STRENGTHENING OUR PRESENCE

GrainCorp Limited 2004 Annual Report

GrainCorp
Growing Solutions

GrainCorp is focused on strengthening our presence – along every part of the supply chain and to every corner of Australia and beyond.

Front Cover: Ship anchored offshore near Newcastle Port Terminal.
This page: Moree receival site 6am.

Contents

CHAIRMAN'S REPORT

I am pleased to report that GrainCorp has returned to profitability with a full year profit result of $25.7 million for the year ended 30 September 2004. Our ordinary dividend payment for the year was 41 cents per share which represents a gross dividend yield of 4.7 percent. Revenue for the year was $964.1 million which also compares favourably with the figure of $512.9 million for the previous year.

Whilst the recovery from the drought has been subdued, we are confident that our business has emerged stronger for the experience. The recovery has also been evident in our share price which at the time of writing is trading around $13.20. Our Reset Preference Shares (RPS) have also performed solidly and we have enjoyed increasing interest from investors as the benefits of our strategy begin to bear fruit.

To reward shareholders for their continuing commitment we paid a special dividend of 10 cents per share and also revised our dividend policy from 65 percent of profit after tax to a minimum of 70 percent.

The Industry

The pace of change in the grains industry has not abated over the past 12 months with continuing expansion by all the major participants. Along with ongoing diversification and consolidation, we are also witnessing an increasing level of maturity within the industry.

An excellent example of this is the recent creation of the joint venture company Export Grain Logistics as a partnership between GrainCorp and AWB Limited. It shows that two companies with a track record of robust competition can work together to achieve common goals for the industry. It also demonstrates that collaboration is able to coexist with vigorous competition.

More generally, it is pleasing that the agri-food sector as a whole has become the subject of renewed interest from the investment community, with recent events combining to create a group of strong listed companies for investors to add to their portfolio.

Strategic direction

Since our listing in 1998, our strategy has focused firmly on business growth, both geographically and along the supply chain. We believe our efforts have been successful – the merger with Vicgrain in 2000; the acquisition of Allied Mills in 2002; and then Grainco Australia in 2003; and the growth of our business units are examples of this.

We have indeed been strengthening our presence along the supply chain – however, the task is not yet complete.

At the beginning of the reporting year, GrainCorp adopted a business plan endorsed by the Board which provides the company's business units with greater autonomy; clearer measurement and reporting structures; and, in some cases significantly increased growth targets.

The plan is both a product and a driver of the company's ongoing diversification. On the one hand it provides evidence of the Board's determination to invest and grow each of these business units, and on the other, a means whereby that growth may be achieved. It allows for distinct approaches for each business unit – from the dynamic and strategically important grain marketing, farm inputs and transport businesses, where GrainCorp is seeking accelerated growth; to the mature areas of storage and handling and primary processing, where GrainCorp is active in maintaining its leading position.

Corporate governance

Shareholders are increasingly aware of their rights and are driving reform in the field of corporate governance. The standard has never been higher in relation to increased transparency and disclosure – and rightly so. GrainCorp recognises and embraces its obligations in this area.

Over the past 12 months the Board and management of the company have sought to develop and implement policies which are consistent with current standards of disclosure. These policies are now available on the company website and the relevant policies have been clearly communicated to the company's employees. During the year a management committee was established to oversee disclosure issues. We have also endeavoured to provide more information in our annual report as a reflection of our commitment to an informed market.

The Board places great importance on ensuring that GrainCorp acts in a manner which is consistent with both the spirit and the letter of disclosure guidelines. We also recognise that we can always do better, and for this reason, we intend to continue improving our governance procedures.

The past year has brought with it some changes to the membership of our Board. At our AGM in February 2004, our ordinary shareholders elected Don Taylor to the one available vacancy resulting in the departure of Julian Menegazzo. That same month we were joined by Ron Hards who replaced Donald McGauchie as a Director of Grain Growers Association Limited ("GGA"). I would like to once again thank Julian and Donald for their valuable contribution to the company.

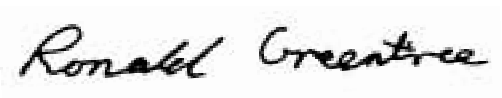
Community

This year GrainCorp was able to once again allocate one percent of the company's after-tax profits to the GrainCorp Foundation. The total amount awarded to community projects since its creation is around $1.5 million.

The work of the Foundation is valuable to us for a number of reasons. Importantly, our employees live in the communities where they work. This means that they serve as ambassadors for the company in a way which is not as common in urban environments. The GrainCorp Foundation provides them with an important link to their communities, and we believe this also provides them with a significant advantage in doing business with them.

As Chairman of GrainCorp it has been a pleasure to be able to work with such a group of talented people who share my passion for agri-business. I would like to thank the Managing Director, his team of senior managers and their staff, and my fellow Directors for contributing their skills and energy over the past year.

Their dedication, competence and wisdom during a time of enormous organisational change have been impressive. I am now looking forward to 2005, undoubtedly it will be another exciting year.



Ron Greentree

Chairman

MANAGING DIRECTOR'S REPORT

An unrivalled network of physical assets; a presence in every part of the grain supply chain; an understanding of grain growers and the industry; strong relationships with export customers; and a skilled and committed workforce have all contributed to our strong recovery from the drought in 2003/04. This year we have returned to profitability, and the foundation has been laid for improving returns over time.

The operating environment within the agri-food sector continues to evolve at a rapid pace. Like ourselves, our competitors have been busy, with ongoing change apparently the only constant in the industry. GrainCorp has historically been at the forefront of this change, and the past year has been host to a number of exciting developments for the company, as well as a range of new challenges.

Safety

One development of which we are extremely proud is the improvement in our safety performance over the past 12 months. The grains industry can provide a hazardous work environment, particularly during harvest – and we recognise that ensuring the safety of our employees has presented us with many challenges. The reality is that in the past our safety performance has not been acceptable.

However, there is nothing more important to GrainCorp than safety, and we have dedicated significant resources to improving our performance in this area. Safety is now a central component of the company's incentive scheme and features in every corporate communication with our employees. We have made it our number one priority.

I am pleased to report that at the end of the 2004 year our Safety Performance Indicator (SPI) stands at 12. This is a remarkable improvement from the level of 72 where it stood only one year ago. It is more remarkable still when compared to 12 months before that it stood at 137. These achievements have served to spur us on to ever higher standards, and we intend to maintain our focus on this crucial area.

Notably, we have achieved this during a time of substantial organisational change and growth, in terms of the size of the company and the composition of our workforce.

Company growth

In October 2003 we completed the acquisition of the former Grainco group of companies; following resounding approval from both their shareholders and ours. We proceeded to successfully integrate the Queensland operations into what is now the Northern Division of our Storage & Handling business unit. The ensuing harvest which unfolded seamlessly is testament to this and targeted synergies of $12 million were achieved in the first year.

Importantly, the acquisition enabled us to significantly augment our Marketing business unit. We have gained some valuable new commercial relationships with a range of export customers. This is an opportunity which we have embraced and developed over the past year.

In November Allied Mills announced the signing of a long-term National Supply Agreement with Goodman Fielder Baking to 2012. The agreement secures a major customer for its mills and cements the already strong relationship between Allied Mills and Burns Philp.

We have also continued our three year restructuring program of Allied Mills, which began in October 2002 following our acquisition of the business in partnership with Cargill Australia. This has included a reduction in the workforce at Allied Mills by over 30 percent. Until this work is completed we do not expect a significant improvement in financial performance. However, we are now entering the final phase of its transformation and we remain confident of growth in future years.

Business unit performance

A good example of the value of our strategy is the launch of our expanding farm inputs business unit as AG Plus in May 2004. In 2004 AG Plus has doubled its share of the seed, fertiliser and chemical distribution market from three percent to six percent with a network of 28 service centres across three states. The launch of AG Plus has reassured both our customers and suppliers that GrainCorp is committed to this business for the long term, with immediate and visible results.

This strategic direction along with our geographic expansion into Queensland also prompted a further review of our organisation, leading to a restructure of the Storage & Handling business unit in June 2004. The new structure of three geographic divisions; and a fourth which consolidates our nine port terminals into one division, better reflects the company's present needs and will assist in reducing our operating cost structure.

Our people

Finally, I would like to offer my sincere thanks to our employees for their dedication and enthusiasm during a year of substantial organisational growth and change.

GrainCorp is committed to developing its employees and encouraging them to engage with their communities. In particular, we are pleased with our success in recruiting young people from our operating regions, developing and training them; and through this, helping to retain the benefit of their skills and energy within rural areas.

The company's graduate recruitment program for grain marketers; and the local employment strategy of our AG Plus team are examples of this. We believe this is paying social dividends as well as economic ones – for GrainCorp, its customers and their communities.

Our employees have risen to the challenges of change, and our company is now seeing the reward for their effort. I trust that you, our shareholders, will also continue to enjoy the benefits of ownership in this dynamic business as we continue to strengthen our position.

T. B. Keene

Tom Keene

Managing Director

GRAINCORP SUPPLY CHAIN

“It is through our unique exposure to every element of the grain supply chain from seed breeding to primary processing, that GrainCorp is able to add value for its customers and drive its financial performance.”

Tom Keene, Managing Director

AG Plus

GrainCorp is a local provider of seed, agricultural chemical, fertiliser and seasonal finance solutions through a network of 28 Service Centres located at key grain receivals sites across Queensland, New South Wales and Victoria.

Research & Development

GrainCorp is involved in several seed breeding, research and development, and commercialisation joint venture companies including SunPrime Seeds, PlantTech and Nugrain.

Marketing

GrainCorp buys and sells Australian grain and a range of other commodities in domestic and export markets. Marketing offers growers risk management solutions, marketing and contracting alternatives.

Allied Mills

GrainCorp's primary processing business Allied Mills, Australia's leading flour milling and mixing business, operates at 11 sites throughout the mainland states.

Seaboard Terminals

GrainCorp operates a total of nine ports at Mackay, Gladstone, Pinkenba and Fisherman Islands (Brisbane), Carrington and Kooragang Island (Newcastle), Port Kembla, Geelong and Portland; and two containerisation facilities in Brisbane and Sunshine, Melbourne.

International Customers

GrainCorp sells grain in deregulated markets to Asia, Europe and the Middle East.

Storage & Handling

GrainCorp provides bulk commodity storage and handling solutions, through a world class network across Australia's eastern states.

Transport

GrainCorp provides transport services by road and rail to growers; end-user customers; and internal customers including GrainCorp Marketing, and AG Plus.

Domestic Customers

GrainCorp provides bulk commodities solutions to domestic customers including stock and lot feeders and mills.

AG PLUS

GrainCorp AG Plus is GrainCorp's farm inputs business unit, strategically located at 28 GrainCorp Service Centres across Queensland, New South Wales and Victoria. The rapid growth of AG Plus is driven by the business's ability to deliver the right product, at the right price, in the right location to producers of grain, dairy, livestock and horticulture.

AG Plus is able to add value to farm businesses through the unique way it brings farm inputs to the market. We use local people with local expertise to deliver farm inputs at competitive prices.

Synergies with other GrainCorp business units including Storage & Handling and Logistics ensure that savings can be made along the grain supply chain and passed on to our producer customers. Delivering fertiliser from port to up-country locations provides significant back-loading opportunities for our Logistics business unit and reduces costs for GrainCorp, and therefore also for AG Plus customers. Service Centre infrastructure is shared with GrainCorp's Storage & Handling facilities including weighbridges, offices, loaders and land. The localised investments by GrainCorp in its Service Centre network ensure that AG Plus can deliver on time when customers need product, whether it be fertiliser, chemical or seed.

> **"AG Plus is helping GrainCorp to strengthen its presence along the grain supply chain by developing year-round relationships with producer customers. Where previously a grower would visit a GrainCorp site only at harvest, now they see AG Plus as a partner in their business and a year-round solution for their farming needs."**
>
> Andy Single
> General Manager, GrainCorp AG Plus

Left: Dean Hancock, GrainCorp AG Plus Sales Manager, Bellata and grower, Angus Vickery.

Right: Glenn Tomlinson, GrainCorp AG Plus Sales Manager, Bellata.

Business Units

MARKETING

GrainCorp Marketing operates over the length and breadth of Australia, buying and selling grain and various other commodities. Marketing options offered to growers include cash, forward prices and pools. Since the acquisition of Grainco in 2003, GrainCorp Marketing has operated vesting rights over barley, canola and sorghum grown in New South Wales and has expanded its business to offer specialist risk management services through Agricultural Risk Management Services (ARMS).

Now a major player in the Australia grain marketing industry, GrainCorp Marketing is the leading sorghum and canola marketer on the east coast. We have increased the scale of our systems to deal with greater tonnages and service a more diverse range of customers than ever before. The company markets to a range of domestic and international clients, with an increasing focus on markets in Asia and the Middle East. Growth, whether organic or through the MarketLink acquisition, has been greatest to markets in Asia and the Middle East; whilst maintaining a strong presence in the domestic market.

The Marketing business ensures a competitive marketplace at GrainCorp sites, attracting grain into the network, which in turn improves the utilisation of the company's extensive storage and handling assets and adds value along the GrainCorp supply chain.

> **“GrainCorp made a significant impact on the international marketing scene this year with strong relationships developed in key markets all over the world. At the same time our domestic customer base has continued to grow, demonstrating GrainCorp's successful diversification and strengthening presence along the grain supply chain.”**
>
> Sam Tainsh
> General Manager, GrainCorp Marketing

Left: Russell French, GrainCorp Commodity Trader and customer, Mike Karube, UniCoop Japan (Australia) Pty Ltd.

Right: Grower, Dan Reardon, Moree.

STORAGE & HANDLING

GrainCorp Storage & Handling operates one of the world's largest grain storage and handling receival networks, now stretching across Australia's three eastern states, with 350 country receival sites totalling over 25 million tonnes of storage capacity.

GrainCorp's nine port terminals provide receival, stock management and bulk/container export handling facilities for grain, and a range of other commodities including woodchips, sugar, cottonseed, frozen orange juice concentrate and mineral sands. Over $30 million in capital expenditure has been invested in upgrading GrainCorp sites and equipment this year.

Flexibility and efficiency are the keys to the success of GrainCorp's Storage & Handling business. It offers flexibility to growers delivering grain into the network with 24-hour operations at 40 sites, increased operating hours of up to 18 hours a day at others, faster hoppers and more efficient mobile equipment. We provide an innovative storage solution by anticipating the needs of our growers and end-user customers and providing the information they need to run their businesses.

Customers now request daily information about grain purchased to specifically assist with their feeding or milling programs. With the growth in the east coast domestic market, GrainCorp needs to be in a position to service its end-user customers; particularly stock and lot feeders, and general food processors.

Our professional approach to technical services ensures the quality of commodities is maintained within the storage network. Experienced pest control and fumigation staff ensure stock is out-turned in the same condition as it is received.

> **"Storage & Handling adds value to the GrainCorp supply chain by attracting grain into the network. We do this by offering a service to customers that is second to none. GrainCorp tailors its services to meet the needs of growers and end-user customers – through setting the standard in innovation."**
>
> Kevin Lloyd
> General Manager,
> GrainCorp Storage & Handling

Left: Silos at GrainCorp's Narromine receival site, Central Division.

TRANSPORT

GrainCorp Transport provides a seamless service for growers, customers and other GrainCorp business units in the transportation of grain from farm to receival sites then on to domestic end users and to port terminals, and the back-loading of fertiliser.

The importance of the transport services business to GrainCorp's supply chain is evident in the creation last year of a separate business unit. GrainCorp Transport represents our conviction that an internal transport/logistics function improves profitability, provides synergies and reduces costs along the supply chain. It also provides competition by offering another service provider option to growers and end-user customers.

The key role of GrainCorp Transport is to provide a service to AG Plus and Marketing that is equal to best practice. It must compete on cost with other suppliers in the marketplace. This demonstrates the unique way the business unit delivers value.

Our transport services benefit grower and end-user customers by offering a complete solution, dealing with one company from farm to domestic destination or to port, right along the grain supply chain. GrainCorp has anticipated this trend in the industry, providing a "one supplier solution" for customers.

Rail

GrainCorp operates two locomotives and 40 rail wagons with a multi-skilled team of 22 train drivers and crew. Over the past 12 months the rail business has operated in New South Wales, delivering grain from receival site to port for GrainCorp and AWB.

Road

GrainCorp's road operations provide a range of services, including On-Farm Pick-Up, the movement of grain for GrainCorp Marketing to domestic end-users and the transport of fertiliser for AG Plus. In addition to internal customers, GrainCorp Transport also services a range of external clients.

> **"Having our own transport business allows us to maximise the freight advantage that comes with back-loading opportunities. It puts GrainCorp in a strong position to provide reliable, cost effective services to all customers."**
>
> Phillip Breeze
> General Manager, GrainCorp Transport

Left: GrainCorp's train travelling through Canola north of Parkes.


Allied Mills

GrainCorp's primary processing business, Allied Mills was purchased as a joint acquisition with Cargill Australia in 2002. Allied Mills is the leading Australian flour milling and mixing business. It produces a variety of human consumption flour products including muffin mixes, pizza bases, cereals and other processed wheat, corn and maize products. Products are sold through four discrete distribution channels: Quality Baking Australia (Burns Philp); general commercial sales; bakery route trade and export sales.

Allied Mills operates at 11 sites including nine wheat flour mills located in all mainland states, three non-wheat flour mills using maize, rice and soya; four mixing facilities, and three major external warehouses.

Our investment in primary processing works by adding value to both GrainCorp's and Allied Mills' businesses. The relationship creates significant benefits for both companies. For example, it provides GrainCorp with the edge in understanding our customers' needs and Allied Mills with access to a sophisticated network of storage and handling facilities and marketing services.

The Allied Mills commodities team works closely with Storage & Handling to ensure quality in storage and segregation of grains and the optimal delivery of grain to mills. The primary processing business underpins GrainCorp's understanding of all stages of the bulk commodity supply chain. Allied Mills has strengthened our presence along the grain supply chain, enabling GrainCorp's operations to stretch from seed breeding to grain export and primary processing.

> **"The acquisition of Allied Mills has given GrainCorp a share in a strong business brand and enabled Allied Mills to benefit from the synergies provided by our established marketing and storage and handling operations. It's a powerful combination."**
>
> Joe Di Leo
> Chief Operating Officer, GrainCorp; and Director, Allied Mills

Left: Allied Mills, Summer Hill site.

COMMUNITY

The GrainCorp Foundation has enjoyed yet another year of rewarding activity amongst the grain growing communities of eastern Australia. This year it was relaunched with a fresh outlook and a greater emphasis on the involvement of GrainCorp employees in the projects proposed by their local communities.

As an agri-food business with a predominantly rural base, GrainCorp operates in an intensely personal business environment. There is considerable overlap between our customers and our shareholders, who are often one and the same people.

Importantly, our employees live in the communities where they work, and serve as ambassadors for the company in a way which is not as common in urban environments.

The GrainCorp Foundation provides them with an important link to their communities, and we believe this also provides them an opportunity to deepen relationships with grain grower customers.

There are two rounds of funding every year. The Foundation Committee reviews submissions at the end of March and again at the end of September. The latest round of funding included applications from Queensland for the first time since the company's northern expansion in October 2003.

A variety of projects have received financial support since the Foundation was established across the four important areas of education, health, youth development and seed funding for community projects.

Each year GrainCorp allocates one percent of the company's after tax profits to the GrainCorp Foundation. The total amount awarded to community projects since its creation has now almost reached $1.5 million.

OH&S AND ENVIRONMENT

The 2003/04 year commenced with a marked change in focus on the safety management of our operations. All employees have been empowered to make a difference in their operational areas.

This improvement in the way safety is communicated has resulted in a reduction in injury, and particularly injuries resulting in lost time. We have maintained a constant focus on our return to work and rehabilitation principles. This has contributed to a reduction in days lost to injury and ill health where these events have occurred.

Our commitment to continual improvement in safety and injury management will remain the top priority in all decisions, activities and communications.

This year we have increased safety awareness through the continued implementation of the Safety Management Program that commenced in May 2003. This program covers five key areas:

- Policy, Organisation and System Development
- Participation, Motivation and Training
- Workplace Risk Management
- Workplace Environment
- Post Incident Management

Each key area has six elements which target specific requirements under that heading.

At the commencement of the financial year improvement in our Safety Performance Index ("SPI") was set as a key indicator. The SPI is based on lost time injuries and days lost against hours worked using standard formulae across the business. The company committed to a reduction in this figure of 25 percent within the financial year.

The table below shows the historical improvement in the SPI and other key indicators over the last four years.

Financial Year (All BUs)	00/01	01/02	02/03	03/04
LTIs	97	81	33	21
Days lost to LTIs	1,499	1,404	596	203
Duration rate (days avg/LTI)	15.5	17.3	18	9.6
Months with no recorded LTIs	0	1	1	3
Months with more than 2 LTIs	12	10	6	3
SPI (12 month rolling average)	142	137	72	12

These favourable results would not be possible without the commitment of all employees to embrace the principles of a safer workplace and the ongoing improvement in our systems, work methods and procedures.

Highlights:

- Roll out of the Safety Management Program across all Business Units.
- A "Take Five" risk assessment process was implemented in 2003 to raise awareness of local hazards and empower employees to manage the associated risk before commencing their work.
- GrainCorp's Transport, AG Plus and Marketing Business Units and Corporate Services have all remained Lost Time Injury free for the year.
- The Storage & Handling Business Unit performance included the following highlights:
  – Technical Services has remained Lost Time injury free for five years.
  – Port Kembla and Gladstone Grain Terminals over three years LTI free.
  – Barellan, Wagga and Wyalong over two years LTI free
  – Toowoomba, Emerald, Biloela, Burren Junction, Moree, Bellata, Spring Ridge, Gilgandra, Horsham, Echuca, Ouyen, Swan Hill and Yarrawonga areas LTI free for over one year.
- Through a GrainCorp initiative all rail wagons began loading from a remote position from 1 October 2003. This required a significant investment in the installation of rail out-loading platforms. It eliminated the need for employees to work on top of rail wagons, thus reducing risks associated with working at height.
- Consultation processes involving all operational staff have been expanded and refined to promote improved safety information transfer and participation in safety at the local level.
- Implementation of a loading system at Container Link which significantly reduces manual handling.

CORPORATE SERVICES

Information Services

Information Services provides timely and effective technology solutions across GrainCorp's Business Units and joint venture partners.

GrainCorp offers a range of services including expanded internet transaction facilities that provide producer and buyer customers with real-time online flexibility to manage their business.

In 1997 GrainCorp led the industry with the introduction of the first internet-based online application to capture and report daily cash and pool silo prices. In 2004 the company completed a revitalised upgrade of this system which has driven efficiencies in the business.

There are a number of new features in the system that will be delivered through two phases of release. Phase one will be implemented for the 2004/05 harvest and will include all the existing functionality plus the ability for buyers to customise their increment and deductions across various commodities. A grower price calculator provides growers with an estimate by site/delivery and a selection of prices based on the quality of the commodity.

Phase two will include the implementation of a new reporting system to provide historical pricing information. Features will include a new warehouse spot price contract option which allows buyers to validate purchases against specific delivery parameters, e.g. maximum tonnes, specific dates, etc.

Industrial Relations

Our industrial relations strategy requires line management and a strong local focus on business unit needs and issues. To achieve this we have initiated ongoing joint consultative mechanisms in all areas of operations.

In 2004 the company maintained its commitment to pay increases which were supported by the achievement of genuine productivity and efficiency enhancements. Employees are integrally involved along with their unions in industrial negotiations. This helps ensure that agreed productivity enhancements are fully understood and their value to the company maximised at the local level.

The merger with Grainco has taken the number of enterprise agreements to 17. While for the most part these are Federal agreements, the major agreement in Queensland is an instrument of the local Commission. All negotiations for agreements which fell due during 2003/04 proceeded without industrial disputation.

Human Resources

GrainCorp employs around 900 people in Queensland, New South Wales and Victoria. We are proud to acknowledge that in the past business year 25 employees reached 25 years service with the company. The loyalty and commitment of our people continues to drive our success as a major Australian business.

Our human resources focus for the business continues to be employee development and performance. Two major initiatives undertaken this year included the implementation of a new performance management system; and an incentive plan based on achievement of key business unit and strategic goals. In addition, the Accelerated Career Development Program provides ongoing development opportunities for our high potential employees.

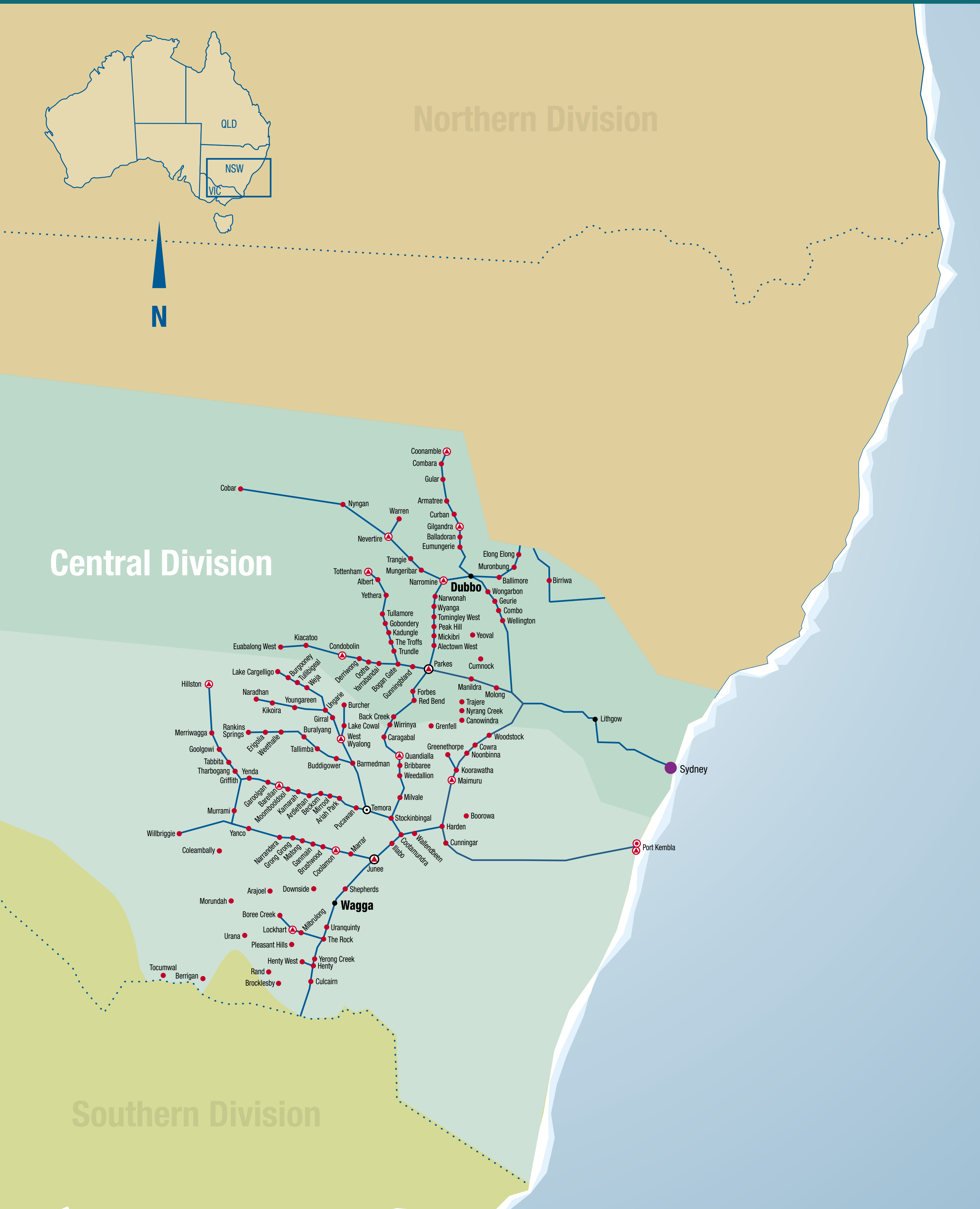
GrainCorp has been a Registered Training Organisation ("RTO") since 1999, delivering nationally recognised training qualifications. This year the company expanded the scope of training offered under its RTO status to include units of competency in pest control and fumigation.

During the year, 14 employees successfully completed a Certificate III in Transport and Distribution (Warehousing & Storage), and 21 employees successfully completed a Certificate IV in Business (Frontline Management).

In March 2004, 18 new Grain Handling Trainees commenced with the company and will help us to continue to deliver the service our Grower-Customers expect from our core storage and handling business.

GRAINCORP NETWORK

GRAINCORP NETWORK




Northern Division
Central Division
Southern Division
QLD
NSW
VIC
N
Yelta
Carwarp
Meringur
Werrimull
Karawinna
Merrinee
Pirlta
Panitya
Murrayville
Linga
Underbool
Torrita
Ouyen
Mittyack
Tempy
Patchewollock
Speed
Sea Lake
Berriwillock
Hopetoun
Lascelles
Woomelang
Yaapeet
Rainbow
Pullut
Jeparit
Beulah
Brim
Lah
Yanac
Netherby
Lorquon
Serviceton
Kaniva
Lillimur
Miram
Nhill
Antwerp
Warracknabeal
Gerang Gerung
Dimboola
Minyip
Pimpinio
Dahlen
Murtoa
Dooen
Carpolac
Goroke
Natimuk
Horsham
Naracoorte
Noradjuha
Robinvale
Balranald
Kooloonong
Annuello
Piangil
Manangatang
Chinkapook
Nyah West
Woorinen
Swan Hill
Lake Boga
Waitchie
Ultima
Lalbert
Quambatook
Gredgwin
Boort
Borung
Mitiamo
Wycheproof
Charlton
Kinnabulla
Birchip
Watchem
Litchfield
Donald
Cope Cope
Swanwater
Sutherland
St Arnaud
Burrum
Marnoo
Lubeck
Glenorchy
Dunolly
Bridgewater
Tandara
Raywood
Marong
Moolort
Moulamein
Wakool
Caldwell
Bunnaloo
Womboota
Barnes Crossing
Echuca
Deniliquin
Mathoura
Elmore
Colbinabbin
Murchison East
Oaklands
Wangamong
Sanger
Warragoon
Yarrawonga
St James
Dookie
Ballarat
Willaura
Hamilton
Skipton
Westmere
Berrybank
Sunshine
Melbourne
Geelong
Portland
Key
Port Terminal
Service Centre/AG Plus
Storage Site
Sub Terminal
Service Centre & Sub Terminal
Broad Gauge
Standard Gauge
Dual Gauge
Narrow Gauge
State Border

EXECUTIVE

The Executive team is focused on growing value for GrainCorp customers and shareholders. Over the past year, the Executive has reviewed business performance and developed strategies that provide continued business growth, and position the company for the future.

Tom Keene
MANAGING DIRECTOR
B.Ec. (UNE), FAICD

Member of the Trading Risk Management Committee. Chairman of Allied Mills Australia Pty Limited, Director of Nugrain Pty Ltd. Member of the Rabo Bank Advisory Board.

Joe Di Leo
CHIEF OPERATING OFFICER
M.Bus. (Acc + Fin), Grad. Dip. Admin. FAICD

Member of Trading Risk Management Committee. Director Allied Mills Pty Ltd, Director PlantTech Pty Ltd, Director Export Grain Logistics Pty Ltd.

Simon Bird
CHIEF FINANCIAL OFFICER
B.Compt. B.Compt. Hons, CPA, FAICD

Director of Australian Risk Management Services Pty Ltd. Responsible for capital management, risk, taxation, financial reporting and compliance functions across the GrainCorp Group.

Neil Johns
CHIEF DEVELOPMENT OFFICER
B.Com., M.Com., M.Bus., LTCL

Director of SunPrime Seeds Pty Ltd, PlantTech Seeds Pty. Principal role includes acquisitions and mergers, joint ventures and investments and strategic planning.

Nigel Hart
GROUP EXECUTIVE – CORPORATE SERVICES & COMPANY SECRETARY
B.App.Sc. (UWS-H), FAICD

Company Secretary for all Group entities, Board Audit Committee and Remuneration and Nominations Committee. Director of GrainCorp Superannuation Pty Limited. Responsible for Legal and Corporate Governance, Information Services, Human Resources, Industrial Relations, Corporate Relations and Corporate Administration.

Kevin Lloyd
GENERAL MANAGER,
GRAINCORP STORAGE
& HANDLING

Responsible for GrainCorp's east coast receival and export facilities, engineering and technical services. Director of Bulkeast Engineering Pty Ltd. Director of Export Grain Logistics Pty Ltd. Director of Australian Bulk Alliance Pty Ltd.

Sam Tainsh
GENERAL MANAGER,
GRAINCORP MARKETING
B.Ag.Ec. (UNE)

Director of Australian Risk Management Services Pty Ltd. Responsible for all grain/oilseed marketing/trading activities of the company both domestically and internationally.

Andy Single
GENERAL MANAGER,
GRAINCORP AG PLUS
B. Bus. (USQ)

Responsible for GrainCorp's Farm Inputs business supplying a range of products at 28 service centres.

Phillip Breeze
GENERAL MANAGER,
GRAINCORP TRANSPORT

Responsible for the implementation and growth strategies for GrainCorp's road and rail transport operations.

BOARD OF DIRECTORS

The GrainCorp Board of 11 Directors is made up of six Group Directors nominated by GGA, four Directors elected by ordinary shareholders and the Managing Director.

R.L. (Ron) Greentree
CHAIRMAN

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

A.D. (Allan) McCallum
DEPUTY CHAIRMAN
Dip.Ag. Sc., MAICD

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

T.B. (Tom) Keene
MANAGING DIRECTOR
B.Ec., FAICD

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

W.G. (Graham) Barron

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

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

Grower from Boorowa, NSW. Chairman of the Australian Agricultural Company Limited, Director of Rural Press Limited and Hamilton James Bruce Pty Ltd. Member of the Rabo Bank Advisory Board, Member of the Remuneration and Nominations Committee.

R.R. (Ross) Flanery

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

R.G. (Rick) Freeman

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

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

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

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

Chartered Accountant and grower from Moonie, QLD. Member of the Trading Risk Management Committee.

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

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

R. (Ron) Hards

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

Storage and Handling

Highlights

Total grain movements (million tonnes)

	2003	2004
Carry-in	4.6	1.4*
Receivals (total)	2.1	12
Out-turn:		
Ports	1.2	5.9
Domestic	4.6	4.5
Carry-out	0.9	3.0

* 2004 includes Grainco stock

Port Terminals performance

A highlight of the year has been the expansion of GrainCorp's Port Terminals business with the addition of four Queensland seaboard Terminals following the acquisition of Grainco in 2003. These are Mackay, Gladstone, Pinkenba and Fisherman Islands as well as the container packing facilities ContainerLink.

Given the increased capacity of the business and increased throughput this year, the performance of the nine terminals has been strong. GrainCorp exported 5.9 million tonnes of grain and oilseed across the east coast last year. This compares favourably with the 1.2 million tonnes moved through the Ports during the recent drought. In addition, woodchips and other commodities exported totalled 1.4 million tonnes. The speed of rail in-loading at the Geelong Port Terminal has increased three-fold following the upgrading of the computer processing unit at the facility.

Capital expenditure

Capital expenditure over the past 12 months totalled $30 million on upgrades to facilities. A large proportion of this has been in the provision of additional storage space at key sites. The trialling of new equipment across the network has led to the purchase of four new drive-over hoppers with a 600 tonnes per hour capability.

Diverse capabilities

GrainCorp Port Terminals demonstrated its capability to handle a broad range of commodities with the first receival of orange juice concentrate. A special purpose receival and storage facility was built at Newcastle's Carrington Terminal. The orange juice concentrate is stored on site and then out-loaded to road tankers for transport to metropolitan areas.

Storage & Handling Restructure

The restructure of the Storage & Handling business unit this year brought the operations of the Company closer to our growers and end-user customers. The business unit now includes three country divisions (Northern, Central and Southern) and one Ports Division. Divisional offices provide the central base of operations and incorporate management and accounting functions for each Division. The three country Divisions each have two operating regions responsible for day-to-day operations. The restructure has increased performance through a stronger focus on deliveries into the system and out-loading to our domestic and export customers.

Online services

GrainCorp continues to provide innovative solutions to improve online services for growers through its website. This year a Grower Calculator has been developed to improve efficiencies during harvest. The Calculator enables growers to benchmark cash prices between buyers for their grain each day before arriving at their local site.

Use of the Online Portal and additional services offered through the website including provision of receival standards, delivery summaries and marketing contract information has increased over the past 12 months.

Equipment innovation

GrainCorp continues to lead in storage and handling innovation. Of the top 150 sites which account for 90 percent of grain receivals, our daily site intake capability ranges from 3,000 tonnes per day to over 20,000 tonnes per day. Intake capability is a key determinant for growers in selecting their storage provider.

The need to increase efficiencies between sites during harvest has also led to innovation in mobile storage and handling equipment. Future focus will be on improvements to our outloading efficiency.

Marketing

GrainCorp Marketing has achieved significant growth over the past 12 months with a strong export program and pools performance.

Highlights

Export program

GrainCorp Marketing has focused on expanding its international presence over the past 12 months and as a result has increased our export program, with close to one million tonnes of grain exported.

This year, a significant achievement for GrainCorp Marketing was the successful completion of the first sale of a shipment of grain or oilseed to the sub-continent. Our strategy of building relationships based on our strong infrastructure and delivering value to international clients has put the company in a strong position for the future.

GrainCorp is now the largest exporter of canola and sorghum from east coast ports and one of the largest exporters of barley. Since the acquisition of Grainco and its MarketLink business, GrainCorp has increased export business out of Victoria, a relatively new and competitive market for the company.

Pools performance

GrainCorp Pools continued to perform strongly over the past 12 months. The GrainCorp Wheat Pool is outperforming export-oriented wheat pools and expected returns look promising with consistent premiums from the six million tonne domestic market.

GrainCorp is now the largest non-statutory wheat pool manager in Australia and is a major manager of canola, malt and feed barley and sorghum pools.

Implementation of new accounting system

The rapid growth of the Marketing business has led to the implementation of a new grain accounting system to give the company scalability in its operations. The new system accommodates an increase in trading and logistics capabilities without the need to increase staff numbers.

ARMS moves to wholesale

Agricultural Risk Management Service (ARMS) has redirected its focus from being a direct advisor to growers, to a wholesaler. ARMS now provides risk management products through a range of specialist industry advisors. The development has given the business increased leverage and exposes ARMS to a wider range of clients.

AG Plus

Highlights

New branding strategy – AG Plus

The Farm Inputs business unit implemented a branding strategy in 2004 to give the company a "retail face" for customers and to clearly identify the purpose of the business, that is, to be a local provider of goods. The new branding "AG Plus" emphasises the importance of the farm inputs business and GrainCorp's evolution from a storage and handling company to an integrated agribusiness. The AG Plus branding has given the farm inputs business and its staff a sense of identity and helps to broaden GrainCorp's relationship with growers.

Geographical expansion

AG Plus expanded both the number of Service Centres this year and the number of people in existing Service Centres. The business has grown from 17 locations, predominantly in New South Wales, to 28 Service Centres covering across Queensland, New South Wales and Victoria. The network stretches from Clermont in Central Queensland to Murtoa in Southern Victoria.

Fertiliser sole-supplier relationship

AG Plus fertiliser supply has developed from being a trading business, purchasing from three or four suppliers depending largely on price, to establishing a sole-supplier relationship with Incitec Pivot Limited (IPL). This relationship has added value to AG Plus by enabling us to provide consistent product right across the network and to access information on worldwide demand and pricing which then assists us in our purchasing decisions.

A challenge for AG Plus has been to find a supplier partner that could grow with the business. Our relationship with Incitec Pivot has allowed us to overcome this.

The right people for the job

The AG Plus sales team has expanded to 45 this year, and will further increase in the next 12 months. Finding the right people for the job is an important part of our growth strategy. We have invested in finding and developing a sales team that has the right fit, both for GrainCorp and for AG Plus locally. Where possible we employ local people, bringing jobs and families back into local communities.

Transport

Highlights

GrainCorp Train operations

GrainCorp Transport commenced operation of the GrainCorp-leased train last year. In September 2004 GrainCorp took delivery of the last of 40 custom-built CGDY wagons, built over the past six months.

The market place for rail provides a number of opportunities for GrainCorp to refine its strategy, in particular opportunities for the continuation of rail services for branch line networks.

Logistics Joint Venture with AWB

In June 2004 GrainCorp announced the creation of Export Grain Logistics a Joint Venture (JV) with AWB Ltd, to better manage the logistics of grain exports on the east coast of Australia. The JV is designed to improve co-ordination of the grain export task, increase efficiencies and, over time, lower supply chain costs to improve the competitive position of Australian grain growers in the global market. In October 2004, GrainCorp and AWB were granted an interim authorisation by the Australian Competition and Consumer Commission (ACCC) to set up the JV to move tonnages for the 2004/05 harvest.

Growth in road business

Our road operations moved nearly a million tonnes of product (grain and fertiliser) over the past 12 months, a significant increase on last year.

GrainCorp Transport's growth strategy focused on further development of road operations including new external business and the continuation of least-cost solutions for AG Plus and Marketing.

Allied Mills – Primary Processing

Highlights

Solid customer relationships

Allied Mills continues to strengthen its existing customer relationships and business development in growing markets. A dedicated cross-functional team was established to service the specialised needs of rapidly growing mid-sized food and bakery manufacturers. Strong volume growth has been experienced in large commercial and mid-sized food manufacturers over the past 12 months.

In November 2004 GrainCorp announced an agreement for a long-term National Flour Supply Agreement between Allied Mills and Goodman Fielder Quality Baking Australia until 2012.

Consolidation of sites

Following an extensive review of our operations in conjunction with Cargill Global Milling skills, Allied Mills has undertaken a number of site enhancement projects designed to improve efficiencies and reduce costs incurred through the duplication of the site services. The cornerstone of these changes has been the consolidation of our mills into either bulk flour milling facilities or packing and premixing sites.

Facility upgrades and changes

Several site infrastructure upgrades have taken place over the past 12 months including the upgrade of the export packing line at Kingsgrove to bring the site in line with international quality standards. The refurbishment of the Ballarat pre-mix site commenced with the instalment of a new packing line.

To provide room for growth in Allied Mills core competencies of milling and bagging, the warehouse at Kensington Mill was moved off-site to a facility operated by a third party at Laverton.

Research and development

A number of research and development projects were successfully completed this year with Arnott's, Kellogg's and other iconic Australian food manufacturers, resulting in additional contracted business.

Picton development proposed

In July 2004 Allied Mills lodged a development application with Council for the development of a multi-purpose flour mill at Picton. This project, which is still at a preliminary stage has been prompted by the need to ensure the existence of adequate capacity to service current and future demand for flour within the Sydney metropolitan market.

GrainCorp Limited and Controlled Entities

This statement outlines the principal corporate governance practices that were followed by the company throughout the financial year, which comply with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations ("Principles") released in March 2003, unless otherwise stated. This statement should be read in conjunction with the GrainCorp Limited Concise Annual Report and full Financial Report.

GrainCorp already complies with most of the Principles, where it does not, it is largely associated with the distinct control structure which operates through a controlling "Foundation Share". In 1998 GrainCorp received approval from the ASX to list the company with a controlling Foundation Share ownership structure. This structure provides the Foundation Shareholder, Grain Growers Association Limited ("GGA"), with special rights including the right to appoint a majority of directors on the GrainCorp Limited Board and three quarters of the total number of votes entitled to be cast on a poll on special resolutions at General Meetings of the company. This structure is required under a listing rule waiver to be reviewed by shareholders every five years. The last such review was conducted at the General Meeting in February 2003 where it was retained for a further five years. Whilst the company has a controlling shareholder expressed through the Foundation Share and GGA's substantial ordinary shareholding the existing company framework still aims to achieve effective corporate governance on behalf of all shareholders. A copy of the Company Constitution is available to be reviewed on the company's website.

The roles of the Board and Management (ASX Principle 1)

The GrainCorp Board is accountable to shareholders for the business and affairs of the group and it sets the framework for the company's long term performance. The Board has a Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities in a manner which is consistent with Principle 1. Key functions of the Board include the following:

- approving the company's goals, direction, long-term strategic plans, providing overall policy guidance;
- ensuring there is a regular system of policy review and update and monitoring management's achievement of and compliance with the same;
- ensuring appropriate policies and procedures for the management of business and financial risks and associated internal controls are in place and monitoring environmental and safety performance;
- monitoring compliance with laws and ethical behaviour;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- appointing and approving the terms and conditions of appointment of the Managing Director and reviewing and providing feedback on the performance of the Managing Director;
- determining that the company accounts are true and fair;
- overseeing and reviewing policies to promote timely and balanced disclosure of all material matters concerning the company; and
- reviewing the Board's structure and performance annually and making recommendations to shareholders on new appointments to the Board.

The Managing Director is responsible to the Board for the ongoing management of GrainCorp in accordance with the strategy, policies and programs approved by the Board. In the absence of the Managing Director the Chief Operating Officer acts as the Chief Executive Officer within the same authority levels as the Managing Director.

The Chairman and Managing Director establish the agendas for Board meetings, although Directors have the right to add items for Directors' consideration. Each committee chairman decides the length and frequency of committee meetings in consultation with committee members and consults with management on preparation of agendas. The Board receives regular detailed financial and operational reports from management to enable it to carry out its duties.

Senior executives attend Board and committee meetings when relevant matters are under consideration. Committee chairmen report on the work of their committee to the Board on a regular basis and the minutes of each meeting are tabled for Board information and consideration.

Directors have access to independent professional advice at the company's expense should they wish to seek advice on matters relating to the discharge of their duties as Directors of the company, after first notifying in writing the Chairman of the

Board. The company will reimburse the Director for the reasonable expense of obtaining that advice.

Each Director is covered by relevant company insurance policies and enters into a Deed of Indemnity with the GrainCorp Group.

Consistent with ASX Principle 1 the Board Charter is posted in the corporate governance section of the company website.

Composition of the Board (ASX Principle 2)

There are currently 10 non-executive Directors and one executive Director (the Managing Director).

There are six "Group" non-executive Directors, namely Messrs Greentree, McCallum, Freeman, Barron, Flanery and Hards, who do not meet the definition of independence as per Principle 2 as they are directors of GGA, a substantial and controlling shareholder of GrainCorp. Group Directors are appointed to GrainCorp in accordance with Clause 10.3 of the Company Constitution not elected by shareholders. Group Directors must be members of GGA and two Directors are elected from each of three geographical zones. Group Directors are subject to re-election by rotation at GGA's Annual General Meetings. The Chairman is elected by the Group Directors. Group Directors recognise and aim to achieve the obligation of bringing an independent judgement to decision making in the interests of all shareholders.

Ordinary shareholders elect up to four independent "elected" Directors who are subject to re-election by rotation at the company's Annual General Meeting. However, it is noted that GGA has advised that it "intends to continue to abstain from voting its ordinary shares on resolutions with appointment and re-election of elected Directors while the Association still retains the Foundation Share unless the Board determines (in light of any prevailing circumstances) that such votes should be exercised". Each elected Director has a three year term. Of the four elected Directors, Messrs Trebeck and Taylor are considered independent in accordance with the Principles. Messrs Groves and Burton Taylor AM have served on the Board in excess of 10 years and the Board has considered whether this is a period of time which could materially interfere with their ability to act in the best interests of the company. The Board considers that Messrs Groves and Burton Taylor AM are independent Directors in accordance with the overall Principles given their continued and demonstrated performance and ability to act in the interests of the business. Within the subset of GrainCorp's elected Directors, and its current nomination process, the Board will take the number of independent Directors into account and will seek to satisfy this Principle fully in time, whilst avoiding any disruption to the effective functioning of the Board.

Each Director brings a range of skills and experience to the company and this is outlined in the Directors' report.

Director independence

The Board acknowledges the definition of Director independence as per the Principles, and in particular the obligation that all Directors should bring an independent judgement to bear in decision making. In considering whether a Director is independent, the Board has regard to the independence criteria in Principle 2 and other facts, information and circumstances that the Board considers relevant.

The following materiality thresholds have been adopted in accordance with Principle 2:

1. is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
2. within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment;
3. within the last three years has not been a principal of a material professional advisor or a material consultant to the company or another group member, or an employee materially associated with the service provided;
4. is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. has no material contractual relationship with the company or another group member other than as a Director of the company;
6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company;
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the company.

The names of the Directors in office at the date of this report, the year of their appointment, their status as non-executive, executive or independent Directors are set out in the table below.

Name of Director	Appointed by	Year first appointed	Non-executive	Executive	Independent
Ron Greentree, Chairman	GGA	1994	Yes		No
Allan McCallum, Deputy Chairman	GGA	1998	Yes		No
Tom Keene, Managing Director	Board	1993		Yes	No
Nick Burton Taylor AM	Shareholders	1994	Yes		Yes
David Groves	Shareholders	1994	Yes		Yes
Graham Barron	GGA	1992	Yes		No
Ross Flanery	GGA	1992	Yes		No
Rick Freeman	GGA	1993	Yes		No
David Trebeck	Shareholders	2002	Yes		Yes
Don Taylor *(elected February 2004)*	Shareholders	2003	Yes		Yes
Ron Hards	GGA	2004	Yes		No

Company Chairman

The company's Chairman, Mr Ron Greentree, is not considered to be independent in accordance with the Principles as discussed above. The Company Constitution currently requires the Chairman to be elected by, and from, the Group Directors.

Chairman/CEO roles

The roles of Chairman and Chief Executive Officer are exercised by different individuals. The Managing Director automatically relinquishes his position on the Board in the event that his executive position with the company ceases. The role of the Chairman and the role of the Managing Director are available to be reviewed on the company website.

Director selection and re-election

In March 2003 the role of the Remuneration Committee was expanded to include responsibilities to assess and make recommendations to the Board regarding membership of the Board and proposed new elected Director appointments and the committee was renamed the Remuneration and Nominations Committee.

The members of the Remuneration and Nominations Committee are:

Ron Greentree – non-executive Chairman,

Allan McCallum – non-executive Director; and

Nick Burton Taylor AM – independent non-executive Director

This Committee has a charter outlining its roles and responsibilities, and is available to be reviewed on the company website.

Regarding the process of Director selection, the Remuneration and Nominations Committee assesses proposed new elected Directors against a range of criteria including background, experience, professional skills, personal qualities, the candidate's skills to augment the existing Board, ability to be independent in decision making and the candidate's availability to commit to the Board's activities.

If these criteria are met and the Board appoints the candidate as a casual vacancy elected Director, that Director will retire at the next Annual General Meeting and will be eligible for re-election by shareholders at that meeting. Elected Directors seeking re-nomination will also undergo the formal assessment process outlined above but also including a review of their recent performance on the Board. Where this performance is deemed unsatisfactory, the Director will not receive endorsement by the Board for re-election.

Ethical and responsible decision-making (ASX Principle 3)

Code of Conduct and Ethics

The company has continued to manage within the policy framework of a Code of Conduct and Ethics for all Directors and employees. Under the Code of Conduct and Ethics Directors and employees are expected to:

- maintain unquestionable legal and ethical standards of personal conduct;
- respect confidentiality;
- avoid any real or perceived conflicts of interest;
- act honestly and with integrity;
- use GrainCorp's assets, information and facilities responsibly and in the interests of GrainCorp;
- act in the best interests of shareholders;
- contribute to the company's reputation as a good corporate citizen; and
- report any unethical practices of which they become aware.

The Code of Conduct and Ethics policy is available to be reviewed on the company website.

Share trading

Directors, members of senior management and employees may trade in the company's securities so long as they are not in possession of any unpublished price sensitive information.

The following policy applies for the trading of GrainCorp shares by Directors and employees.

Directors, members of senior management and other employees likely to be in possession of unpublished price sensitive information and their associates may not trade in the company's securities during the following "blackout periods" commencing:

- six weeks prior to the release by the company of its half-yearly results to the ASX and concluding 24 hours after such release; and
- six weeks prior to the release by the company of its annual results to the ASX and concluding 24 hours after such release.

In addition to the above blackout periods, the Board may impose an embargo upon trading in the company's securities if it believes that a market sensitive event has occurred or is likely to occur.

Each Director has entered into an agreement "Director and disclosure of interests and transactions in Securities" with GrainCorp Limited in accordance with the ASX Listing Rules.

The share trading policy is available to be reviewed on the company website.

Integrity of financial reporting (ASX Principle 4)

Consistent with ASX Principle 4 the CEO and CFO report in writing to the best of their knowledge and belief that the company's interim and full year financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards. The company has adopted a detailed verification process to validate the statement from the CEO and CFO that the financial reports present a true and fair view.

Board Audit Committee

The Company Board Audit Committee was established in 1993. The current members of the Committee are:

David Trebeck – independent non-executive Chairman;

David Groves – independent non-executive Director;

Ross Flanery – non-executive Director; and

Ron Hards – non-executive Director.

The composition of the Board Audit Committee complies with Recommendation 4.3 in all respects except for the recommendation that the Committee should have a majority of independent directors. This is due to the distinct structure of the Board discussed earlier. Details of each committee member's experience are set out in the Directors' Report and indicate that each of them is suitably qualified to be a member of the Board Audit Committee. The Board will seek to comply with Recommendation 4.3 by 1 July 2005.

In September 2003 the Board Audit Committee Charter was revised to be consistent with Principle 4. The Board Audit Committee assists the Board in fulfilling its oversight responsibilities especially in respect of corporate governance, financial reporting and corporate control. The Board Audit Committee reviews the financial reporting process, the system of internal control and management of financial risks, the audit coverage and process, and the company's process for monitoring compliance with laws and regulations and governance of the company. The Board Audit Committee will also review any material changes in accounting policy.

The Board Audit Committee has, during the year, reviewed and approved an Internal Business Audit Plan incorporating a comprehensive business review process in respect of internal audit management functions. The Board Audit Committee reviews progress in, and reports arising from, the Internal Business Audit Plan as well as specific issues or matters which may arise from the internal and external audit process. Meetings are held at least four times a year. The Board Audit Committee reports to the Board after each meeting.

Management, internal and external auditors are invited to attend Board Audit Committee meetings to ensure that adequate controls and practices are maintained throughout the Group.

External auditors are appointed for a term of three years and are not automatically reinstated. The Board Audit Committee plays an active role in reviewing the adequacy of the existing arrangements, and is responsible for ensuring that the auditors have the necessary qualifications and skills and that the scope and quality of their audit is appropriate. The Board Audit Committee makes recommendations to the Board in relation to the appointment of external auditors. The external auditors have direct access on a regular basis to the Board Audit Committee without management involvement.

External auditor independence and declaration

An Auditor Independence Policy has been adopted which sets out the key principles to be followed by the audit firm in its relationship with the company. The policy requires the approval of the Board Audit Committee for the provision of non-audit services to the company or its related entities. The policy has a set of guidelines that assist in identifying the types of services that may compromise the independence of external auditors.

In respect of financial years commencing on or after 1 July 2004, the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 ("CLERP 9") amendments to the *Corporations Act 2001* require external auditors to make an annual independence declaration, addressed to the Board, declaring that the auditors have maintained their independence in accordance with CLERP 9 amendments and the rules of the professional accounting bodies.

PricewaterhouseCoopers has provided such a declaration to the Board Audit Committee for the financial year ended 30 September 2004.

External audit performance assessment

The Board Audit Committee conducts a formal assessment of external auditor performance each year and reports the outcome to the Board. If it becomes necessary to replace the external auditor for performance or independence reasons, the Board Audit Committee will then formalise a procedure and policy for the selection and appointment of new auditors. The Company's external auditor, PricewaterhouseCoopers, has a policy for the rotation of lead audit partners. The lead audit partner was last rotated in October 2002.

A copy of the Board Audit Committee Charter and information on the rotation of external audit engagement partners is available on the company website.

External auditor attendance at AGM (ASX Principle 6 (6.1))

Consistent with ASX Principle 6 and CLERP 9 PricewaterhouseCoopers attends the Annual General Meeting of the company to answer shareholder questions about the conduct of the audit and the preparation of the auditor's report. Shareholders may submit questions for the external auditors to the Company Secretary no later than five business days before an Annual General Meeting.

Continuous disclosure to ASX (ASX Principle 5)

As a guiding principle, GrainCorp ensures that it does not communicate material price or value sensitive information to an external party (advisors are deemed to be internal parties) except where that information has previously been disclosed to the market generally. The company has adopted a continuous disclosure and financial markets communication policy to ensure compliance with ASX Listing Rule disclosure obligations. The policy:

- gives guidance as to the types of information that may require disclosure, including examples of practical application of the rules;
- gives practical guidance for dealing with market analysts and the media;
- identifies the correct channels for passing on potentially market-sensitive information as soon as it comes to hand;
- establishes regular occasions at which senior executives and Directors are actively prompted to consider whether there is any potentially market-sensitive information which may require disclosure; and
- allocates responsibility for approving the substance and form of any public disclosure and communications with investors.

The Company Secretary is responsible for overseeing and coordinating disclosure of all communications to the ASX and is accountable for that disclosure. The Board Audit Committee reviews disclosure practices of the company to shareholders and relevant external agencies.

The Company's continuous disclosure and market communication policies are available to be reviewed on the company's website.

Communication with shareholders (ASX Principle 6)

The shareholders of GrainCorp Limited play an important role in corporate governance by virtue of their responsibility for voting for the appointment of elected Directors.

The Board ensures that shareholders are kept fully informed on developments affecting the company through:

- the annual and interim results which are released through reports, newsletters and presentations;
- compliance with Australian Stock Exchange's continuous disclosure listing rules;
- the Annual General Meeting and other meetings called to obtain approval for Board action; and
- maintaining a comprehensive website containing all company announcements and key company operations.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the company's strategy and goals. In addition, the Board has worked with management to develop a strategy for effective communication with shareholders and participation at general meetings. This takes the form of an Investor Relations Plan.

A summary of the company's Investor Relations Plan appears on the company website.

Risk management (ASX Principle 7)

Management of risk is an essential element of the company's strategy. The Board is responsible for overseeing, reviewing and ensuring the effectiveness and integrity of GrainCorp's risk management systems. The Board Audit Committee oversees GrainCorp's risk management systems on behalf of the Board and reports regularly to the Board in relation to them.

The Managing Director has been charged with implementing appropriate risk management systems within the organisation. The Managing Director works with relevant staff members to ensure that all major risks are identified and appropriately managed, and that GrainCorp's risk management systems are in accordance with the company's risk management policies. In May 2004 a Business Risk Committee chaired by the Managing Director, and comprising the Chief Operating Officer, Chief Financial Officer and Group Executive, Corporate Services/Company Secretary, was established to identify, assess and control material risks across the Group.
An external consultant was engaged to review the risk management process using AS 4360:1999 as a guide.

A series of improvements identified are in the process of being implemented. Each business unit is responsible for the implementation of policies and procedures to manage those risks.

In addition to maintaining appropriate insurance and other risk management measures, identified risks are managed through:

- Established policies and procedures for the managing of funding, foreign exchange and financial instruments (including derivatives) including the prohibition of speculative transactions. The Board has approved Treasury policies regarding exposures to foreign currencies, interest rates, commodity price, liquidity and counterparty risks which include limits and authority levels.
- Standards and procedures in relation to environmental and health and safety matters.
- Training programs in relation to legal and compliance issues such as trade practices and occupational health and safety.
- Procedures requiring that significant capital and revenue expenditure and other contractual commitments are approved at an appropriate level of management or by the Board.
- Comprehensive management guidelines setting out the standards of behaviour expected of employees in the conduct of the company's business.

The Board reviews all major submissions and purchases for their impact on the risks facing GrainCorp and directs management to institute appropriate actions. As part of its strategic planning activities, the Board reviews all major strategies for their impact on the risk facing GrainCorp. Similarly, GrainCorp reviews all aspects of its operations for changes to the risk profile on an annual basis. This annual review includes an assessment of insurance policies, which is overseen by the Board Audit Committee.

Trading Risk Management Committee

The Board established, in 1998, a Trading Risk Management Committee which oversees the development of policies to manage the risks associated with grain marketing and farm inputs. The policies specify trading limits, approved risk management tools, credit management and delegations for authorising transactions and segregation of duties.

The current members of the Committee are:

Graham Barron – non-executive Chairman;

Don Taylor – independent non-executive Director;

Rick Freeman – non-executive Director;

Tom Keene – Managing Director;

Joe Di Leo – Chief Operating Officer;

Rick Lee – external appointment.

The Trading Risk Management Committee meets annually with the Board Audit Committee.

Internal Audit

The internal audit function is independent of the external audit function. The internal audit team, monitors the internal control framework of the group and provides reports to the Board Audit Committee. The Board Audit Committee approves the internal audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to business risks. The Board Audit Committee also reviews internal audit reports issued by the Senior Internal Audit Manager and monitors progress with implementing recommendations made in these reports to ensure improvement in the internal control environment of the company.

A description of the company's risk management policy is available to be reviewed on the company website.

GrainCorp's Managing Director, Chief Operating Officer and Chief Financial Officer report in writing to the Board Audit Committee that:

- the statement given in accordance with the ASX Best Practice Corporate Governance Council Recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Performance (ASX Principle 8)

Board performance

The Board has adopted a process of evaluation to measure its own performance and the performance of all Board Committees. This process involves a confidential questionnaire being completed by each Director and an interview conducted with an external facilitator against GrainCorp's Corporate Governance framework. The process involves the following review areas:

- defining governance roles;
- improving Board processes;
- key Board functions; and
- continuing improvement.

A performance evaluation using this process was conducted in September 2003, with an external consultant reviewing the results of the evaluation in a workshop with the whole Board.

In line with GrainCorp's commitment to continuous improvement at the conclusion of each Board meeting a non-executive Director on a rotating basis provides a review of the meeting processes and outcomes to identify any areas where improvements can be achieved.

In addition, the performance of each non-executive Director is formally reviewed on an annual basis by the Chairman. Similarly the Chairman's performance is reviewed annually by the full Board. Also all Directors are encouraged to undertake, and resources are made available for continuing education.

Executive performance

In October 2003 the Board approved a new system for establishing and monitoring key performance indicators for the Managing Director and members of the Executive team. The system monitors key objectives in the following four areas:

- corporate financial performance;
- corporate strategy development and implementation;
- business unit performance; and
- personal performance.

The Board and Remuneration and Nominations Committee review the performance of the Managing Director and Executive management through monthly reporting, Board presentations, business planning sessions and the key performance indicator system. A more detailed review is provided in Note 30 – the Remuneration Report.

Remuneration (ASX Principle 9)

Remuneration and Nominations Committee

The Remuneration Committee was established by the Board in 1993 and renamed the Remuneration and Nominations Committee in 2003. The Committee's principle functions include:

- reviewing the composition, performance, induction and membership of the Board and providing recommendations on new appointments; and
- reviewing and recommending to the Board the overall direction of GrainCorp's philosophies, strategies and determination in respect of remuneration, benefits, recognition of executive and employee performance, succession planning and executive development.

The company has adopted, and adheres to, a comprehensive policy on remuneration strategies for Directors and employees to enhance corporate performance. The following statements provide a summary of the link between remuneration and corporate performance for Directors and key executives:

Non-executive Director remuneration

Non-executive Directors do not receive performance-based bonuses and do not participate in equity schemes of the company.

The Remuneration and Nominations Committee reviews the non-executive Directors' remuneration arrangements and recommendations are then submitted to the Board for their review and approval. In determining the non-executive remuneration the Remuneration and Nominations Committee draws on survey data on fees paid by comparable companies, together with an assessment of any changes in the level of responsibilities. With the exception of the Chairman and Deputy Chairman, additional yearly fees are paid to Directors who are members of committees.

The Board recommends to shareholders, from time to time, a quantum of total Directors' fees. The Annual General Meeting of shareholders in 2001 approved a total non-executive director remuneration pool of up to $1 million annually.

In addition to reimbursement of expenses, any allowance paid to Directors is in line with Australian Taxation Office reasonable daily travel allowance amounts.

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 made payable 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.

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 the GrainCorp Exempt Plan, Employee Gift Plan, GrainCorp Executive Option Plan or GrainCorp Deferred Share Purchase Plan.

A more detailed review is provided in Note 30 – the Remuneration Report.

Executive remuneration

GrainCorp operates in a global marketplace and the Remuneration and Nominations Committee recognises that long-term success depends on the calibre of people leading and managing a diverse business across a wide regional distribution. To this end, the company seeks to attract, reward and retain high performing executives with potential to develop and meet the future needs of the organisation.

The key principles of GrainCorp's remuneration philosophy are:

1. Remuneration practices adopted by the company will be legal, ethical and consistent with being a good corporate citizen.
2. The company will take into account all corporate governance principles and guidelines issued from time to time by relevant organisations and institutions but will make decisions based on the best interests of the company and its shareholders.
3. The company will comply with remuneration disclosures as required by law and will seek to maintain the highest standards of clarity and transparency in communications with shareholders.
4. The company will comply with regulatory requirements relating to:
   a. shareholder approval of both binding and non-binding resolutions regarding executive remuneration; and
   b. disclosure of executive remuneration in annual reports or elsewhere.
5. The cost of remunerating each Executive will be composed of fixed and variable components. Thus, the value to the Executive of the remuneration received will vary having regard to performance of the company, and/or division and/or business unit and/or the executive.
6. Remuneration quantum and mix should place the company in a sound position to secure the services of executives of the calibre required by the company to be successful in terms of long term returns to shareholders.
7. The company believes that the long term interests of Executives and shareholders should be aligned and that such alignment is best achieved by Executives having significant shareholdings in the company. Therefore, Executive remuneration should facilitate and encourage executives to receive part of their remuneration in the form of shares in the company, particularly when their shareholdings are less than significant in value.

Consequently, under the Executive Remuneration Policy, the remuneration of executives may comprise the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a short term incentive performance based bonus designed to reward actual achievement by the individual of performance objectives and for materially improved company performance;

- participation in the GrainCorp long term incentive options scheme with thresholds as approved by shareholders at the 2002 General Meeting; and
- statutory superannuation.

By remunerating Executives through performance and long-term incentive plans in addition to their fixed remuneration, the company aims to align the interests of executives with those of all shareholders and increased Company performance.

A more detailed review is provided in Note 30 – the Remuneration Report.

Interests of stakeholders (ASX Principle 10)

Code of conduct

The Company Code of Conduct and Ethics is consistent with ASX Principles 3 and 10 and has been posted to the company website. The Code of Conduct and Ethics specifically provides that any employee who reports a breach of the Code will not be disadvantaged or prejudiced. A review of the company's policies is underway in light of the protection for whistleblowers contained in the CLERP 9 amendments to the Corporations Act.

5 YEAR FINANCIAL HISTORY

		2000	2001	2002	2003	**2004**
DRIVERS						
Receivals	m/t	8.3	12.1	12.0	2.1	**12.0**
Outloadings – domestic	m/t	2.5	4.8	4.9	4.6	**4.5**
Outloadings – international	m/t	4.7	7.2	6.8	1.2	**5.9**
Carryover	m/t	4.2	4.3	4.6	0.9	**3.0**
EARNINGS						
Total revenue	$m	301.2	519.3	700.0	512.9	**964.1**
EBITDA [1]	$m	91.4	115.0	125.6	34.1	**114.7**
Net profit/(loss) tax attributable to members	$m	48.7	44.6	48.7	(18.2)	**25.7**
ASSETS & EQUITY						
Total assets	$m	335.1	532.8	627.1	606.0	**897.5**
Net tangible assets per Ordinary share [2]	$	6.4	6.6	7.4	6.5	**6.6**
Total equity	$m	201.0	273.3	304.9	275.1	**398.6**
Debt to equity	%	36.3	66.0	80.5	94.8	**79.0**
SHAREHOLDER RETURNS						
Basic earnings/(loss) per Ordinary share	cents	155.6	109.4	121.2	(44.8)	**43.7**
Return on equity	%	24.3	16.3	16.0	(6.6)	**6.4**
Dividend per Ordinary share [3]	cents	79.0	72.0	78.0	–	**41.0**
Dividend yield per Ordinary share [3, 4]	%	8.6	6.8	8.0	–	**4.7**
Dividend per reset preference share [3]	cents	–	–	–	–	**650.0**
Dividend yield per reset preferences share [3, 4]	%	–	–	–	–	**8.8**

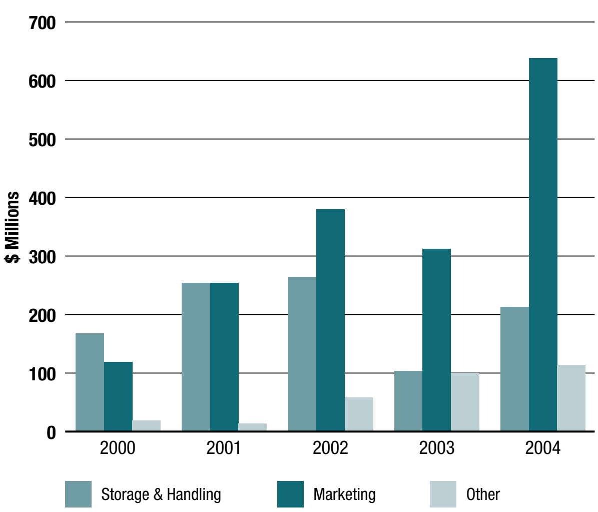
[1] EBITDA is earnings before interest, tax, depreciation and amortisation.

[2] Excludes reset preference shares at nominal value.

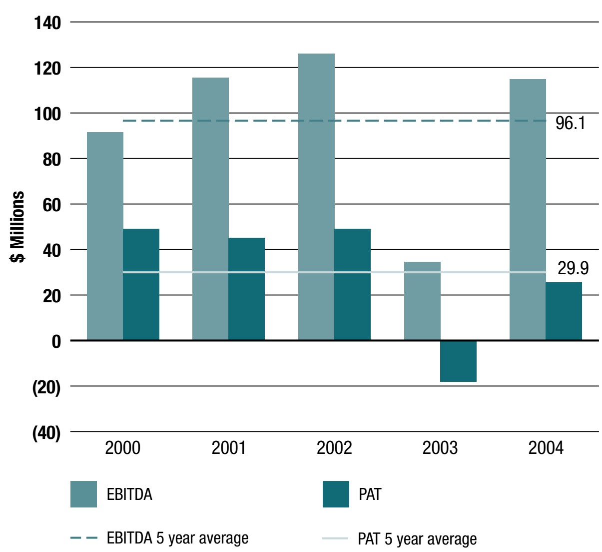
[3] All dividends were fully franked and yields include franking credit.

[4] Using closing price immediately prior to or on 30 September divided by dividends for year.

Revenue



EBITDA & PAT



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

Directors

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

R.L. Greentree (Chairman)

A.D. McCallum (Deputy Chairman)

T.B. Keene (Managing Director)

W.G. Barron

N. Burton Taylor AM

R.R. Flanery

R.G. Freeman

D. Groves

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

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

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

D.B. Trebeck

Principal Activities

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

- 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; and
- flour milling and mixing services.

Dividends

The following 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 2003	–	–	n/a	n/a
Interim for 2004	17	6,947	324.1	3,889
Special dividend for 2004	10	4,087	–	–
Final for 2004	–	–	325.9	3,911

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

Review of Operations

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

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

Significant Changes in State of Affairs during the Financial Year

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

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

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

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

(ii) Reset Preference Shares

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

RPS are non-cumulative preference shares quoted on the ASX. Key features include:

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

(iii) Tax consolidation

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

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

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

Matters Subsequent to the End of the Financial Year

Disposal of ABA

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

Other

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

(a) the consolidated entity's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the consolidated entity’s state of affairs in future financial years.

Likely Developments

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

Environment

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

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

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

Information on Directors

R.L. (Ron) Greentree (Chairman)

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

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

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

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

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

W.G. (Graham) Barron

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

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

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

R.R. (Ross) Flanery

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

R.G. (Rick) Freeman

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

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

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

R. (Ron) Hards

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

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

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

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

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

Company Secretary

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

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

Meetings of Directors

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

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

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

Remuneration Report

Refer to details in Note 6 of the financial statements.

Occupational Health and Safety

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

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

Insurance of Officers

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

Auditor

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

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

Non-audit Services

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

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

Rounding of Amounts to Nearest Thousand Dollars

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

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

Ronald Greentree

R.L. Greentree
Chairman

Sydney
24 November 2004

For the year ended 30 September 2004

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

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

For the year ended 30 September 2004

Financial Performance Summary

The consolidated entity recorded a profit after tax of $25.7 million for the financial year compared with a loss after tax of $18.2 million for the previous year. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased from $34.1 million to $114.7 million. This reflects a return to more normal operating conditions after the effects of widespread drought on last year's result.

The after tax result includes realised gains of $3.3 million from asset sales during the year and a contribution from our Allied Mills investment of $0.8 million (including interest earned) which was impacted by significant restructure costs and market conditions. The efficient integration of Grainco and receivals of 1.7 million tonnes in Queensland enabled achievement of first year investment objectives. These objectives will provide an ongoing contribution to profit after tax, which in the current financial year, have been offset by once-off integration and restructuring costs.

An analysis of revenue and profit after tax by segment is set out in Note 2. A further review of the operations and results is contained elsewhere in the Annual Report.

Storage & Handling

The loss recorded last year due to the drought has returned to profit as GrainCorp's receivals and exports reflected a more normal operating year. The significant positive difference in grain activity between 2003 and 2004 can be seen with receivals during the year being 12 million tonnes (2003: 2.1 million tonnes) and export shipping of 5.9 million tonnes (2003: 1.2 million tonnes). Grain carryover at 30 September 2004 was 3.0 million tonnes, up from 0.9 million tonnes for the previous year.

The segmented profit for Storage & Handling was $69.2 million based on revenue of $270.7 million. This was a significant turnaround from last year when a loss of $8.1 million was recorded on revenue of $111.1 million.

Marketing

With grain production in Australia returning to pre-drought levels, the volume of commodities traded increased significantly this year. This is reflected in the increased revenue of $642.3 million (2003: $314.3 million).

As a result of the return to normal trading conditions these higher volumes were offset by reduced margins per tonne compared to last year. This resulted in a segment profit of $13.3 million (2003: $13.1 million).

Depreciation and Amortisation, Interest and Taxation

Interest repayments were $11.6 million higher as borrowing levels increased during the year to fund business growth and additional grain commodities activity. Depreciation and amortisation increased due to a higher asset base with the acquisition of Grainco combined with capital expenditure. Income tax changed from a benefit of $7.7 million last year to a charge of $11 million as the company returned to operating profit.

Consolidated Statement of FINANCIAL POSITION

As at 30 September 2004

	Consolidated 2004 $'000	Consolidated 2003 $'000
Current Assets		
Cash assets	12,630	–
Receivables	182,929	41,020
Inventories	55,329	32,656
Other	12,424	8,384
Total Current Assets	263,312	82,060
Non-Current Assets		
Receivables	49,163	49,554
Investments accounted for using the equity method	75,394	73,711
Other financial assets	–	–
Property, plant & equipment	487,622	383,903
Deferred tax assets	11,359	5,401
Intangible assets	10,693	11,351
Total Non-Current Assets	634,231	523,920
Total Assets	897,543	605,980
Current Liabilities		
Payables	114,309	28,133
Interest bearing liabilities	72,734	37,714
Current tax liabilities	7,865	–
Provisions	12,836	7,874
Total Current Liabilities	207,744	73,721
Non-Current Liabilities		
Interest bearing liabilities	254,745	223,034
Deferred tax liabilities	6,802	11,607
Provisions	29,672	22,521
Total Non-Current Liabilities	291,219	257,162
Total Liabilities	498,963	330,883
Net Assets	398,580	275,097
Equity		
Parent entity interest:		
Contributed equity	219,149	102,591
Reserves	18,430	18,430
Retained profits	160,919	154,076
Total GrainCorp interest	398,498	275,097
Outside equity interest in controlled entities	82	–
Total Equity	398,580	275,097

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

FINANCIAL POSITION

As at 30 September 2004

Total assets increased by $291.6 million and total liabilities increased by $168.1 million during the year ended 30 September 2004. In October 2003, GrainCorp acquired the Grainco group which now forms part of the consolidated net assets position. The acquisition initially added $239.2 million in assets and $106.7 million in liabilities. The main movements in the balance sheet items during the financial year were:

Assets

- Receivables, inventories and other current assets increased due to a return to more normal harvest conditions.
- Included in receivables is $71 million for Pool advances to growers which was recognised for the first time as a receivable. A matching payable is recognised as a current liability. The effect of this recognition demonstrates that there is no net financial exposure to GrainCorp by managing the Pools funding facility.
- A deposit bond of $8.9 million is held as part of the Pools funding requirement.
- Property, plant and equipment increased by $103.7 million primarily as a result of the acquisition of Grainco. Its assets were fair valued at acquisition date and property, plant and equipment was valued in excess of $150 million compared to the carrying value in Grainco's books of $90 million. The full increase in valuation is not reflected in the statement of financial position as the discount generated on acquisition has been mostly offset against property, plant and equipment. Capital expenditure returned to pre-drought levels with over $30 million spent on improvements and other capital projects across the expanded network.

Liabilities

- Interest bearing liabilities increased by $66.7 million partially as a result of higher funding requirements to facilitate business growth and development. The increase includes an additional $35 million in funding for grain commodities activity which is secured against inventory.
- As mentioned above, a payable for Pools funding was recognised during the 2004 financial year which is matched by a receivable amount. Also, in acquiring Grainco, $9.7 million in convertible notes were assumed.
- Significant additional provisions were taken on with the Grainco acquisition. These related primarily to claims and disputes, and employee benefits. Most of the claims have been paid in the year and therefore do not show in the amounts at balance date.

Shareholders' Equity

Contributed equity increased by $116.6 million for the year due to the issue of 1.2 million reset preference shares for $100 each totalling $120 million. Receipts were offset by issue costs.

Consolidated Statement of
CASH FLOWS

For the year ended 30 September 2004

	Consolidated	
	2004	2003
	$'000	$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	1,010,575	601,280
Payments to suppliers and employees (inclusive of goods and services tax)	(970,752)	(503,695)
	39,823	97,585
Interest received	5,751	3,347
Borrowing costs	(19,808)	(17,617)
Income taxes (paid)/refunded	(2,140)	6,474
Net Cash Inflow/(Outflow) from Operating Activities	23,626	89,789
Cash Flows from Investing Activities		
Cash acquired on merger	7,991	–
Payments for property, plant and equipment	(30,586)	(10,114)
Sale of investments/business	–	32,128
Purchases of investments/business	(77,302)	(71,429)
Dividends received	–	958
Proceeds from sale of property, plant and equipment	14,285	2,937
Loans repaid by related parties	19,188	1,200
Deposit bond for Pools facility	(8,896)	–
Loans from/(to) related parties	(9,250)	(49,057)
Net Cash Inflow/(Outflow) from Investing Activities	(84,570)	(93,377)
Cash Flows from Financing Activities		
Proceeds from interest bearing liabilities	270,946	202,400
Repayment of interest bearing liabilities	(262,251)	(181,380)
Proceeds from executive share options exercised	–	550
Issue of Reset Preference Shares (net of issue costs)	86,491	(868)
Dividends paid	(18,834)	(11,286)
Net Cash Inflow/(Outflow) from Financing Activities	76,352	9,416
Net increase/(decrease) in cash held	15,408	5,828
Cash at the beginning of the financial year	(2,778)	(8,606)
Cash at the End of the Financial Year	12,630	(2,778)

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

For the year ended 30 September 2004

Cash Flows from Operating Activities

For the year ended 30 September 2004, net cash inflow from operating activities was $23.6 million, a decrease of $66.2 million from net inflow of $89.8 million in the previous year. This reflects the increase in net receivables/payables due to a return to more normal operating conditions after the effects of widespread drought on last year's result. Also, the company returned to being a tax payer after receiving significant tax refunds during the 2003 financial year.

Cash Flows from Investing Activities

The items in the net cash outflow from investing activities of $84.6 million (2003: outflow $93.4 million) were:

	$ million
Purchase of Grainco group (net of cash acquired on acquisition)	(69.3)
Deposit bond for Pools funding facility	(8.9)
Net proceeds from loans to associate companies	9.9
Sale of assets – land and buildings	14.3
Purchase of property, plant and equipment	(30.6)

Cash Flows from Financing Activities

Net cash inflow from financing activities was $76.4 million (2003: inflow $9.4 million). The contributors to this year's net inflow were:

	$ million
Issue of reset preference shares (net of issue costs)	86.5
2003/4 ordinary and reset preference share dividends paid	(18.8)
Net receipts from borrowings	8.7

For the year ended 30 September 2004

1. Summary of Significant Accounting Policies

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

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

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

(a) New Accounting Standards

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

(b) International Financial Reporting Standards

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

(c) Principles of Consolidation

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

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

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

For the year ended 30 September 2004

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.

(d) Dividends

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

(e) GrainCorp Operated Grain Pools

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

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

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

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

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

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group (UIG) is issuing abstracts corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). The adoption of Australian equivalents to IFRS (AIFRS) will be first reflected in the consolidated entity's financial statements for the half-year ending 31 March 2006 and the year ending 30 September 2006.

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

Management of transition to IFRS

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

(i) Scoping and impact analysis

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

(ii) Appraisal and design

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

(iii) Implementation

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

(iv) Review

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

Key differences in accounting policies

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

(i) Intangible assets – goodwill

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

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over 20 years which is the period the benefits are expected to arise.

(ii) Financial instruments

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

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

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

(iii) Impairment

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

(iv) Equity-based compensation benefits

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

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

(v) Income tax

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

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

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

2. Segment Information

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

For the year ended 30 September 2004

2. Segment Information continued

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

Notes to and forming part of the segment information:

a) The above industry segments derive revenue from the following operations and activities:
Storage and Handling: includes fees for 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 and fees for transportation of commodities.

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

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

3. Dividends

The following 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 2003	–	–	n/a	n/a
Interim for 2004	17	6,947	324.1	3,889
Special dividend for 2004	10	4,087	–	–
Final for 2004	–	–	325.9	3,911

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

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

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

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

(a) franking credits that will arise from the payment of the current tax liability;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

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

For the year ended 30 September 2004

4. Earnings per Ordinary Share

	Consolidated 2004 Cents	2003 Cents
Basic earnings/(loss) per Ordinary share	43.7	(44.8)
Diluted earnings/(loss) per Ordinary share	42.8	(43.8)

	Number of Ordinary Shares	
Weighted average number of Ordinary shares used as the denominator in the calculation of basic earnings per share	40,868,065	40,673,036
Weighted average number of Ordinary shares and potential Ordinary shares used as the denominator in the calculation of diluted earnings per share	41,808,065	41,613,036

5. 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 two and 16 months depending on the underlying transactions.

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

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

(b) Foreign Exchange Risk

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

5. Financial Instruments

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

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

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

The following foreign exchange gains and losses have been deferred.

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

(c) Interest Rate Swap Contracts

Bank loans of the consolidated entity currently bear an average variable interest rate of 5.36 percent (2003: 5.75 percent). It is the consolidated entity's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, it has entered into interest rate swap contracts under which the consolidated entity is entitled to receive interest at variable rates and is obliged to pay interest at fixed rates. The contracts require settlement of net interest receivable or payable at each reset period. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

For the year ended 30 September 2004

5. Financial Instruments continued

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

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

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

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

(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:

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	–	119,522	8,784	169,192	371,985
Financial liabilities							
Bank overdrafts	8.95						–
Trade and other creditors						114,309	114,309
Bills payable	6.26	260,800					260,800
Other loans	5.84	58,689					58,689
Finance leases	7.13		2,045	5,945			7,990
Interest rate swaps [1]	5.42	28,092	11,778	91,430			131,300
		347,581	13,823	97,375	–	114,309	573,088
Net financial assets (liabilities)							(201,103)

[1] Notional principal.

5. Financial Instruments continued

2003	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							–
Cash and deposits							–
Receivables						41,020	41,020
Loan to associate	5.93	47,280					47,280
Interest rate swaps [1]	4.90	92,280					92,280
		139,560	–	–	–	41,020	180,580
Financial liabilities							
Bank overdrafts	8.45	2,778					2,778
Trade and other creditors						28,133	28,133
Bills payable	5.90	232,050					232,050
Other loans	5.30	23,563				400	23,963
Finance leases	7.13		723	1,234			1,957
Interest rate swaps [1]	5.39	47,280	25,000	20,000			92,280
		305,671	25,723	21,234	–	28,533	381,161
Net financial assets (liabilities)							(200,581)

[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.

For the year ended 30 September 2004

6. Director and Executive Disclosures

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

Directors

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

Specified executives (other than Directors)

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

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

[1] Appointed on 28 June 2004.

6. Director and Executive Disclosures continued

Remuneration and Nominations Committee

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

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

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

Other advisors to the Committee are set out below.

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

Managing Director and senior executives

Remuneration strategy and structure

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

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

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

Alignment to shareholder's 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.

For the year ended 30 September 2004

6. Director and Executive Disclosures continued

Alignment to program interests is based on the following strategy:

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

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

Policy

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

6. Director and Executive Disclosures continued

Performance of GrainCorp Limited

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

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

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

Remuneration of Directors and specified executives

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

Directors of GrainCorp Limited

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

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

[2] Appointed on 19 February 2004.

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

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

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

For the year ended 30 September 2004

6. Director and Executive Disclosures continued

Remuneration of specified executives

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

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

[2] Appointed on 28 June 2004.

Service Agreements

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

	Agreement with Managing Director
(i) Term of Contract	The term of the contract will be three years from the commencement date with an option for the company to renew for a further two years. The contract commenced on 27 August 2003 and will expire on 27 August 2006 unless the option is exercised.
(ii) Remuneration	The remuneration package is made up as follows: • Base package of $651,000 reviewed annually and benchmarked against an agreed relevant peer group. • Short Term Incentive (STI). Target opportunity for achievement of agreed objectives 40 percent of base package. • Long Term Incentive (LTI). 250,000 options based on EPS and TSR hurdles as approved by shareholders in February 2002 and disclosed in the Annual Report.
(iii) Termination Managing Director initiated termination	12 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).

The Chief Operating Officer has a term agreement that requires a notice period of 12 months. All other specified executives are covered by a standard agreement which requires 13 weeks notice.

6. Director and Executive Disclosures continued

Executive Option Plan

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

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

Hurdle 1

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

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

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

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

Hurdle 2

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

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

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

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

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

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

For the year ended 30 September 2004

6. Director and Executive Disclosures continued

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

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

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

Share holdings, Options and Convertible Notes

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

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

6. Director and Executive Disclosures 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 and options				
J. Di Leo				
Employee Options	100,000	–	–	100,000
Employee Share Acquisition Plan	–	–	–	–
Ordinary shares	103,634	–	–	103,634
Reset Preference Shares	–	–	150	150
S.G.B. Bird				
Employee Options	50,000	–	–	50,000
Employee Share Acquisition Plan	–	–	400	400
Ordinary shares	–	–	–	–
Reset Preference Shares	–	–	–	–
A.N. Johns				
Employee Options	50,000	–	–	50,000
Employee Share Acquisition Plan	–	–	–	–
Ordinary shares	5,739	–	(4,934)	805
Reset Preference Shares	–	–	–	–
K.J. Lloyd				
Employee Options	50,000	–	–	50,000
Employee Share Acquisition Plan	–	–	–	–
Ordinary shares	13,688	–	–	13,688
Reset Preference Shares	–	–	–	–
N.P. Hart				
Employee Options	50,000	–	–	50,000
Employee Share Acquisition Plan	–	–	400	400
Ordinary shares	–	–	–	–
Reset Preference Shares	–	–	–	–
S. Tainsh				
Employee Options	50,000	–	–	50,000
Employee Share Acquisition Plan	–	–	400	400
Ordinary shares	–	–	–	–
Reset Preference Shares	–	–	–	
A. Single				
Employee Options	50,000	–	–	50,000
Employee Share Acquisition Plan	–	–	–	–
Ordinary shares	2,218	–	–	2,218
Reset Preference Shares	–	–	100	100

For the year ended 30 September 2004

6. Director and Executive Disclosures continued

Non-Executive Directors

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

Policy

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

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

Directors' fees

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

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

Retirement benefits

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

Share based compensation

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

Other transactions with Directors and specified executives

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

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

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

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

Glossary

Term	Definition
Base Package	The annual cost of salary, superannuation, other benefits and fringe benefits tax.
Deferred Share	A nil-priced option or a conditional right to acquire a share issued under the rules of the GrainCorp Deferred Share Purchase Plan.
EPS or Earnings Per Share	EPS is one of the performance hurdles under the long term incentive plan.
Executive Option Plan	Sets out rules and performance hurdles for the operation of the share option plan for executives.
Job Evaluation	An analytical, systematic and quantitative assessment of the relative work value of positions within the organisation.
KPI or Key Performance Indicator	A measure of performance of the business and individual executives.
LTI or Long Term Incentive	Incentive measured over periods exceeding one year and usually paid as shares and/or options.
Option	A right to acquire a share on payment of an exercise price issued under the rules of the Executive Option Plan.
Performance Hurdle	A specified target against which the Group's performance is measured to determine the extent to which long-term incentives might vest.
Specified Executives	Those executives (other than executive Directors and numbering at least 10) who have the greatest authority for managing GrainCorp Limited and controlled entities.
STI or Short Term Incentive	Incentive usually measured over up to one year and paid in cash.
Target Performance	Achievement of 75 percent of STI.
Total Package	Total of base package, STI and annualised value of LTI.
TSR or Total Shareholder Return	Return to shareholder over a period calculated by reference to share price growth and dividends assuming the dividends are reinvested into the company's shares. TSR is one of the performance hurdles under the long term incentive plan.

7. Investments in Controlled Entities

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.

For the year ended 30 September 2004

7. Investments in Controlled Entities continued

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(c).

8. Full Financial Report

This concise report is derived from the full financial report for the year ended 30 September 2004. Further financial information can be obtained from the full financial report which is available free of charge, on request from the company. A copy may be requested by calling 1800 809 482 (free call). Alternatively, both the full financial report and the concise report can be accessed via the internet at www.graincorp.com.au.

Directors' Declaration

The Directors declare that in their opinion, the concise financial report of the consolidated entity for the year ended 30 September 2004 as set out on pages 49 to 76 complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 September 2004.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which as indicated in Note 8, is available on request.

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

R.L. Greentree
Chairman

Sydney
24 November 2004m

Independent Audit Report to the Members of GrainCorp Limited

Audit opinion

In our opinion, the concise financial report of GrainCorp Limited for the year ended 30 September 2004 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports.*

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

Scope

The concise financial report and Directors' responsibility

The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis of and notes to the financial statements, and the Directors' declaration, for GrainCorp Limited (the company) for the year ended 30 September 2004.

The Directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports.*

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it 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 concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We also performed an independent audit of the full financial report of the company for the financial year ended 30 September 2004. Our audit report on the full financial report was signed on 24 November 2004, and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*

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

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

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

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

M Haberlin *Partner*

Sydney
24 November 2004

SHAREHOLDER INFORMATION

The Shareholder information set out below was applicable as at 15 December 2004.

A. Distribution of Ordinary Shares

1 – 1,000	6,317
1,001 – 5,000	2,887
5,001 – 10,000	656
10,001 – 100,000	383
100,001 – and over	30
	10,273

B. Twenty Largest Shareholders

The names of the 20 largest holders of each class of shares are listed below:

		Ordinary Shares	
		Number of Shares Held	Percentage of Issued Shares
1	Grain Growers Association Limited	8,648,024	21.20
2	RBC Global Services Australia Nominees Pty Limited <BKCUST A/C>	1,964,655	4.81
3	Mr Ronald Lewis Greentree & Mr Bruce Maylon Harris	553,896	1.36
4	NBT Pty Ltd	500,050	1.23
5	Victorian Farmers Federation Property Trust Ltd	399,967	0.98
6	UBS Private Clients Australia Nominees Pty Ltd	377,854	0.93
7	NBT Pty Limited <ASTOR A/C>	375,000	0.92
8	Westpac Custodian Nominees Limited	321,417	0.79
9	DB Capital Pty Limited	295,568	0.72
10	Linkshore Pty Limited	280,000	0.69
11	Janvin Pty Limited	260,168	0.64
12	Mr Graeme John Watsford	256,763	0.63
13	Janvin Pty Limited	250,000	0.61
14	R & D Pastoral Pty Ltd	241,984	0.59
15	Menegazzo Enterprises Pty Ltd	241,783	0.59
16	Mr Peter Menegazzo	227,867	0.56
17	Desbech Pty Ltd	214,819	0.53
18	DB Capital Pty Ltd	207,853	0.51
19	JP Morgan Nominees Australia Limited	207,839	0.51
20	DB Capital Pty Limited	200,000	0.49

C. Substantial Shareholders

The following shareholders and their related parties had substantial shareholdings in GrainCorp Limited shares as at 15 December 2004.

		Ordinary Shares	
		Number of Shares Held	Percentage of Issued Shares
1	Grain Growers Association Limited	8,648,024	21.20
2	Investors Mutual Limited	2,135,494	5.22

D. Voting Rights

The voting rights attached to each class of shares are set out below:

(a) Ordinary shares – on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Foundation share:

(i) No ordinary resolution can be passed without the affirmative role of the Foundation Share, except for the appointment of elected Directors.

(ii) For a special resolution, the Foundation Share carried 75 percent of the total number of votes entitled to be cast.

CORPORATE DIRECTORY

Enquiries

Nigel Hart, Company Secretary
investorrelations@graincorp.com.au

GrainCorp Registered Office

Tower 1, Level 17, 201 Sussex Street
Darling Park, Sydney NSW 2000

Postal Address:
PO Box A268, Sydney South NSW 1235
Phone: 02 9325 9100
Freecall: 1800 809 482
Fax: 02 9325 9180

Australian Stock Exchange

GrainCorp shares are classified under the Miscellaneous Industries Index (code GNC) and have been listed on the Australian Stock Exchange since 1998. Share prices are reported in major daily newspapers and can be accessed online at www.asx.com.au.

Dividend Policy

GrainCorp has a divided payout ratio of a minimum 70 percent of profit after tax.

GrainCorp Website

www.graincorp.com.au – GrainCorp's interactive website features corporate governance policies the current Annual Report and full financials, plus interim financial reports. News and corporate information is regularly updated for shareholders. Details of Board members are also provided.

Shareholder Enquiries

GrainCorp Limited shareholders requiring information regarding their shareholdings should contact the company's registry at:
Computershare Investor Services Pty Ltd
GPO Box 7045, Sydney NSW 2001
Phone: 1300 855 080
Fax: (02) 8234 5050

Removal from Annual Report mailing list

Shareholders can elect not to receive an Annual Report (but still receive a Notice of Meeting and Proxy Form) by contacting the share registry.

Design • Momentum Design
Photography • Momentum Design
Print Management • IntoPrint

Head Office Tower 1, Level 17, 201 Sussex Street, Darling Park, Sydney NSW Australia 2000
Postal Address PO Box A268, Sydney South NSW Australia 1235
Telephone +61 2 9325 9100 **Freecall** 1800 809 482* **Facsimile** +61 2 9325 9180
Web www.graincorp.com.au **Email** investorrelations@graincorp.com.au

* Freecall within Australia