseCoopers	Sydney 18 November 2020

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

Financial Report

Financial Report

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 September 2020

	Note	2020 $ M	2019 $ M
Revenue	1.2	1,289.1	1,316.5
Other income / (loss)	1.3	4.5	4.2
Raw materials and consumables used		(956.0)	(967.7)
Employee benefits expense	1.3	(122.3)	(108.5)
Finance costs		(15.8)	(40.2)
Depreciation and amortisation	3.2,3.3,3.4	(64.1)	(52.3)
Occupancy costs		(4.5)	(12.3)
Repairs and maintenance		(17.8)	(19.1)
Other expenses	1.3	(47.5)	(36.0)
Profit before income tax		**65.6**	**84.6**
Income tax expense	1.4	(20.0)	(27.7)
Profit for the year attributable to equity holders of parent entity		**45.6**	**56.9**
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Remeasurement of retirement benefit obligations	3.6	(0.2)	(14.9)
Income tax relating to these items	1.4	(0.2)	3.0
Items that may be reclassified to profit and loss:			
Changes in fair value of cash flow hedges		5.6	(12.1)
Income tax relating to these items	1.4	(1.3)	2.7
Exchange differences on translation of foreign operations		(26.6)	38.2
Other comprehensive income for the year, net of tax		(22.7)	16.9
Total comprehensive income for the year attributable to the equity holders of the parent entity		**22.9**	**73.8**

	Note	Cents	Cents
Earnings per share			
Basic earnings per share	1.5	16.8	22.4
Diluted earnings per share	1.5	16.8	22.4

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 September 2020

	Note	2020 $ M	2019 $ M
Current assets			
Cash and cash equivalents	2.1	262.1	181.4
Trade and other receivables	3.1	245.4	245.5
Inventories	3.1	318.5	347.9
Derivative financial instruments	2.5	4.4	4.6
Current tax assets		5.2	12.4
Total current assets		**835.6**	**791.8**
Non-current assets			
Trade and other receivables		0.2	0.4
Derivative financial instruments	2.5	2.4	0.3
Deferred tax assets	1.4	21.7	4.5
Property, plant and equipment	3.2	620.8	609.8
Intangible assets	3.3	337.6	353.7
Right of use assets	3.4	66.4	-
Retirement benefit asset	3.6	2.1	2.8
Total non-current assets		**1,051.2**	**971.5**
Total assets		**1,886.8**	**1,763.3**
Current liabilities			
Trade and other payables	3.1	178.4	170.7
Borrowings	2.1	107.3	776.6
Lease liabilities	3.4	12.4	-
Derivative financial instruments	2.5	4.9	10.2
Current tax liabilities		0.7	-
Provisions	3.5	12.9	8.8
Total current liabilities		**316.6**	**966.3**
Non-current liabilities			
Income received in advance		19.1	19.6
Borrowings	2.1	348.1	260.0
Lease liabilities	3.4	56.0	-
Derivative financial instruments	2.5	5.2	5.3
Deferred tax liabilities	1.4	93.3	78.7
Provisions	3.5	4.0	2.5
Retirement benefit obligations	3.6	13.2	17.2
Total non-current liabilities		**538.9**	**383.3**
Total liabilities		**855.5**	**1,349.6**
Net assets		**1,031.3**	**413.7**
Equity			
Contributed equity	2.2	166.9	-
Reserves		452.6	47.5
Retained earnings		411.8	366.2
Total equity		**1,031.3**	**413.7**

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

Consolidated Statement of Changes in Equity

For the year ended 30 September 2020

	Hedging reserve $ M	Pension reserve $ M	Share option reserve $ M	Common Control Reserve $M	Translation reserve $ M	Total reserves $ M	Contributed equity $ M	Retained earnings $ M	Total equity $ M
At 30 September 2018	**3.0**	**(14.2)**	**-**	**-**	**27.3**	16.1	-	309.3	325.4
Profit for the year	-	-	-	-	-	-	-	56.9	56.9
Other comprehensive income:									
Exchange differences on translation of foreign operations	(1.4)	(0.3)	-	-	39.9	38.2	-	-	38.2
Changes in fair value of cash flow hedges	(12.1)	-	-	-	-	(12.1)	-	-	(12.1)
Remeasurements of retirement benefit obligations (note 3.6)	-	(14.9)	-	-	-	(14.9)	-	-	(14.9)
Tax effect of above items	2.7	3.0	-	-	-	5.7	-	-	5.7
Total other comprehensive income	**(10.8)**	**(12.2)**	**-**	**-**	**39.9**	**16.9**	**-**	**-**	**16.9**
Total comprehensive income for the year	**(10.8)**	**(12.2)**	**-**	**-**	**39.9**	**16.9**	**-**	**56.9**	**73.8**
Transactions with owners:							-		
Demerger-related loan extinguishment[1]	-	-	-	14.5	-	14.5	-	-	14.5
At 30 September 2019	**(7.8)**	**(26.4)**	**-**	**14.5**	**67.2**	**47.5**	**-**	**366.2**	**413.7**
Profit for the year								45.6	45.6
Other comprehensive income:									
Exchange differences on translation of foreign operations	0.2	0.7	-	-	(27.5)	(26.6)	-	-	(26.6)
Changes in fair value of cash flow hedges	5.6	-	-	-	-	5.6	-	-	5.6
Remeasurements of retirement benefit obligations (note 3.6)	-	(0.2)	-	-	-	(0.2)	-	-	(0.2)
Tax effect of above items	(1.3)	(0.2)	-	-	-	(1.5)	-	-	(1.5)
Total other comprehensive income	**4.5**	**0.3**	**-**	**-**	**(27.5)**	**(22.7)**	**-**	**-**	**(22.7)**
Total comprehensive income for the year	4.5	0.3	-	-	(27.5)	(22.7)	**-**	45.6	22.9
Transactions with owners:							-		
Shares issued	**-**	**-**	**-**	**-**	**-**	**-**	166.9	-	**166.9**
Share-based payments (note 1.3)	-	-	0.8	-	-	0.8	-	-	0.8
Demerger-related loan extinguishment[1]	-	-	-	427.0	-	427.0	-	-	427.0
At 30 September 2020	**(3.3)**	**(26.1)**	**0.8**	**441.5**	**39.7**	**452.6**	**166.9**	**411.8**	**1,031.3**

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

[1] As part of the Demerger from GrainCorp Limited, the intercompany loans were repaid or forgiven as part of the establishment of the new standalone operating structure of United Malt. The impact of the loans forgiven is recognised in a separate reserve within equity.

Consolidated Statement of Cash Flows

For the year ended 30 September 2020

	Note	2020 $ M	2019 $ M
Cash flows from operating activities			
Receipts from customers		1,351.1	1,349.1
Payments to suppliers and employees		(1,191.1)	(1,194.9)
		160.0	154.2
Repayment of inventory funding loans		(32.9)	(20.0)
Interest received		1.4	3.5
Interest paid		(10.0)	(20.9)
Lease payments (interest component)		(3.3)	-
Income taxes paid		(13.5)	(23.8)
Net inflow from operating activities	2.1	**101.7**	**93.0**
Cash flows from investing activities			
Payments for property, plant and equipment		(58.1)	(46.3)
Payments for computer software		(1.4)	(1.4)
Proceeds from sale of property, plant and equipment		-	1.2
Net outflow from investing activities		**(59.5)**	**(46.5)**
Cash flows from financing activities			
Proceeds from borrowings		220.1	41.6
Repayment of borrowings		(322.8)	(183.4)
Lease payments (principal component)		(18.8)	-
Proceeds from capital raise		166.9	-
Net inflow / (outflow) from financing activities		**45.4**	**(141.8)**
Net (decrease) in cash and cash equivalents		**87.6**	**(95.3)**
Cash and cash equivalents at the beginning of the year		181.4	268.8
Effects of exchange rate changes on cash and cash equivalents		(6.9)	7.9
Cash and cash equivalents at the end of the year	**2.1**	**262.1**	**181.4**

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

Notes to the Financial Statements

For the year ended 30 September 2020

Overview

The financial report includes consolidated financial statements for United Malt Group Limited ('United Malt' or the 'Company') and its controlled entities (collectively the 'Group'). United Malt Group Limited is a for-profit company incorporated and domiciled in Australia, limited by shares which are publicly traded on the Australian Securities Exchange. The financial report of United Malt Limited for the period ended 30 September 2020 was authorised for issue in accordance with a resolution of the Directors on 18 November 2020.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australia Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the *Corporation Act 2001*. The report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

United Malt successfully demerged from GrainCorp Limited on 23 March 2020 to form a stand-alone entity listed on the Australian Securities Exchange. While the Group has historically complied with AASB standards, this is the first year of preparing standalone financial statements under *AASB 1 First-time Adoption of Australian Accounting Standards*.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value and the defined benefit plan assets and liabilities, which are recognised as the net total of the plan assets, plus unrecognised past service costs less the present value of the defined benefit obligation.

The report is presented in Australian dollars, with all amounts rounded to the nearest one hundred thousand dollars (unless specifically stated otherwise) under the option available to the Company under ASIC Corporations (Rounding in Financial/Director's Report) Instrument 2016/191. The Company is an entity to which this legislative instrument applies. Comparative information has been reclassified where necessary to conform to changes in the current year. Comparative information was not restated to reflect the adoption of AASB 16 Leases.

b) Impact of the COVID pandemic

During the reporting period, a global pandemic (COVID) has impacted people and businesses across the globe. United Malt has considered the impact of COVID on the disclosures included in this financial report. The financial performance of the Group was impacted in the second half of the year by the COVID pandemic. Government imposed containment restrictions adversely affected on-premise alcohol consumption, particularly for small craft beer brands. While off-premise consumption increased, this was not sufficient to mitigate the decline in on-premise consumption. Despite this, United Malt remains in a strong financial position to manage in the current environment and to continue with investment in strategic growth initiatives.

c) New and amended standards adopted

The Group has adopted all mandatory amended Accounting Standards issued that are relevant and effective for the current reporting period but does not early adopt any Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

AASB 16 Leases

The Group adopted AASB 16 Leases from 1 October 2019, which is reflected in the financial statements. For a qualifying lease, there is now a right of use asset and a lease liability based on the present value of the future lease payments, excluding variable payments. The Group elected to adopt the modified retrospective approach in transitioning to the standard which means there is no restatement of comparative information.

On adoption of the standard, the Group assessed whether existing contracts contained leases at the date of inception. These contracts were then measured at the present value of the remaining fixed lease payments, discounted using the Group's incremental borrowing rate at 1 October 2019. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, with a similar security, the funds necessary to purchases an asset of similar value to the right of use asset in a similar economic environment. It is permitted under the standard to use the incremental borrowing rate when the rate implicit in the lease is not readily determinable. The weighted average incremental borrowing rate applied to the lease liabilities at 30 September 2020 is 3.6%.

The Group has also elected to use the following practical expedients as allowed under the standard:

- exemptions on lease contracts for which the lease term ends within 12 months;
- exemptions on lease contracts for which the underlying asset is of low value;
- application of a single discount rate to a portfolio of leases with similar characteristics;
- use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease; and
- exclusion of initial direct costs for the measurement o the right of use asset at the date of initial application.

The adoption of AASB 16 as outlined above resulted in the following changes to the balance sheet on 1 October 2019:

	$m
Increase in right of use assets	69.0
Increase in lease liabilities (current and non-current)	(69.0)

The lease liabilities at 1 October 2019 can be reconciled to the operating lease commitments as 30 September 2019 as below:

	$m
Operating lease commitments at 30 September 2019	**96.5**
Impact of discounting	(27.0)
Short-term leases exempted	(0.5)
Lease liabilities at 1 October 2019	**(69.0)**

For the year-ended 30 September 2020, the Company recorded depreciation of $12.5 million and interest expense of $2.6 million related to the right of use assets and lease liabilities respectively. These expenses replace what would have previously been recoded as operating lease expense prior to the adoption of AASB 16. For the year-ended 30 September 2020, an expense of $4.5m relating to leases of low value or terminating in less than 12 months was recorded. For the purposes of the statement of cash flows, the lease payments are separated in principal repayments (financing activities) and interest payments (operating activities). These cashflows would have all been included in operating activities prior to the adoption of AASB 16.

Refer to note 3.4 for more information of right of use assets and lease liabilities for the year ended 30 September 2020.

d) Key judgements and estimates

In applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. Judgement and estimations which are material to the financial report relate to the following areas:

	Note
Taxation	1.4
Financial instruments and risk management	2.5
Intangible assets	3.3
Right of use assets and lease liabilities	3.4
Retirement benefit obligations	3.6

e) Foreign currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the United Malt Group Limited and its Australia subsidiaries. Each entity in the Group determines its own functional currency, reflecting the currency of the primary economic environment in which it operates.

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates, are recognised in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate when the fair value was determined.

The assets and liabilities of foreign subsidiaries are translated into Australian dollars by applying the rate ruling at balance sheet date and revenue and expense items are translated at the average rate calculated for the period. Transactions in equity are translated by applying the rate on the date of the transaction with no subsequent revaluation. Foreign exchange differences resulting from translation are initially recognised in the foreign currency translation reserve and subsequently transferred to profit or loss on disposal of the foreign operation.

1. Group Performance

This section provides information on the performance of the Group, including segment results, line items in the consolidated income statement, earnings per share, and income tax.

1.1 Operating segments

Description of segments

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

The operating segments are as follows:

- **Processing:** generates earnings from the production and sale of bulk malt to major brewers, craft brewers, distillers, and food companies.
- **Warehousing & Distribution:** generates revenue for the distribution and sale of bagged malt, hops, yeast, adjuncts, and related products to craft brewers, distillers and food companies.

Corporate includes costs associated with the corporate office function for the group. Segment performance is based on a measure of EBITDA[2].

a) Performance of segments

2020	Processing $ M	Warehousing & Distribution $ M	Reportable segments $ M	Corporate & Eliminations $ M	Total $ M
Reportable segment revenue					
External revenue	960.2	328.9	1,289.1	-	1,289.1
Intersegment revenue	29.2	-	29.2	(29.2)	-
Total reportable segment revenue	**989.4**	**328.9**	**1,318.3**	**(29.2)**	**1,289.1**
Segment EBITDA[2]	**126.0**	**34.6**	**160.6**	**(4.5)**	**156.1**
Net interest	-	-	-	(14.6)	(14.6)
Depreciation and amortisation	(53.5)	(10.6)	(64.1)	-	(64.1)
Significant items related to the demerger[3]	-	-	-	(11.8)	(11.8)
Profit / (loss) before income tax	**72.5**	**24.0**	**96.5**	**(30.9)**	**65.6**
Other segment information					
Capital expenditure	54.2	5.3	59.5	-	59.5
Reportable segment assets	1,336.0	272.4	1,608.4	278.4	1,886.8
Reportable segment liabilities	(287.3)	(99.5)	(386.8)	(468.7)	(855.5)

[2] EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items related to the demerger

[3] The Group defines significant items as those items not in the ordinary course of business, non-recurring and material in nature and amount. The amounts are included in other expense in the consolidated income statement and relate to costs incurred to execute the demerger from GrainCorp Limited.

1.1 Operating segments (continued)

2019	Processing $ M	Warehousing & Distribution $ M	Reportable segments $ M	Corporate & Eliminations $ M	Total $ M
Reportable segment revenue					
External revenue	966.7	349.8	1,316.5	-	1,316.5
Intersegment revenue	34.7	-	34.7	(34.7)	-
Total reportable segment revenue	**1,001.4**	**349.8**	**1,351.2**	**(34.7)**	**1,316.5**
Segment EBITDA[4]	**136.7**	**38.8**	**175.5**	**-**	**175.5**
Net interest	-	-	-	(36.5)	(36.5)
Depreciation and amortisation	(48.7)	(3.6)	(52.3)	-	(52.3)
Significant items related to the demerger[5]	-	-	-	(2.1)	(2.1)
Profit / (loss) before income tax	**88.0**	**35.2**	**123.2**	**(38.6)**	**84.6**
Other segment information					
Capital expenditure	37.2	10.5	47.7	-	47.7
Reportable segment assets	1,312.2	253.7	1,565.9	197.4	1,763.3
Reportable segment liabilities	(383.5)	(40.2)	(423.7)	(925.9)	(1,349.6)

b) Geographical information

	Revenue by customer location		Non-current assets:[6]	
	2020 $ M	2019 $ M	2020 $ M	2019 $ M
North America	792.3	798.4	719.7	696.7
Europe	214.0	217.9	144.9	119.1
Australasia	91.1	97.3	160.4	148.1
Asia	175.2	183.2	-	-
Other	16.5	19.7	-	-
	1,289.1	**1,316.5**	**1,025.0**	**963.9**

[4]EBITDA is a non-IFRS measure representing earnings before net interest, tax, depreciation and amortisation, and excluding significant items related to the demerger

[5] The Group defines significant items as those items not in the ordinary course of business, non-recurring and material in nature and amount. The amounts are included in other expense in the consolidated income statement and relate to costs incurred to execute the demerger from GrainCorp Limited.

[6] Excludes deriva ive financial instruments, retirement benefit assets and deferred tax assets.

1.2 Revenue

Total revenue from external customers	2020 Total $M	2019 Total $M
Revenue from sale of finished goods	**1,273.2**	**1,300.3**
Service and other revenue	**15.9**	**16.2**
Revenue from contracts with customers	**1,289.1**	**1,316.5**
Revenue recognised at point in time	**1,286.4**	**1,310.6**
Revenue recognised over time	**2.7**	**5.9**
Total revenue from external customers	**1,289.1**	**1,316.5**

Revenue from the sale of goods and services is recognised when the control of the goods has transferred to the customer in accordance with shipping terms. Service revenue is recorded at the point in time that the service is performed. Revenue is recorded at the value of consideration receivable net of discounts and goods and services tax (GST).

1.3 Other income and expenses

a) Other income

	2020 $ M	2019 $ M
Interest income	1.2	3.7
Net gain/(loss) on foreign currency derivatives	(2.5)	(3.8)
Sundry income	5.8	4.3
Total other income	**4.5**	**4.2**

Interest income is recognised as it accrues using the effective interest method. **Gain/loss on foreign currency derivatives** are recognised through the P&L as the derivatives are revalued to fair value. The derivatives are mainly purchased to hedge future sales and purchases in foreign currency. **Sundry income** is comprised of items not in the course of normal operations such as proceeds from asset sales and government grants.

b) Other expenses

	2020 $ M	2019 $ M
Employee benefits expense		
Defined contribution superannuation & defined benefit superannuation expenses	8.8	7.4
Share-based payment expense	0.8	0.2
Other employee benefits	112.7	100.9
Total employee benefits expense	**122.3**	**108.5**
Other expenses		
Travel	3.3	5.6
Consulting[7]	7.8	4.5
Marketing costs	1.7	2.5
Legal expenses[7]	2.1	1.6
Communication	6.7	4.2
Insurance	5.8	3.0
Financing arrangements restructuring[7]	5.3	-
Intercompany management fees from GrainCorp Limited (refer note 4.4)	0.8	1.5
Other	14.0	13.1
Total other expenses	**47.5**	**36.0**

[7] Some expense items in these categories are included in note 1.1 as Significant Items, as they are included in transaction costs related to the demerger from GrainCorp Limited.

1.3 Other income and expenses (continued)

Employee benefits expense includes salaries and wages, superannuation contributions, share-based payments and other entitlements. The Group's accounting policy for retirement benefit obligation plans is set out in note 3.6.

Share-based payment expense is determined by the grant date. The fair value of equity-settled share-based payments is recognised as an expense proportionally over the vesting period, with a corresponding increase in equity. The fair value of instruments with market-based performance conditions (aTSR) is calculated at the date of grant using the Monte Carlo simulation model, which is a commonly used valuation technique. The probability of achieving market-based performance conditions is incorporated into the determination of the fair value per instrument. The fair value of instruments with non-market-based performance conditions (ROCE) and service conditions is calculated using the Black-Scholes option pricing model. The amount recognised as an expense over the vesting period is adjusted to reflect the actual number of instruments that vest. The expense is recognised in full if the awards do not vest due to market condition not being met.

Share based payment expense has two components, the long-term incentive plan (LTIP) and the deferred equity plan (DEP).

LTIP

Under the Group's LTIP, senior executives have the opportunity to be rewarded with fully paid ordinary shares, provided the LTIP minimum pre-determined hurdles for aTSR and ROCE covering a three-year period, as set by the Board of Directors. These shares are generally purchased on market once the LTIP vests.

The fair value of performance rights is determined as described above using the following inputs:

Grant date	1 September 2020 One-off award	1 September 2020 LTIP
Fair value at grant date (aTSR)	$1.66	$1.72
Fair value at grant date (ROCE)	$3.75	$3.61
Estimated vesting date	30 September 2021	30 September 2022
Share price at grant date	$3.85	$3.85
Volatility	42%	42%
Risk free interest rate	0.23%	0.25%
Dividend yield	2.23%	2.96%

Set out in the table below is a summary of the number of rights granted under the LTIP. The exercise price on outstanding options is zero.

Grant date	Expiry date	Balance at start of year	Granted during year	Exercised during the year	Forfeited during year	Balance at end of year	Exercisable at end of year
1 Sep 2020	30 Sep 2021	-	337,766	-	-	337,766	-
1 Sep 2020	30 Sep 2022	-	435,008	-	-	435,008	-
			772,774	**-**	**-**	**772,774**	**-**

DEP

All senior executives are required to have a portion of their short-term incentives deferred and awarded in the form of performance rights. The deferred component is awarded over two years as rights i.e. 50% deferred component at the end of year one and 50% of deferred component at the end of year 2. For the short-term incentive earned in FY20, the DEP grants will be issued in FY21. In addition, there are 37,197 rights which have been issued as compensation for the FY18 DEP under GrainCorp on 1 September 2020, which will be exercisable at the date of this report. The fair value used for determining the share-based payment expense is $3.85.

For more information on the share-based payment remuneration scheme, refer to the Remuneration Report. The expense recorded in 2019 relates to the entitlements of UMG employees under the GrainCorp scheme which have been cancelled in 2020 immediately prior to the demerger from GrainCorp.

1.4 Taxation

a) Income tax expense

	Note	2020 $ M	2019 $ M
Income tax expense recognised in the consolidated income statement			
Current tax		20.2	21.7
Deferred tax		(0.5)	4.6
Under / (over) provision in prior years		0.3	1.4
		20.0	**27.7**
Reconciliation to effective tax rate			
(Loss) / profit subject to tax		65.6	84.6
Income tax expense calculated at 30% (2019: 30%)		19.7	25.4
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income			
Non-deductible / non-assessable items		4.7	6.8
Adjustment for tax base reset[8]		0.4	-
Under provision in prior years		0.3	1.4
Difference in overseas tax rates		(5.1)	(5.9)
Income tax expense		**20.0**	**27.7**
Effective tax rate[9]		**30.5%**	**32.7%**
Tax (credit) / expense relating to items of other comprehensive income			
Change in fair value of cash flow hedges		1.3	(2.7)
Remeasurement of retirement benefit obligations		0.2	(3.0)
		1.5	(5.7)

b) Deferred tax assets and liabilities

Deferred tax assets	2020 $ M	2019 $ M
The balance comprises temporary differences attributable to:		
Tax losses	6.0	-
Retirement benefit obligation	3.0	2.8
Provisions and accruals	3.7	3.3
Inventories	2.0	2.6
Deferred revenue	-	1.2
Lease liabilities	16.7	-
Other	2.1	2.1
Set-off deferred tax liabilities pursuant to set-off provision	(11.8)	(7.5)
Net deferred tax assets	**21.7**	**4.5**
Movements:		
Opening balance at 1 October	4.5	0.6
Recognised in the income statement	18.4	2.4
Recognised in other comprehensive income	(1.2)	1.5
Closing balance at 30 September	**21.7**	**4.5**

[8] The adjustment for the tax base reset is the effect from the exit of the GrainCorp Ltd tax consolidation group and the forma ion of the United Malt tax consolidation group.
[9] Effective tax rate is calculated as the income tax expense divided by profit subject to tax.

1.4 Taxation (continued)

Deferred tax liabilities	2020 $ M	2019 $ M
The balance comprises temporary differences attributable to:		
Property, plant and equipment	88.1	84.2
Right of use assets	15.7	-
Intangible assets	1.3	2.0
Set-off deferred tax liabilities pursuant to set-off provision	(11.8)	(7.5)
Net deferred tax liabilities	**93.3**	**78.7**
Movements:		
Opening balance 1 October	78.7	68.3
Recognised in the income statement	17.9	7.0
Recognised in other comprehensive income	0.3	(4.2)
Exchange differences	(3.6)	7.6
Closing balance at 30 September	**93.3**	**78.7**

c) Accounting policy

Income tax expense is calculated at the applicable income tax rate for each jurisdiction and recognised in profit for the year, unless it relates to other comprehensive income or transactions recognised directly in equity.

The tax expense comprises both current and deferred tax. Current tax represents the tax expense paid or payable for the current year, using tax rates which are enacted or substantially enacted at the reporting date. Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amount of the assets and liabilities for financial reporting purposes and the amounts for taxation purposes. Temporary differences generally occur when there is a timing difference in recognition between income and expenses as recognised by tax authorities and accounted for in different periods. The amount of deferred tax provided is based on the expected manner of realisation of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets, including those arising from tax losses, are recognised to the extent it is probable that sufficient taxable profits will be available to utilise the related tax assets in the foreseeable future. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be utilised.

As the Group is subject to income taxes in Australia and jurisdictions where it has foreign operations, management consider the estimation of the worldwide tax provision and recognition of deferred tax balances in the consolidated statement of financial position to be an area of **judgement**. Changes in circumstances will alter expectations, which may impact the amount of provision for income taxes and deferred tax balances recognised.

Tax consolidation

For the period up to 23 March 2020, United Malt's Australian entities were part of the GrainCorp group's taxation arrangements. Upon demerger, United Malt's Australian entities exited the GrainCorp Australian income tax consolidated group. The entities exited clear from any further income tax liability and any future tax obligations that may arise in respect of the period when they were members of the GrainCorp group. On 24 March 2020, the Company formed a new income tax group for its 100% Australian resident subsidiaries, with United Malt Group Limited being the head entity. The new tax consolidated group uses the group allocation approach whereby the current and deferred tax assets for the group are allocated among each entity within the group.

1.5 Earnings per share

	2020	2019
Basic earnings per share (cents)	16.8	22.4
Diluted earnings per share (cents)	16.8	22.4
Weighted average number of ordinary shares – basic	270,507,607	254,284,032
Add: adjustment for calculation of diluted earnings per share (performance rights)	64,354	-
Weighted average number of ordinary shares – diluted	270,571,961	254,284,032

Basic earnings per share (EPS) is calculated by dividing profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year. The weighted average number of ordinary shares for the year ended 30 September 2019 has been restated to reflect the change in the Company's capital structure as a result of the demerger from GrainCorp, as if the change had occurred at the comparative period.

Diluted EPS is calculated on the same basis except that it includes the impact of any potential commitments the Group has to issue shares in the future. For the year ended 30 September 2020, these relate to the performance rights granted. Refer to the Remuneration Report for more details on performance rights outstanding.

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 net debt and equity. Net debt is calculated as total borrowings and lease liabilities, net of cash assets.

The capital structure of the Group is continuously monitored and can be changed by adjusting the amount of dividends paid to shareholders, returning capital to shareholders or issuing new shares.

2.1 Net debt

	2020 $ M	2019 $ M
Total borrowings (note 2.1(a))	455.4	1,036.6
Cash and cash equivalents (note 2.1(b))	(262.1)	(181.4)
Net debt	193.3	855.2
Lease liabilities (note 3.4)	68.4	-
Net debt including lease liabilities	**261.7**	**855.2**

Net debt reconciliation

	Cash and cash equivalents $M	Inventory funding facilities $M	Borrowing facilities $ M	Lease liabilities $ M	Loans with GrainCorp Ltd[10] $M	Total $M
Net debt as at 1 October 2018	**(268.8)**	**159.1**	**248.8**	**-**	**732.8**	**871.9**
Cash flows	95.3	(19.9)	-	-	(97.3)	(21.9)
Extinguishment as a result of demerger	-	-	-	-	(14.5)	(14.5)
Foreign exchange movements	(7.9)	3.6	11.2	-	12.8	19.7
Net debt as at 30 September 2019	**(181.4)**	**142.8**	**260.0**	**-**	**633.8**	**855.2**
Cash flows	(87.6)	(32.9)	104.1	(18.8)	(206.8)	(242.0)
Extinguishment as a result of demerger	-	-	-	-	(427.0)	(427.0)
Additions for AASB 16	-	-	-	88.6	-	88.6
Foreign exchange movements	6.9	(2.6)	(16.0)	(1.4)	-	(13.1)
Net debt as at 30 September 2020	**(262.1)**	**107.3**	**348.1**	**68.4**	**-**	**261.7**

a) Borrowings

	2020 $ M	2019 $ M
Current		
Commodity inventory funding facilities	107.3	142.8
Loans with GrainCorp Ltd[10]	-	633.8
Total current borrowings	**107.3**	**776.6**
Non-current		
Term debt facilities	348.1	260.0
Total non-current borrowings	**348.1**	**260.0**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method.

The undrawn commodity inventory funding facilities were $103.0 million at 30 September 2020. Working capital facilities of $160.0 million were also undrawn at the balance date.

The commodity inventory funding facilities are secured by the related inventory. The carrying amounts of inventory pledged as security at the reporting date is $109.9 million (2019: $150.7 million).

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 financial year.

[10] Loans with GrainCorp were in place as part of the capital structure prior to the demerger. Prior to the demerger, all of the intercompany funding arrangements were extinguished.

2.1 Net debt (continued)

b) Cash and cash equivalents

Cash and cash equivalents on hand at 30 September 2020 was 262.1 million (2019: 181.4 million**)**. Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term investments with maturities three months or less.

Reconciliation of profit after income tax to net cash flow from operating activities

	Note	2020 $ M	2019 $ M
Profit for the year		**45.6**	**56.9**
Net profit on sale of non-current assets		0.1	(0.3)
Non-cash employee benefits expense – share-based payments		0.8	0.2
Depreciation and amortisation		64.1	52.3
Derivative mark-to-market		2.0	1.4
Deferred tax expense		1.3	8.4
		113.9	118.9
Changes in operating assets and liabilities (net of acquired entities):			
(Increase) / decrease in inventories		(13.8)	2.6
(Increase) / decrease in deferred tax		(0.1)	(7.1)
(Increase) / decrease in derivatives		(5.1)	0.1
(Increase) in receivables		(24.7)	13.9
Increase / (decrease) in trade payables		17.1	(18.0)
Increase in other liabilities		(9.4)	(1.1)
Increase / (decrease) in provision for income tax		7.5	(4.4)
(Decrease) in defined benefit pension plan liability		(3.3)	7.8
(Decrease) in provisions		19.6	(19.7)
Net cash (outflow) / inflow from operating activities		**101.7**	**93.0**

2.2 Contributed equity

Consolidated and Company	Ordinary shares	
	Number	$ M
At 1 October 2019	100	-
Shares issued as a result of the demerger from GrainCorp Ltd	254,283,932	-
New shares issued from capital raising	44,895,103	166.9
Balance at 30 September 2020	**299,179,135**	**166.9**

Ordinary shares

Ordinary shares issued are classified as equity and are fully paid, have no par value, carry one vote per share and the right to dividends.

Capital raising

On 14 May 2020, the Group announced a capital raising comprising of both an Institutional Placement (IP) and a Share Purchase Plan (SPP). The IP completed on 15 May 2020 for a value of $140 million, and the SPP completed on 23 June 2020 for a value of $30.6 million. The costs ($3.7 million) associated with the capital raise are presented net of the funds raised in contributed equity.

2.3 Dividends

The Company considers current earnings and future cash flow requirements in determining the amount of dividends to be paid. Dividends are recognised in the Statement of Financial Position in the period in which they are declared by the Board. Since the reporting date, the Directors have declared a dividend of 3.9 cents per fully paid ordinary share. As this dividend was declared after the reporting date, there is no liability recorded at 30 September 2020. The aggregate amount to be paid is $11.7 million, based on the record date of 14 December 2020 and payable on 30 December 2020.

Franking credits available

Immediately after the Demerger from GrainCorp, the Group's franking account balance was nil. There have been no additions to the franking account balance during the period, therefore the dividend declared above is unfranked.

The Group intends to frank future dividends to the extent practicable, although it is anticipated that there will be limited capacity for franking credits with a substantial proportion of the Group's earnings being derived outside Australia and which therefore may not be subject to Australian income tax.

2.4 Commitments and guarantees

Financial commitments

	2020	2019
	$ M	$ M
Capital expenditure commitments		
Total capital expenditure contracted for at the reporting date but not provided for in payables:		
- Not later than one year	35.9	11.8
Total capital expenditure commitments	**35.9**	**11.8**
Operating lease commitments		
Total non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities:		
- Not later than one year	-	13.5
- Later than one year and not later than five years	-	40.3
- Later than five years	-	42.7
Total non-cancellable operating lease commitments	**-**	**96.5**

Financial guarantees

Financial guarantees are provided by Group entities as follows:

The Group enters into guarantees as part of the normal course of business. At 30 September 2020, these guarantees amounted to $5.1 million (2019: $5.3 million). The Directors do not believe any claims will arise in respect of these guarantees.

United Malt Limited and the wholly owned entities listed in note 4.1 are parties to a deed of cross guarantee as described in note 4.2. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees, to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. No deficiency of net assets existed for the Group as at 30 September 2020.

No liability was recognised by the Group in relation to these guarantees as the fair value of the guarantees is immaterial.

2.5 Financial instruments and risk management

The Group's Treasury function is responsible for managing the liquidity requirements of the Group and mitigating any financial risks relating to the Group's operations through continuous monitoring and evaluation. The Treasury function is governed by the Board approved Treasury Policy. The Policy requires periodic reporting of financial risks to the Board, and its application is subject to oversight from the Chief Financial Officer and the Chair of the Audit and Risk Committee. Financial risks include:

- **Market risk** (refer to note 2.5(b))
- **Liquidity risk** (refer to note 2.5.(c))
- **Credit risk** (refer to note 2.5(d))

a) Classification of financial instruments

United Malt classifies its financial instruments into categories in accordance with AASB 9 *Financial instruments* depending on the purpose for which the financial instruments were acquired, which is determined at initial recognition based on the business model. The following table presents the Group's financial assets and liabilities measured and recognised at fair value.

$M	30 September 2020		30 September 2019	
	Current	Non-current	Current	Non-current
Derivative assets				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	-	-	0.2	-
Foreign currency derivatives	2.9	0.6	4.1	0.1
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	1.5	1.8	0.3	0.2
Total derivative assets	**4.4**	**2.4**	**4.6**	**0.3**
Derivative liabilities				
Derivative financial instruments – fair value through profit and loss				
Commodity futures and options	0.1	-		
Foreign currency derivatives	2.8	0.6	5.4	0.2
Derivative financial instruments – cash flow hedge				
Foreign currency derivatives	2.0	2.5	4.8	3.0
Interest rate swap contracts	-	2.1	-	2.1
Total derivative liabilities	4.9	**5.2**	10.2	**5.3**

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered. Subsequently, at each reporting date, the gain or loss on remeasurement to fair value is recognised immediately in the consolidated income statement, unless they qualify for hedge accounting as outlined in AASB 9 *Financial Instruments.*

The Group enters into certain **cash flow hedges** to hedge exposure to variability in cash flows that are attributable to the risk associated with the cashflows of recognised assets or liabilities and highly probably forecast transactions caused by interest rate and foreign currency movements. The Group's cash flow hedges include:

- Interest rate swap contracts
- Forward foreign exchange contracts

When a derivative financial instrument is designated as a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in the cashflow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated income statement, within other income/loss. Amounts accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item affects profit or loss.

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

- **Level 1** 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.

2.5 Financial instruments and risk management (continued)

- **Level 3** financial instruments do not have quoted market prices available. If one or more of the significant inputs is not based on observable market data, the instrument is level 3. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Management considers the valuation of these financial instruments to be an area of judgement.

All derivative financial instruments are considered Level 2 financial instruments.

b) Market risk

The Group's activities expose it to the financial risks of changes in (i) commodity prices, (ii) foreign currency and (iii) interest rates.

Commodity price risk

The Group enters into forward physical purchase and sales contracts, along with commodity derivative contracts, to manage the underlying price risks in the purchase of barley for malt production and the subsequent sale of malt. These contracts are entered into, and continue to be held, for the purpose of delivery of raw materials and subsequent sale of processed malt and are therefore classified as non-derivative and not fair valued.

Foreign currency risk

The Group has exposure to movement in exchange rates through:

- Purchase of barley and other goods from suppliers in foreign currency;
- Sale of malt in foreign currency; and
- Translation of net investments in foreign subsidiaries denominated in foreign currencies.

To manage exposure to this risk, the Group enters into forward exchange contracts, foreign currency options and swap contracts, with the contracted time to mature when the relevant underlying contracts expire.

Expressed in Australian Dollars, the following table indicates exposure and sensitivity to movements in exchange rates on the profit or loss and equity of the Group, based on the foreign currency exposure of each entity against its functional currency at 30 September. The tables are based upon the Group's financial asset and liability profile at 30 September, which fluctuates over the course of normal operations.

2020	Exposure at reporting date $M	Impact on profit / (loss) after tax $ M		Impacts on other components of equity $ M	
Movement in exchange rate		**+10%**	**-10%**	**+10%**	**-10%**
US Dollar	(38.8)	(16.2)	16.2	13.5	(13.5)
Canadian Dollar	278.9	16.6	(16.6)	2.9	(2.9)
UK Pound Sterling	73.2	1.0	(1.0)	4.1	(4.1)
New Zealand Dollar	3.1	0.2	(0.2)	-	-
Euro	9.8	0.7	(0.7)	-	-
Yen	(28.3)	(2.0)	2.0	-	-
Total	**297.9**	**0.3**	**(0.3)**	**20.5**	**(20.5)**

2019	Exposure at reporting date $M	Impact on profit / (loss) after tax $ M		Impacts on other components of equity $ M	
Movement in exchange rate		**+10%**	**-10%**	**+10%**	**-10%**
US Dollar	(10.9)	(4.1)	4.1	3.4	(3.4)
Canadian Dollar	163.8	8.1	(8.1)	3.3	(3.3)
UK Pound Sterling	2.0	(4.2)	4.2	4.4	(4.4)
New Zealand Dollar	1.6	0.1	(0.1)	-	-
Euro	18.5	1.3	(1.3)	-	-
Yen	(54.8)	(3.8)	3.8	-	-
Total	**120.2**	**(2.6)**	**2.6**	**11.1**	**(11.1)**

2.5 Financial instruments and risk management (continued)

Interest rate risk

The Group has exposure to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by maintaining between 40% and 75% of long-term borrowings at fixed rates through the use of interest rate swap contracts.

Under interest rate swap contracts, the Group is entitled to receive interest at variable rates and is obliged to pay interest at fixed rates. The contracts require settlement of net interest receivable or payable at each reset period. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

At 30 September 2020, after taking into account the effect of interest rate swap contracts, approximately 74% ($257.2 million) of the Group's long-term borrowings are at a fixed rate of interest (2019: 47%, $122.4 million).

The Group continuously monitors its interest rate exposure with consideration given to cash flows impacting on rollovers and repayments of debt, alternative hedging instruments and the mix of fixed and variable interest rates.

At balance date, the Group had the following mix of financial liabilities with interest at variable rates:

	2020		2019	
	Weighted average interest rate %	Balance $ M	Weighted average interest rate %	Balance $ M
Current instruments				
Commodity inventory facilities	0.97%	(107.3)	2.02%	(142.8)
Non-current instruments				
Term debt facilities	1.63%	(348.1)	2.08%	(260.0)
Interest rate swaps (notional principal amount)	0.25%	257.2	1.83%	122.4
Net exposure to cash flow interest rate risk	1.27%	**(198.2)**	**2.05%**	**(280.4)**

Interest rate sensitivity analysis

At balance date, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

	2020		2019	
	Profit / (loss) $ M	Increase / (decrease) in equity $ M	Profit / (loss) $ M	Increase / (decrease) in equity $ M
+ 100 basis points	(2.3)	2.6	(1.0)	1.2
– 100 basis points	2.3	(2.6)	1.0	(1.2)

2.5 Financial instruments and risk management (continued)

c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and committed available credit facilities. The Group manages liquidity risk by regularly monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Group Treasury aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. At balance date, the Group had approximately $263.0 million of unused credit facilities available for immediate use.

The tables below show the contractual maturities of financial liabilities, including estimated interest payments. The amounts disclosed in the table are the contractual undiscounted cash flows.

30 September 2020	Carrying Value $M	Total $M	Less than 1 year $ M	Between 1 and 2 years $ M	Between 2 and 5 years $ M	Over 5 years $ M
Non-derivatives:						
Borrowings[11]	(455.4)	(466.3)	(112.5)	-	(353.8)	-
Trade and other payables	(176.4)	(176.4)	(176.4)	-	-	-
Lease liabilities[12]	(68.4)	(81.4)	(13.0)	(8.7)	(26.2)	(33.5)
Derivatives:						
Interest rate swap contracts	(2.1)	(2.1)	-	-	(2.1)	-
Foreign currency derivatives						
(Outflow)	(7.9)	(362.8)	(242.5)	(85.9)	(34.4)	-
Inflow		354.9	237.6	83.5	33.8	-
Foreign currency derivatives						
(Outflow)	(0.1)	(14.1)	(14.1)	-	-	-
Inflow		14.0	14.0	-	-	-

30 September 2019	Carrying Value $M	Total $M	Less than 1 year $ M	Between 1 and 2 years $ M	Between 2 and 5 years $ M	Over 5 years $ M
Non-derivatives						
Borrowings[11]	(402.8)	(415.0)	(148.1)	-	(266.9)	-
Trade and other payables	(166.6)	(166.6)	(166.6)	-	-	-
Derivatives						
Interest rate swap contracts	(2.1)	(2.1)	-	-	(2.1)	-
Foreign currency derivatives						
(Outflow)	(13.4)	(379.5)	(229.5)	(101.9)	(48.1)	-
Inflow		366.1	219.3	100.0	46.8	-

[11] The Group's bank borrowings facilities are set out in note 2.1a. Cash outflows associated with bank borrowings are inclusive of principal and interest.
[12] Cash outflows associated with leases are inclusive of principal and interest.

2.5 Financial instruments and risk management (continued)

d) Credit risk

Credit risk is the risk of loss that would be recognised if a counterparty were to default on its contractual obligations. The Group has a Board approved Credit Policy which provides guidelines for the management and diversification of the credit risk to the Group. The Group is exposed to credit risk from its operating activities and financing activities. The Group's maximum exposure for credit risk is the carrying amount of all trade and other receivables, derivative asset balances, and cash assets as set out in the consolidated statement of financial position.

Trade receivables

The credit risk on trade and other receivables which has been recognised on the consolidated statement of financial position is the carrying amount of trade debtors, net of allowances for impairment and further disclosed in note 3.1. The Group minimises credit risk associated with trade and other receivables by performing a credit assessment for all customers that wish to trade on credit terms. Credit limits are determined for each individual customer based on their credit assessment and as per the Credit Policy. The Group does not have any significant credit risk exposure to a single customer or group of customers.

The Group applies the simplified approach to provision for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. Under this method, determination of the loss allowance provision and expected loss rate incorporates past experience, forward-looking information, and market data. In FY20 the Group considered the impact of the COVID pandemic on the forward-looking information and market data when applying these rates.

The aging of the trade receivables at the reporting date was:

	2020		2019	
	Gross $ M	Loss allowance $M	Gross $ M	Loss allowance $M
Current	201.9	(0.7)	212.0	-
More than 30 days past due	8.6	(0.1)	6.5	-
More than 60 days past due	6.5	(0.2)	4.9	-
More than 90 days past due	9.9	(0.4)	7.9	(2.0)
Total	226.9	(1.4)	231.3	(2.0)

The movement in the allowance for doubtful debts was:

	2020 $M	2019 $M
Balance at 1 October	(2.0)	(1.8)
Provisions made during the year	(1.9)	(0.5)
Loss recognised during the year	2.4	0.3
Provisions reversed during the year	-	0.2
Exchange differences	0.1	(0.2)
Balance at 30 September	(1.4)	(2.0)

Financial instruments and cash deposits

To minimise the credit exposure to financial institutions that are counterparties to derivative contracts and cash, the Group has a panel of authorised counterparties who are principally large banks and recognised financial intermediaries with acceptable credit ratings determined by a ratings agency. The Group's net exposure and credit assessment of its counterparties are continuously monitored to ensure any risk is minimised.

The Group may also be subject to credit risk for transactions that are not included in the consolidated statement of financial position, such as when a guarantee is provided for another party.

3 Operating Assets and Liabilities

This section shows the assets used to generate the Group's operating 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 Working capital

	2020 $ M	2019 $ M
Trade receivables	245.4	245.5
Inventories	318.5	347.9
Trade and other payables	(178.4)	(170.7)
	385.5	422.7

a) Trade and other receivables

	2020 $ M	2019 $ M
Trade receivables	226.9	231.3
Allowance for doubtful receivables	(1.4)	(2.0)
	225.5	229.3
Prepayments	15.7	7.3
Other receivables	4.2	8.9
Total current trade and other receivables	**245.4**	**245.5**

Trade and other receivables are recognised at the face value of amounts due less an allowance for doubtful receivables. Doubtful receivables are determined using an expected credit loss model whereby trade and other receivables that share the same or similar credit risk characteristics and debt ageing are grouped and then assessed for collectability as a whole. Refer to note 2.5 for details of the Group's credit exposures.

b) Inventories

	2020 $ M	2019 $ M
Raw materials	185.1	184.9
Work in progress	9.9	11.2
Finished goods	123.5	151.8
Total inventories	**318.5**	**347.9**

Inventories are valued at lower of cost and net realisable value, unless stated otherwise. Cost includes direct labour, other direct costs, and production overheads, where applicable. Net realisable value is the estimated selling price less cost of completion and variable selling expenses. Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 September 2020 amounted to $6.6 million (2019: $1.6 million), which is included in raw materials and consumables used in the consolidated income statement.

c) Trade and other payables

Current	2020 $ M	2019 $ M
Trade payables	88.7	90.5
Accrued expenses	86.4	67.9
Trade payables to related party (note 4.4)	-	5.9
Income received in advance	2.0	4.1
Other payables	1.3	2.3
Total current trade and other payables	**178.4**	**170.7**

Trade and other payables are carried at the amount payable. Accrued expenses are amounts payable in relation to goods received or services rendered which have not been billed at the reporting date.

3.2 Property, plant and equipment

	Land $ M	Buildings & structures $ M	Leasehold improvements $ M	Plant and equipment $ M	Capital works in progress $ M	Total $ M
At 30 September 2018						
Cost	33.4	193.2	18.3	566.2	21.6	832.7
Accumulated depreciation	-	(31.8)	(6.2)	(212.2)	-	(250.2)
Net book value	**33.4**	**161.4**	**12.1**	**354.0**	**21.6**	**582.5**
Movement						
Transfer between asset categories	-	4.3	2.1	23.5	(29.9)	-
Additions	-	-	-	8.8	39.0	47.8
Disposals	(0.3)	-	-	(0.1)	-	(0.4)
Depreciation	-	(7.1)	(0.8)	(36.1)	-	(44.0)
Exchange differences	0.8	8.1	0.2	13.4	1.4	23.9
Closing net book value	**33.9**	**166.7**	**13.6**	**363.5**	**32.1**	**609.8**
At 30 September 2019						
Cost	33.9	207.0	21.0	618.8	32.1	912.8
Accumulated depreciation	-	(40.3)	(7.4)	(255.3)	-	(303.0)
Net book value	**33.9**	**166.7**	**13.6**	**363.5**	**32.1**	**609.8**
Movement						
Transfer between asset categories	-	6.5	2.8	22.3	(31.6)	-
Additions	1.5	1.9	-	1.8	63.7	68.9
Transfer from leased assets (note 3.4)	11.0	-	-	-	-	11.0
Disposals	-	-	-	(0.2)	-	(0.2)
Depreciation	-	(7.9)	(0.9)	(37.1)	-	(45.9)
Exchange differences	(1.1)	(7.3)	(0.3)	(11.5)	(2.6)	(22.8)
Closing net book value	**45.3**	**159.9**	**15.2**	**338.8**	**61.6**	**620.8**
At 30 September 2020						
Cost	45.3	206.2	23.2	622.1	61.6	958.4
Accumulated depreciation	-	(46.3)	(8.0)	(283.3)	-	(337.6)
Net book value	**45.3**	**159.9**	**15.2**	**338.8**	**61.6**	**620.8**

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Subsequent costs are capitalised when it is probable that future economic benefits associated with the expenditure will flow to the Group.

Property, plant and equipment assets, other than land, are depreciated on a straight-line basis over the useful lives of the assets. Useful lives are reviewed on an annual basis and have been assessed as follows:

- Buildings and structures: 30-50 years
- Leasehold improvements: Term of lease
- Plant & equipment: 5-20 years

Tests for **impairment** on items of property, plant and equipment are conducted in accordance with the policy for impairment of non-financial assets. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3.3 Intangible assets

	Computer software $ M	Trade name $ M	Customer relationship $ M	Goodwill $ M	Capital works in progress $M	Total $ M
At 30 September 2018						
Cost or fair value	21.9	2.5	119.2	323.3	7.2	474.1
Accumulated amortisation	(13.3)	(0.7)	(113.3)	-	-	(127.3)
Net book value	**8.6**	**1.8**	**5.9**	**323.3**	**7.2**	**346.8**
Movement						
Transfer between asset categories	4.6	(0.9)	-	-	(3.7)	-
Additions	-	-	-	-	1.6	1.6
Amortisation charge	(4.1)	-	(4.2)	-	-	(8.3)
Exchange differences	0.3	-	-	12.9	0.4	13.6
Closing net book value	**9.4**	**0.9**	**1.7**	**336.2**	**5.5**	**353.7**
At 30 September 2019						
Cost or fair value	27.4	1.5	122.2	336.2	5.5	492.8
Accumulated amortisation	(18.0)	(0.6)	(120.5)	-	-	(139.1)
Net book value	**9.4**	**0.9**	**1.7**	**336.2**	**5.5**	**353.7**
Movement						
Transfer between asset categories	0.1	-	-	-	(0.1)	-
Additions	-	-	-	-	2.1	2.1
Amortisation charge	(3.9)	(0.1)	(1.7)	-	-	(5.7)
Exchange differences	(0.2)	-	-	(11.9)	(0.4)	(12.5)
Closing net book value	**5.4**	**0.8**	**-**	**324.3**	**7.1**	**337.6**
At 30 September 2020						
Cost or fair value	26.6	1.5	118.7	324.3	7.1	478.2
Accumulated amortisation	(21.2)	(0.7)	(118.7)	-	-	(140.6)
Net book value	**5.4**	**0.8**	**-**	**324.3**	**7.1**	**337.6**

Intangible assets include definite life and indefinite life intangibles. The accounting treatment for each of the asset categories is:

- **Computer software** is costs capitalised in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits. Amortisation is calculated on a straight-line basis over an estimated useful life of 3 to 7 years.
- **Trade names** are acquired as part of a business combination and recognised separately from goodwill. Trade names are carried at fair value at the date of acquisition less accumulated amortisation, which is calculated on a straight-line basis over an estimated useful life of 3 to 9 years.
- **Customer relationships** are acquired as part of a business combination and recognised separately from goodwill. They are carried at the fair value at the acquisition date less accumulated amortisation. Amortisation is calculated on a straight-line basis over an estimated useful life of 5 to ten years.
- **Goodwill** is measured on acquisition as part of a business combination as the difference between the consideration paid and the fair value of the net assets acquired. Goodwill is tested for impairment as described in note 3.3 a).

3.3 Intangible assets (continued)

a) Impairment test for goodwill

For purposes of impairment testing, goodwill acquired through business combination is allocated to cash-generating units (CGUs) as below:

	2020 $ M	2019 $ M
Processing	224.9	233.1
Warehousing & Distribution	99.4	103.1
Total goodwill	**324.3**	**336.2**

Goodwill and intangible assets with indefinite lives are tested for **impairment** annually or more frequently if circumstances indicate that an asset may be impaired. In assessing impairment, the recoverable amount of assets is estimated to determine the extent of the impairment loss. The recoverable amount for goodwill is assessed at the Group of CGUs level and is based on value in use (VIU) calculations. Management uses **judgement** in determining the recoverable amount of assets including expected future cash flows, long term growth rates and discount rates.

In assessing VIU, estimated future cash flows are based on the Group's most recent Board approved business plan covering a period of five years. Projected cash flows are based on past performance and management's future expectations, taking into account the Group's production capacity, long-term customer agreements, and market information in key geographies. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2.0% to 2.5%. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

In performing the VIU calculations for each CGU, the Group has applied post-tax discount rates to the discount the forecasted future post-cash cashflows; 8.83% for the Processing CGU and 8.72% for the Warehousing & Distribution CGU. These discount rates reflect the current market assessment of the time value of money and risks specific to the relative segment and its country of operation.

Any reasonably possible change to the above key assumptions would not cause the carrying value of a CGU to exceed its recoverable amount.

3.4 Leases

The Group enters into non-cancellable leases on properties, motor vehicles, railcar leases, and other plant and equipment. There are leases in all of the Group's operating geographies.

This is the first year of the Group's adoption of AASB 16. Refer to page 52 section c) in the overview of the notes to the financial statements for further details of the impact of the new standard.

Right of use assets

The following table shows the movements of the right of use asset during the year:

	Property leases $m	Equipment leases $m	Motor vehicle leases $m	Total $m
Opening balance arising from the adoption of AASB 16	**8.0**	**50.0**	**11.0**	**69.0**
Additions to right of use asset	11.0	9.9	3.2	24.1
Transfers to property, plant, and equipment (note 3.2)	(11.0)	-	-	(11.0)
Depreciation expense	(1.1)	(6.7)	(4.7)	(12.5)
Exchange rate differences	(0.2)	(2.5)	(0.5)	(3.2)
Right of use assets at 30 September 2020	**6.7**	**50.7**	**9.0**	**66.4**

Lease liabilities

	Total $m
Balance at 1 October 2019	**69.0**
Interest expense	3.3
Additions	19.6
Repayments	(22.1)
Exchange rate differences	(1.4)
Lease liabilities at 30 September 2020	**68.4**

3.5 Provisions

	Employee benefits $ M	Other $ M	Total provisions $ M
At 1 October 2019	**8.7**	**2.6**	**11.3**
Additional provisions	17.0	2.8	19.8
Amounts used	(12.8)	(0.7)	(13.5)
Unused amounts reversed	-	(0.1)	(0.1)
Exchange differences	(0.4)	(0.2)	(0.6)
At 30 September 2020	**12.5**	**4.4**	**16.9**
Current	10.7	2.2	12.9
Non-current	1.8	2.2	4.0

Provisions are:

- Recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that cash will be required to settle the obligation, and the amount can be reliably estimated.
- Measured at the present value of the estimated cash outflow required to settle the obligation. For non-current provisions, the nominal amount is discounted, and the financing impact is recognised in the Consolidated Income Statement.

3.6 Retirement benefit obligations

The Group operates pension plans for some employees in US, Canada, UK and Australia. The plan is funded through contributions to the defined benefit plan as determined by annual actuarial valuations. A defined benefit plan is a pension plan that defines the amount of pension benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

a) Retirement benefit liability recognised in the consolidated statement of financial position

	2020 $ M	2019 $ M
Present value of the defined benefit obligations	(201.6)	(211.4)
Fair value of defined benefit plans assets	190.5	197.0
Net defined benefit obligation	**(11.1)**	**(14.4)**
Recognised in the consolidated statement of financial position as:		
Retirement benefit asset	2.1	2.8
Retirement benefit obligation	(13.2)	(17.2)
Net defined benefit obligation	**(11.1)**	**(14.4)**

b) Categories of plan assets

	2020 %	2019 %
The major categories of plan assets are as follows:		
Cash	2%	1%
Equity instruments	38%	34%
Debt instruments	59%	64%
Other assets	1%	1%
Total	**100%**	**100%**

3.6 Retirement benefit obligations (continued)

c) Reconciliations

	2020 $ M	2019 $ M
Reconciliation of the present value of the defined benefit obligations:		
At 1 October	211.4	178.7
Current service cost	1.5	1.2
Interest cost	4.4	5.6
Scheme participants contributions	0.1	0.1
Remeasurements	4.4	33.5
Benefits paid	(16.1)	(11.9)
Past service cost	1.1	0.4
Exchange differences	(5.2)	3.8
At 30 September	**201.6**	**211.4**
Reconciliation of fair value of plan assets:		
At 1 October	197.0	172.1
Interest income	4.1	5.5
Remeasurements	4.2	18.6
Contributions by Group companies	6.5	9.2
Scheme participants contributions	0.1	0.1
Actual plan administration expense	(0.4)	(0.3)
Benefits paid	(16.1)	(11.9)
Exchange differences	(4.9)	3.7
At 30 September	**190.5**	**197.0**

d) Amounts recognised in the consolidated income statement

	2020 $ M	2019 $ M
The amounts recognised in the income statement are as follows:		
Current service cost	1.5	1.2
Net interest expense	0.3	0.1
Past service cost	1.1	0.4
Total expense included in employee benefits expense	**2.9**	**1.7**

e) Amounts recognised in other comprehensive income

	2020 $ M	2019 $ M
Remeasurements of retirement benefit obligations	(0.2)	(14.9)
Cumulative remeasurements recognised	(31.3)	(31.1)

f) Principal actuarial assumptions

2020	North America	UK	Australia
Principal actuarial assumptions used (expressed as weighted averages):			
Discount rate	2.61%	1.70%	1.90%
Future salary increases	2.00%	2.80%	3.00%

2019	North America	UK	Australia
Principal actuarial assumptions used (expressed as weighted averages):			
Discount rate	2.98%	1.80%	4.10%
Future salary increases	2.00%	3.10%	3.00%

3.6 Retirement benefit obligations (continued)

g) Sensitivity analysis

Changes in the following principal actuarial assumptions would have the following effect on the defined benefit pension obligation:

	2020 $ M Increase/(decrease)	2019 $ M Increase/(decrease)
Discount rate:		
0.25% increase	(7.6)	(7.7)
0.25% decrease	8.0	8.1
Inflation:		
0.25% increase	3.1	3.4
0.25% decrease	(3.1)	(3.3)

The sensitivity information has been derived for all plans using projected cash flows valued using the relevant assumptions and membership profiles as at 30 September 2020. Extrapolation of these results beyond the sensitivity figures shown may not be appropriate.

h) Employer contributions

Based on the recommendations of the plan's actuaries, total employer contributions expected to be paid by the Group for the year ended 30 September 2021 are $6.6 million (2020: $5.7 million).

i) Accounting treatment

The asset or liability recognised in the consolidated statement of financial position in respect of defined plan benefits is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The present value of the pension liability is determined by discounting the estimated future cash flows using interest rates of high quality corporate or government bonds that:

- Are denominated in the currency in which the benefits will be paid; and
- Have terms to maturity approximating the terms of the related pension liability.

The defined benefit obligation is calculated at least annually by independent actuaries using the projected unit credit method, which in simple terms proportions the benefit based on years of service provided. Management consider the valuation of defined benefit plans to be an area of **judgement** as a number of key assumptions must be adopted to determine the fair value.

Actuarial gains and losses arise when there is a difference between previous estimates and actual experience or a change to assumptions in relation to demographic and financial trends. Gains and losses are recognised directly in other comprehensive income as remeasurements in the period in which they occur.

The Group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate at the beginning of the period to the net defined benefit liability, considering any changes during the period because of contributions and benefit payments. Net interest expense (income), service cost and other expenses related to defined benefit plans are recognised in the consolidated income statement.

4 Group Structure & Other

This section provides information on how the Group structure affects the financial position and performance of the Group. The disclosures detail the types of entities and transactions included in the consolidation and those which are excluded.

4.1 Subsidiaries

The Company, which is the ultimate parent of the Group, is incorporated in Australia. Subsidiaries are consolidated from the date of acquisition, being the date the Company obtains control, and continue to be consolidated until the date control ceases. Control exists where the Company has power to govern the financial and operating policies of the entity in order to obtain benefits from its activities. Below are the subsidiaries within the Group.

Controlled entities are fully consolidated from the date control is obtained until the date that control ceases. All subsidiaries incorporated in Australia, along with the United Malt Group Limited, form part of the Closed Group (note 4.2). All entities were wholly owned at 30 September 2020 unless otherwise stated.

Subsidiaries controlled at 30 September 2020

Name of entity	Country of incorporation
Australia Malt Finco Pty Ltd	Australia
Australia Malt Holdco Pty Ltd	Australia
Barrett Burston Malting Co. Pty. Ltd.	Australia
Barrett Burston Malting Company WA Pty Limited	Australia
United Malt Australia Pty Ltd	Australia
Malt Real Property Pty Limited	Australia
Security Superannuation Fund Pty Limited	Australia
Canada Malting Co. Limited	Canada
Schill Malz GmbH Co. KG[13]	Germany
Schill Malz Verwaltungs-GmbH[13]	Germany
Barrett Burston Malting Co (NZ) Limited	New Zealand
Bairds Malt Limited	UK
Bairds Malt (Pension Trustees) Limited	UK
Brewers Select Limited	UK
United Malt (Canada) Holdings UK Limited	UK
United Malt UK Limited	UK
Malt UK Holdco Limited	UK
Maltco 3 Limited	UK
Mark Lawrence (Grain) Limited	UK
Moray Firth Maltings Limited	UK
Norton Organic Grain Limited	UK
Scotgrain Agriculture Limited	UK
Ulgrave Limited	UK
United Malt Holdings USA	USA
United Malt USA	USA
Great Western Malting Co	USA
Malt US Holdco Inc	USA

[13] Subject to voluntary liquidation.

4.2 Deed of cross guarantee

The Company and the subsidiaries, as disclosed in note 4.1, have entered a Deed of Cross Guarantee on 9 April 2020 under which each of the companies guarantees the debts of the other and are relieved from the requirement to prepare financial statements under ASIC Class Order No. 2016/785. These are collectively known as the Closed Group.

A Statement of Comprehensive Income and Retained Earnings, and a Statement of Financial Position, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between the parties to the Deed, for the year ended 30 September 2020, are set out below.

Statement of Comprehensive Income and Retained Earnings	2020 $ M
Revenue	204.8
Other income	142.1
Raw materials and consumables used	(167.1)
Employee benefits expense	(17.5)
Depreciation and amortisation	(12.8)
Finance costs	(3.7)
Repairs and maintenance	(4.5)
Other expenses	(9.0)
Profit before income tax	132.3
Income tax benefit	2.7
Profit for the year	**135.0**
Other comprehensive income:	
Changes in the fair value of cash flow hedges	2.2
Remeasurements of retirement benefit obligations	(0.1)
Income tax (expense) / benefit relating to components of other comprehensive income	(1.1)
Other comprehensive income for the year, net of tax	1.0
Total comprehensive income for the year	**136.0**
Summary of movements in consolidated retained earnings	
Retained losses at the beginning of the financial year	(155.9)
Income for the year	135.0
Dividends paid	-
Retained losses at the end of the financial year	**(20.9)**

4.2 Deed of cross guarantee (continued)

Set out below is the consolidated statement of financial position of the Closed Group as at 30 September 2020.

Consolidated Statement of Financial Position	2020 $ M
Current assets	
Cash and cash equivalents	116.7
Trade and other receivables	53.5
Inventories	58.8
Derivative financial instruments	2.2
Current tax assets	0.4
Total current assets	**231.6**
Non-current assets	
Trade and other receivables	337.8
Investment in subsidiaries	238.6
Property, plant and equipment	134.8
Intangible assets	24.0
Lease assets	1.4
Derivative financial instruments	0.8
Total non-current assets	**737.4**
Total assets	**969.0**
Current liabilities	
Trade and other payables	35.0
Derivative financial instruments	1.5
Lease liabilities	0.5
Current tax liabilities	0.5
Provisions	4.2
Total current liabilities	**41.7**
Non-current liabilities	
Borrowings	348.1
Lease liabilities	0.9
Derivative financial instruments	2.3
Provisions	2.7
Deferred tax liabilities	2.8
Retirement benefit obligations	0.1
Total non-current liabilities	**356.9**
Total liabilities	**398.6**
Net assets	**570.4**
Equity	
Contributed equity	166.9
Reserves	424.4
Retained losses	(20.9)
Total equity	**570.4**

4.3 Parent entity financial information

Summary financial information for the Company is set out below:

	2020 $ M	2019 $ M
Non-current assets	547.1	376.4
Total assets	547.1	376.4
Non-current liabilities	-	533.3
Total liabilities	-	533.3
Shareholders' equity		
Contributed equity	166.9	-
Reserves	393.0	-
Retained earnings earned in 2020	144.1	-
Retained losses prior periods	(156.9)	(156.9)
Total shareholders' equity	547.1	(156.9)
Profit for the year	**144.1**	**4.4**
Total comprehensive income	**144.1**	**4.4**

The parent entity is party to the Deed of Cross Guarantee and is subject to the terms of the deed as described in note 4.2. At 30 September 2020, the parent entity did not provide any other guarantees (2019: nil), contingent liabilities (2019: nil) or capital commitments (2019: nil).

4.4 Related party transactions

a) Transactions with GrainCorp Limited and its controlled entities (GrainCorp Group)

The ultimate parent entity of the Group is United Malt Group Limited, which is domiciled and incorporated in Australia. Prior to the demerger from GrainCorp and subsequent listing as a standalone entity on the ASX, the ultimate parent entity of the Group was GrainCorp Limited. Transactions with entities as part of the GrainCorp Group have been identified as related party transactions up until the date of demerger on 23 March 2020.

Prior to Demerger, the Group had a number of intercompany loan agreements where interest was payable to the benefit of the GrainCorp Group. These loans have been extinguished prior to the Demerger on 23 March 2020. The impact of the loans extinguished is recognised in a separate reserve within equity.

Transactions with GrainCorp Group entities:

	Consolidated	
	2020	2019
	$'000	$'000
Sale of goods	2	16
Purchase of raw materials and services	16,087	32,302
Interest expense	440	26,844
Other charges	3,031	6,440
Loan extinguishment	427,065	14,500

Outstanding balances in relation to transactions with GrainCorp Group:

	Consolidated	
	2020	2019
	$'000	$'000
Trade and other receivables (note 3.1a))	-	132
Trade and other payables (note 3.1c))	-	5,946
Loan agreements (note 2.1)	-	633,755

b) KMP compensation

Disclosures relating to KMP are provided in the Remuneration Report. There were no other transactions with KMP during the period. 2020 compensation is from the date at which KMPs were appointed as KMPs during the period. 2019 compensation relates only to United Malt KMPs who were acting in similar roles prior to the Demerger, being Amy Spanik, Darren Smith, and Bryan Bechard.

	2020	2019
	$'000	$'000
Short-term employee benefits	2,477	1,219
Post-employment benefits	83	22
Share-based payments	745	185
Total KMP compensation	**3,305**	**1,426**

4.5 Remuneration of auditor

	2020 $'000	2019 $'000
PwC Australia		
Audit and review of financial reports and other work under the *Corporations Act 2001*	**420**	**62**
Total remuneration of PwC Australia	**420**	**62**
Overseas practices of PwC Australia		
Audit and review of financial reports	**1,697**	**1,057**
Other services (company secretarial services)	**19**	**24**
Total remuneration of related practices of PwC Australia	**1,716**	**1,081**
Total auditors' remuneration	**2,136**	**1,143**

4.6 Events subsequent to reporting date

No significant events subsequent to the balance date have occurred.

Directors' Declaration

In the Directors' opinion:

a) The financial statements and notes set out on pages 47 to 80 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 30 September 2020 and of its performance for the financial 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; and

c) At the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 4.2 will be able to meet any obligation or liabilities to which they are, or may become, subject to by virtue of a deed of cross guarantee described in note 4.2.

The Basis of Preparation note as disclosed on page 52 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

G J Bradley AM
Chairman

Sydney
18 November 2020

Independent auditor's report

To the members of United Malt Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of United Malt Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 September 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 September 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $3.6 million, which represents approximately 5% of the Group's adjusted profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for demerger costs as they are unusual or infrequently occurring items impacting profit before tax.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Local component auditors in the United States and the United Kingdom assisted in the audit work performed, acting under instruction from the group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Goodwill Impairment assessment *(Refer to note 3.3) $324m* This was a key audit matter due to the financial size of the goodwill balances and the significant judgements involved with key assumptions including: - Estimated future cashflows - Discount rates - Long term growth rates The Group performed an impairment assessment over the goodwill balance by: - Determining the group of cash generating units (Group of CGUs) and the amount of goodwill attributed from business combinations. - Calculating the value in use for each Group of CGUs using discounted cash flow models (the models). The models estimated cash flows for each Group of CGUs for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Group's discount rates, taking into account the specific countries in which the Group of CGUs operates. - Comparing the calculated value in use of each Group of CGUs to their respective carrying amounts.	Our audit procedures included the following procedures: - Assessed whether the Group of CGUs were consistent with our understanding of the Group's operations and internal Group reporting. - Considered whether the methodology applied in the models was consistent with the basis required by Australian Accounting Standards. - Compared the cash flow forecasts for 2021 in the models to those in the latest Board approved business plan. - Evaluated the Group's ability to forecast future results for impairment models by comparing budgets with reported actual results for the previous year. - Compared the Group's key assumptions for growth rates in the model forecasts to historical results and economic and industry forecasts. - Evaluated the discount rates in the models, with the assistance of PwC experts by assessing the reasonableness of the relevant inputs in the calculation against available market data and industry research. - Evaluated the appropriateness of the terminal growth rate in the models by comparison to the long term average growth rates of the countries that the Group operates in.

Key audit matter	*How our audit addressed the key audit matter*
Taxation *(Refer to note 1.4)* Income taxes and deferred tax balances were a key audit matter because the Group has established a new tax structure following its demerger from GrainCorp Limited, involving complexity in the tax calculation including: - Creation of a new standalone group and an Allocable Cost Amount (ACA) calculation. - Assessment and revaluation of tax base of assets and liabilities to correctly record deferred tax for the new tax consolidated entity. The Group also operates across multiple jurisdictions with different laws, regulations and authorities.	Our audit procedures included the following procedures: - Support from tax experts in Australia and the United States with the audit of tax balances. - For the Group tax consolidation agreed key inputs to supporting documentation including underlying entity tax calculations. Tested the mathematical accuracy of the consolidation model. - For those individual entities identified with significant income tax expense or recorded tax payable, agreed the key inputs in the tax calculations to the relevant general ledger balance and assessed the completeness of permanent differences included in the calculation of the income tax expense and accounting and tax bases included in the calculation of deferred tax assets and liabilities. - Evaluated the analysis conducted by the Group for judgements made in respect of the ultimate amounts expected to be paid to tax authorities. - Assessed the appropriateness of the Group's disclosure in the financial report in light of Australian Accounting Standard requirements.
Accounting for the demerger from GrainCorp Limited During the year the Group demerged from GrainCorp Limited. The accounting for the demerger was a key audit matter as it gave rise to some complex accounting and financial reporting implications, including - Initial adoption of Australian Accounting Standards and associated disclosures as a new reporting entity - Assessment of new segments (Processing, Warehouse and Distribution) - Recognition of demerger-related loan forgiveness - Assessment of related party disclosures - Audit of opening balances	Our audit procedures included the following procedures: - Consultation with technical accounting specialists to assess adequacy of disclosures and appropriate treatment of significant transactions associated with the demerger. - Evaluation of management reporting structures and internal reporting to assess the appropriateness of segment reporting. - Evaluation of related party disclosures in accordance with Australian Accounting Standards. - Substantive audit procedures performed over all material opening balances and demerger related transactions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 September 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matters

As disclosed in the Basis of Preparation section of the financial report, United Malt Group Limited did not, nor was required to, produce a financial report for the year ended 30 September 2019. United Malt Group Limited successfully demerged from GrainCorp Limited on 23 March 2020 to form a stand-alone entity listed on the Australian Securities Exchange. While the Group has historically complied with AASB standards, this is the first year of preparing standalone financial statements under AASB 1 First-time Adoption of Australian Accounting Standards. The comparatives included in this financial report have therefore not previously been included in a financial report.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 34 to 45 of the directors' report for the year ended 30 September 2020.

In our opinion, the remuneration report of United Malt Group Limited for the year ended 30 September 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

K. Stubbins

Kristin Stubbins
Partner

Sydney
18 November 2020

Shareholder Information

Listing Information

United Malt is listed and our issued shares are quoted on the Australian Securities Exchange (ASX) under the code: UMG.

Unless otherwise stated all information set out below is current as at 30 October 2020.

The Company has on issue 299,179,135 ordinary fully paid shares and a total of 14,142 shareholders.

Substantial shareholders

The following organisations have a substantial shareholding in United Malt Group Limited based on substantial holding notices lodged on or before 30 October 2020.

Name	Notice date	Shares held	Issued capital %
Perpetual Limited	30 October 2020	29,449,959	9.84
GrainCorp Limited	3 July 2020	25,428,404	8.5
Ethical Partners	7 May 2020	17,141,967	6.74
Platypus Asset Management	30 October 2020	16,179,133	5.41

Twenty largest ordinary fully paid shareholder as at 30 October 2020

Rank	Name	Shares held	Issued capital %
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	98,854,066	33.04
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	39,856,816	13.32
3	CITICORP NOMINEES PTY LIMITED	39,497,472	13.20
4	GRAINCORP LIMITED	25,428,404	8.50
5	NATIONAL NOMINEES LIMITED	18,996,546	6.35
6	BNP PARIBAS NOMS PTY LTD	8,243,842	2.76
7	BNP PARIBAS NOMINEES PTY LTD	4,908,292	1.64
8	CITICORP NOMINEES PTY LIMITED	3,049,086	1.02
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,185,971	0.73
10	UBS NOMINEES PTY LTD	2,077,611	0.69
11	BRISPOT NOMINEES PTY LTD	1,945,189	0.65
12	JARJUMS HOLDINGS PTY LIMITED	1,700,000	0.57
13	MRS INGRID KAISER	1,133,976	0.38
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	957,302	0.32
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	687,896	0.23
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	542,858	0.18
17	WARBONT NOMINEES PTY LTD	531,799	0.18

18	AMP LIFE LIMITED	463,227	0.15
19	BNP PARIBAS NOMINEES PTY LTD	425,000	0.14
20	BNP PARIBAS NOMINEES PTY LTD	252,564	0.08
Total for top 20 shareholders		**251,737,917**	84.14

Holding distribution as at 30 October 2020

Range	Securities	%	No. of Holders	%
100,001 and Over	255,518,154	85.41	46	0.33
10,001 to 100,000	20,037,209	6.70	964	6.82
5,001 to 10,000	9,244,581	3.09	1,291	9.13
1,001 to 5,000	11,657,847	3.90	4,835	34.19
1 to 1,000	2,721,344	0.91	7,006	49.54
Total	**299,179,135**	**100.00**	**14,142**	**100.00**

There were 1,457 shareholders holding less than a marketable parcel of shares.

Voting rights

On a show of hands, every member present in person or proxy shall have one vote, and upon each poll, each share shall have one vote.

Unquoted Equity Securities

The Company has a total of 791,702 unquoted performance rights issued pursuant to the Company's Long Term Incentive Offer, One-off Award Offer and Discretionary Equity Offer as further described in the remuneration report. There were a total of seven holders of the unquoted performance rights.

Corporate Governance Statement

United Malt has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4^{th} edition) published by the ASX Corporate Governance Council.

The 2020 corporate governance statement is dated 17 November 2020 and reflects the corporate governance practices in place for the six month period from the time of the Company's admission to ASX on 23 March 2020 through to the end of the financial year. The 2020 corporate governance statement was approved by the Board on 17 November 2020. United Malt's 2020 corporate governance statement and key governance documents such as charters, policies and United Malt's Appendix 4G Key to Disclosures under the Corporate Governance Principles and Recommendations for the year ending 30 September 2020 can be viewed at www.unitedmalt.com/corporate-goverance.

.

Corporate Directory

Board of Directors

Graham J Bradley AM
(Chairman)

Mark L Palmquist
(Managing Director & CEO)

Barbara J Gibson
(Non-executive Director)

Terry W Williamson
(Non-executive Director)

Jane F McAloon
(Non-executive Director)

Simon L Tregoning
(Non-executive Director)

Gary W Mize
(Non-executive Director)

Company Secretary
Lisa Jones

Registered Office

ABN 61 140 174 189

Level 28
175 Liverpool Street
Sydney NSW 2000
AUSTRALIA

Tel: + 61 2 8073 3160

Company website
www.unitedmalt.com

Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Tel: +61 2 8280 711

This page had been left blank intentionally.

This page had been left blank intentionally.

This page had been left blank intentionally.