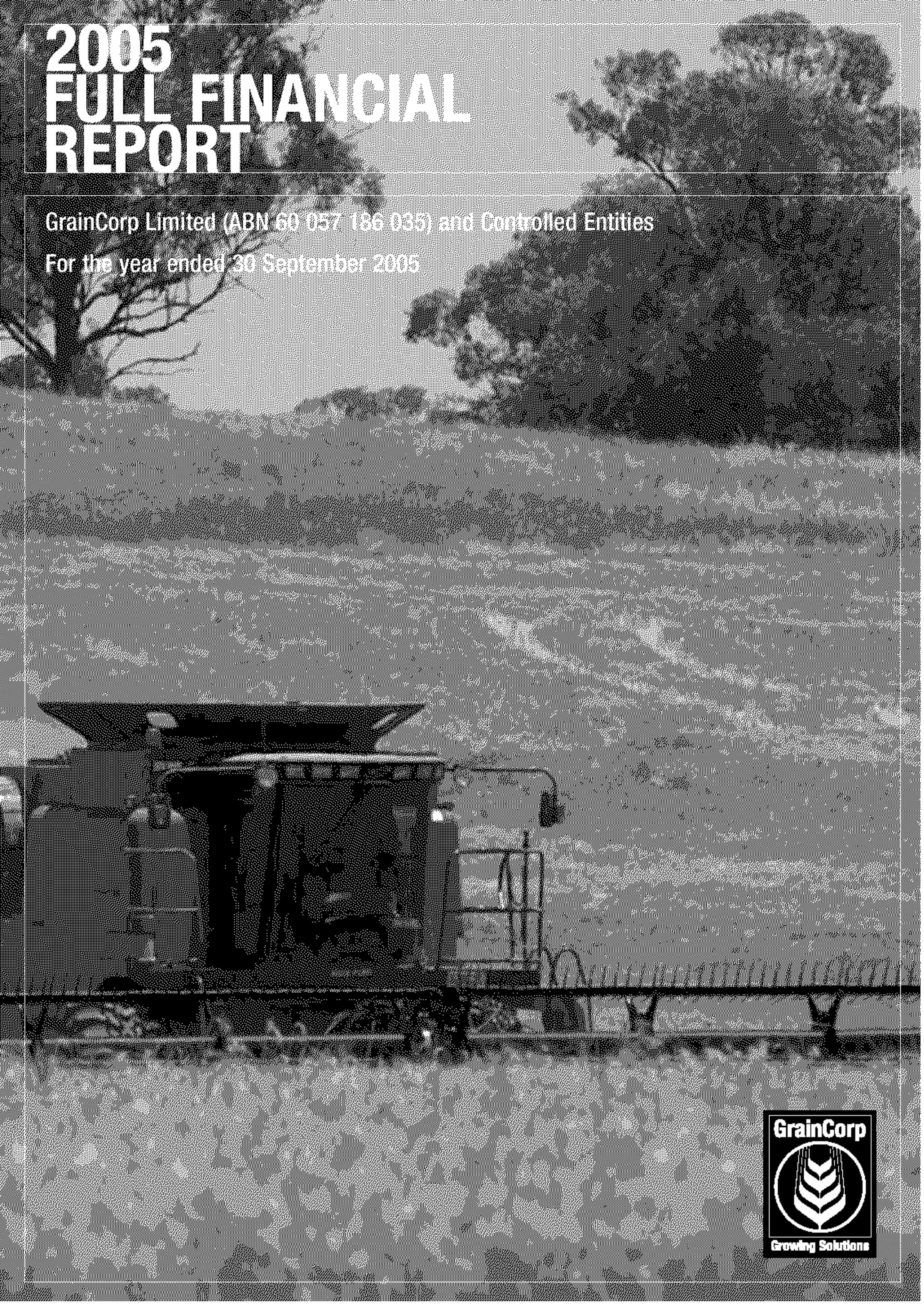
2005 FULL FINANCIAL REPORT

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

For the year ended 30 September 2005



GrainCorp

Growing Solutions

2005 FULL FINANCIAL REPORT CONTENTS

2005 Full Financial Report DIRECTORS' REPORT

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 2005.

Directors

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

R.L. Greentree (Chairman)
D.C. Taylor (Deputy Chairman)
T.B. Keene (Managing Director)
W.G. Barron (Retired 17 February 2005)
N. Burton Taylor AM (Retired 23 February 2005)
G.D.W. Curlewis (Elected 23 February 2005)
L.M. Delahunty (Appointed 23 September 2005)
R.R. Flanery
R.G. Freeman
P.W. Grigg (Appointed 23 September 2005)
D. Groves
R.J. Hards (Resigned 26 August 2005)
D. Mangelsdorf (Appointed 17 February 2005)
A.D. McCallum (Resigned 26 August 2005)
D.B. Trebeck

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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:

- receival, 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;
- banking deposits management; and
- flour milling and mixing services (through investment in Allied Mills).

Dividends

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

	Ordinary Shares		Reset Preference Shares	
Date	**Rate (Cents)**	**Amount $'000**	**Rate (Cents)**	**Amount $'000**
Final for 2004	14	5,722	n/a	n/a
Interim for 2005	2	818	322.3	3,868
Final for 2005	–	–	327.7	3,932

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 five cents per fully paid share ($2.0 million) to be paid on 20 December 2005 out of consolidated retained profits at 30 September 2005.

Review of Operations

The consolidated entity recorded a profit after tax of $12.1 million for the financial year compared with $25.7 million for the previous year. EBITDA decreased from $114.7 million to $91.0 million. The reduction in profit is due to lower tonnes received into the storage and handling system, and subsequent lower export activity. Receivals during the year were 10.2 million tonnes (2004: 12 million tonnes) with export shipping of 4.7 million tonnes (2004: 5.9 million tonnes).

Net profit included a number of one-off items in the year. These included (all before tax):

- $1.7 million in restructure costs;
- $3.8 million revenue as penalty for lease surrender by Incitec Pivot Limited;
- $0.7 million profit on disposal of associate investments (Nugrain Pty Limited, PlantTech Pty Limited and Australian Bulk Alliance Pty Ltd); and
- of the $2.1 million share of Allied Mills pre-tax profit, $1.5 million relates to the sale of land at Fremantle, WA.

The restructure, noted above, was the outcome of a business review to achieve a lower cost base and to better align the management reporting structure. A more detailed review of the operations during the financial year and the results of those operations appear elsewhere in the Annual Report.

Significant Changes in State of Affairs During the Financial Year

AG Finance

In September 2005, GrainCorp launched a new deposit taking business called AG Finance that offers deposit accounts as a competitive alternative to traditional bank accounts. Interest rates of up to 6.1 percent are available and there are no account keeping fees.

The product range includes both Yield Call accounts and Growth Term Deposit accounts. Yield Call accounts offer a variable interest rate with immediate access to funds held on deposit, whereas Growth Term accounts allow customers deposit funds for a fixed period of time (one month to three years) and provide a fixed interest rate.

Disposal of Investments

As part of the conditions of the merger between GrainCorp and Grainco Australia Pty Limited (Grainco), 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. A sale was agreed with Sumitomo Corporation, Japan, and the gain on disposal was $0.3 million. Other interests in associate entities were disposed of in the financial year resulting in a gain of $0.4 million.

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

Matters Subsequent to the End of the Financial Year

Retirement of Chairman

Mr Ron Greentree will retire as Chairman and Director of GrainCorp Limited on 23 December 2005 after 11 years service on the Board with six as Chairman. The Board has appointed Mr Don Taylor to succeed Mr Greentree as Chairman.

Chief Operating Officer

Mr Di Leo took up a position as Managing Director of Allied Mills Australia Pty Limited on 7 November 2005. The position of Chief Operating Officer (COO) was subsequently made redundant, as an internal management restructure facilitated this change. Mr Di Leo received $1,078,445 as a final payment of which $25,139 was provided for in the financial year.

Reset Preference Shares (RPS)

GrainCorp amended the terms of issue of the RPS under clause 8 by making the payment of the dividend non-discretionary and cumulative, both with effect from 1 October 2005. These amendments are of a minor or technical nature, neither of which is prejudicial to shareholders.

Other than reported above, no other matter or circumstance has arisen since 30 September 2005 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

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, no fines or penalties were imposed on any member of the consolidated entity under environmental regulation, and all required environmental licences and permits are current.

Information on Directors

R.L. (Ron) Greentree (Chairman)
FAICD, AICD Advanced Program 2005

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

2005 Full Financial Report
DIRECTORS' REPORT

D.C. (Don) Taylor (Deputy Chairman) B.Com., CA, Grad.Cert.Rur.Sc., FAICD, AICD Advanced Program 2005

Grower from Moonie, QLD. Chartered Accountant with audit and taxation experience in manufacturing and heavy industry. Former Executive Chairman of Grainco Australia Limited and Chairman of Carrington Cotton Corporation (previously listed). Chairman of the Trading Risk Management Committee and a member of the Remuneration and Nominations Committee.

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

Managing Director of GrainCorp Group, Director of GrainCorp AG Finance Limited and member of the Trading Risk Management Committee. Chairman of Allied Mills Australia Pty Limited. Member of the Rabobank Advisory Board.

G.D.W. (Doug) Curlewis B.A.(Econs/Latin), MBA

Company Director from Victoria. Director of Pacifica Group Limited, Nufarm Limited and GUD Holdings Limited. Chairman of Remunerator Australia Pty Ltd. Member of Indec Consulting Advisory Board and Director of The Alfred Foundation (Alfred Hospital). Former Managing Director of National Consolidated Limited. Former Director of National Foods Limited and Hamilton Island Limited. Member of the Board Audit Committee.

L.M. (Leo) Delahunty FAICD

Grower from Murtoa, Victoria. Director of Grain Growers Association Limited. Previously Director of Pivot, Incitec Pivot Limited, DIRT Management and Harvest Grain Australia.

R.R. (Ross) Flanery

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

R.G. (Rick) Freeman

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

P.W. (Paul) Grigg

Grower from Patchewollock, Victoria. Has been involved in Grain Growers Association for a number of years both as an active member and as a member of the Committee of Advice. He has been actively involved in the Victorian Farmers Federation (VFF), his silo committee and a number of community organisations. Director of Grain Growers Association Limited.

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

Chartered Accountant and Company Director. Director of Masling Industries Pty Limited, Equity Trustees Limited and Kambala (Independent school for girls). Member of MIR Investment Management Ltd Advisory Council. Member of the Remuneration and Nominations Committee.

D. (Dan) Mangelsdorf B.Agr.Ec.(Hons), GAICD

Grower from West Wyalong, NSW. Chairman of Grain Growers Association Limited. Member of the Trading Risk Management Committee.

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

Consultant, Grower and Company Director from Canberra, ACT. Former Managing Director of ACIL Consulting Pty Limited. Commissioner of the National Water Commission. Director of Maersk Australia Pty Ltd and the Oceania Business Coordination Board of AP Moller Maersk and Director of the Institute of Public Affairs. Chairman of the Board Audit Committee. Former Director of Incitec Pivot Limited and Pipers Brook Vineyard Limited.

Former Directors

W.G. (Graham) Barron

Grower from Ungarie, NSW. Former Director of Grain Growers Association Limited. Former chairman of the Trading Risk Management Committee. (Retired 23 February 2005).

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

Grower from Boorowa, NSW. Chairman of the Australian Agricultural Company Limited and the Civil Aviation Safety Authority, and Director of Hamilton James & Bruce Limited. Member of the Rabobank Advisory Board. Former member of the Remuneration and Nominations Committee. Former Director of Rural Press Limited. (Retired 17 February 2005)

R. (Ron) Hards MAICD

Grower from Yarrara, Victoria. Former chairman of Grain Growers Association Limited. Former member of the Board Audit Committee. (Resigned 26 August 2005)

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

Grower from Kerang, Victoria. Director of Incitec Pivot Limited and MDI Limited. Former Director of Grain Growers Association Limited. Chairman of Nugrain Pty Limited and TASSAL Limited. Former deputy chairman and member of the Remuneration and Nominations Committee. (Resigned 26 August 2005)

Details of Directors' interests in shares and options of GrainCorp are set out in Note 31 of the financial statements.

Company Secretary

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

Group Executive – Corporate Services and appointed Company Secretary in May 2001 for all Group entities, Board Audit Committee and Remuneration and Nominations Committee. Director of GrainCorp AG Finance Limited and GrainCorp Superannuation Pty Limited. He previously held the position of Chief Executive Officer and Company Secretary with Grain Growers Association Limited.

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 12 months to 30 September 2005, and the number of meetings attended by each Director.

Director	Board Meetings		Board Committee Meetings							
			Audit		Remuneration & Nominations		Trading Risk Management		Joint Audit & Trading Risk Management	
	A	B	A	B	A	B	A	B	A	B
R.L. Greentree	13	12	–	–	10	10	–	–	–	–
D.C. Taylor	22	22	–	–	1	1	6	6	1	1
T.B. Keene	22	22	–	–	–	–	4	4	1	1
G.D.W. Curlewis[1]	16	16	2	2	–	–	–	–	1	1
L.M. Delahunty[2]	1	1	–	–	–	–	–	–	–	–
R.R. Flanery	13	12	2	2	–	–	–	–	–	–
R.G. Freeman	13	13	1	1	–	–	4	4	–	–
P.W. Grigg[2]	1	1	–	–	–	–	–	–	–	–
D. Groves	22	21	2	1	4	4	–	–	–	–
D. Mangelsdorf[3]	8	8	–	–	–	–	2	2	1	1
D.B. Trebeck	22	22	4	4	–	–	–	–	1	1
W.G. Barron[4]	5	5	–	–	–	–	2	2	–	–
N. BurtonTaylor AM[5]	6	6	–	–	7	7	–	–	–	–
R.J. Hards[6]	11	11	3	3	–	–	–	–	1	1
A.D. McCallum[6]	11	11	–	–	9	9	–	–	–	–

A – Number held during period in office. B – Number attended.

[1] Elected 23 February 2005. [2] Appointed 23 September 2005. [3] Appointed 17 February 2005. [4] Retired 17 February 2005. [5] Retired 23 February 2005.
[6] Resigned 26 August 2005.

Remuneration Report

This report details GrainCorp's remuneration policy for Directors and Specified Executives and the links between the performance of the consolidated entity and individual remuneration outcomes. The report incorporates the disclosure requirements of accounting standard AASB 1046, as well as those prescribed by the *Corporations Act 2001*. Details of equity holdings, loans and other transactions for Directors and Specified Executives are disclosed in Note 31 to the financial statements.

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 Group Executive – Corporate Services 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.

2005 Full Financial Report
DIRECTORS' REPORT

Remuneration Report continued

Other advisors to the Committee are set out below:

Godfrey Remuneration Group

- remuneration strategy advice
- job evaluation
- remuneration data
- long term incentive plan advice.

KPMG

- valuation of Performance Share Rights Plan
- payroll tax advice.

Mercer Human Resource Consulting

- job evaluation
- position descriptions
- total employment cost.

Computershare

- share plan administration and management.

Principles Used to Determine the Nature and Amount of Remuneration

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 Company 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.

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.

Remuneration Report continued

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 are 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

Key performance indicators (KPIs) have been established and are monitored to review the performance of the Managing Director and Specified Executives. The system monitors key objectives in the following three areas:

- Corporate performance
- Business Unit performance
- Individual performance.

The Board and the Remuneration and Nominations Committee review's the performance of the Managing Director and Executive management through monthly reporting, board presentations, business planning sessions and the key performance indicator system.

Further details regarding the Remuneration and Nomination's Committee can be found in the Corporate Governance Statement.

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 other than the Non-Executive Director Deferred Share Plan. 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 Directors' annual 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 October 2004 were $54,600 per director, $81,900 for the Deputy Chairman and $163,800 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. A 4 percent increase on all fees was applied from 1 October 2005.

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, Employee Deferred Share Plan, Executive Option Plan or Performance Share Rights Plan.

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 are set out in the following tables.

Directors of GrainCorp Limited

	Primary			Post-Employment	Equity		Other	Total
Name	Cash Salary and Fees $	Cash Bonus $	Non-monetary Benefits $	Super-annuation $	Share Sacrifice $	Share Rights[1]/ Options $	Retirement $	$
R.L. Greentree								
2005	163,680	–	–	11,691	–	–	–	175,371
2004	152,931	–	–	11,002	–	–	–	163,933
A.D. McCallum								
2005	80,499	–	–	8,022	–	–	–	88,521
2004	75,845	–	5,904	7,322	–	–	–	89,071
W.G. Barron[2]								
2005	19,750	–	–	2,361	12,163	–	–	34,274
2004	41,928	–	–	5,470	28,750	–	–	76,148
N. Burton Taylor AM[3]								
2005	25,893	–	–	2,656	–	–	–	28,549
2004	63,134	–	–	6,802	–	–	–	69,936
D. Curlewis								
2005	37,492	–	–	3,342	–	–	–	40,834
2004	–	–	–	–	–	–	–	–
R.R. Flanery								
2005	65,885	–	–	5,630	962	–	–	72,477
2004	59,643	–	–	5,934	154	–	–	65,731
R.G. Freeman								
2005	64,945	–	–	5,845	–	–	–	70,790
2004	62,804	–	–	6,692	–	–	–	69,496

[1] Based on an independent valuation by KPMG Actuaries. This valuation may decrease if achievement of performance hurdles is adversely affected by seasonal conditions.

Directors of GrainCorp Limited continued

	Primary			Post-Employment	Equity		Other	Total
Name	**Cash Salary and Fees $**	**Cash Bonus $**	**Non-monetary Benefits $**	**Super-annuation $**	**Share Sacrifice $**	**Share Rights[1]/ Options $**	**Retirement $**	**$**
D. Groves								
2005	32,214	–	–	5,495	28,846	–	–	66,555
2004	27,442	–	–	5,170	28,846	–	–	61,458
R.J. Hards								
2005	58,591	–	–	5,273	–	–	–	63,864
2004	35,308	–	–	3,178	–	–	–	38,486
D. Mangelsdorf								
2005	30,855	–	–	3,192	4,615	–	–	38,662
2004	–	–	–	–	–	–	–	–
J. Menegazzo								
2005	–	–	–	–	–	–	–	–
2004	10,693	–	–	2,222	12,500	–	3,719	29,134
D.C. Taylor								
2005	63,825	–	–	5,610	4,808	–	–	74,243
2004	55,419	–	–	4,576	769	–	–	60,764
D.B. Trebeck								
2005	45,971	–	–	6,260	24,039	–	–	76,270
2004	37,611	–	–	5,635	25,000	–	–	68,246
T.B. Keene[4]								
2005	547,107	181,238	24,711	96,119	19,231	289,230	–	1,157,636
2004	509,533	174,840	63,172	47,549	20,000	(7,108)	–	807,986
Total								
2005	**1,236,707**	**181,238**	**24,711**	**161,496**	**94,664**	**289,230**	**–**	**1,988,046**
2004	1,132,291	174,840	69,076	111,552	116,019	(7,108)	3,719	1,600,389

[7] Received retirement payment of $164,637 (accrued in prior year).
[8] Received retirement payment of $180,907 (accrued in prior year).
[4] T.B. Keene is the Managing Director of the GrainCorp group and the only Executive Director on the Board.

For the financial year 2004/05, the Managing Director achieved 70 percent of performance targets.

Remuneration Report continued

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 Company and the consolidated entity during the year ended 30 September 2005.

Name	Position
J. Di Leo[1]	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[2]	General Manager, AG Plus
J. Breeze	General Manager, AG Haul
J. de Salis	General Manager, AG Finance

[1] J. Di Leo became Managing Director of Allied Mills on 7 November 2005, and the GrainCorp position of Chief Operating Officer was made redundant.
[2] Resigned position at 18 November 2005.

Details of the Remuneration of Specified Executives

	Primary			Post-Employment	Equity		Total
Name	Cash Salary and Fees $	Cash bonus $	Non-monetary Benefits $	Super-annuation $	Share Sacrifice $	Share Rights[1]/ Options $	$
J. Di Leo[2]							
2005	397,551	89,677	51,306	11,713	–	129,264	679,511
2004	380,021	90,885	39,735	11,002	–	(2,027)	519,616
K.J. Lloyd							
2005	340,201	50,006	22,594	11,713	–	68,785	493,298
2004	223,729	38,000	32,735	11,002	–	(1,013)	304,453
S. Tainsh							
2005	226,988	60,600	6,156	17,512	4,808	64,891	380,955
2004	182,968	50,430	(1,532)	15,691	5,000	(1,013)	251,544
S.G.B. Bird							
2005	241,157	39,379	6,546	19,512	–	68,785	375,379
2004	231,027	38,000	8,194	18,801	–	(1,013)	295,009
A.N. Johns							
2005	217,650	55,125	24,176	11,770	961	64,891	374,573
2004	195,228	55,890	19,281	11,223	–	(1,013)	280,609
N.P. Hart							
2005	207,699	35,417	26,581	11,787	962	63,593	346,039
2004	191,283	34,650	25,862	11,223	269	(1,013)	262,274
J. de Salis							
2005	194,474	30,093	22,191	11,713	–	54,509	312,980
2004	47,250	–	(1,283)	2,750	–	–	48,717
J.P. Breeze							
2005	148,221	28,675	3,842	36,394	–	48,020	265,152
2004	140,000	22,400	2,323	20,000	–	–	184,723
A. Single[3]							
2005	166,837	29,726	2,076	12,179	–	49,318	260,136
2004	134,867	29,280	4,188	11,469	–	(1,013)	178,791
Total							
2005	**2,140,778**	**418,698**	**165,468**	**144,293**	**6,731**	**612,056**	**3,488,023**
2004	1,726,373	359,535	129,503	113,161	5,269	(8,105)	2,325,736

[1] Based on an independent valuation by KPMG Actuaries. This valuation may decrease if achievement of performance hurdles is adversely affected by seasonal conditions.
[2] J. Di Leo became Managing Director of Allied Mills on 7 November 2005, and the GrainCorp position of Chief Operating Officer was made redundant Mr Di Leo received a final payment of $1,078,445. Performance share rights were forfeited for no payment.
[3] Resigned position at 18 November 2005 with final payment of $224,511. Performance share rights were forfeited for no payment.

Cash Bonuses and Options

Each cash bonus and grant of options included in the above table represents 100 percent of the amount due. No amount was forfeited because the person did not meet the service and performance criteria set out below. No part of the bonuses or grants of options are payable in future years.

Remuneration Report continued

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 contract commenced on 27 August 2003 with an option for the Company to renew for a further two years. The Board has resolved to exercise the option with the contract to expire on 27 August 2008.
(ii) Remuneration	The remuneration package is made up as follows: • Base package reviewed annually and benchmarked against an agreed relevant peer group. • Short term incentive (STI). Total available quantum 40 percent of base package with a target of 30 percent. • Long term incentive (LTI). Performance Share Rights based on EPS and TSR hurdles. Total available quantum 120 percent of base package with a target of 60 percent.
(iii) Termination Managing Director initiated termination	• Twelve months' notice required and the Managing Director would receive pro rata Base Package up to the date of 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 (five weeks plus three weeks for every year of service up to 52 weeks).
Managing Director end of term payment	In order to clarify to the Managing Director and the market the intent of the existing clause 2.5 Termination Upon Expiry of Term, the Board has resolved to provide for an end of term payment to the Managing Director by including the following in his new contract: In accordance with clause 2.5 Termination Upon Expiry of Term the Board has determined in its absolute discretion to make an additional ex gratia payment of 12 months' remuneration package to the Managing Director in recognition of his 42 years of service, his success as Managing Director and that a long term incentive plan has only applied to the latter part of his tenure. The payment is contingent upon his not being dismissed or resigning without the consent of the Board prior to the expiration of the contracted term.

All Specified Executives are covered by a standard agreement which requires 13 weeks' notice.

Share Based Compensation

Executive Option Plan

The GrainCorp Limited Executive Option Plan concluded on 30 September 2005. No options were available for exercise as neither the Total Shareholder Return nor Earnings Per Share hurdles for the period 1 October 2002 to 30 September 2005 were met.
The Executive Option Plan was terminated by the Board on 22 November 2005 following the introduction of the Performance Share Rights Plan that was effective since 1 October 2004.

Shares under option

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.

Performance Rights Share Plan

The GrainCorp Performance Rights Share Plan (Plan) provides Eligible Employees the opportunity to participate in competitive performance based remuneration incentives.

Remuneration Report continued

The Plan enables selected Eligible Employees (including Executive Directors) to participate in a new long term performance based incentive plan to acquire Rights as part of their remuneration and to share in GrainCorp's financial performance. The Plan is intended to encourage Eligible Employees to have a greater involvement in the achievement of GrainCorp's objectives, which will benefit all shareholders. An Eligible Employee is someone who is a permanent full time employee of the GrainCorp Group.

Under the Plan, an Eligible Employee may be granted a number of Rights, each Right may be converted into one share on the satisfaction of certain Performance Conditions. The number of rights available to be granted, other than the initial grant, is determined by the following process:

a) base salary multiplied by standard grant LTI value percent;

b) divided by the Volume Weighted Average Share Price for the period 1 September to 30 September.

There is no amount payable for the grant of a Right and there is no exercise price payable on the exercise of a Right. Rights may be exercised on the exercise date (being the date on which the Performance Conditions are satisfied). Rights will expire (lapse) on the fifth anniversary of the date they are granted.

Performance Conditions

Rights vest only if certain performance conditions are fulfilled. The performance conditions include two measures:

- the Earnings Per Share (EPS) growth for the Company's Shares must be at least 4 percent average per annum compound in respect of each measurement period; and
- the Total Shareholder Return (TSR) ranking for the Company is at least equal to the 50th percentile of the S&P/ASX 200 Index (excluding certain companies) in respect of each measurement period. TSR is broadly the change in the share price over the measurement period plus dividends notionally reinvested in the Company Shares.

There are three levels of achievement or "standards" for each of the performance conditions – the threshold level, the target level and the stretch level.

- the threshold level represents the minimum acceptable level of performance that needs to be achieved in order to receive the specified award for that performance objective, or
- the target level represents a satisfactory level relative to past and expected achievements, and
- the stretch level represents a level of clearly outstanding performance and achievement beyond target level.

The measurement period for the purposes of the Performance Conditions will be in blocks of three financial years, with the first year commencing 1 October 2004.

At the end of the measurement period, if an Eligible Employee is still employed by the Company, a calculation will be made by the Company as to the actual amount of the award. The eligible award for each threshold, target and stretch levels will be calculated and added together and then apportioned across the performance objectives in accordance with the applicable weightings. A pro rata calculation will apply between the threshold and target level as well as between the target and the stretch level. Performance above the stretch level will not generate additional awards. Performance below the threshold level will not generate any award.

For the 1 October 2004 performance rights issue, the following EPS commencement points (cents per share) apply:

	Base at 1-Oct-04	1-Oct-05	1-Oct-06	1-Oct-07	Total
Threshold at 4 percent	43.70	45.45	47.27	49.16	141.88
Target at 7.5 percent	43.70	46.98	50.50	54.29	151.77
Stretch at 12 percent	43.70	48.94	54.82	61.40	165.16

The base EPS is calculated as NPAT after RPS dividends divided by total number of ordinary shares on issue e.g. EPS for 2004 after RPS was 43.7 cents per share.

The TSR commencement base will be established using the same Volume Weighted Average Price (VWAP) share price for the calculation of the number of rights granted i.e. VWAP for period 1 September to 30 September e.g. 1 Sept. -30 Sept. 2004 = $12.7751.

Remuneration Report continued

The vesting of each grant of Rights in respect of each measurement period is as follows:

Performance Level	TSR		EPS Growth (average p.a. compound)		Cumulative Total Vesting of Share Rights in Grant
	Standard	Cumulative Portion of Grant of Rights to Vest	Standard	Cumulative Portion of Grant of Rights to Vest	
< Threshold	<50th percentile	0%	<4%	0%	0%
Threshold	50th percentile	12.5%	4%	12.5%	25%
Between Threshold & Target	>50th & <60th percentiles	Pro rata	>4% & <7.5%	Pro rata	Pro rata
Target	60th percentile	25%	7.5%	25%	50%
Between Target & Stretch	>60th & <75th percentiles	Pro rata	>7.5% & <12%	Pro rata	Pro rata
Stretch & above	75th percentile +	50%	12%+	50%	100%

If vesting of the grant of Rights is not achieved at the end of the measurement period, re-testing will occur at the end of the fourth and fifth years, and improved performance over the four or five year measurement periods will produce additional vesting.

Options and Performance Rights Holdings

The number of options and rights over ordinary shares in the Company held by the Managing Director 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	Number Granted During the Year as Remuneration	% of Total Remuneration During the Year	Exercised During the Year	Expired During the Year	Accrued Balance at the End of the Year	Vested and Exercisable the End of the Year
Managing Director of GrainCorp Limited							
T.B. Keene	250,000	61,056	25%	–	(250,000)	61,056	–
Specified Executives of the Consolidated Entity							
J. Di Leo	100,000	27,287	19%	–	(100,000)	27,287	–
S.G.B. Bird	50,000	14,520	18%	–	(50,000)	14,520	–
N.P. Hart	50,000	13,425	18%	–	(50,000)	13,425	–
A.N. Johns	50,000	13,699	17%	–	(50,000)	13,699	–
K.J. Lloyd	50,000	14,520	14%	–	(50,000)	14,520	–
A. Single	50,000	10,411	19%	–	(50,000)	10,411	–
S. Tainsh	50,000	13,699	17%	–	(50,000)	13,699	–
J.P. Breeze	–	10,137	18%	–	–	10,137	–
J. de Salis	–	11,507	17%	–	–	11,507	–

DIRECTORS' REPORT

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.

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.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to its 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 30.

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.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

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, or in certain cases, to the nearest dollar.

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

Ronald Greentree

R.L. Greentree
Chairman

Sydney
22 November 2005

AUDITOR'S INDEPENDENCE DECLARATION

Independent Audit Report to the Members of GrainCorp Limited

As lead auditor for the audit of GrainCorp Limited for the year ended 30 September 2005, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

P.J. Carney

P.J. Carney
Partner
PricewaterhouseCoopers

Sydney 22 November 2005

Statements of
FINANCIAL PERFORMANCE

For the year ended 30 September 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Revenue from operating activities		674,188	934,357	–	–
Other revenue		25,446	29,791	29,246	14,164
Total revenue from ordinary activities	2	699,634	964,148	29,246	14,164
Goods purchased for resale		398,301	636,261	–	–
Raw materials and consumables used		20,878	25,453	–	–
Employee benefits expense		123,773	112,060	10,969	10,982
Depreciation and amortisation expenses		49,930	48,491	–	–
Borrowing costs expense		24,219	29,530	7,821	8,535
Repairs and maintenance		14,514	14,839	–	–
Other expenses from ordinary activities		52,581	60,316	890	1,447
Expenses from ordinary activities		684,196	926,950	19,680	20,967
Share of net profit/(loss) of associates accounted for using the equity method	35	1,472	(516)	–	(1,895)
Profit/(loss) from ordinary activities before income tax expense	3	16,910	36,682	9,566	(8,698)
Income tax benefit/(expense)	4	(4,797)	(11,003)	1,193	2,035
Profit/(loss) from ordinary activities after income tax expense		12,113	25,679	10,759	(6,663)
Net profit attributable to outside equity interest		(3)	(2)	–	–
Net profit/(loss) attributable to members of GrainCorp	24	12,110	25,677	10,759	(6,663)
Total changes in equity other than those resulting from transactions with owners		12,110	25,677	10,759	(6,663)
		Cents	Cents		
Basic earnings per Ordinary share	37	10.5	43.7		
Diluted earnings per Ordinary share	37	10.3	42.8		
Basic earnings per Ordinary share before reset preference share dividends	37	29.6	62.8		
Diluted earnings per Ordinary share before reset preference share dividends	37	29.1	61.4		

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

Statements of
FINANCIAL POSITION

For the year ended 30 September 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Current Assets					
Cash assets	6	11,506	12,630	–	–
Receivables	7	142,702	191,713	61,488	50,905
Inventories	8	54,770	55,329	–	–
Other	9	12,615	12,424	10	–
Total Current Assets		221,593	272,096	61,498	50,905
Non-Current Assets					
Receivables	10	31,860	40,379	31,308	29,259
Investments accounted for using the equity method	11	73,856	75,394	–	–
Other financial assets	12	261	–	340,781	339,781
Property, plant & equipment	13	479,871	487,622	–	–
Deferred tax assets	14	13,639	11,359	13,639	11,359
Intangible assets	15	10,037	10,693	–	–
Total Non-Current Assets		609,524	625,447	385,728	380,399
Total Assets		831,117	897,543	447,226	431,304
Current Liabilities					
Payables	16	80,886	114,309	2,397	2,772
Interest bearing liabilities	17	58,214	72,734	100,742	79,018
Current tax liabilities	18	8,603	7,865	8,603	7,865
Provisions	19	13,642	12,836	1,103	874
Total Current Liabilities		161,345	207,744	112,845	90,529
Non-Current Liabilities					
Interest bearing liabilities	20	241,194	254,745	90,535	92,200
Deferred tax liabilities	21	6,140	6,802	6,140	6,802
Provisions	22	26,222	29,672	4,137	4,486
Total Non-Current Liabilities		273,556	291,219	100,812	103,488
Total Liabilities		434,901	498,963	213,657	194,017
Net Assets		396,216	398,580	233,569	237,287
Equity					
Parent entity interest:					
Contributed equity	23	219,012	219,149	219,012	219,149
Reserves	24	18,430	18,430	13,510	13,510
Retained profits	24	158,689	160,919	1,047	4,628
Total GrainCorp interest		396,131	398,498	233,569	237,287
Outside equity interest in controlled entities	25	85	82	–	–
Total Equity		396,216	398,580	233,569	237,287

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

Statements of
CASH FLOWS

For the year ended 30 September 2005

	Note	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of goods & services tax)		777,799	1,010,575	12,316	12,529
Payments to suppliers and employees (inclusive of goods & services tax)		(693,147)	(962,737)	(13,456)	(11,898)
		84,652	47,838	(1,140)	631
Interest received		2,014	5,751	–	3,063
Borrowing costs		(24,247)	(27,823)	(7,849)	(8,137)
Income taxes (paid)/refunded		(10,264)	(2,140)	(370)	(158)
Net Cash Inflow/(Outflow) from Operating Activities	34	52,155	23,626	(9,359)	(4,601)
Cash Flows from Investing Activities					
Cash acquired on merger		–	7,991	–	–
Payments for property, plant and equipment		(39,358)	(30,586)	–	–
Sale of investments/business		3,252	–	–	–
Purchases of investments/business		–	(77,302)	(1,000)	(77,302)
Dividends received		–	–	16,000	–
Proceeds from sale of property, plant and equipment		2,557	14,285	–	–
Loans repaid by related parties		23,167	19,188	–	19,188
Deposit bond for Pools facility		699	(8,886)	–	–
Loans from/(to) related parties		(359)	(9,250)	(2,087)	8,652
Net Cash Inflow/(Outflow) from Investing Activities		(10,042)	(84,570)	12,913	(49,462)
Cash Flows from Financing Activities					
Proceeds from interest bearing liabilities		175,200	270,946	–	–
Repayment of interest bearing liabilities		(194,297)	(262,251)	(6,000)	(10,250)
Proceeds from executive share options exercised		(9,663)	–	–	–
Issue of Reset Preference Shares (net of issue costs)		(137)	86,491	(137)	86,491
Dividends paid		(14,340)	(18,834)	(14,340)	(18,834)
Net Cash Inflow/(Outflow) from Financing Activities		(43,237)	76,352	(20,477)	57,407
Net increase/(decrease) in cash held		(1,124)	15,408	(16,923)	3,344
Cash at the beginning of the financial year		12,630	(2,778)	(9,913)	(13,257)
Cash at the End of the Financial Year	6	11,506	12,630	(26,836)	(9,913)

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.

Notes to the Consolidated
FINANCIAL STATEMENTS

For the year ended 30 September 2005

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*.

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.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by GrainCorp Limited ("company" or "parent entity") as at 30 September 2005 and the results of all controlled entities for the year then ended. GrainCorp Limited 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).

Investments in associates and joint ventures are accounted for as set out in Note 1(u).

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(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 directly attributable fixed and variable overheads.

1. Summary of Significant Accounting Policies continued

e) 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) Depreciation of 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.

(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.

Under an operating lease, the lessor retains substantially all the risks and benefits of ownership. 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.

f) Intangible Assets – 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.

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.

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.

(iii) Commodities inventory

Inventories acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margins are stated at the lower of cost and net realisable value.

j) Employee Benefits

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, annual leave and accumulating sick leave in respect of employees' services up to the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Liabilities expected to be settled within 12 months of the reporting date are recognised in current provisions, and liabilities expected to be settled more than 12 months from the reporting date are included in non-current provisions. Liabilities for non-accumulating 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) Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:
- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Superannuation

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

(v) Termination benefits

Liabilities for termination benefits 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.

1. Summary of Significant Accounting Policies continued

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.

(vi) 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.

(vii) Equity-based Remuneration

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

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.

GrainCorp Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation on 31 March 2004 with an entry date of 1 October 2002.

As a consequence, GrainCorp Limited, 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. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

m) Research, Development and Marketing Costs

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

n) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sale of grain, seed, fertiliser, chemicals and other products

Revenue from sales is recognised when title for the commodity transfers to the customer. In the case of export sales, the bill of lading (shipment) date is taken as the transaction date unless title is to pass at a materially different time.

(ii) Services, including the handling, classification and storage of grains and other bulk commodities

Revenue from the rendering of services is recognised upon delivery of the service to the customer. Amounts billed in advance are recorded as a current liability until such time as the service is performed.

o) Workers' Compensation

The controlled entity GrainCorp Operations Limited ("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. Provision is made for potential liability on the basis of an independent actuarial assessment. GCOP, outside New South Wales, and the consolidated entity in all States and Territories, insure for workers compensation through the relevant statutory funds.

p) Derivative Financial Instruments

The consolidated entity enters into interest rate swap agreements, commodity futures, forward and options contracts, and foreign exchange forward and currency option contracts which are not recognised in the financial statements on inception. For interest rate swap agreements, the net amount receivable or payable 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 on commodity and foreign exchange derivatives entered into for hedging purposes is deferred and brought to account when realised.

q) Foreign Currency Translation

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.

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 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

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. Summary of Significant Accounting Policies continued

s) GrainCorp Operated Grain Pools

The consolidated entity operates grain pools on behalf of growers, and 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 the consolidated entity's management of the pools it is responsible for arranging funding to facilitate advance payments to growers over the life of the pool. In October 2003, GrainCorp entered into an arrangement with GrainCorp Pools Pty Limited (GCPL), a company 100 percent owned by Rabo Australia Limited, to provide this financing.

It has been determined the substance of this transaction is such that GrainCorp controls GCPL and has therefore been consolidated in the consolidated entity's financial report. Although this funding is non-recourse to the consolidated entity it has resulted in the recognition of a pool advance facility balance of $48 million from Rabo Bank and net pool advances of $48 million at 30 September 2005. Any interest on this facility is borne by the pools.

GCPL also requires the consolidated entity to provide a 5 percent deposit bond of the utilised funding which is shown as a receivable in the Statement of Financial Position. In the event of a significant shortfall in pool funds, the consolidated entity'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 the consolidated entity reflects the advance facility and advances made to pool participants in a manner consistent with the above arrangement.

At their meeting on 22 March 2005, the Urgent Issues Group (UIG) concluded its review of Commodity Pooling Arrangements and determined that given the now consistent presentation of financial reports by pool managers there was no need to proceed with issuing an Interpretation and subsequent Abstract.

t) Dividends

Provision is 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.

Refer to Note 35 for details of investments held in associated companies.

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) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

z) Transition to Australian International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, GrainCorp must comply with the Australian equivalents of International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

GrainCorp will report for the first time in compliance with AIFRS when the results for the half-year ending 31 March 2006 are released.

A project team was established 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, working with specialist external consultants where necessary, has identified changes to accounting policies, quantified likely key impacts and is finalising detailed design, implementation and system amendments.

Entities complying with AIFRS for the first time also restate their comparative statements using all AIFRS except AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 139 *Financial Instruments: Recognition and Measurement*, and AASB 4 *Insurance Contracts*, which GrainCorp has elected to adopt effective from 1 October 2005.

The opening AIFRS balance sheet for GrainCorp is a restated balance sheet dated 1 October 2004. Most adjustments required on transition to AIFRS are made, retrospectively, against opening retained earnings on 1 October 2004. Transitional adjustments relating to the financial instruments standards noted above, where comparatives are not required, will only be made at 1 October 2005. Detailed comparatives restated under AIFRS will not be reported in financial statements until 31 March 2006, being the first half-year reported in compliance with AIFRS.

Impact of Transition to AIFRS

Set out below are the known or reliably estimable areas where accounting policies are expected to change on adoption of AIFRS.

The figures disclosed are the company's best estimates of the quantitative impact of the changes as at the date of preparing the 30 September 2005 financial report and should not be considered to provide complete guidance as to the impact of changes in accounting policies that will result from the transition from Australian GAAP (AGAAP) to AIFRS from 1 October 2005. The impact of the transition to AIFRS, including the transitional adjustments disclosed, is based on AIFRS standards that are expected to be in place when preparing the first complete AIFRS financial report for the half-year ending 31 March 2006.

The actual effects of transition to AIFRS may differ from the estimates disclosed due to: ongoing work being undertaken by the AIFRS project team; potential amendments to AIFRS and interpretations thereof being issued by the standard-setters and International Financial Reporting Interpretations Committee; and emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group Interpretations.

1. Summary of Significant Accounting Policies continued

a) Under AASB 2 *Share-based Payments* and the elections available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, from 1 October 2004 the group is required to recognise an expense for equity-based remuneration that is issued to employees after 7 November 2002 but that had not vested by 1 January 2005.

Under AASB 2, the performance share rights plan will be treated as an in-substance grant of options as it provides nominated employees the right, but not the obligation, to subscribe to GrainCorp's shares at a fixed price (i.e. at no cost) for a specified period of time. This treatment requires that the fair value of the rights be determined and expensed over the vesting period with a corresponding increase to the share option reserve included in equity. Shares issued under the employee share acquisition plan in the 2005 year are also expensed with a corresponding increase to equity. There is no change to total equity on transition as the charge to retained earnings is offset by the increase in share capital and reserves.

If the policy required by AASB 2 had been applied during the year ended 30 September 2005, consolidated pre-tax profits would have been $1.6 million lower, with no change to total equity.

b) Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its fair value less costs to sell and value in use. Testing for impairment is based on identifying assets or groups of assets that generate cash inflows, termed "cash generating units". The Group's current accounting policy is to determine the recoverable amount of an asset on the basis of nominal cash flows, whereas under AIFRS cash flows are discounted.

Management has drafted the basis of allocation of the Groups' assets, including goodwill, to cash generating units and the test for impairment as at transition date. The effect of this has not yet been quantified as the Company is in discussion with its auditors to finalise the above.

c) Under AASB 3 *Business Combinations*, goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. The Group has elected not to apply AASB 3 retrospectively. If the policy required by AASB 3 had been applied during the year ended 30 September 2005, consolidated goodwill at 30 September 2005 would have been $656k higher and pre-tax consolidated amortisation expense for the year ended 30 September 2005 would have been $656k lower.

d) 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. The impact of this has yet to be determined. This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method. Under this 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.

e) Under UIG 1052 *Tax Consolidation Accounting*, the parent entity, as the head entity in the tax consolidated group, will be required to recognise the current tax payable of the tax consolidated subsidiaries and deferred tax assets relating to the tax losses of these subsidiaries. The net difference between these amounts and amounts receivable or payable will result in distributions being recognised in the head entity and other members of the tax consolidated group.

The parent entity's own tax amounts will be measured using one of the acceptable allocation methods in UIG 1052.

This differs from the current accounting policy, under which the parent entity recognises current and deferred tax amounts relating to transactions, events and balances of the tax consolidated subsidiaries as if those transactions events and balances were its own, and measures its own tax amounts by applying the principles in AASB 1020.

On 1 October 2004, the deferred tax balances in the parent entity relating to tax consolidated subsidiaries will be derecognised against relevant intercompany accounts, resulting in a reduction of deferred tax assets, deferred tax liabilities and tax-related intercompany receivables (payables). There will be no effect on the net assets or tax expense of the consolidated entity as at the AIFRS transition date.

The consolidated tax balances will not change as a result of UIG 1052.

f) Under AIFRS, the revenue recognised in relation to the sale of non-current assets is the net gain on the sale. This is in contrast to the current AGAAP treatment under which the gross proceeds from the sale are recognised as revenue, and the carrying amount of the asset sold is recognised as an expense. The net effect on the profit and loss of this difference is nil.

In addition to the above changes to existing accounting policies that will impact the financial statements for the year ended 30 September 2005, the following changes may impact the financial statements of future periods:

a) Under AASB 139 Financial Instruments: Recognition and Measurement, GrainCorp will classify its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. These classifications depend on the purpose for which the financial assets were acquired. Management determines these classifications at initial recognition and re-evaluates their designation at each reporting date. Borrowings and other financial liabilities are measured at amortised cost. Movements in fair value will generally be reflected directly in profit or loss.

b) Under AASB 139 Financial Instruments: Recognition and Measurement, GrainCorp expects that its commodity futures and option contracts, interest rate swap agreements and foreign exchange contracts will not qualify for hedge accounting, with the result that fair value adjustments will be reflected directly in profit or loss.

c) Under AASB 132 Financial Instruments: Disclosure and Presentation, the Reset Preference Shares (RPS) issued in October 2003 are classified as compound financial instruments with debt and equity components. On 1 October 2005, some terms of the RPS were amended which is likely to result in the RPS being classified as an interest bearing liability with the amortisation shown as a borrowing cost in the Statement of Financial Performance.

2. Revenue

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Revenue from operating activities				
Sale of goods	455,411	707,727	–	–
Services	218,777	226,630	–	–
	674,188	934,357	–	–
Other revenue				
Dividends	–	–	16,000	–
Interest	4,063	5,751	2,049	2,772
Sale of non-current assets	6,070	14,285	–	–
Rental income	461	363	–	–
Management fee income	5,602	2,820	11,197	11,392
Other income	9,250	6,572	–	1
	25,446	29,791	29,246	14,164
Total revenue from ordinary activities	699,634	964,148	29,246	14,164

3. Operating Profit

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains/(Losses)				
Foreign exchange hedging gain	5,034	7,971	–	–
Gain on disposal of investments in associates	688	–	–	–
Gain on disposal of property, plant and equipment	1,449	4,762	–	–
Revenue as penalty for lease surrender	3,850	–	–	–
Expenses				
Cost of goods sold	419,179	661,714	–	–
Borrowing costs				
– Interest charges	21,346	24,742	6,600	6,527
– Other costs	2,873	4,788	1,221	2,011
Total borrowing costs	24,219	29,530	7,821	8,538
Depreciation				
– Plant and equipment	45,963	44,523	–	–
– Buildings and improvements	2,439	2,679	–	–
Total depreciation	48,402	47,202	–	–
Amortisation				
– Leased assets	872	631	–	–
– Intangible assets	656	658	–	–
Total amortisation	1,528	1,289	–	–
Other charges against assets				
– Bad and doubtful debts	190	(172)	–	–
– Provision for loan recovery	(16)	–	–	–
– Write down of investment in associate	516	–	–	–
Total other charges against assets	690	(172)	–	–
Rental expenses relating to operating leases				
– Minimum lease payments	7,991	7,929	–	–
– Surplus leased space (release)	(262)	430	–	–
Total rental expenses relating to operating profits	7,729	8,359	–	–
Research and development costs	403	446	–	–
Restructure costs	1,702	–	–	–

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 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Operating profit/(loss) before income tax	16,910	36,682	9,566	(8,698)
Income tax calculated at 30% (2004 – 30%)	5,073	11,005	2,870	(2,609)
Tax effect of permanent differences:				
– Non deductible depreciation and amortisation	1,646	1,307	–	–
– Additional allowable tax depreciation	(508)	(1,615)	–	–
– Dividend received/receivable	–	–	(4,800)	–
– Other	105	472	737	3
– Share of net (profit)/loss of associate	(493)	154	–	569
Income tax adjusted for permanent differences	5,823	11,323	(1,193)	(2,037)
(Over)/under provision in previous year	(1,026)	(320)	–	2
Income tax expense/(benefit) attributable to operating profit	4,797	11,003	(1,193)	(2,035)
Income tax attributable to operating profit/(loss) comprises:				
Current taxation provision	11,002	13,456	(864)	(2,070)
Deferred income tax provision	(4,889)	(5,698)	14	(86)
Future income tax benefit	(1,316)	3,245	(343)	121
Income tax expense/(benefit) attributable to operating profit	4,797	11,003	(1,193)	(2,035)

Tax Losses				
The amount of the future income tax benefit shown in Note 14 attributable to tax losses is:	6,695	7,364	6,695	7,364
The amount of the future income tax benefit attributable to tax losses not recognised:	957	–	957	–

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.

4. Income Tax continued

Tax Consolidation Legislation

GrainCorp Limited, 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.

The entities have entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities reimburse GrainCorp for any current income tax payable by GrainCorp arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current receivable by GrainCorp. In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by GrainCorp.

5. Dividends

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

	2005		2004	
Date	**Rate (Cents)**	**Amount $'000**	**Rate (Cents)**	**Amount $'000**
Ordinary Shares				
Final for 2004	14	5,722	–	–
(Paid 20 December 2004)				
Special dividend (Paid 1 July 2005)	2	818	17	6,947
Special dividend	–	–	10	4,087
Reset Preference Shares				
Interim dividend	322.3	3,868	324.1	3,889
(Paid 31 March 2005)				
Special dividend (Paid 1 July 2005)	327.7	3,932	325.9	3,911
(Paid 30 September 2005)				
		14,340		18,834

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 cents per fully paid share ($2.0 million) to be paid on 20 December 2005 out of consolidated retained profits at 30 September 2005.

The franked portion of dividends recommended after 30 September 2005 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 2005.

	Consolidated		Parent Entity	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Franking credits available for the subsequent financial year	26,335	27,859	26,335	27,859

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.

6. Cash (current)

Cash at bank and on hand	11,506	12,630	–	–

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated		Parent Entity	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Cash at bank and on hand	11,506	12,630	–	–
Less: Bank overdrafts (Note 17)	–	–	(26,836)	(9,913)
	11,506	12,630	(26,836)	(9,913)

7. Receivables (current)

Trade debtors	76,852	91,498		
Less: Provision for doubtful debts	(1,128)	(1,543)	–	–
	75,724	89,955	–	–
Other unsecured debtors	4,797	8,533	9	6
Margin deposits on commodity futures contracts	5,711	495	–	–
Advances to associated entities (Note 31)	1,663	13,917	–	–
Less: Provision for loan recovery	(1,006)	(937)	–	–
Pools advance (Note 16 & Note 1 (s))	47,728	70,966	–	–
Deposit bond for Pools facility	8,085	8,784	–	–
Related party debtors (Note 31)	–	–	61,479	50,899
	142,702	191,713	61,488	50,905

8. Inventories (current)

Consumable stores	4,052	4,241	–	–
Trading stock	5,797	2,922	–	–
Commodities inventory at net realisable value				
(secured by interest bearing liabilities – Note 17)	21,882	12,686	–	–
Commodities inventory at cost				
(secured by interest bearing liabilities – Note 17)	23,039	35,480	–	–
	54,770	55,329	–	–

The facility for funding commodities inventory is provided by a financial institution which holds 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	11,467	11,076	10	–
Other assets	1,148	1,348	–	–
	12,615	12,424	10	–

10. Receivables (non-current)

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Loans to associate entities (Note 31)	31,308	37,342	31,308	29,259
Sundry debtors	552	3,037	–	–
	31,860	40,379	31,308	29,259

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

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Shares in associated companies (Notes 1(u) & 35)	73,856	75,394	–	–

12. Other Financial Assets (non-current)

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Non-traded investments				
Shares in controlled entities at cost (Note 29)	–	–	269,861	268,861
Shares in associated entity at cost (Note 35)	–	–	70,920	70,920
Shares in controlled entities at cost (note 29)	261	–	–	–
	261	–	340,781	339,781

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

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Land, Buildings and Improvements				
Freehold land, at cost	19,023	18,288	–	–
Freehold building and structures, at cost	142,517	129,775	–	–
Less: Provision for accumulated depreciation	(57,571)	(45,359)	–	–
	84,946	84,416	–	–
Leasehold improvements, at cost	13,234	13,022	–	–
Less: Provision for accumulated depreciation	(1,649)	(1,108)	–	–
	11,585	11,914	–	–
Total land, buildings and improvements	115,554	114,618	–	–
Plant and Equipment				
Leased Plant and equipment	4,348	4,348	–	–
Less: Provision for accumulated depreciation	(2,095)	(1,226)	–	–
	2,253	3,122	–	–
Other plant and equipment, at cost	589,584	561,576	–	–
Less: Provision for accumulated depreciation	(234,823)	(199,574)	–	–
	354,761	362,002	–	–
Total Plant and equipment	357,014	365,124	–	–
Capital works in progress, at cost	7,303	7,880	–	–
	479,871	487,622	–	–

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
GrainCorp Operations Ltd				
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.

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 2004	18,288	84,416	11,914	3,122	362,002	7,880	487,622
Acquisition of controlled entity – valuation change (Note 29)	639	(3,887)	168	–	6,930	(577)	3,273
Additions [1]	482	16,509	44	–	22,323	–	39,358
Disposals	(386)	(87)	–	–	(635)	–	(1,108)
Depreciation/amortisation	–	(12,005)	(541)	(869)	(35,859)	–	(49,274)
Balance at 30 September 2005	19,023	84,946	11,585	2,253	354,761	7,303	479,871

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

The balance at 30 September 2005 for the parent entity is zero.

14. Deferred Tax Assets (non-current)

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Future income tax benefit	16,639	11,359	13,639	11,359

15. Intangible Assets (non-current)

Goodwill, at cost	13,135	13,135	–	–
Less: Accumulated amortisation	(3,098)	(2,442)	–	–
	10,037	10,693	–	–

16. Payables (current)

Trade creditors	29,574	29,701	385	289
Other creditors	2,997	3,239	2,012	2,483
Income received in advance	587	740	–	–
Convertible notes	–	9,663	–	–
Pool advance facility (Notes 1(s) & 7)	47,728	70,966	–	–
	80,886	114,309	2,397	2,772

17. Interest Bearing Liabilities (current)

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Bank overdraft	–	–	26,836	9,913
Bills payable	7,665	12,000	7,665	12,000
Loans (Note 8)	49,717	58,689	–	–
Leases	832	2,045	–	–
Other related parties (Note 31)	–	–	66,241	57,105
	58,214	72,734	100,742	79,018

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	8,603	7,865	8,603	7,865

19. Provisions (current)

Claims and disputes	7,412	6,958	–	–
Workers compensation	450	560	–	–
Employee benefits (Note 27)	5,780	5,318	1,103	874
	13,642	12,836	1,103	874

Movements in Provisions

Consolidated – 2005	Claims & Disputes $'000	Workers' Compensation $'000
Carrying amount at beginning of year	6,958	560
Additional provisions recognised/(released)	514	336
Acquisition of controlled entity – valuation change (Note 29)	547	–
Payments made	(607)	(446)
Carrying amount at end of year	7,412	450

20. Interest Bearing Liabilities (non-current)

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Bills payable	235,135	248,800	90,535	92,200
Leases	6,059	5,945	–	–
	241,194	254,745	90,535	92,200

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

21. Deferred Tax Liabilities (non-current)

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Deferred income tax liability	6,140	6,802	6,140	6,802

22. Provisions (non-current)

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Restoration	1,415	5,372	–	–
Lease incentive	2,769	3,203	–	–
Workers' compensation	1,640	1,600	–	–
Employee entitlements (note 27)	20,398	19,497	4,137	4,486
	26,222	29,672	4,137	4,486

Movements in Provisions

Consolidated – 2005	Restoration [1] $'000	Lease Incentive $'000	Workers Compensation $'000
Carrying amount at beginning of year	5,372	3,203	1,600
Additional provisions recognised/(released)	–	(434)	40
Payments made	(3,957)	–	–
Carrying amount at end of year	1,415	2,769	1,640

[1] Provision exists to make good the head office leased premises and satisfy obligations to remove abundant plant and equipment from the Geelong port facility.

23. Contributed Equity

	Parent Entity 2005 Number	Parent Entity 2005 $'000	Parent Entity 2004 Number	Parent Entity 2004 $'000
Fully paid foundation share – Grain Growers Association Limited	1	–	1	–
Fully paid ordinary shares	40,901,332	103,459	40,872,232	103,459
Fully paid reset preference shares (RPS)	1,200,000	115,553	1,200,000	115,690
		219,012		219,149

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 2003	Sub-total	40,867,232	103,459
2 August 2004	Issued under employee share acquisition plan [1]	5,000	–
30 September 2004	Sub-total	40,872,232	103,459
7 June 2005	Issued under employee share acquisition plan [1]	29,100	–
30 September 2005	Total	40,901,332	103,459

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

Movements in reset preference shares ("RPS") of the company during the past two years 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
October 2004	Issue related costs – RPS	–	(137)
30 September 2005	Total	1,200,000	115,553

23. Contributed Equity continued

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the reset preference shares.

On a show of hands every member present in person or by proxy is entitled to one vote, and upon a poll each share shall have one vote. The passing of resolutions is subject to the voting rights of the foundation share.

Foundation share

The foundation share carries no entitlement to dividends or to the proceeds on winding up, and appoints a majority of directors to the GrainCorp Board.

No ordinary resolution can be passed without the affirmative vote of the foundation share, except for the appointment of elected directors. For a special resolution, the foundation share carries 75 percent of the total number of votes entitled to be cast.

Reset Preference Shares

RPS are perpetual unless converted or repurchased, and carry no voting rights. Dividends are preferential and non-cumulative

Employee equity schemes

Details of employee share, option and rights schemes are set out in Note 27.

24. Reserves & Retained Profits

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'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.

Retained Profits

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Retained profits at the beginning of the financial year	160,919	154,076	4,628	30,125
Net profit/(loss) attributable to members of GrainCorp Limited	12,110	25,677	10,759	(6,663)
Dividends provided for or paid (Note 5)	(14,340)	(18,834)	(14,340)	(18,834)
Closing balance	158,689	160,919	1,047	4,628

25. Outside Equity Interests in Controlled Entities

The outside equity interest comprises:

	Consolidated	
	2005	2004
	$'000	$'000
Share capital	49	49
Retained profits/(losses)	36	33
	85	82

26. Commitments to Expenditure

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'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	6,204	17,997	–	–
– Later than one year but not later than five years	–	–	–	–
	6,204	17,997	–	–
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	7,924	7,281	–	–
– Later than one year and not later than five years	21,108	18,844	–	–
– Later than five years	43,719	40,746	–	–
	72,751	66,871	–	–
Representing:				
Cancellable operating leases	1,017	1,169	–	–
Non-cancellable operating leases	71,734	65,702	–	–
	72,751	66,871	–	–
Operating Leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
– Not later than one year	7,827	7,167	–	–
– Later than one year but not later than five years	20,858	18,461	–	–
– Later than five years	43,049	40,074	–	–
	71,734	65,702	–	–

Operating leases are principally over port facilities, on terms up to 99 years. Contingent rentals are based on CPI and/or periodic valuation to market value. The majority of leases include options to extend terms. Given the nature of the company's relationship with port operators it is anticipated that most leases will be continually renewed. Operating leases also apply to offices, storage sites, computer equipment, and a railway locomotive and wagons.

	2005	2004	2005	2004
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
– Not later than one year	1,420	2,045	–	–
– Later than one year but not later than five years	5,475	5,945	–	–
Total lease liabilities	6,895	7,990	–	–

Finance leases are principally over port facilities, commencing between 1988 and 1999, and terminating between 2007 and 2012. Contingent rental payments are based on the volume of through-puts generated by the company. Options exist to renew the leases at minimal rental terms.

	2005	2004	2005	2004
Commodity Forward Contracts [1]				
Commitments in relation to forward purchases [2]	46,142	72,468	–	–
Commitments in relation to forward sales	57,901	107,813	–	–

[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.

27. Employee Benefits

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'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)	5,780	5,318	1,103	874
Non-current (Note 22)	20,398	19,497	4,137	4,486
	26,178	24,815	5,240	5,360
Employee Numbers				
Number of employees at balance date	939	920	73	83

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. 29,100 shares have been issued to employees this financial year when market value was $10.75 per share for a total benefit of $312,825. (2004: 5,000 shares, for total benefit of $65,050)

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.

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. During the year, 19,295 shares were acquired under the plans giving a total of 51,877 shares acquired to balance date.

GrainCorp Executive Option Plan

Refer to the Remuneration report for details of the GrainCorp Executive Option Plan.

Performance Share Rights Plan (PSRP)

Refer to the Remuneration report for details of the Performance Share Rights Plan.

28. Contingent Liabilities

(i) The controlled entity may from time to time receive notices of possible claims for losses or damages. A provision of $7,411,903 has been made to cover any liabilities which may arise out of such claims and the directors believe no further provision is required.

(ii) As required by the NSW workers' compensation self-insurance licensing requirements a Bank Guarantee in favour of the WorkCover Authority NSW for at least $2,550,000 is in place, representing an actuarial assessment of the company's contingent liability arising from self-insurance.

(iii) In the normal course of business the consolidated entity enters into guarantees. At 30 September 2005 they amounted to $1,477,555. The directors do not believe any loss will arise in respect of these guarantees.

(iv) GrainCorp Limited guarantees the payment of all monies payable in respect of unsecured deposit notes issued by its subsidiary GrainCorp AG Finance Limited. The guarantee is only enforceable by the trustee of the deposit notes, and not by individual depositors.

(v) The controlled entity has provided a guarantee of up to $1,250,000 for GrainStart loans provided by a third party to customers of the controlled entity to assist in the purchase of farm inputs products.

29. Investments in Controlled Entities

Name of Entity	Place of Incorporation	Class of Shares	Equity Holdings 2005	Equity Holdings 2004
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%	–
GrainCorp AG Finance Limited [1]	NSW	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 [2]	VIC	Ordinary	75%	75%
Entities controlled by Grainco Australia Pty Limited:				
Agricultural Risk Management Services Pty Limited	QLD	Ordinary	100%	100%
Grainco Australia (sub1) Pty Limited	QLD	Ordinary	100%	100%
Globex International Pty Ltd	QLD	Ordinary	100%	100%
ContainerLink Pty Limited	QLD	Ordinary	100%	100%
Ausfarmers Pty Limited	QLD	Ordinary	100%	100%
Bulk Terminals Australia Limited	QLD	Ordinary	50%	50%
Austasia Grains Pty Ltd	QLD	Ordinary	51%	51%
Entities controlled by GrainCorp Operations Limited:				
GrainCorp Victoria Pty Limited	NSW	Ordinary	100%	100%
GrainCorp National Pty Limited	NSW	Ordinary	100%	100%
Bulk Terminals Australia Limited	QLD	Ordinary	50%	50%
GrainCorp AG Finance Limited [1]	NSW	Ordinary	–	100%
GrainCorp Barley Pool Pty Ltd	NSW	Ordinary	100%	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 Ausfarmers Pty Limited:				
GrainCorp National Rail Pty Limited [3]	QLD	Ordinary	100%	100%
Maceast Pty Limited	QLD	Ordinary	100%	100%
Australian Independent Cement Terminals Pty Ltd	QLD	Ordinary	100%	100%
Wilsonton Facilities Pty Limited	QLD	Ordinary	100%	100%
Grainco Australia Seeds Pty Limited	QLD	Ordinary	100%	100%
MarketLink (Aust) Pty Limited	QLD	Ordinary	100%	100%

[1] Remaining equity interest is held by GrainCorp Victoria Pty Limited.
[2] Previously named GrainCorp Queensland Pty Limited.
[3] Previously named ACN 089 443 498 Pty Ltd.

Notes to the Consolidated
FINANCIAL
STATEMENTS

For the year ended 30 September 2005

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).

During the financial year, additional adjustments were made to the fair value of assets acquired which resulted in both the discount on acquisition and net assets being reduced by $4.6 million.

30. Remuneration of Auditors

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'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 *Corporations Act 2001*	431,000	480,284	79,860	72,600
	431,000	**480,284**	**79,860**	**72,600**
(ii) Other Assurance Services				
Fees paid to PricewaterhouseCoopers Australian firm				
Other audit services	13,500	30,300	–	–
Risk management & consulting	–	4,600	–	–
Accounting advice	49,284	–	–	–
Due diligence fees	15,000	–	–	–
	77,784	**34,900**	–	–
(iii) Taxation services				
Fees paid to PricewaterhouseCoopers Australian firm				
Tax compliance and advice	4,280	58,125	–	–
	4,280	**58,125**	–	–
	513,064	**573,309**	**79,860**	**72,600**

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

31. Related Party Transactions

(i) 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.

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, R. Flanery, R. Freeman, D. Mangelsdorf, D. Taylor and D. Trebeck.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Current receivables				
– Directors	–	56,447	–	–
– Director-related entities	135,034	38,820	–	–

(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 2005 and 2004 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	
	2005	2004
	$'000	$'000
Management fees for administrative services	11,197	11,391

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

	Parent Entity	
	2005	2004
	$'000	$'000
Current receivables (Note 7)	61,479	50,899
Current interest bearing liabilities (Note 17)	66,241	57,105

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.

(iii) Transactions with Other Related Parties

The ultimate Australian parent entity is Grain Growers Association Limited ("GGA"), which owns 1 Foundation share in GrainCorp, with rights to appoint a majority of directors to the GrainCorp board, and 21 percent of the Ordinary shares in GrainCorp.

Details of associated companies are shown in Note 35. The interests in Nugrain Pty Limited, Sunprime Seeds Pty Limited, Australian Bulk Alliance Pty Ltd ("ABA"), and PlantTech Pty Limited were disposed of during the year.

31. Related Party Transactions continued

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax:				
Leasing fee to Greentree Farming	101	–		
Rental income from GGA	–	10	–	–
Rental charge from GGA	–	49	–	–
Wheat supplied by Sunprime	117	866	–	–
Grading income from Sunprime	21	4	–	–
Storage, testing and seconds income from Sunprime	6	–	–	–
Engineering services provided by Bulkeast	3,296	2,352	–	–
Rental income from Bulkeast	29	39	–	–
Freight income from Allied Mills	1,950	705	–	–
Rental charge from Allied Mills	4	3	–	–
Sales income from Allied Mills	10,700	24,651	–	–
Interest received from Allied Mills	2,049	2,772	2,049	2,772
Storage income from Allied Mills	8,396	7,208	–	–
Rental income from Allied Mills	11	32	–	–
Interest received from ABA	341	720	–	–
Service & equipment hiring fees from ABA	–	60	–	–
Agency service fees to Australian Grain Accumulation Services	1,505	1,537	–	–
Membership fess to National Grower Register Pty Limited ("NGR")	258	815	–	–
Rental income from NGR	11	18	–	–
Interest income from NGR	118	52	–	–
Grain purchases from PlantTech	111	1,102	–	–
Seed processing service fees from PlantTech	527	924	–	–
Aggregate amounts receivable from and payable to other related parties at balance sheet date were as follows:				
Loan to Bulkeast (Note 7)	350	–	–	–
Loan to NGR (Note 7)	1,313	–	–	–
Loan to Sunprime (Note 7)	–	125	–	–
Loan to Nugrain (Note 7)	–	1,055	–	–
Loan to ABA (Notes 7 & 10)	–	21,987	–	–
Loan to Allied Mills (Note 10)	31,308	28,092	31,308	28,092

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.

(iv) Share holdings, Options, Performance Rights and Convertible Notes

The numbers of shares, options, performance rights 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	Changes arising from movements in board membership	Other changes during the year	Balance at the end of the year
Directors of GrainCorp Limited				
Ordinary Shares				
R.L. Greentree	755,992	–	21,200	771,192
D.C. Taylor	14	–	417	431
T.B. Keene	232,672	–	1,354	234,026
D. Curlewis	–	–	–	–
L.M. Delahunty (appointed)	–	76,333	–	76,333
R.R. Flanery	223,374	–	84	223,458
R.G. Freeman	136,192	–	–	136,192
P.W. Grigg (appointed)	–	3,467	–	3,467
D. Groves	1,735,911	–	(18,699)	1,717,212
D.Mangelsdorf (appointed)	–	837	–	837
D.B. Trebeck	18,693	–	2,084	20,777
W.G. Barron (retired)	94,590	(94,590)	–	–
N. Burton Taylor (retired)	1,388,818	(1,388,818)	–	–
R.J. Hards (resigned)	37,650	(37,650)	–	–
A.D. McCallum (resigned)	126,615	(126,615)	–	–
Performance Rights				
T.B. Keene	–	–	183,169	183,169
Employee Options				
T.B. Keene	250,000	–	(250,000)	–
Reset Preference Shares				
T.B. Keene	600	–	–	600
R Flanery	5,400	–	–	5,400
D. Groves	10,550	–	(10,000)	550
D.C. Taylor	333	–	–	333
Grainco Convertible Notes				
D. Groves	495,031	–	(495,031)	–

31. Related Party Transactions continued

(iv) Share holdings, Options, Performance Rights and Convertible Notes continued

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, options and perfomance rights				
J. Di Leo				
Employee Options	100,000	–	(100,000)	–
Performance Share Rights	–	–	81,862	81,862
Ordinary shares	103,634	–	–	103,634
Reset Preference Shares	150	–	–	150
S.G.B. Bird				
Employee Options	50,000	–	(50,000)	–
Performance Share Rights	–	–	43,561	43,561
Employee Share Acquisition Plan	400	–	–	400
A.N. Johns				
Employee Options	50,000	–	–	50,000
Performance Share Rights	–	–	41,096	41,096
Ordinary shares	805	–	95	900
K.J. Lloyd				
Employee Options	50,000	–	(50,000)	–
Performance Share Rights	–	–	43,561	43,561
Ordinary shares	13,688	–	(12,000)	1,688
N.P. Hart				
Employee Options	50,000	–	(50,000)	–
Performance Share Rights	–	–	40,274	40,274
Employee Share Acquisition Plan	400	–	95	495
S. Tainsh				
Employee Options	50,000	–	(50,000)	–
Performance Share Rights	–	–	41,096	41,096
Employee Share Acquisition Plan	400	–	828	1,228
A. Single				
Employee Options	50,000	–	(50,000)	–
Performance Share Rights	–	–	31,233	31,233
Ordinary shares	2,218	–	–	2,218
Reset Preference Shares	100	–	–	100
J.P.Breeze				
Performance Share Rights	–	–	30,411	30,411
Employee Share Acquisition Plan	400	–	–	400
J. de Salis				
Performance Share Rights	–	–	34,520	34,520

32. Deed of Cross Guarantee

GrainCorp Limited and its wholly-owned entities: GrainCorp Services Limited, GrainCorp Operations Limited, GrainCorp Victoria Pty Limited, GrainCorp National Pty Limited, Victorian Grain Services Pty Limited, Vicgrain Limited, Vicgrain (Assets) Pty Limited, Vicgrain (Finance) Pty Limited, Grainco Australia Pty Limited, Globex International Pty Limited, ContainerLink Pty Limited, Ausfarmers Pty Limited, Maceast Pty Limited, Wilsonton Facilities Pty Limited, Grainco Australia Seeds Pty Limited, MarketLink (Aust) Pty Limited, Bulk Terminals Australia Pty Ltd, Grainco Australia (Sub 1) Pty Ltd, GrainCorp National Rail Pty Limited and Australian Independent Cement Terminals Pty Ltd are parties to a deed of cross guarantee under which each of the companies guarantees the debts of the others.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended).

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties in the deed of cross guarantee that are controlled by GrainCorp Limited, they also represent the 'Extended Closed Group'.

The consolidated financial statements of the Closed Group for the year ended 30 September 2004 were identical to the consolidated financial statements of GrainCorp Limited and controlled entities for that year. During the year ended 30 September 2005, GrainCorp AG Finance Limited and Agricultural Risk Management Services Pty Limited ceased to be members of the Closed Group.

Set out below is a condensed consolidated statement of financial performance and a summary of movements in consolidated retained profits for the Closed Group.

	2005 $'000
Condensed statement of financial performance	
Profit from ordinary activities before related income tax expense	17,693
Income tax expense	(4,925)
Profit from ordinary activities after related income tax expense/net profit	12,768
Summary of movements in consolidated retained profits	
Retained profits at the beginning of the financial year	160,365
Profit from ordinary activities after related income tax expense/net profit	12,768
Dividends provided for or paid	(14,340)
Retained profits at the end of the financial year	158,793

Set out below is a consolidated statement of financial position as at 30 September 2005 of the Closed Group.

Current assets	
Cash assets	8,802
Receivables	145,037
Inventories	54,770
Other	(14,340)
Total Current Assets	158,793

32. Deed of Cross Guarantee continued

	2005 $'000
Non-Current Assets	
Receivables	31,860
Investments accounted for using the equity method	73,856
Other financial assets	1,911
Property, plant and equipment	479,566
Deferred tax assets	13,734
Intangible assets	13,734
Total Non-Current Assets	**610,964**
Total Assets	**832,183**
Current Liabilities	
Payables	81,784
Interest bearing liabilities	58,214
Current tax liabilities	8,778
Provisions	13,642
Total Current Liabilities	**162,418**
Non-Current Liabilities	
Interest bearing liabilities	241,194
Deferred tax liabilities	6,114
Provisions	26,222
Total Non-Current Liabilities	**273,530**
Total Liabilities	**435,948**
Net Assets	**396,235**
Equity	
Contributed equity	219,012
Reserves	18,430
Retained profits	158,793
Total Equity	**396,235**

33. Segment Information

2005	Storage & Handling $'000	Marketing $'000	Other $'000	Intersegment Eliminations $'000	Unallocated $'000	Consolidation $'000
Sales to customers outside consolidated entity	206,159	375,542	92,487	–	–	674,188
Intersegment sales	38,241	–	10,414	(48,655)	–	–
Total sales revenue	244,400	375,542	102,901	(48,655)	–	674,188
Share of net profit/(loss) of associates	–	–	–	–	1,472	1,472
Other revenue	11,545	6,026	1,916	–	5,959	25,446
Total segment revenue	255,945	381,568	104,817	(48,655)	7,431	701,106
Segment result	47,318	17,791	(2,577)	–	3,021	65,553
Interest expense						(24,219)
Corporate overheads						(24,424)
Profit/(loss) from ordinary activities before income tax						16,910
Income tax benefit/(expense)						(4,797)
Profit/(loss) from ordinary activities after income tax						12,113
Segment assets	498,484	141,185	39,324	–	152,124	831,117
Segment liabilities	23,288	102,117	8,487	–	301,009	434,901
Investments in associates	–	–	–	–	73,856	73,856
Acquisitions of property, plant and equipment and other non-current segment assets	34,663	105	4,445	–	145	39,358
Depreciation and amortisation expense	44,989	2	1,432	–	3,507	49,930

33. Segment Information continued

2004	Storage & Handling $'000	Marketing $'000	Other $'000	Intersegment Eliminations $'000	Unallocated $'000	Consolidation $'000
Sales to customers outside consolidated entity	223,804	623,032	87,521	–	–	934,357
Intersegment sales	44,697	–	7,162	(51,859)	–	–
Total sales revenue	268,501	623,032	94,683	(51,859)	–	934,357
Share of net profit/(loss) of associates	–	–	–	–	(516)	(516)
Other revenue	13,115	3,386	4,046	–	9,244	29,791
Total segment revenue	281,616	626,418	98,729	(51,859)	8,728	963,632
Segment result	69,151	21,363	24	–	4,7621	95,300
Interest expense						(29,530)
Corporate overheads						(29,088)
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	–	2,288	48,491

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 receival, 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, fees for transportation of commodities, and the provision of financial services to customers of the GrainCorp group.

b) Intersegment pricing is on an "arm's length" basis.

c) The consolidated entity only operates in one geographical segment – Australia.

34. Reconciliation of Statements of Cash Flows

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2005 $'000	Parent Entity 2004 $'000
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities.				
Profit/(loss) from ordinary activities after income tax	12,110	25,677	10,759	(6,663)
Net (profit)/loss on sale of associates	(688)	–	–	–
Net (profit)/loss on sale of non-current assets	(1,449)	(4,762)	–	–
Net (profit)/loss on sale of non-current assets	(4,762)	(775)	–	–
Dividends received	–	–	(16,000)	–
Share of (profit)/loss of associate not received as dividends	(1,472)	516	–	1,895
Depreciation/amortisation	49,930	48,491	–	–
Changes in assets and liabilities net of effects from changes in the consolidated entity's group of controlled companies:				
(Increase)/decrease in inventories	(13,209)	6,817	–	–
(Increase)/decrease in other assets	4,605	1,864	–	–
(Increase)/decrease in future income tax benefit	(2,280)	6,873	(2,280)	(8,584)
(Increase)/decrease in receivables	8,942	(106,359)	(1,419)	(6,829)
Increase/(decrease) in trade creditors	(369)	51,673	(375)	491
Increase/(decrease) in provision for income tax	738	5,108	738	7,865
Increase/(decrease) in provision for deferred tax	(662)	(4,805)	(662)	6,801
Increase/(decrease) in income received in advance	(153)	(730)	–	–
Increase/(decrease) in provisions	(3,888)	(6,737)	(120)	423
Net cash provided by operating activities	52,155	23,626	(9,539)	(4,601)

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	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Nugrain Pty Limited	Research	–	25%	–	50	–	–
Sunprime Seeds Pty Limited	Research	–	33%	–	328	–	–
National Grower Register Pty Limited	Register Management	50%	50%	–	–	–	–
Bulkeast Engineering Pty Ltd	Engineering Services	50%	50%	–	517	–	–
Allied Mills Australia Pty Limited [1]	Mixing & Milling	60%	60%	73,856	71,626	70,920	70,920
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	–	–
				73,856	75,394	70,920	70,920

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

The interests in Nugrain Pty Limited, Sunprime Seeds Pty Limited, Australian Bulk Alliance Pty Ltd, and PlantTech Pty Limited were disposed of during the year.

	Consolidated Financial year to 30 September 2005 $'000	Consolidated Financial year to 30 September 2004 $'000
Movements in Carrying Amount of Investments in Associates:		
Carrying amount at the beginning of the financial year	75,394	73,711
Increase due acquisition of controlled entity	–	2,010
Investment in associates	–	189
Share of operating profit/(loss) after income tax	1,472	(516)
Write down carrying value of investment	(516)	–
Disposals during the year	(2,494)	–
Carrying Amount of Investments in Associates at the end of the financial year	73,856	75,394
Results Attributable to Associated Companies:		
Operating profits/(losses) before income tax	2,103	(737)
Income tax expense	(631)	221
Share of associates' operating profits/(losses) after income tax	1,472	(516)
Retained profits/(losses) attributable to associates at the beginning of the financial year	1,177	1,693
Disposals during the year	(2,494)	–
Retained profits/(losses) attributable to associates at the end of the financial year	1,177	1,693

	Consolidated Financial year to 30 September 2005 $'000	Consolidated Financial year to 30 September 2004 $'000
Summary of the Performance and Financial Position of Associates		
The aggregate profits, assets and liabilities of associates are:		
Net profits/(losses) after income tax	1,528	(985)
Assets	201,570	423,606
Liabilities	127,830	244,918
Share of associate's expenditure commitments are:		
Capital commitments	1,254	–
Lease liabilities	1,651	–
Contingent liabilities	–	–

36. Non Cash Financing and Investing Activities

	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent Entity 2004 $'000	Parent Entity 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 2005 Cents	Consolidated 2004 Cents
Basic earnings per Ordinary share	10.5	43.7
Diluted earnings per Ordinary share	10.3	42.8
Basic earnings per Ordinary share before reset preference share dividends	29.6	62.8
Diluted earnings per Ordinary share before reset preference share dividends	29.1	61.4
	Number of Ordinary Shares	
Weighted average number of Ordinary shares used as the denominator in the calculation of basic earnings per share.	40,881,426	40,668,065
Weighted average number of Ordinary shares and potential Ordinary shares used as the denominator in the calculation of diluted earnings per share.	41,690,021	41,808,065

37. Earnings per Ordinary Share continued

	Consolidated 2005 Cents	2004 Cents
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per Ordinary share:		
Net profit	12,113	25,679
Net profit attributable to outside equity interest	(3)	(2)
Earnings used in calculating basic and diluted earnings per Ordinary share, before reset preference share dividends	12,110	25,677
Dividends paid – reset preference shares	(7,800)	(7,800)
Earnings used in calculating basic and diluted earnings per Ordinary share	4,310	17,877

Information concerning the classification of securities

(a) Options

Options granted under the GrainCorp Executive Option plans expired unexercised in 2005. The options were considered to be potential ordinary shares and have been included in the determination of diluted earnings per share in prior years. The options have not been included in the determination of basic earnings per share.

(b) Performance Rights

Performance Rights first granted in 2005 under the GrainCorp Performance Rights Share Plan, are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in the Remuneration Report.

(c) Reset Preference Shares

Reset Preference Shares (RPS) were issued in October 2003, with a first reset date of 30 September 2006. Whilst classified as equity, the RPS have not been treated as ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share.

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 $11,759,630 (2004: $30,526,901) with various maturities up to December 2006.

Commodity sold and bought options are marked to market at each balance date. These options have maturities up to March 2006. At balance date, net outstanding commodity bought and sold options had a fair value of $97,444 (2004: loss $273,502).

Notes to the Consolidated
FINANCIAL STATEMENTS

For the year ended 30 September 2005

(b) Foreign Exchange Risk

The consolidated entity hedges against exposures from grain futures taken in the US, Canada and Europe. In accordance with the company's 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).

	2005 A$'000	2005 Average Exchange Rate	2004 A$'000	2004 Average Exchange Rate
Buy US Dollars/Sell Australian Dollars				
0 – 6 months	27,500	0.7505	47,911	0.7005
6 – 12 months	300	0.7619	392	0.6966
Buy Australian Dollars/Sell US Dollars				
0 – 6 months	36,975	0.7618	61,905	0.6967
6 – 12 months	–	–	2,032	0.7045
12 – 18 months	–	–	2,977	0.6717
Buy Canadian Dollars/Sell Australian Dollars				
0 – 6 months	2,260	0.9127	2,888	0.9146
12 – 18 months	–	–	991	0.8828
Buy Australian Dollars/Sell Canadian Dollars				
0 – 6 months	14,022	0.9179	24,238	0.9056
12 – 18 months	–	–	991	0.8828
Buy Australian Dollars/Sell Euros				
0 – 6 months	4,300	0.6264	1,975	0.5697
Buy Euros/Sell Australian Dollars				
0 – 6 months	4,655	0.6165	–	–

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.

(c) Interest Rate Swap Contracts

Bank loans of the consolidated entity currently bear an average variable interest rate of 5.54 percent (2004: 5.36 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.

38. Financial Instruments continued

Swaps currently in place cover 50 percent (2004: 53 percent) of term borrowings outstanding. The average fixed interest rate is 5.65 percent (2004: 5.62 percent) and the variable rates are between 0.50 percent and 1.95 percent (2004: 0.50 percent and 1.95 percent respectively) above the bank bill rate.

At 30 September 2005, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2005 $'000	2004 $'000
0 – 1 years	36,983	11,778
2 – 3 years	55,000	91,430
4 + years [1]	28,092	28,092
Total	120,075	131,300

[1] Includes $28.1 million (2004: $28.1 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 $13,064. (2004: financial liability of $114,230).

(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:

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:

2005	Average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	over 1 year to 5 years $'000	more than 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets							
Investments	5.41		8,085				8,085
Cash and deposits	5.30	11,506					11,506
Receivables						133,960	133,960
Loans to associates	6.90	32,517					32,517
Interest rate swaps [1]	5.63		36,983	83,092			120,075
		44,023	45,068	83,092	–	80,886	500,369
Financial liabilities							
Trade and other creditors						80,886	80,886
Bills payable	5.70	242,800					242,800
Other loans	6.00	49,717					49,717
Finance leases	7.13		832	6,059			6,891
Interest rate swaps [1]	5.65	120,075					120,075
		412,592	832	6,059	–	80,886	500,369
Net financial assets (liabilities)							(194,226)

[1] Notional principal.

2004	Average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	over 1 year to 5 years $'000	more than 5 years $'000	Non interest bearing $'000	Total $'000
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	8,784	119,522	–	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.

(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.

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	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
(i) Working Capital & Multi Option Facilities [1]				
Available [2]	425,315	272,991	–	–
Used	60,194	68,051	–	–
Unused credit available	365,121	204,940	–	–
(ii) Term Facilities				
Available	240,800	246,800	98,200	104,200
Used	240,800	246,800	98,200	104,200
Unused credit available	–	–	–	–
Total Facilities at year end				
Available	666,115	519,791	98,200	104,200
Used	300,994	314,851	98,200	104,200
Unused credit available	365,121	204,940	–	–

[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

Retirement of Chairman

Mr Ron Greentree will retire as Chairman and Director of GrainCorp Limited on 23 December 2005 after eleven years service on the Board with six as Chairman. The Board has appointed Mr Don Taylor to succeed Mr Greentree as Chairman.

Chief Operating Officer

Mr Di Leo has taken up a position as Managing Director of Allied Mills Australia Pty Limited on 7 November 2005. The position of Chief Operating Officer was subsequently made redundant, as an internal management restructure facilitated this change. Mr Di Leo received $1,078,445 as a final payment of which $25,139 was provided for in the financial year.

Reset Preference Shares (RPS)

GrainCorp amended the terms of issue of the RPS under clause 8 by making the payment of the dividend non-discretionary and cumulative, both with effect from 1 October 2005. These amendments are of a minor or technical nature, neither of which is prejudicial to holders.

Other than reported above, no other matter or circumstance has arisen since 30 September 2005 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.

DIRECTOR'S DECLARATION

In the directors' opinion:

(a) the remuneration report in pages 4 to 13, and the financial statements and notes set out on pages 16 to 60 are in accordance with the *Corporations Act 2001*, including:

(i.) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii.) giving a true and fair view of the company's and consolidated entity's financial position as at 30 September 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 32 will be able to meet any obligation or liabilities to which they are, or may become, subject to by virtue of a deed of cross guarantee described in Note 32.

The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Ronald Greentree

R.L. Greentree
Chairman

Sydney
22 November 2005

INDEPENDENT AUDIT REPORT

For the year ended 30 September 2005

Independent Audit Report to the Members of GrainCorp Limited

Audit opinion

In our opinion:

1. 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 2005, and of their performance for the year ended on that date,
   - is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*; and
2. the remuneration disclosures that are contained in pages 7 to 17 of the directors' report comply with Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities (AASB 1046) and the *Corporations Regulations 2001*.

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

Scope

The Financial Report, Remuneration Disclosures 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 the GrainCorp Group (the consolidated entity), for the year ended 30 September 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 1046, under the heading "remuneration report" on pages 7 to 17 of the directors' report, as permitted by the *Corporations Regulations 2001*.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*.
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. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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. We also performed procedures to assess whether the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*.

INDEPENDENT AUDIT REPORT

For the year ended 30 September 2005

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

PricewaterhouseCoopers
Sydney 22 November 2005

P.J. Carney

P.J. Carney
Partner

NOTES

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Growing Solutions

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