

2004 FULL FINANCIAL REPORT

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

For the year ended 30 September 2004



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DIRECTORS' REPORT

For the year ended 30 September 2004

The Directors present their report on the consolidated entity consisting of GrainCorp Limited ("GrainCorp") and the entities it controlled at the end of, or during, the year ended 30 September 2004.

Directors

The following persons were Directors of GrainCorp during the financial year:

R.L. Greentree (Chairman)
 A.D. McCallum (Deputy Chairman)
 T.B. Keene (Managing Director)
 W.G. Barron
 N. Burton Taylor AM
 R.R. Flanery
 R.G. Freeman
 D. Groves
 R.J. Hards (Appointed 19/2/04)
 J.A. Menegazzo (Retired 25/2/04)
 D.C. Taylor (Appointed 1/10/03, elected 25/2/04)
 D.B. Trebeck

Principal Activities

The nature and scope of the main activities undertaken by the consolidated entity during the year were the provision of services primarily to the grain industry including:

- receipt, handling and storage of grain and other bulk commodities as an agent for marketing organisations, end users and growers;
- marketing of grain and other bulk commodities and the operation of grain pools;
- road and rail transport services for bulk commodities;
- provision of farm input products; and
- flour milling and mixing services.

Dividends

The following fully franked dividends have been paid to shareholders during the year:

Date	Ordinary Shares		Reset Preference Shares	
	Rate (Cents)	Amount \$'000	Rate (Cents)	Amount \$'000
Final for 2003	—	—	n/a	n/a
Interim for 2004	17	6,947	324.1	3,889
Special dividend for 2004	10	4,087	—	—
Final for 2004	—	—	325.9	3,911

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final fully franked ordinary dividend of \$5.6 million (14 cents per fully paid share) to be paid on 20 December 2004 out of retained profits at 30 September 2004.

Review of Operations

The consolidated entity recorded a profit after tax of \$25.7 million for the financial year compared with a loss after tax of \$18.2 million for the previous year. EBITDA increased from \$34.1 million to \$114.7 million. The loss recorded last year has returned to profit as GrainCorp's receivables and exports reflected a more normal operating year. The significant positive difference in grain activity between 2003 and 2004 can be seen with receivables during the year being 12 million tonnes (2003: 2.1 million tonnes) and export shipping of 5.9 million tonnes (2003: 1.2 million tonnes).

This after tax result includes realised gains of \$3.3 million from asset sales during the year and a contribution from our Allied Mills investment of \$0.8 million (including interest earned) which was impacted by significant restructure costs and market conditions. The efficient integration of Grainco and receivables of 1.7 million tonnes in Queensland enabled achievement of first year investment objectives. A more detailed review of the operations during the financial year and the results of those operations appear elsewhere in the Annual Report.

DIRECTORS' REPORT

For the year ended 30 September 2004

Significant Changes in State of Affairs during the Financial Year

(i) Merger with Grainco Australia Pty Limited ("Grainco")

GrainCorp and Grainco merged on 1 October 2003 and the new combined entity continued as GrainCorp Limited. The total cost of the merger was \$117.6 million. It included \$104.9 million paid to Grainco shareholders (equivalent to \$1.39 per Grainco Ordinary Share), \$1.6 million in acquisition costs and \$11.1 million paid to CTG Australia Pty Ltd ("ConAgra") for its 25 percent interest in MarketLink (Aust) Pty Ltd ("MarketLink"). The agreement gave Grainco shareholders a choice of cash, Reset Preference Shares (RPS) in GrainCorp or a combination of both which provided them with the option of continuing as a shareholder in the merged entity.

MarketLink was a joint venture between Grainco and ConAgra with Grainco holding a 75 percent equity interest and ConAgra 25 percent. As part of the merger agreement, Grainco purchased the remaining 25 percent equity from ConAgra for \$11.1 million. This further purchase made MarketLink a wholly-owned subsidiary of Grainco. Therefore, GrainCorp became the ultimate holding company of MarketLink. Also, as a consequence of the merger, Bulk Terminals Australia Pty Ltd ("BTA") became wholly-owned by GrainCorp.

As part of the conditions of the merger, GrainCorp gave an undertaking to the Australian Competition and Consumer Commission ("ACCC") to dispose of its interest in Australian Bulk Alliance Pty Ltd ("ABA") as soon as commercially possible.

(ii) Reset Preference Shares

To fulfil the terms of the merger with Grainco, GrainCorp offered RPS at \$100 each. The offer was structured in two parts: a priority offer to Grainco and GrainCorp shareholders and a subsequent offer to the public. GrainCorp set the maximum amount to be issued at \$120 million which was over-subscribed. All priority and broker firm applications were satisfied in full, while applications made under the public offer were subject to a scale-back process. The RPS commenced trading on the Australian Stock Exchange (ASX) on a deferred settlement basis on 2 October 2003 and on a normal settlement basis on 8 October 2003.

RPS are non-cumulative preference shares quoted on the ASX.

Key features include:

- Preferred dividend: each RPS carries a preferred dividend fixed until 30 September 2006 at a rate of 6.5 percent per annum which is expected to be fully franked;
- Reset mechanism: GrainCorp may reset certain terms of RPS on a Reset Date including the applicable dividend rate. The first Reset Date is 30 September 2006; and
- Conversion rights: in certain circumstances (including on a Reset Date) a holder of RPS may receive Ordinary shares in GrainCorp for their RPS at a discount of 2.5 percent to the relevant volume weighted average price of those Ordinary shares.

(iii) Tax Consolidation

Tax consolidation legislation became substantively enacted when the *New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002* was passed by the Senate.

On 31 March 2004, GrainCorp elected to enter into tax consolidation with an entry date of 1 October 2002. The financial effect of the legislation has been recognised in the financial year and did not have a material impact on the financial statements. Refer to Note 4 in the notes to the financial statements for more information.

Other than the above, there were no significant changes in the consolidated entity's state of affairs during the year in review.

For the year ended 30 September 2004

Matters Subsequent to the End of the Financial Year

Disposal of ABA

As previously noted, when GrainCorp merged with Grainco, it gave an undertaking to the ACCC to dispose of its interest in ABA. A sale has been agreed with Sumitomo Corporation, Japan, and the final gain/loss on disposal is expected to be immaterial.

Other

Other than reported elsewhere in the Annual Report, no other matter or circumstance has arisen since 30 September 2004 which has significantly affected or may significantly affect:

- (a) the consolidated entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated entity's state of affairs in future financial years.

Likely Developments

All information on future likely developments is contained elsewhere in the Annual Report. The Directors believe that additional information as to likely developments in the operations of the consolidated entity in future financial years, including the expected results of those operations, would likely result in unreasonable prejudice to the consolidated entity.

Environment

GrainCorp is committed to ensuring its business practices are conducted in an environmentally responsible manner. Management of operations and assets are such that adverse environmental impacts are minimised. Notwithstanding compliance to environmental laws as a minimum standard, GrainCorp strives to ensure best practice principles are adopted in managing environmental issues. Strategies include, but are not limited to:

- developing and implementing sound environmental management systems to ensure legislative requirements are met;
- engaging independent specialists to assess current practice and assist in the development of improvement strategies;
- developing and encouraging employee awareness of, and responsibility to, environmental issues;
- monitoring performance of the consolidated entity in respect of environmental issues and adjusting processes accordingly; and
- introducing procedural guidelines to address task-specific environmental concerns.

An important part of the GrainCorp Environmental Management System (EMS) is the recording of any incident that may have a potential environmental impact. During the financial year, a small penalty (\$1,500) was imposed on an export facility for dust emissions. Corrective action has been agreed with the Environmental Protection Agency (EPA) to address dust emissions. No other fines or penalties were imposed on any member of the consolidated entity under environmental regulation, and all required environmental licences and permits are current.

DIRECTORS' REPORT

For the year ended 30 September 2004

Information on Directors

R.L. (Ron) Greentree (Chairman)

Grower from Mungindi, NSW. Principal of an agricultural machinery business and Director of BRI Australia Ltd. Director of Grain Growers Association Limited. Chairman of the Remuneration and Nominations Committee and GrainCorp Foundation.

A.D. (Allan) McCallum (Deputy Chairman) Dip.Ag.Sc., MAICD

Grower from Kerang, Victoria. Director of Incitec Pivot Limited, TASSAL Limited and MDI Limited. Director of Grain Growers Association Limited. Chairman of Nugrain Pty Limited. Member of the Remuneration and Nominations Committee.

T.B. (Tom) Keene (Managing Director) B.Ec., FAICD

Managing Director of GrainCorp Group and member of the Trading Risk Management and Corporate Governance Committees. Chairman of Allied Mills Australia Pty Limited. Member of the Rabobank Advisory Board.

W.G. (Graham) Barron

Grower from Ungarie, NSW. Director of Grain Growers Association Limited. Chairman of the Trading Risk Management Committee.

N. (Nick) Burton Taylor AM B.Ec., ASIA, FCA, FAICD

Grower from Boorowa, NSW. Chairman of the Australian Agricultural Company Limited, Director of Rural Press Limited and Hamilton James & Bruce Limited. Member of the Rabobank Advisory Board. Member of the Remuneration and Nominations, and Corporate Governance Committees.

R.R. (Ross) Flanery

Grower from Harden, NSW. Director of Grain Growers Association Limited, Member of the Board Audit Committee.

R.G. (Rick) Freeman

Grower from Edgeroi, NSW. Company principal of Norseman Machinery Imports Pty Limited. Member of the Trading Risk Management Committee. Director of Grain Growers Association Limited and GrainCorp Superannuation Pty Limited.

D. (David) Groves B.Com., M.Com., CA, FAICD

Chartered Accountant and Company Director. Director of Masling Industries Pty Limited and Equity Trustees Limited. Member of the Board Audit and Corporate Governance Committees.

R. (Ron) Hards

Grower from Yarrara, Victoria. Chairman of Grain Growers Association Limited. Member of the Board Audit Committee.

D.C. (Don) Taylor B.Com., CA, Grad.Cert.Rur.Sc., FAICD

Chartered Accountant and Grower from Moonie, QLD. Member of the Trading Risk Management and Corporate Governance Committees.

D.B. (David) Trebeck B.Sc.Agr. (Hons), M.Ec., MAICD

Consultant, grower and Company Director from Canberra, ACT. Principal of ACIL Tasman Pty Limited. Director of the Institute of Public Affairs, Incitec Pivot Limited and Maersk Australia Pty Ltd. Chairman of the Board Audit Committee and member of the Corporate Governance Committee.

Company Secretary

Nigel Hart, B.App.Sc. (Systems Ag) (UWS-H), FAICD

Appointed Company Secretary in May 2001 for all Group entities, Board Audit Committee and Remuneration and Nominations Committee. Director of GrainCorp Superannuation Pty Limited. Also responsible for Information Services, Human Resources, Industrial Relations, Corporate Relations, Corporate Administration and Procurement. He previously held the position of Chief Executive Officer and Company Secretary with Grain Growers Association Limited.

For the year ended 30 September 2004

Meetings of Directors

The following table sets out the number of meetings of GrainCorp's Directors (including meetings of committees of Directors) held during the twelve months to 30 September 2004, and the number of meetings attended by each Director.

Director	Board Meetings		Board Committee Meetings									
			Audit		Remuneration & Nominations		Trading Risk Management		Corporate Governance		Other	
	A	B	A	B	A	B	A	B	A	B	A	B
R.L. Greentree	12	12	—	—	8	8	—	—	—	—	—	—
A.D. McCallum	12	12	—	—	8	8	—	—	—	—	—	—
T.B. Keene	12	12	—	—	—	—	4	4	4	4	1	1
W.G. Barron	12	11	—	—	—	—	4	4	—	—	—	—
N. Burton Taylor AM	12	11	3	3	2	2	—	—	4	3	—	—
R.R. Flanery	12	12	2	2	6	5	—	—	—	—	—	—
R.G. Freeman	12	12	3	3	—	—	4	1	—	—	—	—
D. Groves	12	12	2	2	—	—	2	2	4	4	1	1
R.J. Hards	8	8	2	2	—	—	—	—	—	—	—	—
J. Menegazzo	4	3	—	—	4	4	—	—	—	—	—	—
D.C. Taylor	12	11	—	—	—	—	2	2	4	4	1	1
D.B. Trebeck	12	10	5	4	—	—	—	—	4	4	—	—

A – Number held during period in office.

B – Number attended.

Remuneration Report

Refer to details in Note 30 of the financial statements.

Occupational Health and Safety

GrainCorp is committed to ensuring compliance with relevant occupational health and safety legislation. The Board requires a best practice approach in these areas, and has implemented appropriate management objectives and structures and a regular reporting process to ensure that this is achieved. GrainCorp's occupational health and safety policies are under continuous review and are updated when required. In general terms, GrainCorp's policies are designed to eliminate injury to people and to minimise loss or damage to product stored and handled on behalf of customers.

In 2003, GrainCorp embarked on a new safety strategy that encompasses all areas of operation. In consultation with employees a more comprehensive Safety Management Program (SMP) was developed containing occupational health and safety standards that are suited to GrainCorp's operations. These standards clearly define the responsibilities and processes required to manage GrainCorp's occupational, health, safety and environmental objectives. Through this program, the organisation has empowered all employees to identify and manage risk at the local level while maintaining a robust framework of rectification programs for identified safety issues. Every executive and senior manager has undertaken safety leadership training as part of this process. This has led to an increased focus on safety throughout GrainCorp and has ensured that safety is considered an integral part of all operational and planning processes.

DIRECTORS' REPORT

For the year ended 30 September 2004

Insurance of Officers

During the financial year, the consolidated entity has paid, or agreed to pay, premiums to insure persons who are, or have been, an officer of the company or a related entity, or any past, present or future Director or officer of the company, or any of its subsidiaries or related entities. The contracts prohibit disclosure of the amount of the premium paid. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important. Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in Note 31.

Non-audit Services

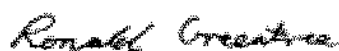
In accordance with the advice received from the Board Audit Committee, the Board of Directors is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission (ASIC), relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



R.L. Greentree
Chairman

Sydney
24 November 2004

FINANCIAL POSITION

As at 30 September 2004

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash assets	6	12,630	–	–	–
Receivables	7	182,929	41,020	50,905	44,065
Inventories	8	55,329	32,656	–	–
Other	9	12,424	8,384	–	288
Total Current Assets		263,312	82,060	50,905	44,353
Non-Current Assets					
Receivables	10	49,163	49,554	29,259	47,280
Investments accounted for using the equity method	11	75,394	73,711	70,920	72,815
Other financial assets	12	–	–	268,861	162,360
Property, plant & equipment	13	487,622	383,903	–	–
Deferred tax assets	14	11,359	5,401	11,359	2,775
Intangible assets	15	10,693	11,351	–	–
Total Non-Current Assets		634,231	523,920	380,399	285,230
Total Assets		897,543	605,980	431,304	329,583
Current Liabilities					
Payables	16	114,309	28,133	2,772	2,283
Interest bearing liabilities	17	72,734	37,714	79,018	71,937
Current tax liabilities	18	7,865	–	7,865	–
Provisions	19	12,836	7,874	874	991
Total Current Liabilities		207,744	73,721	90,529	75,211
Non-Current Liabilities					
Interest bearing liabilities	20	254,745	223,034	92,200	104,200
Deferred tax liabilities	21	6,802	11,607	6,802	–
Provisions	22	29,672	22,521	4,486	3,946
Total Non-Current Liabilities		291,219	257,162	103,488	108,146
Total Liabilities		498,963	330,883	194,017	183,357
Net Assets		398,580	275,097	237,287	146,226
Equity					
Parent entity interest:					
Contributed equity	23	219,149	102,591	219,149	102,591
Reserves	24	18,430	18,430	13,510	13,510
Retained profits	24	160,919	154,076	4,628	30,125
Total GrainCorp interest		398,498	275,097	237,287	146,226
Outside equity interest in controlled entities	25	82	–	–	–
Total Equity		398,580	275,097	237,287	146,226

The above statements of financial position should be read in conjunction with the attached notes.

Statements of

FINANCIAL PERFORMANCE

For the year ended 30 September 2004

	Note	Consolidated		Parent Entity	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from operating activities		934,357	463,326	—	—
Other revenue (includes disposal of equity investments)		29,791	49,551	14,164	17,639
Total revenue from ordinary activities	2	964,148	512,877	14,164	17,639
Goods purchased for resale		(636,261)	(335,494)	—	—
Raw materials and consumables used		(25,453)	(7,189)	—	—
Employee benefits expense		(112,060)	(59,536)	(10,982)	(12,213)
Depreciation and amortisation expenses		(48,491)	(41,998)	—	—
Borrowing costs expense		(29,530)	(17,972)	(8,538)	(6,223)
Repairs and maintenance		(14,839)	(7,247)	—	—
Cost of equity investment disposed		—	(25,194)	—	—
Other expenses from ordinary activities		(60,316)	(45,937)	(1,447)	(1,172)
Expenses from ordinary activities		(926,950)	(540,567)	(20,967)	(19,608)
Share of net profit/(loss) of associates accounted for using the equity method	35	(516)	1,783	(1,895)	1,895
Profit/(Loss) from ordinary activities before income tax expense	3	36,682	(25,907)	(8,698)	(74)
Income tax benefit/(expense)	4	(11,003)	7,689	2,035	548
Profit/(Loss) from ordinary activities after income tax expense		25,679	(18,218)	(6,663)	474
Outside equity interests in profit/(loss) from ordinary activities after income tax		(2)	—	—	—
Net Profit/(Loss) attributable to members of GrainCorp		25,677	(18,218)	(6,663)	474
Total changes in equity other than those resulting from transactions with owners		25,677	(18,218)	(6,663)	474
		Cents	Cents		
Basic earnings/(loss) per Ordinary share	37	43.7	(44.8)		
Diluted earnings/(loss) per Ordinary share	37	42.8	(43.8)		

The above statements of financial performance should be read in conjunction with the attached notes.

Statements of CASH FLOWS

GrainCorp Limited 2004 Full Financial Report

08/09

For the year ended 30 September 2004

		Consolidated		Parent Entity	
		2004	2003	2004	2003
	Note	\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of goods & services tax)		1,010,575	601,280	12,529	16,216
Payments to suppliers and employees (inclusive of goods & services tax)		(970,752)	(503,695)	(11,898)	(13,719)
		39,823	97,585	631	2,497
Interest received		5,751	3,347	3,063	2,819
Borrowing costs		(19,808)	(17,617)	(8,137)	(6,223)
Income taxes (paid)/refunded		(2,140)	6,474	(158)	231
Net Cash Inflow/(Outflow) from Operating Activities	34	23,626	89,789	(4,601)	(676)
Cash Flows from Investing Activities					
Cash acquired on merger		7,991	—	—	—
Payments for property, plant and equipment		(30,586)	(10,114)	—	—
Sale of investments/business		—	32,128	—	—
Purchases of investments/business		(77,302)	(71,429)	(77,302)	(70,920)
Dividends received		—	958	—	—
Proceeds from sale of property, plant and equipment		14,285	2,937	—	—
Loans repaid by related parties		19,188	1,200	19,188	—
Deposit bond for Pools facility		(8,896)	—	—	—
Loans from/(to) related parties		(9,250)	(49,057)	8,652	(38,078)
Net Cash Inflow/(Outflow) from Investing Activities		(84,570)	(93,377)	(49,462)	(108,998)
Cash Flows from Financing Activities					
Proceeds from interest bearing liabilities		270,946	202,400	—	118,200
Repayment of interest bearing liabilities		(262,251)	(181,380)	(10,250)	(3,750)
Proceeds from executive share options exercised		—	550	—	550
Issue of Reset Preference Shares (net of issue costs)		86,491	(868)	86,491	(868)
Dividends paid		(18,834)	(11,286)	(18,834)	(11,286)
Net Cash Inflow/(Outflow) from Financing Activities		76,352	9,416	57,407	102,846
Net increase/(decrease) in cash held		15,408	5,828	3,344	(6,828)
Cash at the beginning of the financial year		(2,778)	(8,606)	(13,257)	(6,429)
Cash at the End of the Financial Year	6	12,630	(2,778)	(9,913)	(13,257)

The above statements of cash flows should be read in conjunction with the accompanying notes. Refer to Note 36 for details on non cash financing activities.

FINANCIAL STATEMENTS

For the year ended 30 September 2004

1. Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

The principal accounting policies adopted by GrainCorp Limited "GrainCorp" and the consolidated entity (i.e. GrainCorp and its controlled entities GrainCorp Services Limited "Services", GrainCorp Operations Limited "GCOP", GrainCorp Victoria Pty Limited "Victoria", GrainCorp National Pty Limited "National", AG Finance Pty Ltd "AG Finance", Victorian Grain Services Pty Limited "VGS", Vicgrain Pty Limited "Vicgrain", Vicgrain (Assets) Pty Limited "Assets", Vicgrain (Finance) Pty Limited "Finance", Grainco Australia Pty Limited "Grainco", Agricultural Risk Management Services Pty Limited "ARMS", Globex International Pty Ltd "Globex", ContainerLink Pty Limited "ContainerLink", Ausfarmers Pty Limited "Ausfarmers", Maceast Pty Limited "Maceast", Wilsonton Facilities Pty Limited "Wilsonton", Australian Independent Cement Terminals Pty Limited "AICT", Grainco Australia (sub1) Pty Limited "Sub1", Grainco Australia Seeds Pty Limited "Seeds", Austasia Grains Pty Ltd "Austasia", MarketLink (Aust) Pty Limited "MarketLink", GrainCorp Barley Pool Pty Ltd, ACN 089 443 498 Pty Ltd and Bulk Terminals Australia Limited "BTA") are stated to assist the general understanding of these statements.

Unless otherwise noted, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability. The accounts are drawn up on historical cost principles.

New Accounting Standards

As a result of applying the new accounting standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, a number of additional disclosures have been made relating to remuneration and related transactions for directors and specified executives.

International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) has issued Australian equivalents to International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian equivalents to IFRS will be first reflected in the company's financial statements for the year ending 30 September 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in Note 1(y).

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by GrainCorp as at 30 September 2004 and the results of all controlled entities for the year then ended. GrainCorp and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Statement of Financial Performance and Statement of Financial Position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Statement of Financial Performance from the date on which control commenced. Where control of an entity ceases during a financial year its results are included for that part of the period during which control exists.

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Goodwill is brought to account on the basis described in Note 1(f)(i).

For the year ended 30 September 2004

b) Cash

For the purpose of the statements of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

c) Investments

Interests in listed and unlisted securities, other than controlled entities, associates and joint ventures in the consolidated financial statements, are brought to account at cost and the dividend income is recognised in the Statement of Financial Performance when receivable.

Investments in the controlled entities have been stated in the financial statements of GrainCorp at cost. Controlled entities, associates and joint ventures are accounted for in the consolidated financial statements as set out in Notes 1(a) and 1(u).

d) Non-Current Assets Constructed by the Consolidated Entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all the materials used in construction, direct labour, borrowing costs incurred during construction and an appropriate proportion of fixed and variable overheads.

e) Depreciation of Property, Plant and Equipment

(i) Land, Buildings and Leasehold Improvements

Freehold land is not depreciated. Freehold buildings and structures are depreciated over their estimated useful lives on the straight-line method based on cost. Leasehold improvements are amortised over the term of each lease on a straight-line basis.

(ii) Property, Plant and Equipment

Property, plant and equipment is depreciated using the straight-line method over its estimated useful life, taking into account commercial and technical obsolescence as well as normal wear and tear. Depreciation is calculated either from the date of commissioning or the month following acquisition and is calculated up to and including the month of disposal. Major depreciation periods are:

- Freehold buildings – 20 to 50 years;
- Leasehold improvements – the lease term; and
- Plant and equipment – 3 to 75 years.

Gain or loss on sale of property, plant and equipment is brought to account in determining the results for the financial year.

(iii) Leased Assets

A distinction is made between finance leases and operating leases. A finance lease effectively transfers from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets. Finance leases are capitalised and a lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over the term of the lease. Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

Liabilities for surplus leased space under non-cancellable leases which are onerous contracts are recognised when the liability is known and can be reliably measured.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

1. Summary of Significant Accounting Policies (continued)

f) Intangible Assets

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight-line basis over 20 years which is the period benefits are expected to arise.

Where the fair value of the identifiable net assets acquired including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing the recorded amounts of the non-monetary assets acquired to zero, a discount balance remains it is recognised as revenue in the Statement of Financial Performance.

(ii) Intellectual property

Intellectual property is amortised over the period of its expected benefit.

g) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the Statement of Financial Performance in the reporting period in which the recoverable amount write-down occurs. The expected net cash inflows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market-determined, risk-adjusted discount rate.

h) Repairs and Maintenance

Repairs, minor renewals and improvements, and the purchase of minor items of tools and equipment are generally charged as expenses as incurred. Major renewals and improvements are capitalised and depreciated.

i) Inventories

(i) Consumable Stores

Consumable stores held for own consumption are valued at the lower of cost and net realisable value. Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

(ii) Trading Stock

All trading stock is stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock mainly on the basis of weighted average costs. Cost comprises direct material and an appropriate portion of variable overhead.

j) Employee Benefits and Workers' Compensation

Employee entitlements are calculated in accordance with AASB 1028: *Accounting for Employee Entitlements*.

For the year ended 30 September 2004*(i) Wages and Salaries, Annual Leave and Vesting Sick Leave*

Liabilities for wages and salaries, annual leave and vesting sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-vesting sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions to employee superannuation funds are charged as an expense as the contributions are paid or become payable.

(iv) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits relating to an acquired entity or operation that arise as a consequence of acquisitions are recognised as at the date of acquisition if, at or before the acquisition date, the main features of the terminations were planned and a valid expectation had been raised in those employees affected that the terminations would be carried out and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier. These liabilities are disclosed in aggregate with other restructuring costs as a consequence of the acquisition.

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

(v) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vi) Workers' Compensation

The provision in the financial statements for workers' compensation has been made on the basis of an independent actuarial assessment.

(vii) Ownership-based Remuneration

Ownership-based remuneration is provided to employees via GrainCorp's employee share plans. Information regarding these plans is set out in Note 27.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

1. Summary of Significant Accounting Policies (continued)

k) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are capitalised into the costs of qualifying assets. Borrowing costs include:

- (i) interest on bank overdrafts and short-term and long-term borrowings;
- (ii) amortisation of discounts or premiums relating to borrowings;
- (iii) amortisation of ancillary costs incurred in connection with the arrangement of borrowings;
- (iv) finance lease charges; and
- (v) charges for commodity inventories funding arrangements.

l) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the Statement of Financial Performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

No provision is made for additional taxes which could become payable if certain reserves of the foreign controlled entity were to be distributed as it is not expected that any substantial amount will be distributed from those reserves in the foreseeable future.

m) Research, Development and Marketing Costs

Research, development, advertising and other marketing program costs are generally charged against income as incurred.

n) Revenue Recognition

Sales revenue represents revenue earned from the provision of services, including the handling, classification and storage of grains and other bulk commodities, and the marketing of grain, seed, fertiliser, chemicals and other products.

Sales revenues are recognised when the services are provided to the customer. Amounts billed in advance are recorded as a current liability until such time as the service is performed.

Other revenue includes, primarily, fee for management of pools, investment income earned on monetary investments and proceeds on sale of non-current assets.

o) Insurance

The controlled entity GCOP is a self-insurer in New South Wales for workers' compensation liabilities. GCOP carries insurance for claims in excess of \$500,000 for any one incident. GCOP, outside New South Wales, and GrainCorp in all States and Territories, insure for workers compensation through the appropriate statutory funds.

Major property risks are insured at replacement value with an excess of \$1 million for any one event. Appropriate policies for public liability, professional indemnity, motor vehicle third party property and other significant insurable risks are carried.

p) Financial Instruments

The consolidated entity enters into interest rate swap agreements, futures, forward and options contracts which are not recognised in the statements on inception. For interest rate swap agreements, the net amount receivable or payable financial

For the year ended 30 September 2004

is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest expense during the period and included in other debtors or other creditors at each reporting date. Financial instruments include futures, forward and options contracts which may incorporate physical deliveries. Any gain or loss is deferred and brought to account when realised.

q) Foreign Currency Translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

(ii) Specific Commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the Statement of Financial Performance over the lives of the hedges. The net amounts receivable or payable under the hedging transaction are also recorded in the Statement of Financial Position.

r) Earnings per Ordinary Share

(i) Basic Earnings per Ordinary Share

Basic earnings per Ordinary share is determined by dividing net profit after income tax attributable to Ordinary members of the company, excluding costs of servicing equity other than Ordinary shares, by the weighted average number of Ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Ordinary Share

Options granted under the GrainCorp executive option plan are considered to be potential Ordinary shares and have been included in the determination of diluted earnings per share.

s) GrainCorp Operated Grain Pools

The consolidated entity operates grain pools on behalf of growers. GrainCorp receives a management fee for its services based on a percentage of the pools' total revenue. 80 percent of the expected management fee is recognised over the life of the pool with the balance recognised when the pool closes.

As part of GrainCorp's management of the pools it is responsible for arranging funding to facilitate advance payments to growers over the life of the pool. At the start of this financial year GrainCorp entered into an arrangement with GrainCorp Wheat Pools Pty Limited (GCWPL), a company 100 percent owned by Rabo Australia Limited, to provide this financing.

At present, the Urgent Issues Group (UIG) and Australian Securities and Investment Commission (ASIC) are reviewing the area of pools management and a consensus is being reached. In the absence of a consensus, it has been determined the substance of this transaction is such that GrainCorp controls GCWPL and has therefore been consolidated in the GrainCorp financial report. Although this funding is non-recourse to GrainCorp it has resulted in the recognition of a pool advance facility balance of \$71 million from Rabobank and net pool advances of \$71 million. Any interest on this facility is borne by the pools.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

1. Summary of Significant Accounting Policies (continued)

s) GrainCorp Operated Grain Pools (continued)

GCWPL also require GrainCorp to provide a 5 percent deposit bond of the utilised funding which is shown as a receivable in GrainCorp's Statement of Financial Position. In the event of a significant shortfall in pool funds, GrainCorp's exposure is limited to the forfeiture of this bond (until reimbursed by pool participants), together with its management fee income. The accounting policy for other pool facilities managed by GrainCorp has also been changed to reflect the advance facility and advances made to pool participants in a manner consistent with the above arrangement.

t) Dividends

Provision is only made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the year but not distributed at balance date.

u) Associates and Joint Ventures

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates and joint ventures is recognised in the consolidated Statement of Financial Performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves in the Statement of Financial Position. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates and joint ventures are those entities over which the consolidated entity exercises significant influence, but not control.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the consolidated entity's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

Parent entity profit and carrying value of associates have been adjusted by \$1.9 million in the financial year to correct the prior year accounting treatment of equity accounted share of profits or losses in associates. This had no effect on the results of the consolidated entity.

v) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases the nearest dollar.

w) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

x) Interest bearing liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(y) Transition to International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group (UIG) is issuing abstracts

For the year ended 30 September 2004

corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The adoption of Australian equivalents to IFRS (AIFRS) will be first reflected in the consolidated entity's financial statements for the half-year ending 31 March 2006 and the year ending 30 September 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 October 2004.

Management of transition to IFRS

The consolidated entity has established a project team to manage the transition to AIFRS. It is led by the Financial Accounting Manager and reports regularly to the Board Audit Committee. The project team has prepared a project plan for managing the transition and is currently on schedule. The transition consists of four stages:

(i) *Scoping and impact analysis*

Project scoping and impact analysis was substantially completed by 30 September 2004 and produced a high-level view of potential differences to existing accounting and reporting policies and consequential changes to information systems and business processes. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

(ii) *Appraisal and design*

This stage involves specification of changes to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under AIFRS and development of draft AIFRS financial statement content. This stage was well underway at 30 September 2004 and the consolidated entity will continue to assess the impact of AIFRS through to implementation.

(iii) *Implementation*

This stage has commenced and involves training of key GrainCorp finance staff, making necessary changes to information systems and formally amending accounting policies. It will include collection of financial information necessary to produce AIFRS-compliant financial statements. This stage is expected to be completed by 30 September 2005.

(iv) *Review*

Once changes to accounting policies, financial systems and business processes have been embedded to reflect the requirements of AIFRS, a review will follow to ensure the transition to AIFRS has been implemented satisfactorily. It will include a full review of AIFRS-compliant financial statements. This stage will be completed by 31 March 2006.

Key differences in accounting policies

Major changes identified to date that may be required to the consolidated entity's existing accounting policies include the following:

(i) *Intangible assets – goodwill*

Under AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over twenty years which is the period the benefits are expected to arise.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

1. Summary of Significant Accounting Policies (continued)

(y) Transition to International Financial Reporting Standards (IFRS) (continued)

(ii) Financial instruments

Under AASB 132 *Financial Instruments: Disclosure and Presentation*, the current classification of financial instruments issued by entities in the consolidated entity may change. The parent entity has Reset Preference Shares (RPS) on issue and it is expected they will be reclassified from Contributed Equity to Non-current Interest Bearing Liabilities.

Under AASB 139 *Financial Instruments: Recognition and Measurement*, there may be impacts as a result of:

- commodity contracts and associated derivatives do not currently meet hedge accounting criteria. The AIFRS implementation project is considering the options available and if meeting the strict hedge accounting criteria is not possible, movements in the fair value of these contracts will be brought to account in the Statement of Financial Performance.
- financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that investments in any equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

(iii) Impairment

Under AASB 136 *Impairment of Assets*, all non-current assets must be checked for impairment annually or when a "triggering event" occurs. Assets must be allocated to individual or groups of cash generating units and future cash flows determined by using discounting. Currently, impairment of assets is reviewed with reference to market value and/or recoverable amount and does not incorporate discounted cash flows into the calculations.

(iv) Equity-based compensation benefits

Under AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation. GrainCorp's current executive options plans were granted before 7 November 2002 and will expire on 30 September 2005; therefore they will not directly effect earnings under AASB 2.

(v) Income tax

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the overall impact of the transition to AIFRS on the consolidated entity's financial position and reported results.

For the year ended 30 September 2004

2. Revenue

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from operating activities				
Sale of goods	707,727	357,179	—	—
Services	226,630	106,147	—	—
	934,357	463,326	—	—
Other revenue				
Dividends	—	958	—	—
Interest	5,751	3,347	2,772	2,819
Sale of non-current assets	14,285	35,171	—	—
Rental income	363	259	—	—
Management fee income	2,820	1,114	11,392	14,819
Other income	6,572	8,702	—	1
	29,791	49,551	14,164	17,639
Total revenue from ordinary activities	964,148	512,877	14,164	17,639

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

3. Operating Profit

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains/(Losses)				
Gain on sale of investment in AWB Limited	—	6,933	—	—
Foreign exchange hedging gain	7,971	4,951	—	—
Gain/(loss) on disposal of property, plant and equipment	4,762	775	—	—
Expenses				
Cost of goods sold	661,714	342,683	—	—
Borrowing costs				
– Interest charges	24,742	15,751	6,527	5,670
– Other costs	4,788	2,221	2,011	553
Total borrowing costs	29,530	17,972	8,538	6,223
Depreciation				
– Plant and equipment	44,523	36,971	—	—
– Buildings and improvements	2,679	2,561	—	—
Total depreciation	47,202	39,532	—	—
Amortisation				
– Leased assets	631	919	—	—
– Intangible assets	658	1,547	—	—
Total amortisation	1,289	2,466	—	—
Other charges against assets				
– Bad and doubtful debts	(172)	784	—	—
– Provision for loan recovery	—	2,226	—	—
Total other charges against assets	(172)	3,010	—	—
Other provisions				
– Employee entitlements	(172)	1,456	423	254
– Provision for workers' compensation	(730)	(1,470)	—	—
Total other provisions	(902)	(14)	423	254
Research and development costs	446	314	—	—

For the year ended 30 September 2004

4. Income Tax

The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:

Income tax expense/(benefit) attributable to operating profit	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Operating profit/(loss) before income tax	36,682	(25,907)	(8,698)	(74)
Income tax calculated at 30% (2003 – 30%)	11,005	(7,772)	(2,609)	(22)
Tax effect of permanent differences:				
– Non deductible depreciation and amortisation	1,307	1,796	–	–
– Additional allowable tax depreciation	(1,615)	(2,514)	–	–
– Dividend received/receivable	–	(287)	–	–
– Other	472	195	3	43
– Share of net profit of associate	154	707	569	(569)
Income tax adjusted for permanent differences	11,323	(7,875)	(2,037)	(548)
(Over)/Under provision in previous year	(320)	186	2	–
Income tax expense/(benefit) attributable to operating profit	11,003	(7,689)	(2,035)	(548)
Income tax attributable to operating profit/(loss) comprises:				
Current taxation provision	13,456	(1,744)	(2,070)	(407)
Deferred income tax provision	(5,698)	(3,992)	(86)	–
Future income tax benefit	3,245	(1,953)	121	(141)
Income tax expense/(benefit) attributable to operating profit	11,003	(7,689)	(2,035)	(548)

Tax Losses

The proportion of the future income tax benefit shown in note 14 attributable to tax losses is:

	5,524	3,948	5,524	–
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This benefit for tax losses will only be obtained if:

- 1) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- 2) the losses are transferred to an eligible entity in the consolidated entity, and
- 3) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- 4) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

4. Income Tax (continued)

Tax consolidation legislation

Tax consolidation legislation became substantively enacted when the *New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002* was passed by the Senate. GrainCorp elected to enter into tax consolidation on 31 March 2004 with an entry date of 1 October 2002.

Further retrospective legislation was subsequently introduced into Parliament on 1 April 2004 which would significantly reduce any transitional benefits of entering into the new regime. As a result of this subsequent legislation, there was no material impact on the consolidated assets, liabilities and results.

As a consequence of being a tax consolidated entity, GrainCorp, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

5. Dividends

The following fully franked dividends have been paid to shareholders during the year:

Date	Ordinary Shares		Reset Preference Shares	
	Rate (Cents)	Amount \$'000	Rate (Cents)	Amount \$'000
Final for 2003	—	—	n/a	n/a
Interim for 2004	17	6,947	324.1	3,889
Special dividend for 2004	10	4,087	—	—
Final for 2004	—	—	325.9	3,911

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final fully franked ordinary dividend of \$5.6 million (14 cents per fully paid share) to be paid on 20 December 2004 out of retained profits at 30 September 2004.

The franked portion of dividends recommended after 30 September 2004 will be paid out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 September 2004.

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Franking credits available for the subsequent financial year	27,859	25,267	27,859	8,899

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

Franking credits available at 30 September 2003 of \$616,000 were transferred to the parent entity on 1 October 2003 upon Grainco entering the GrainCorp tax consolidated group.

For the year ended 30 September 2004

6. Cash (current)

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash at bank and on hand	12,630	—	—	—
Less: Bank overdrafts (note 17)	—	(2,778)	(9,913)	(13,257)
	12,630	(2,778)	(9,913)	(13,257)

7. Receivables (current)

Trade debtors	91,498	31,479		
Less: Provision for doubtful debts	(2,480)	(1,994)	—	—
	89,018	29,485	—	—
Other unsecured debtors ¹	8,533	9,248	6	1,464
Margin deposits on commodity futures contracts	495	1,131	—	—
Advances to associated entities (note 32)	13,917	1,156	—	—
Pools advance (note 16 & note 1 (s))	70,966	—	—	—
Related party debtors (note 32)				
– Services	—	—	42,623	42,601
– Operations	—	—	8,276	—
	182,929	41,020	50,905	44,065

¹ Other unsecured debtors generally arise from transactions outside the usual operating activities of the consolidated entity.

8. Inventories (current)

Consumable stores	4,241	3,690	—	—
Trading stock	2,922	5,403	—	—
Commodities inventory at net realisable value (secured by interest bearing liabilities – note 17)	12,686	14,877	—	—
Commodities inventory at cost (secured by interest bearing liabilities – note 17)	35,480	8,686	—	—
	55,329	32,656	—	—

The facility for funding commodities inventory is provided by a financial institution who own legal title to the grain. GrainCorp bears the significant risks and rewards of this arrangement, and therefore the inventory and associated interest bearing liabilities have been included in the Statement of Financial Position.

9. Other Assets (current)

Prepayments	11,076	3,447	—	288
Other assets	1,348	4,937	—	—
	12,424	8,384	—	288

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For the year ended 30 September 2004

10. Receivables (non-current)

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Loans to associate entities (note 32)	37,342	51,741	29,259	47,280
Less: Provision for loan recovery	—	(2,246)	—	—
	37,342	49,495	29,259	47,280
Deposit bond for Pools facility	8,784	—	—	—
Sundry debtors	3,037	59	—	—
	49,163	49,554	29,259	47,280

11. Investments Accounted for using the Equity Method (non-current)

Shares in associated companies (notes 1(u) & 35)	75,394	73,711	70,920	72,815
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12. Other Financial Assets (non-current)

Shares in controlled entities at cost (note 29)	—	—	268,861	162,360
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13. Property, Plant & Equipment (non-current)

Land, Buildings and Improvements

Freehold land, at cost	18,289	16,408	—	—
Freehold building and structures, at cost	129,775	55,747	—	—
Less: Provision for accumulated depreciation	(45,359)	(11,969)	—	—
	84,416	43,778	—	—
Leasehold improvements, at cost	13,022	3,394	—	—
Less: Provision for accumulated depreciation	(1,108)	(591)	—	—
	11,914	2,803	—	—
Total land, buildings and improvements	114,619	62,989	—	—

Plant and Equipment

Leased Plant and equipment	4,348	2,989	—	—
Less: Provision for accumulated depreciation	(1,226)	(1,203)	—	—
	3,122	1,786	—	—
Other plant and equipment, at cost	561,576	504,479	—	—
Less: Provision for accumulated depreciation	(199,574)	(189,474)	—	—
	362,002	315,005	—	—
Total Plant and equipment	365,124	316,791	—	—
Capital works in progress, at cost	7,879	4,123	—	—
	487,622	383,903	—	—

For the year ended 30 September 2004

As at 30 September 2004, the Directors' valuation of land and buildings was \$263 million compared to book values of \$103 million. This view is based upon independent valuations of those sites that encompass a significant proportion of the book value of land and buildings. The valuation was carried out in September 2004 using fair value as the basis and performed by members of the Australian Property Institute as detailed below.

Company	Note	Book Actual \$	Valuation \$	Valuation Date
GCOP				
Land		8,575,623	22,945,000	30/9/04
Buildings & Structures	(i)	53,654,753	154,989,000	
Vicgrain Group				
Land		4,583,702	11,500,000	30/9/04
Buildings & Structures	(ii)	16,326,082	53,000,000	
Grainco Group				
Land		5,130,080	5,429,800	30/09/04
Buildings & Structures	(iii)	14,433,760	15,108,000	
Total		102,704,000	262,971,800	

Notes:

- (i) Valuation was based on extrapolation of a sample of sites that were valued at 30 September 2004 by Hymans Asset Management.
- (ii) Valuations were conducted on 100 percent of sites for Tax Consolidation purposes at an effective date of 1 October 2002 and updated to fair values as at 30 September 2004 by M3 Property Strategies.
- (iii) Valuations were obtained for fair value on acquisition and Tax Consolidation purposes as at 1 October 2003 and subsequently updated for market movements as at 30 September 2004 by Rushton Valuers Pty Ltd.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

13. Property, Plant & Equipment (non-current) (continued)

Reconciliations

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

	Land	Buildings & Structures	Leasehold Improvements	Leased Plant & Equipment	Plant & Equipment	Capital Works in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated							
Balance at 1 October 2003	16,408	43,778	2,803	1,786	315,005	4,123	383,903
Additions through acquisition of entity (note 29)	5,130	17,110	9,822	—	98,427	—	130,489
Reclassifications	—	27,959	(2)	(379)	(27,578)	—	—
Additions ¹	230	9,822	—	2,346	14,432	3,756	30,586
Disposals	(3,479)	(2,739)	(164)	—	(3,141)	—	(9,523)
Depreciation/amortisation	—	(11,514)	(545)	(631)	(35,143)	—	(47,833)
Balance at 30 September 2004	18,289	84,416	11,914	3,122	362,002	7,879	487,622

¹ Represents additions and transfers from work-in-progress.

The balance at 30 September 2004 for the parent entity is zero.

14. Deferred Tax Assets (non-current)

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Future income tax benefit	11,359	5,401	11,359	2,775

15. Intangible Assets (non-current)

Goodwill, at cost	13,135	13,135	—	—
Less: Accumulated amortisation	(2,442)	(1,784)	—	—
	10,693	11,351	—	—

16. Payables (current)

Trade creditors	29,701	23,474	289	1,797
Other creditors	3,239	3,715	2,483	486
Income received in advance	740	944	—	—
Convertible notes	9,663	—	—	—
Pool advance facility (note 7 & note 1(s))	70,966	—	—	—
	114,309	28,133	2,772	2,283

For the year ended 30 September 2004

17. Interest Bearing Liabilities (current)

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Bank overdraft	–	2,778	9,913	13,257
Bills payable	12,000	10,250	12,000	10,250
Loans (note 8)	58,689	23,563	–	–
Other loans	–	400	–	–
Leases	2,045	723	–	–
Other related parties (note 32) – GCOP	–	–	57,105	48,430
	72,734	37,714	79,018	71,937

Note: Leases are secured by the underlying assets; Loans are secured against related inventory; the remaining liabilities are all unsecured.

18. Tax Liabilities (current)

Provision for income tax	7,865	–	7,865	–
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19. Provisions (current)

Claims and disputes	6,958	3,172	–	–
Workers compensation	560	700	–	–
Employee benefits (note 27)	5,318	4,002	874	991
	12,836	7,874	874	991

Movements in Provisions

	Claims & Disputes \$'000	Workers' Compensation \$'000	Employee Entitlements \$'000	Total \$'000
Consolidated – 2004				
Carrying amount at beginning of year	3,172	700	4,002	7,874
Additional provisions recognised/(released)	240	–	–	240
Additions through acquisition of entity (note 29)	12,866	–	5,548	18,414
Payments made	(9,320)	–	(5,150)	(14,470)
Reclassification (from)/to current (to)/from non-current	–	(140)	918	778
Carrying amount at end of year	6,958	560	5,318	12,836

Parent entity – 2004

Carrying amount at beginning of year	–	–	991	991
Additional provisions recognised/(released)	–	–	688	688
Payments made	–	–	(265)	(265)
Reclassification (from)/to current (to)/from non-current	–	–	(540)	(540)
Carrying amount at end of year	–	–	874	874

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For the year ended 30 September 2004

20. Interest Bearing Liabilities (non-current)

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Bills payable	248,800	221,800	92,200	104,200
Leases	5,945	1,234	—	—
	254,745	223,034	92,200	104,200

Note: Apart from leases, which are secured by the underlying assets, the remaining liabilities are all unsecured.

21. Deferred Tax Liabilities (non-current)

Deferred income tax liability	6,802	11,607	6,802	—
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22. Provisions (non-current)

Restoration	5,372	5,000	—	—
Lease Incentive	3,203	—	—	—
Workers' compensation	1,600	2,190	—	—
Employee entitlements (note 27)	19,497	15,331	4,486	3,946
	29,672	22,521	4,486	3,946

Movements in Provisions

	Restoration ¹	Lease	Workers	Employee	Total
	\$'000	Incentive	Compensation	Entitlements	\$'000
Consolidated – 2004		\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of year	5,000	—	2,190	15,331	22,521
Additional provisions recognised/(released)	411	3,203	(730)	4,978	7,862
Additions through acquisition of entity (note 29)	—	—	—	106	106
Payments made	(39)	—	—	—	(39)
Reclassification from/(to) current to/(from) non-current	—	—	140	(918)	(778)
Carrying amount at end of year	5,372	3,203	1,600	19,497	29,672

¹ \$5 million of this provision was made to satisfy obligations to remove redundant plant and equipment by 2005 from the Geelong port facility.

	Restoration	Lease	Workers	Employee	Total
	\$'000	Incentive	Compensation	Entitlements	\$'000
Parent Entity – 2004		\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of year	—	—	—	3,946	3,946
Reclassification from/(to) current to/(from) non-current	—	—	—	540	540
Carrying amount at end of year	—	—	—	4,486	4,486

For the year ended 30 September 2004

23. Contributed Equity

	Parent Entity	
	2004	2003
	\$'000	\$'000
Paid up capital	219,149	102,591

Share Capital at 30 September 2004 and 30 September 2003 consisted of the following fully paid shares:

	Number	Number
GGA Foundation share	1	1
Reset preference shares (RPS)	1,200,000	–
Ordinary shares	40,872,232	40,867,232

Movements in ordinary share capital of the company during the past two years were as follows:

Date	Details	Total Number of Shares	Ordinary Shares \$'000
30 September 2002	Sub-total	40,073,664	96,524
26 November 2002	Share options exercised	24,000	150
3 December 2002	Share options exercised	64,000	400
6 January 2003	Dividends reinvested	694,618	6,385
July 2003	Issued under employee share acquisition plan ¹	10,950	–
30 September 2003	Sub-total	40,867,232	103,459
2 August 2004	Issued under employee share acquisition plan ¹	5,000	–
30 September 2004	Total	40,872,232	103,459

¹ Refer to Note 27 for details of employee share acquisition plan.

Movements in reset preference shares of the company during the past year were as follows:

Date	Details	Total Number of Shares	RPS \$'000
September 2003	Issue related costs – RPS	–	(868)
30 September 2003	Sub-total	–	(868)
2 October 2003	Issue of RPS	1,200,000	120,000
October 2003	Issue related costs – RPS	–	(3,442)
30 September 2004	Total	1,200,000	115,690

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For the year ended 30 September 2004

24. Reserves & Retained Profits

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Asset revaluation reserve	18,430	18,430	13,510	13,510

Note: During the financial year, there was no movement in the reserve.

Nature and Purpose of Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described at Note 1(g). The credit balance of the reserve may be used to satisfy the distribution of bonus shares to shareholders, and is only available for the payment of cash dividends in limited circumstances as permitted by law.

Retained Profits

Retained profits at the beginning of the financial year	154,076	189,965	30,125	47,322
Net profit/(loss) attributable to members of				
GrainCorp Limited (note 1 (u))	25,677	(18,218)	(6,663)	474
Dividends provided for or paid	(18,834)	(17,671)	(18,834)	(17,671)
Closing balance	160,919	154,076	4,628	30,125

25. Outside Equity Interests in Controlled Entities

On 1 October 2003, as part of the acquisition of the Grainco group, GrainCorp acquired 51 percent of Austasia. The financial statements have been prepared on the basis that the share capital in Austasia was held in the following proportions:

Outside Equity Interests	49% (2003: 0%)
Grainco	51% (2003: 0%)

The outside equity interest in Austasia is as follows:

	2004	2003
	\$'000	\$'000
Share capital	49	—
Retained profits/(losses)	33	—
	82	—

For the year ended 30 September 2004

26. Commitments for Expenditure

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Capital Expenditure Commitments				
Total capital expenditure contracted for at the reporting date but not provided for in payables:				
– Not later than one year	17,997	3,913	–	–
– Later than one year but not later than five years	–	–	–	–
	17,997	3,913	–	–
Lease Expenditure Commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities.				
Payable:				
– Not later than one year	7,368	4,759	–	–
– Later than one year and not later than five years	18,872	5,745	–	–
– Later than five years	40,885	31,342	–	–
	67,125	41,846	–	–
Representing:				
Cancellable operating leases	13,295	29,020	–	–
Non-cancellable operating leases	53,830	12,826	–	–
	67,125	41,846	–	–
Operating Leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
– Not later than one year	5,653	3,092	–	–
– Later than one year but not later than five years	12,403	2,280	–	–
– Later than five years	35,774	7,454	–	–
	53,830	12,826	–	–
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
– Not later than one year	2,045	723	–	–
– Later than one year but not later than five years	5,945	1,234	–	–
Total lease liabilities	7,990	1,957	–	–
Commodity Forward Contracts ¹				
Commitments in relation to forward purchases ²	72,468	67,307	–	–
Commitments in relation to forward sales	107,813	98,905	–	–

¹ The consolidated entity hedges these transactions. Refer Note 38 (a).² For some of these commitments the consolidated entity has an agency agreement with a counterparty for grain purchases.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

27. Employee Benefits

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Aggregate liability for employee benefits, including on-costs, recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (note 19)	5,318	4,002	874	991
Non-current (note 22)	19,497	15,331	4,486	3,946
	24,815	19,333	5,360	4,937
Employee Numbers				
Number of employees at balance date	920	698	83	99

Employee Share Plans

Employee Share Acquisition Plan (ESAP)

The company operates the shareholder approved GrainCorp Limited ESAP. Under the ESAP, shares in the company may be acquired by full time employees who have worked for the company or its wholly-owned entities for at least 12 months, and have performed satisfactorily in the period, as assessed by management. Shares are issued for nil consideration and must be approved by the Board. 5,000 shares have been issued to employees this financial year when market value was \$13.01 per share for a total benefit of \$65,050. The total number of shares acquired under the plan to date is 449,749.

The ESAP conforms with the guidelines of the Australian Investment Managers' Association and the Australian Shareholders Association which apply to companies listed on the ASX.

During 2003 GrainCorp implemented three employee share plans as described below.

Employee Exempt Share Plan (EESP)

This plan enables eligible employees (including the Executive Director) to acquire shares as part of their remuneration. Shares will be held in the EESP by the plan trustee for the benefit of participating employees and will be subject to the plan rules.

On the acquisition date (annually in December), the plan trustee will acquire as close as possible to (but no more than) \$1,000 worth of shares (as calculated under the tax rules). Employees are eligible to participate in the plan if they are a permanent full or part time employee with 24 months of continuous service as of 1 May in the year and if they are also a resident of Australia and pay tax in Australia.

No cash payment for the shares is required, however, the employee's future cash salary or wages will be reduced by \$1,000 spread evenly over a one-year period. The number of shares will be calculated on the volume weighted average price which shares are traded in the week up to and including the date of acquisition, rounded down to the nearest whole share.

Deferred Employee Share Plan (DESP) and Non-Executive Directors' Deferred Share Plan (NEDDSP)

The DESP and NEDDSP operate with the same eligibility criteria for employees but have a minimum contribution requirement of \$1,000 and a maximum of up to 50 percent of the employee's pre-tax base wage or salary. The plans trustee, CPU Share Plans Pty Ltd, acquires shares on the ASX each month, at the prevailing market price over a period of up to 5 days, commencing 23rd day of each month (or on the next business day). The shares will then be allocated and held on trust under the terms and conditions of the plans. Contributions and eligibility criteria are different for directors. At the balance date, 32,582 shares had been acquired under the plans.

For the year ended 30 September 2004

Share Options

Refer to Note 30 for details of the GrainCorp Executive Option plans. There are no other option plans available to employees.

Superannuation

The GrainCorp Superannuation Fund commenced on 1 October 1992 and all employee members are entitled, after serving a qualifying period, to benefits on retirement, disability or death. The fund was established on the "accumulation" principle. Employee members contribute to the fund at various percentages of their wages and salaries. The fund was closed to new members as at 30 September 2001. The company ceased contributing to the fund as at 30 June 2004 when all membership interests were transferred to the AON Master Trust 'GrainCorp Option'. The master trust is governed by a trust deed and administered by the board of directors of the trustee. The interests of the GrainCorp members are reflected by means of a committee of advice which includes both employee and company nominated representatives.

The company continues to meet the insurance costs of former members of the GrainCorp fund who voluntarily moved to other funds at 1 July 2001. The controlled entity contributes to the fund at rates ranging from the statutory superannuation guarantee rate of 9 percent to 20 percent of the employee's basic wage or salary. The entity's contributions are legally enforceable under statutory regulations.

28. Contingent Liabilities

- (i) The controlled entities Services, GCOP, Victoria, National, AG Finance, VGS, Vicgrain, Assets, Finance, Grainco, ARMS, Globex, ContainerLink, Ausfarmers, Maceast, Wilsonton, Seeds, MarketLink and BTA are parties to a deed of cross guarantee which has been lodged with and approved by the ASIC. Under the deed of cross guarantee each of the above named companies guarantees the debts of the other named companies. No deficiencies of assets exist in any of these companies.
- (ii) The controlled entity may from time to time receive notices of possible claims for losses or damages. A provision of \$6,957,746 has been made to cover any liabilities which may arise out of such claims and the directors believe no further provision is required.
- (iii) As required by the NSW self-insurance licensing requirements a Bank Guarantee in favour of the WorkCover Authority NSW for at least \$3,420,000 is in place.
- (iv) In the normal course of business the consolidated entity enters into guarantees. At 30 September 2004 they amounted to \$1,480,654. The directors do not believe any loss will arise in respect of these guarantees.
- (v) When assets are acquired or disposed, provisions are raised as management's best estimate of the final gain or loss on sale. Contingent liabilities exist for amounts over and above these provisions which will be finalised on completion.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

29. Investments in Controlled Entities

Name of Entity	Place of Incorporation	Class of Shares	Equity Holdings	
			2004	2003
Entities controlled by GrainCorp Limited:				
GrainCorp Services Limited	NSW	Ordinary	100%	100%
Victorian Grain Services Pty Limited	VIC	Ordinary	100%	100%
Grainco Australia Pty Limited	QLD	Ordinary	100%	—
Entities controlled by GrainCorp Services Limited:				
GrainCorp Operations Limited	NSW	Ordinary	100%	100%
Entities controlled by Victorian Grain Services Pty Limited:				
Vicgrain Pty Limited ¹	VIC	Ordinary	75%	75%
Entities controlled by GrainCorp Operations Limited:				
GrainCorp Victoria Pty Limited	NSW	Ordinary	100%	100%
GrainCorp National Pty Limited	NSW	Ordinary	100%	100%
AG Finance Pty Ltd ²	NSW	Ordinary	100%	100%
Bulk Terminals Australia Limited	QLD	Ordinary	50%	50%
GrainCorp Barley Pool Pty Ltd	NSW	Ordinary	100%	—
Entities controlled by Vicgrain Limited:				
Vicgrain (Assets) Pty Limited	VIC	Ordinary	100%	100%
Vicgrain (Finance) Pty Limited	VIC	Ordinary	100%	100%
Entities controlled by Grainco Australia Pty Limited:				
Agricultural Risk Management Services Pty Limited	QLD	Ordinary	100%	—
Grainco Australia (sub1) Pty Limited	QLD	Ordinary	100%	—
Globex International Pty Ltd	QLD	Ordinary	100%	—
ContainerLink Pty Limited	QLD	Ordinary	100%	—
Ausfarmers Pty Limited	QLD	Ordinary	100%	—
Austasia Grains Pty Ltd	QLD	Ordinary	51%	—
Entities controlled by Ausfarmers Pty Limited:				
ACN 089 443 498 Pty Ltd	QLD	Ordinary	100%	—
Maceast Pty Limited	QLD	Ordinary	100%	—
Australian Independent Cement Terminals Pty Ltd	QLD	Ordinary	100%	—
Wilsonton Facilities Pty Limited	QLD	Ordinary	100%	—
Grainco Australia Seeds Pty Limited	QLD	Ordinary	100%	—
MarketLink (Aust) Pty Limited	QLD	Ordinary	100%	—

¹ Remaining equity interest is held by GrainCorp Victoria Pty Limited.

² Previously named GrainCorp Queensland Pty Limited.

Services, VGS, GCOP, Vicgrain, Grainco and Ausfarmers have been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

For the year ended 30 September 2004

Acquisition of Grainco Australia Pty Limited ("Grainco")

On 1 October 2003 GrainCorp acquired 100 percent of the shares in Grainco for \$106.5 million. The operating results of the newly controlled entities have been included in the consolidated Statement of Financial Performance since the date of acquisition.

Details of the net assets from the merger with Grainco and its controlled entities on 1 October 2003 are as follows:

Fair value of identifiable net assets of the controlled entity acquired	\$'000
Current Assets	
Cash	7,415
Receivables	30,319
Inventories	29,216
Other	5,246
Total Current Assets	72,196
Non-Current Assets	
Receivables	833
Investments accounted for using the equity method	2,341
Property, plant and equipment ¹	151,339
Deferred tax assets	12,528
Total Non-Current Assets	167,041
Total Assets	239,237
Current Liabilities	
Payables	14,931
Interest bearing liabilities	56,444
Current tax liabilities	2,757
Provisions	18,414
Total Current Liabilities	92,546
Non-Current Liabilities	
Payables	9,663
Interest bearing liabilities	4,370
Provisions	106
Total Non-Current Liabilities	14,139
Total Liabilities	106,685
Net Assets	132,552
Less outside equity interests	(77)
Discount on acquisition ²	(25,974)
	106,501
Consideration	
Issue of 291,994 reset preference shares at \$100 each	29,199
Cash	75,681
Sundry merger costs paid in cash	1,621
Total consideration	106,501

¹ Independent valuation obtained.

² The discount on acquisition has been accounted for in accordance with Note 1(f)(i).

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

30. Director and Executive Disclosures

The following persons were Directors of GrainCorp during the financial year:

Directors

R.L. Greentree (Chairman)

A.D. McCallum (Deputy Chairman)

T.B. Keene (Managing Director)

W.G. Barron

N. Burton Taylor AM

R.R. Flanery

R.G. Freeman

D. Groves

R.J. Hards (Appointed 19/2/04)

J.A. Menegazzo (Retired 25/2/04)

D.C. Taylor (Appointed 1/10/03, elected 25/2/04)

D.B. Trebeck

Specified Executives (other than Directors)

The following persons were the executives with the greatest authority for the strategic direction of the company in the financial year. In addition, they include the five executives who received the highest emoluments in the consolidated entity during the year ended 30 September 2004.

Name	Position
J. Di Leo	Chief Operating Officer
S.G.B. Bird	Chief Financial Officer
A.N. Johns	Chief Development Officer
N.P. Hart	Group Executive – Corporate Services & Company Secretary
K.J. Lloyd	General Manager, Storage & Handling
S. Tainsh	General Manager, Marketing
A. Single	General Manager, AG Plus
J. Breeze	General Manager, Logistics
J. De Salis ¹	General Manager, AG Finance

¹ Appointed on 28 June 2004.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee operates under the authority of the Board and the scope of the Committee's role extends from Non-executive Directors through Executive Management and all employees of the company.

Further detail regarding the Remuneration and Nominations Committee can be found in the Corporate Governance Statement.

The Managing Director, the Company Secretary and the Human Resources Manager attend Committee meetings by invitation and during the year have assisted the Committee, except in matters concerning their own remuneration.

For the year ended 30 September 2004

Other advisors to the Committee are set out below.

Advisor	Services provided to the Remuneration Committee
Godfrey Remuneration Group	• remuneration strategy advice • job evaluation • remuneration data • long-term incentive plan advice
KPMG	• valuation of option plans • payroll tax advice
Mercer Human Resource Consulting	• job evaluation • position descriptions
Computershare	• share plan administration and management

Managing Director and Senior Executives

Remuneration Strategy and Structure

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- capital management.

In consultation with external remuneration consultants, the company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests is based on the following strategy:

- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program interests is based on the following strategy:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executive responsibility increases, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

30. Director and Executive Disclosures (continued)

Policy

1. This policy applies to the Managing Director, the executive team and senior managers. It does not apply to non-executive directors.
2. Executive remuneration is composed of three main elements:
 - a. Base package,
 - b. Short term incentive (STI) – cash bonus, and
 - c. Long term incentive (LTI).
3. The base package is a fixed component of remuneration in that once it is determined the amount does not vary with performance. However, individual performance is taken into account when reviewing the quantum of base packages and determining the amount of increase, if any, to be provided. There are no guaranteed base pay increases fixed in any senior executives' contracts. Base packages are composed of the cost to the Company of salary, benefits, fringe benefits tax and gross-up in relation to costs that do not qualify as company income tax deductions such as company superannuation contributions in excess of the deductible limits. Add-on costs such as payroll tax and workers compensation insurance are not part of base packages.
4. Flexibility is allowed as to the mix of base packages between salary and benefits so that they better meet the needs of the executives. Flexibility is such that the total cost to the Company is not changed by the benefit selections. Statutory obligations in relation to superannuation contributions must be fulfilled as part of the construct of remuneration packages.
5. Base package levels are:
 - a. reviewed annually and adjusted on 1 October each year, and
 - b. benchmarked against market practice at least annually.
6. Short term incentives are performance related components of remuneration. Performance is judged at three levels being company, business unit and individual. The performance measures, standards of performance and weightings are determined each year for each executive having regard to the nature of the role and business plans.
7. Long term incentives are performance related components of remuneration. The level of benefit derived by participants relates to a combination of factors including earnings per share, total shareholder returns and benchmarking against other ASX listed companies.

Performance of GrainCorp Limited

In October 2003 the Board approved a new system for establishing and monitoring key performance indicators (KPIs) for the Managing Director and Specified Executives. The system monitors key objectives in the following four areas:

- Corporate Financial Performance
- Corporate Strategy Development and Implementation
- Business Unit Performance
- Individual Performance

The Board and the Remuneration and Nominations Committee review the performance of the Managing Director and Executive management through monthly reporting, board presentations, business planning sessions and the key performance indicator system. For the business year 2003-04, the Managing Director achieved 71 percent of performance targets.

For the year ended 30 September 2004

Remuneration of Directors and Specified Executives

Details of the remuneration of each Director of GrainCorp Limited and each of the Specified Executives of the consolidated entity, including their personally-related entities, are set out in the following tables.

Directors of GrainCorp Limited

2004	Primary			Post employment	Equity		Other	Total
Name	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Share sacrifice \$	Options ¹ \$	Retirement \$	\$
R.L. Greentree	152,931	—	—	11,002	—	—	—	163,933
A.D. McCallum	75,845	—	5,904	7,322	—	—	—	89,071
W.G. Barron	41,928	—	—	5,470	28,750	—	—	76,148
N. Burton Taylor AM	63,134	—	—	6,802	—	—	—	69,936
R.R. Flanery	59,643	—	—	5,934	154	—	—	65,731
R.G. Freeman	62,804	—	—	6,692	—	—	—	69,496
D. Groves	27,442	—	—	5,170	28,846	—	—	61,458
R.J. Hards ²	35,308	—	—	3,178	—	—	—	38,486
J. Menegazzo ³	10,693	—	—	2,222	12,500	—	3,719	29,134
D.C. Taylor ⁴	55,419	—	—	4,576	769	—	—	60,764
D.B. Trebeck	37,611	—	—	5,635	25,000	—	—	68,246
T.B. Keene ⁵	509,533	174,840	63,172	47,549	20,000	(7,108)	—	807,986
Total	1,132,291	174,840	69,076	111,552	116,019	(7,108)	3,719	1,600,389

¹ Based on independent valuation at 30 September 2004 by KPMG Actuaries.

² Appointed on 19 February 2004.

³ Retired on 25 February 2004 and received \$73,221 as retirement benefit.

⁴ Retirement benefit of \$153,718 was provided for in the financial year for prior years service with Grainco.

⁵ T.B. Keene is the Managing Director of the GrainCorp group and the only executive Director on the Board.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

30. Director and Executive Disclosures (continued)

Remuneration of Specified Executives

2004	Primary			Post employment	Equity		Total
Name and Position	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super- annuation \$	Share sacrifice \$	Options ¹ \$	\$
J. Di Leo	380,021	90,885	39,735	11,002	—	(2,027)	519,616
K.J. Lloyd	223,729	38,000	32,735	11,002	—	(1,013)	304,453
S.G.B. Bird	231,027	38,000	8,194	18,801	—	(1,013)	295,009
A.N. Johns	195,228	55,890	19,281	11,223	—	(1,013)	280,609
N.P. Hart	191,283	34,650	25,862	11,223	269	(1,013)	262,274
S. Tainsh	182,968	50,430	(1,532)	15,691	5,000	(1,013)	251,544
J.P. Breeze	140,000	22,400	2,323	20,000	—	—	184,723
A. Single	134,867	29,280	4,188	11,469	—	(1,013)	178,791
J. De Salis ²	47,250	—	(1,283)	2,750	—	—	48,717
Total	1,726,373	359,535	129,503	113,161	5,269	(8,105)	2,325,736

¹ Based on independent valuation at 30 September 2004 by KPMG Actuaries. Negative values arise as a result of changes in probability of options vesting.

² Appointed on 28 June 2004.

Service Agreements

The following terms set out the service agreement of the Managing Director, GrainCorp Limited, Mr. T.B. Keene.

Agreement with Managing Director

(i) Term of Contract	The term of the contract will be three years from the commencement date with an option for the company to renew for a further two years. The contract commenced on 27 August 2003 and will expire on 27 August 2006 unless the option is exercised.
(ii) Remuneration	The remuneration package is made up as follows: • Base package of \$651,000 reviewed annually and benchmarked against an agreed relevant peer group. • Short Term Incentive (STI). Target opportunity for achievement of agreed objectives 40 percent of base package. • Long Term Incentive (LTI). 250,000 options based on EPS and TSR hurdles as approved by shareholders in February 2002 and disclosed in the Annual Report.
(iii) Termination	12 months' notice required and the Managing Director would receive pro-rata Base Package up to the date of termination.
Managing Director initiated termination	Pro rata STI for the year in which the termination occurs. Any severance payment would be at the discretion of the Board. Company may pay Base Package in lieu of notice.
Company initiated terminations without cause i.e. other than above	Current contract provides for 12 months' notice. In addition the Managing Director would receive: • pro-rata Base Package up to the date of termination, • a pro-rata STI having regard to the Board's assessment of performance to the date of termination, and • a severance payment of one times the total of the annual rate of Base Package and the target STI payout, at the date of termination e.g. Mergers and Acquisitions – consistent with company policy of 12 months plus application of redundancy policy (5 weeks plus 3 weeks for every year of service up to 52 weeks)

For the year ended 30 September 2004

The Chief Operating Officer has a term agreement that requires a notice period of twelve months. All other Specified Executives are covered by a standard agreement which requires thirteen weeks notice.

Executive Option Plan

The GrainCorp Limited Executive Option Plan is part of the Directors' remuneration strategy for key officers of the Company to reward executives for superior performance in terms of shareholder value creation.

The performance hurdles are designed to ensure that options can only be exercised by reference to performance. They are:

Hurdle 1

In respect of 50 percent of the options, the hurdle is based on the performance of the company's Total Shareholder Return ("TSR") (broadly, growth in share price plus dividends reinvested) relative to an appropriate comparator group of companies.

Specifically, on 30 September 2005, the TSR on the company's shares will be compared with movements in a composite index of a relevant group of 50 companies as determined by the Board. Further details on the companies making up the comparator group can be found on the company website. The Board may change the composition of the group of companies from time to time to ensure that it continues to reflect a balance of companies and industries which is appropriate to the company. The TSR performance index comparison will be calculated by reference to the period from 1 October 2001 to 30 September 2005. The company's ranking against the relevant group of companies in terms of TSR will be the first determination of whether the eligible participant may exercise options and if so, how many.

In table form, the performance ranking and exercisable percentages are:

Performance ranking range	Percentage of options that become exercisable (cumulative)
75th to 100th percentile	100 percent
52nd to 75th percentile	4 percent for each 1 percent increment in TSR performance above 50 percent
51st percentile	4 percent
Equal to 50th percentile	None

Hurdle 2

In respect of the other 50 percent of the options, the hurdle is based on the company's earnings per share ("EPS").

The base EPS is calculated using the five year average up to 1 October 2000.

The EPS hurdle can be achieved on an overall average compound basis calculated at the end of the period from 1 October 2001 to 30 September 2005. The overall average compound basis is used as this recognises earnings volatility.

In table form, the EPS increases and exercisable percentages are:

Average earnings per share increase per annum	Percentage of options that become exercisable (cumulative)
>10 percent	100 percent
5.1 percent to 10 percent	6.66 percent for each 0.5 percent increment in EPS performance
5 percent	33.33 percent
<5 percent	None

No options have been granted during or since the end of the financial year to any Directors or Specified Executives of the company and consolidated entity.

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

30. Director and Executive Disclosures (continued)

Unissued Ordinary shares of GrainCorp Limited under option at the date of this report are as follows:

Option Plan	Number	Issue Price	Expiry Date
GrainCorp Executive Option Plan	250,000	\$ 8.85	30 September 2005
GrainCorp Executive Option Plan	690,000	\$10.93	30 September 2005

On 31 March 2004, the vesting date for all above options was extended by a year to 30 September 2005 as allowed by the original terms and conditions of the option plan.

Share holdings, Options and Convertible Notes

The numbers of shares, options and convertible notes in the company held during the financial year by each Director of GrainCorp Limited and each of the Specified Executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of GrainCorp Limited				
Ordinary shares				
R.L. Greentree	792,992	—	(37,000)	755,992
A.D. McCallum	126,615	—	—	126,615
T.B. Keene	231,207	—	1,465	232,672
W.G. Barron	154,746	—	(60,156)	94,590
N. Burton Taylor AM	1,520,038	—	(131,220)	1,388,818
R.R. Flanery	223,372	—	2	223,374
R.G. Freeman	136,192	—	—	136,192
D. Groves	1,644,719	—	91,192	1,735,911
R.J. Hards	37,650	—	—	37,650
D.C. Taylor	—	—	14	14
D.B. Trebeck	13,860	—	4,833	18,693
Non-cumulative reset preference shares				
T.B. Keene	—	—	600	600
R Flanery	—	—	5,400	5,400
D. Groves	—	—	10,550	10,550
D.C. Taylor	—	—	333	333
Grainco convertible notes				
D. Groves	792,049	—	(297,018)	495,031

For the year ended 30 September 2004

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Specified Executives of the consolidated entity				
Ordinary shares and options				
J. Di Leo				
Employee Options	100,000	—	—	100,000
Employee Share Acquisition Plan	—	—	—	—
Ordinary shares	103,634	—	—	103,634
Reset Preference Shares	—	—	150	150
S.G.B. Bird				
Employee Options	50,000	—	—	50,000
Employee Share Acquisition Plan	—	—	400	400
Ordinary shares	—	—	—	—
Reset Preference Shares	—	—	—	—
A.N. Johns				
Employee Options	50,000	—	—	50,000
Employee Share Acquisition Plan	—	—	—	—
Ordinary shares	5,739	—	(4,934)	805
Reset Preference Shares	—	—	—	—
K.J. Lloyd				
Employee Options	50,000	—	—	50,000
Employee Share Acquisition Plan	—	—	—	—
Ordinary shares	13,688	—	—	13,688
Reset Preference Shares	—	—	—	—
N.P. Hart				
Employee Options	50,000	—	—	50,000
Employee Share Acquisition Plan	—	—	400	400
Ordinary shares	—	—	—	—
Reset Preference Shares	—	—	—	—
S. Tainsh				
Employee Options	50,000	—	—	50,000
Employee Share Acquisition Plan	—	—	400	400
Ordinary shares	—	—	—	—
Reset Preference Shares	—	—	—	—
A. Single				
Employee Options	50,000	—	—	50,000
Employee Share Acquisition Plan	—	—	—	—
Ordinary shares	2,218	—	—	2,218
Reset Preference Shares	—	—	100	100

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

30. Director and Executive Disclosures (continued)

Non-Executive Directors

The company has adopted, and adheres to, a comprehensive policy on remuneration strategies for Directors to enhance corporate performance.

Policy

Non-executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive Directors. Non-executive Directors do not receive performance-based bonuses and do not participate in equity schemes of the Company. Non-executive Directors are entitled to statutory superannuation and where appointed prior to 16 December 2003 will receive a capped retirement benefit. In addition to reimbursement of expenses, any allowance paid to Directors is in line with Australian Taxation Office reasonable daily travel allowance amounts.

The Remuneration and Nominations Committee reviews the non-executive Directors' remuneration arrangements and details are then submitted to the Board for its review and approval.

Directors' fees

The Board recommends to shareholders, from time to time, a quantum of total Directors' fees. Non-executive annual Directors' fees are established based on independent advice. With the exception of the Chairman and Deputy Chairman, additional yearly fees are paid to Directors who are members of committees. The Annual General Meeting of shareholders in 2001 approved a total non-executive Director remuneration pool of up to \$1 million annually.

Non-executive Directors' annual fees since 1 July 2004 were \$50,000 per Director, \$75,000 for the Deputy Chairman and \$150,000 for the Chairman. With the exception of the Chairman and Deputy Chairman, additional yearly fees of \$5,000 were paid to Directors who were members of committees other than the Board Audit Committee. The Chairman of these committees was paid \$7,500. Yearly fees for the Board Audit Committee were \$8,000 for members and \$15,000 for the Chairman.

Retirement benefits

In December 2003 the Board resolved to cease any further contributions to retirement benefits. The benefit accrued by each Director prior to 16 December 2003 has been preserved at the accrued level and will be paid on retirement in cash and not indexed from the cessation date. The previous policy for retiring Non-executive Directors provided an allowance up to a maximum of their last three years remuneration after nine years service (pro-rata for a lesser period with a minimum of three years). New directors post December 2003 will not be eligible for a retirement benefit.

Share based compensation

In line with ASX Corporate Governance Council guidelines on Non-executive Director remuneration, non-executive directors are entitled to participate in the GrainCorp Non-Executive Director Deferred Share Plan. They may acquire ordinary shares through on market purchases in lieu of fees. However, they are not entitled to participate in GrainCorp's Employee Share Acquisition Plan, Employee Exempt Share Plan, Deferred Employee Share Plan or Executive Option Plan.

Other transactions with Directors and specified executives

Transactions for storage, handling, transport, testing, seed sales and purchase of grain, fertiliser and other agricultural products from Directors or Director-related entities took place during both financial years covered by this report and occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers.

For the year ended 30 September 2004

Below are aggregate amounts due, from and to Directors, their director-related entities and Specified Executives at balance date, all of which have been paid subsequent to the end of the financial year. These balances are the result of transactions conducted under normal trading terms and conditions.

Directors of the consolidated entity who transacted business with the consolidated entity were R. Greentree, A. McCallum, G. Barron, N. Burton Taylor AM, R. Flanery, R. Freeman, J. Menegazzo, D. Taylor and D. Trebeck.

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Current receivables				
– Directors	56,447	21,563	–	–
– Director-related entities	38,820	1,335,797	–	–
– Specified Executives	–	–	–	–
Current payables				
– Directors	–	3,184	–	–
– Director-related entities	–	–	–	–
– Specified Executives	–	–	–	–

31. Remuneration of Auditors

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Assurance Services				
(i) Audit services				
Fees paid to PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other work				
under the <i>Corporations Act 2001</i>	476,800	351,500	72,600	66,000
	476,800	351,500	72,600	66,000
(ii) Other Assurance Services				
Fees paid to PricewaterhouseCoopers Australian firm				
Other audit services	30,300	45,761	–	–
Due diligence fees (Grainco)	–	567,500		
Risk management & consulting	4,600	23,500		
	34,900	636,761	–	–
(iii) Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm				
Tax compliance and advice (Grainco)	58,125	–		
	58,125	–	–	–
	569,825	988,261	72,600	66,000

Any PricewaterhouseCoopers non-audit engagements are subject to the consolidated entity's corporate governance procedures and auditor independence policies, and Board Audit Committee approval.

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For the year ended 30 September 2004

32. Related Party Transactions

(i) Transactions with Directors

Disclosures relating to Directors and Specified Executives are set out in Note 30.

(ii) Transactions between wholly-owned members of the consolidated entity

Wholly owned members of the consolidated entity and ownership interests in controlled entities are set out in Note 29.

Transactions between GrainCorp and related parties in the consolidated entity during the years ended 30 September 2004 and 2003 consisted of:

- (a) loans advanced within the consolidated entity;
- (b) loans repaid within the consolidated entity;
- (c) payment of dividends to GrainCorp;
- (d) management fees for administrative services paid to GrainCorp;
- (e) sale of goods; and
- (f) reimbursement of expenses.

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with wholly-owned entities within the group were as follows:

	Parent Entity	
	2004	2003
	\$'000	\$'000
Management fees for administrative services	11,391	14,823

Aggregate amounts receivable from wholly-owned entities within the group at balance date were as follows:

	Parent Entity	
	2004	2003
	\$'000	\$'000
Current receivables (note 7)	42,623	42,601
Current interest bearing liabilities (note 17)	57,105	48,430

Transactions between the entities in the consolidated entity took place during both financial years covered by this report. These transactions occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers, except when there is no interest or fixed terms for repayment on intercompany loans within the consolidated entity, apart from transactions with Vicgrain (Finance) Pty Limited.

iii) Transactions with other related parties

Grain Growers Association Limited ("GGA") owns 1 Foundation share and 21 percent of the Ordinary shares in GrainCorp.

GrainCorp has a 33 percent interest in Sunprime, a 25 percent interest in Nugrain Pty Limited ("Nugrain"), a 50 percent interest in National Grower Register Pty Limited ("NGR"), Bulkeast Engineering Pty Ltd ("Bulkeast"), ABA, Australian Grain Accumulation Services ("AGA") and PlantTech Pty Ltd ("PlantTech"), and a 60 percent holding in Allied Mills Australia Pty Limited ("Allied Mills").

For the year ended 30 September 2004

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax:				
Rental income from GGA	10	—	—	—
Rental charge from GGA	49	28	—	—
Wheat supplied by Sunprime	866	590	—	—
Grading income from Sunprime	4	20	—	—
Storage, testing and seconds income from Sunprime	—	18	—	—
Engineering services provided by Bulkeast	2,352	172	—	—
Rental income from Bulkeast	39	12	—	—
Freight income from Allied Mills	705	783	—	—
Rental charge from Allied Mills	3	14	—	—
Sales income from Allied Mills	24,651	20,924	—	—
Interest received from Allied Mills	2,772	2,794	2,772	—
Storage income from Allied Mills	7,208	5,258	—	—
Rental income from Allied Mills	32	—	—	—
Interest received from ABA	720	—	—	—
Service & equipment hiring fees from ABA	60	—	—	—
Agency service fees to AGA	1,537	—	—	—
Membership fees to NGR	815	—	—	—
Rental income from NGR	18	—	—	—
Interest income from NGR	52	—	—	—
Grain purchases from PlantTech	1,102	—	—	—
Seed processing service fees from PlantTech	924	—	—	—

Aggregate amounts receivable from and payable to other related parties at balance sheet date were as follows:

Loan to Sunprime (note 7)	125	125	—	—
Loan to Nugrain (note 7)	1,055	712	—	—
Loan to ABA (notes 7 & 10)	21,987	—	—	—
Loan to Allied Mills (note 10)	28,092	47,280	28,092	47,280

Transactions with the above related entities took place during both financial years covered by this report and occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers.

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For the year ended 30 September 2004

33. Segment Information

2004	Storage & Handling \$'000	Marketing \$'000	Other \$'000	Intersegment Eliminations \$'000	Unallocated \$'000	Consolidation \$'000
Sales to customers outside consolidated entity	212,904	638,930	82,523	—	—	934,357
Intersegment sales	44,697	—	7,162	(51,859)	—	—
Total sales revenue	257,601	638,930	89,685	(51,859)	—	934,357
Share of net profit/(loss) of associates						(516)
Other revenue	13,115	3,386	4,046	—	9,244	29,791
Total segment revenue	270,716	642,316	93,731	(51,859)	9,244	963,632
Segment result	69,151	13,348	24	—	14,254	96,777
Interest expense						(29,530)
Corporate overheads						(30,565)
Profit/(loss) from ordinary activities before income tax						36,682
Income tax benefit/(expense)						(11,003)
Profit/(loss) from ordinary activities after income tax						25,679
Segment assets	497,912	227,428	38,676	—	133,527	897,543
Segment liabilities	49,609	133,931	13,773	—	301,650	498,963
Investments in associates	—	—	—	—	75,394	75,394
Acquisitions of property, plant and equipment and other non-current segment assets	20,220	—	10,366	—	—	30,586
Depreciation and amortisation expense	44,909	14	1,280	—	1,630	47,833

For the year ended 30 September 2004

2003	Storage & Handling \$'000	Marketing \$'000	Other \$'000	Intersegment Eliminations \$'000	Unallocated \$'000	Consolidation \$'000
Sales to customers outside consolidated entity	102,327	310,977	50,022	–	–	463,326
Intersegment sales	5,581	–	–	(5,581)	–	–
Total sales revenue	107,908	310,977	50,022	(5,581)	–	463,326
Share of net profit/(loss) of associates						1,783
Other revenue	3,196	3,291	–	–	43,064	49,551
Total segment revenue	111,104	314,268	50,022	(5,581)	43,064	514,660
Segment result	(8,058)	13,140	(4,794)	–	24,297	24,585
Interest expense						(17,972)
Corporate overheads						(32,520)
Profit/(loss) from ordinary activities before income tax						(25,907)
Income tax benefit/(expense)						7,689
Profit/(loss) from ordinary activities after income tax						(18,218)
Segment assets	372,806	48,699	19,748	–	164,727	605,980
Segment liabilities	25,505	36,420	9,511	–	259,447	330,883
Investments in associates	–	–	–	–	73,711	73,711
Acquisitions of property, plant and equipment and other non-current segment assets	10,114	–	–	–	–	10,114
Depreciation and amortisation expense	41,995	3	–	–	–	41,998

Notes to and forming part of the segment information:

- a) The above industry segments derive revenue from the following operations and activities:
 Storage and Handling: includes fees for receipt, storage and testing of wheat, other grains and bulk commodities.
 Marketing: marketing of grain and agricultural products and the operation of grain pools.
 Other: sale of farm inputs and fees for transportation of commodities.
- b) Intersegment pricing is on an "arm's length" basis.
- c) The consolidated entity only operates in one geographical segment – Australia.

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34. Reconciliation of Statements of Cash Flows

	Consolidated		Parent Entity	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities.				
Profit/(loss) from ordinary activities after income tax	25,677	(18,218)	(6,663)	474
Add/(less) items classified as investing/financing activities:				
Net (profit)/loss on sale of investments	—	(6,933)	—	—
Net (profit)/loss on sale of non-current assets	(4,762)	(775)	—	—
Dividends received	—	(958)	—	—
Add/(less) non-cash items:				
Share of (profit)/loss of associate not received as dividends	516	(1,783)	1,895	(1,895)
Depreciation/amortisation	48,491	41,998	—	—
Provision for employee entitlements	(1,231)	(1,718)	423	254
Net cash provided by operating activities before change in assets and liabilities	68,691	11,613	(4,345)	(1,167)
Changes in assets and liabilities net of effects from changes in the consolidated entity's group of controlled companies:				
(Increase)/decrease in inventories	6,817	33,875	—	—
(Increase)/decrease in other assets	1,864	(392)	—	(288)
(Increase)/decrease in future income tax benefit	6,873	980	(8,584)	(1,067)
(Increase)/decrease in receivables	(106,359)	58,464	(6,829)	420
Increase/(decrease) in trade creditors	51,673	(912)	491	1,426
Increase/(decrease) in provision for income tax	5,108	(5,274)	7,865	—
Increase/(decrease) in provision for deferred tax	(4,805)	(4,277)	6,801	—
Increase/(decrease) in income received in advance	(730)	(424)	—	—
Increase/(decrease) in provision for claims	(5,506)	(3,864)	—	—
Net cash provided by operating activities	23,626	89,789	(4,601)	(676)

For the year ended 30 September 2004

35. Investment in Associated Companies

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (Refer note 1(a)).

Company	Principal Activity	Ownership Interest		Consolidated Carry Amount		Parent Entity Carrying Amount	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Nugrain Pty Limited	Research	25%	25%	50	50	—	—
Sunprime Seeds Pty Limited	Research	33%	33%	328	327	—	—
Advance Trading (Australia) Pty Limited	Risk Management	—	25%	—	19	—	—
National Grower Register Pty Limited	Register Management	50%	33%	—	—	—	—
Bulkeast Engineering Pty Ltd	Engineering Services	50%	50%	517	500	—	—
Allied Mills Australia Pty Limited ¹	Mixing & Milling	60%	60%	71,626	72,815	70,920	72,815
Australian Grain Accumulation Services Pty Limited	Grain Accumulators	50%	50%	—	—	—	—
Australian Bulk Alliance Pty Ltd	Grain Handling & Storage	50%	—	833	—	—	—
PlantTech Pty Limited	Seed Marketer	50%	—	2,040	—	—	—
				75,394	73,711	70,920	72,815

¹ Equity interest in Allied Mills is 60 percent, however, voting rights are 50 percent.

	Consolidated	
	Financial year to 30 September 2004 \$'000	Financial year to 30 September 2003 \$'000
Movements in Carrying Amount of Investments in Associates:		
Carrying amount at the beginning of the financial year	73,711	500
Increase due acquisition of controlled entity	2,010	—
Investment in associates	189	71,428
Dividends received	—	—
Share of operating profit/(loss) after income tax	(516)	1,783
Reduction due to dividend and share buy back	—	—
Carrying Amount of Investments in Associates at the end of the financial year	75,394	73,711
Results Attributable to Associated Companies:		
Operating profits/(losses) before income tax	(737)	2,547
Income tax expense	221	(764)
Share of associates' operating profits/(losses) after income tax	(516)	1,783
Retained profits/(losses) attributable to associates at the beginning of the financial year	1,693	(90)
Retained profits/(losses) attributable to associates at the end of the financial year	1,177	1,693

FINANCIAL STATEMENTS

For the year ended 30 September 2004

35. Investment in Associated Companies (continued)

	Consolidated	
	Financial year to 30 September 2004 \$'000	Financial year to 30 September 2003 \$'000
Reserves Attributable to Associated Company		
Asset revaluation reserve		
Balance at the beginning of the financial year	—	—
Increment/(decrement) on revaluation during the year	—	—
Control of previous associate as discussed above	—	—
Balance at the end of the financial year	—	—
Summary of the Performance and Financial Position of Associates		
The aggregate profits, assets and liabilities of associates are:		
Net profits/(losses) after income tax	(985)	(1,547)
Assets	423,606	340,810
Liabilities	244,918	224,004
Share of associate's expenditure commitments are:		
Capital commitments	—	—
Lease liabilities	—	—
Contingent liabilities	—	—

36. Non Cash Financing and Investing Activities

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Acquisition of controlled entity through the issue of reset preference shares for partial consideration	29,199	—	29,199	—
Plant and machinery under finance leases by means of acquisition of controlled entity	5,053	—	—	—

37. Earnings per Ordinary Share

	Consolidated	
	2004 Cents	2003 Cents
Basic earnings/(loss) per Ordinary share	43.7	(44.8)
Diluted earnings/(loss) per Ordinary share	42.8	(43.8)
Number of Ordinary Shares		
Weighted average number of Ordinary shares used as the denominator in the calculation of basic earnings per share.	40,868,065	40,673,036
Weighted average number of Ordinary shares and potential Ordinary shares used as the denominator in the calculation of diluted earnings per share.	41,808,065	41,613,036

For the year ended 30 September 2004

38. Financial Instruments

GrainCorp and its controlled entities are parties to derivative financial instruments with associated risk in the normal course of business in order to hedge exposure to fluctuations in commodity prices, foreign exchange and interest rates. Their use is subject to a comprehensive set of policies, procedures and limits approved by the Board of Directors and monitored by the Trading Risk Management Committee.

(a) Commodity Price Risk

The consolidated entity is exposed to grain price fluctuations through its grain trading activities. To hedge this commodity price risk, the consolidated entity has entered into grain commodity futures contracts and grain commodity options contracts with terms between 2 and 16 months depending on the underlying transactions.

At balance date, net outstanding commodity futures contracts had a fair value of \$30,526,901 (2003: \$3,959,811) with various maturities up to March 2006. If settled at balance date, these contracts would have resulted in a gain of \$7,501,360 (2003: gain of \$504,469) which is offset by an unrecognised loss on the underlying transactions being hedged.

Commodity sold and bought options are marked to market at each balance date. These options have maturities up to May 2005 but if closed out at balance date, would have resulted in a net loss of \$273,502 (2003: gain of \$20,145). However, this loss may be offset by an unrecognised gain on the underlying transactions being hedged.

(b) Foreign Exchange Risk

The consolidated entity hedges against exposures from grain futures taken in the US, Canada and Europe. In accordance with our risk management policy, hedging is undertaken through transactions entered into in foreign exchange markets. Forward exchange contracts and currency option contracts have been used for hedging purposes. The foreign exchange contracts are timed to mature when the grain futures contracts expire.

At balance date, the outstanding foreign exchange contracts are (Australian Dollar equivalent).

	2004 A\$'000	2004 Average Exchange Rate	2003 A\$'000	2003 Average Exchange Rate
Buy US Dollars/Sell Australian Dollars				
0 – 6 months	47,911	0.7005	35,765	0.6753
6 – 12 months	392	0.6966	975	0.6360
Buy Australian Dollars/Sell US Dollars				
0 – 6 months	61,905	0.6967	48,410	0.6026
6 – 12 months	2,032	0.7045	13,426	0.6271
12 – 18 months	2,977	0.6717	406	0.6158
Buy Canadian Dollars/Sell Australian Dollars				
0 – 6 months	2,888	0.9146	4,776	0.8794
6 – 12 months	–	–	392	0.8923
12 – 18 months	991	0.8828	–	–
Buy Australian Dollars/Sell Canadian Dollars				
0 – 6 months	24,238	0.9056	14,487	0.8905
12 – 18 months	991	0.8828	–	–
Buy Australian Dollars/Sell Euros				
0 – 6 months	1,975	0.5697	3,454	0.5791

Notes to the FINANCIAL STATEMENTS

For the year ended 30 September 2004

38. Financial Instruments (continued)

As these contracts are hedging future settlement of US, European and Canadian grain and oilseed futures, any unrealised gains or losses on the contracts, together with the cost of the contracts, are deferred and will be recognised when the underlying transaction occurs.

The following foreign exchange gains and losses have been deferred.

	2004 \$'000	2003 \$'000
Unrealised gains	2,467	4,413
Unrealised losses	(1,997)	(1,390)
Net gain/(loss)	470	3,023

(c) Interest Rate Swap Contracts

Bank loans of the consolidated entity currently bear an average variable interest rate of 5.36 percent (2003: 5.75 percent). It is the consolidated entity's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, it has entered into interest rate swap contracts under which the consolidated entity 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.

Swaps currently in place cover 53 percent (2003: 39 percent) of the total borrowings outstanding. The average fixed interest rate is 5.62 percent (2003: 5.39 percent) and the variable rates are between 0.50 percent and 1.95 percent (2003: 0.50 percent and 1.00 percent respectively) above the bank bill rate. At 30 September 2004, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2004 \$'000	2003 \$'000
0 – 1 years	11,778	25,000
2 – 3 years	91,430	5,000
4 + years ¹	28,092	62,280
Total	131,300	92,280

¹ Includes \$28.1 million (2003: \$47.3 million) which is a natural hedge through subordinated debt.

The fair values of interest rate swaps are determined as the difference in present value of the future interest cashflow, amounting to a financial liability of \$114,230 (2003: financial liability of \$261,728).

For the year ended 30 September 2004

(d) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

	Average interest rate %	Floating interest rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 year to 5 years \$'000	more than 5 years \$'000		
2004							
Financial assets							
Investments	5.20				8,784		8,784
Cash and deposits	5.05	12,630					12,630
Receivables						169,192	169,192
Loans to associates	5.42	50,079					50,079
Interest rate swaps ¹	5.62	11,778		119,522			131,300
		74,487	—	119,522	8,784	169,192	371,985
Financial liabilities							
Bank overdrafts	8.95						—
Trade and other creditors						114,309	114,309
Bills payable	6.26	260,800					260,800
Other loans	5.84	58,689					58,689
Finance leases	7.13		2,045	5,945			7,990
Interest rate swaps ¹	5.42	28,092	11,778	91,430			131,300
		347,581	13,823	97,375	—	114,309	573,088
Net financial assets (liabilities)							(201,103)

¹ Notional principal.

FINANCIAL STATEMENTS

For the year ended 30 September 2004

38. Financial Instruments (continued)

	Average interest rate	Floating interest rate	Fixed interest maturing in:			Non interest bearing	Total
			1 year or less	over 1 year to 5 years	more than 5 years		
2003	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Investments							–
Cash and deposits							–
Receivables						41,020	41,020
Loan to associate	5.93	47,280					47,280
Interest rate swaps [†]	4.90	92,280					92,280
		139,560	–	–	–	41,020	180,580
Financial liabilities							
Bank overdrafts	8.45	2,778					2,778
Trade and other creditors						28,133	28,133
Bills payable	5.90	232,050					232,050
Other loans	5.30	23,563				400	23,963
Finance leases	7.13		723	1,234			1,957
Interest rate swaps [†]	5.39	47,280	25,000	20,000			92,280
		305,671	25,723	21,234	–	28,533	381,161
Net financial assets (liabilities)							(200,581)

[†] Notional principal.

(e) Credit Risk

The credit risk on financial assets of the consolidated entity which have been recognised on the Statement of Financial Position, other than investments in shares, is generally the carrying amount, net of any provision for doubtful debts.

For the year ended 30 September 2004

39. Financing Arrangements

Financing facilities available to the consolidated entity as at the end of the financial year and the extent to which they were used were as follows:

	Consolidated		Parent Entity	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(i) Working Capital & Multi Option Facilities ¹				
Available ²	272,991	143,696	—	—
Used	68,051	28,696	—	—
Unused credit available	204,940	115,000	—	—
(ii) Term Facilities				
Available	246,800	232,050	104,200	114,450
Used	246,800	232,050	104,200	114,450
Unused credit available	—	—	—	—
Total Facilities at year end				
Available	519,791	375,746	104,200	114,450
Used	314,851	260,746	104,200	114,450
Unused credit available	204,940	115,000	—	—

¹ Includes bank guarantees and other facilities.

² Includes the overdrawn facility for the pool, which the consolidated entity has the right to recover.

All facilities are extendable on an annual basis at the lenders option. All facilities are in good standing and will remain in good standing unless any of the default criteria are breached. Borrowings included in non-current liabilities represent facilities not due to mature within one year, or due within one year but will be funded by rolling over the debt on the same or another facility.

40. Subsequent Events

Disposal of ABA

As mentioned earlier, when GrainCorp merged with Grainco, it gave an undertaking to the ACCC to dispose of its interest in ABA. A sale has been agreed with Sumitomo Corporation, Japan, and the final gain/loss on disposal is expected to be immaterial.

Other

Other than reported elsewhere in the Annual Report, no other matter or circumstance has arisen since 30 September 2004 which has significantly affected or may significantly affect:

- (a) the consolidated entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

For the year ended 30 September 2004

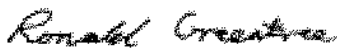
The directors declare that the financial statements and notes set out on pages 7 to 57:

- (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 September 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; 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 Extended Closed Group 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.

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



R.L. Greentree

Chairman

Sydney

24 November 2004

INDEPENDENT AUDIT REPORT

For the year ended 30 September 2004

Independent audit report to the members of GrainCorp Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of GrainCorp Limited (the Company) for the financial year ended 30 September 2004 included on GrainCorp Limited's web site. The Company's directors are responsible for the integrity of the GrainCorp Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit Opinion

In our opinion, the financial report of GrainCorp Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of GrainCorp Limited and the GrainCorp Group (defined below) as at 30 September 2004, and of their performance for the year ended on that date; and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both GrainCorp Limited (the company) and GrainCorp Group (the consolidated entity), for the year ended 30 September 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide a reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

INDEPENDENT AUDIT REPORT

For the year ended 30 September 2004

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

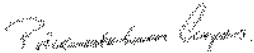
When this audit report is included in an Annual report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



M Haberlin

Sydney

Partner

24 November 2004



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