News Release

GrainCorp

Wednesday, 29 April 2020

Demerger of United Malt Group Limited – ATO Class Ruling

The Australian Commissioner of Taxation has today issued Class Ruling CR 2020/24 (**Class Ruling**) covering the Australian income tax implications of the demerger of United Malt Group Limited (**United Malt**) for shareholders of GrainCorp Limited (**GrainCorp**).

The Class Ruling confirms the availability of demerger tax relief for certain GrainCorp shareholders.

Demerger tax relief gives certain GrainCorp shareholders the choice to defer the Australian capital gains tax (**CGT**) consequences that arise as a result of a GrainCorp shareholder receiving United Malt shares under the demerger. This broadly means that where a GrainCorp shareholder chooses demerger tax relief, they will not be subject to Australian CGT until they sell their United Malt or GrainCorp shares.

The Class Ruling also confirms the dividend component of the demerger distribution of United Malt shares is not subject to tax in Australia.

GrainCorp has prepared a tax information guide to assist Australian resident shareholders of GrainCorp in calculating the cost base allocation of their GrainCorp and United Malt shares. A copy of the tax information guide is attached to this announcement and will also be made available on the GrainCorp website.

A copy of the Class Ruling is available on the GrainCorp website at www.demerger.graincorp.com.au.

This announcement is authorised by Stephanie Belton, Group General Counsel and Company Secretary of GrainCorp.

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Demerger of United Malt Group Limited

Tax information guide for Australian resident GrainCorp shareholders

GrainCorp Limited (**GrainCorp**) completed the implementation of the demerger of United Malt Group Limited (**United Malt**) on 1 April 2020.

A general guide to the Australian tax implications of the demerger is contained within Section 6 of the scheme booklet. The scheme booklet was previously sent to shareholders and is available on the GrainCorp website at www.demerger.graincorp.com.au. As indicated in the scheme booklet, it is recommended that all GrainCorp shareholders consult with a professional tax advisor regarding the taxation implications of participating in the demerger given the circumstances that apply to them.

The purpose of this tax information guide is to set out how an Australian resident shareholder of GrainCorp (**GrainCorp shareholders**) should allocate the capital gains tax (**CGT**) cost base of their GrainCorp shares between their GrainCorp and United Malt shares.

The tax implications of the demerger may vary for GrainCorp employee shareholders who hold their GrainCorp shares within a GrainCorp employee share plan trust. GrainCorp will be providing separate guidance to employees in due course.

As part of the demerger, GrainCorp applied to the Australian Commissioner of Taxation (**Commissioner**) for a class ruling confirming certain income tax implications of the demerger for certain GrainCorp shareholders. The Commissioner issued Class Ruling CR 2020/24 (**Class Ruling**), in accordance with the application made by GrainCorp. A copy of the Class Ruling is available on the GrainCorp website at www.demerger.graincorp.com.au.

CGT cost base allocation calculation

GrainCorp shareholders who hold post-CGT shares

GrainCorp shareholders who acquired their GrainCorp shares on or after 20 September 1985 (**Post-CGT shares**) will be required to apportion the total of the cost bases of their GrainCorp Post-CGT shares held just before the demerger between:

- the GrainCorp shares held by the shareholder just after the demerger; and
- the United Malt shares distributed to that shareholder.

The apportionment must be done on a reasonable basis having regard to the market values of the GrainCorp shares and the United Malt shares just after the demerger and must be undertaken irrespective of whether a GrainCorp shareholder chooses to apply demerger tax relief.

In the Class Ruling, the Commissioner confirmed that the cost base apportionment should be based on the volume weighted average prices (**VWAP**) of the GrainCorp shares and the United Malt shares, as traded on the Australian Securities Exchange on a deferred settlement basis over the first five trading days i.e. 24 March to 30 March 2020 inclusive.[1]

In paragraphs 15 and 61 of the Class Ruling, the Commissioner accepted the VWAP of the GrainCorp and United Malt shares to be as follows:

	VWAP $	Relative Market Value (%)
United Malt ordinary shares	$4.18	57.50%
GrainCorp ordinary shares	$3.09	42.50%
TOTAL	**$7.27**	**100.00%**

[1] GrainCorp's calculation of volume average weighted price (VWAP) excludes trades made on Chi-X Australia, which is consistent with its Demerger Scheme Booklet

The cost base of a GrainCorp shareholder's GrainCorp Post-CGT shares just before the demerger should therefore be allocated:

- 42.50% to their GrainCorp Post-CGT shares; and
- 57.50% to their corresponding United Malt shares.

GrainCorp shareholders that apportion the cost base of their shares on this basis should adopt the methodology consistent with the approach accepted by the Commissioner.

For the purposes of applying the CGT discount on a subsequent disposal of United Malt shares, the United Malt shares received will be taken to have been acquired on the same date as the original GrainCorp shares.

Example:

Under the GrainCorp demerger of United Malt, GrainCorp shareholders received one United Malt share for every GrainCorp share they were registered as holding at 7pm Sydney time on 25 March 2020 (**the Record Date**).

Sophie held 200 GrainCorp shares (all Post-CGT shares) on the Record Date. Sophie worked out that the aggregated cost base of her GrainCorp Post-CGT shares immediately before the demerger was $1,200 or $6 per share ($1,200 / 200 shares).

The adjusted cost base of Sophie's 200 GrainCorp shares after the demerger would be $510.00 (42.50% of $1,200) or $2.55 per share ($510.00 / 200 shares) and the cost base of Sophie's 200 United Malt shares would be $690.00 (57.50% of $1,200) or $3.45 per share ($690.00 / 200 shares).

The adjusted cost bases will be relevant for determining the capital gain or capital loss arising from a future disposal of Sophie's GrainCorp and United Malt shares.

GrainCorp shareholders who hold pre-CGT shares

GrainCorp shareholders who acquired their GrainCorp shares before 20 September 1985 (**Pre-CGT shares**) and choose demerger tax relief, can also treat their United Malt shares acquired as Pre-CGT shares. It is not necessary to undertake a cost base allocation calculation for Pre-CGT shares.

If a GrainCorp shareholder does not choose demerger tax relief, none of the United Malt shares acquired under the demerger will be treated as Pre-CGT shares. The United Malt shares will be Post-CGT shares and will have an acquisition date of 1 April 2020 (being the demerger implementation date). The cost base in each United Malt share received will equal the market value of the United Malt shares on the demerger implementation date. A reasonable estimation of the market value of each United Malt share on the demerger implementation date is the five-day VWAP of $4.18.

GrainCorp shareholders who have any further questions regarding the tax implications of the demerger should consult their professional tax advisor.