



Company announcement

GrainCorp Limited ABN 60 057 186 035

Date: 8 December 2011

To: The Manager
Announcements
Company announcements office

PUBLIC ANNOUNCEMENT

GRAINCORP 2011 ANNUAL REPORT

GrainCorp Limited has today released its 2011 Annual Report for the year ended 30 September 2011.

A handwritten signature in black ink, appearing to read "Betty Ivanoff", is displayed within a light gray rectangular box.

Betty Ivanoff
General Counsel and Company Secretary

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GrainCorp

2011

Annual Report

GrainCorp Limited



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

Annual Report

30 September 2011



GrainCorp

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These financial statements are for the consolidated entity consisting of GrainCorp Limited and its controlled entities. The financial statements are presented in Australian dollars. GrainCorp Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 26
175 Liverpool Street
SYDNEY NSW 2000

A description of the nature of the consolidated entity's principal activities and its operations is included in the Directors' Report on page 20.

The financial statements were authorised for issue by the Directors on 24 November 2011. The Company has the power to amend and reissue the financial statements.

Our history

GrainCorp was started in 1916 under the Grain Elevator Act and administered as a branch, called Government Grain Elevators (GGE) of the New South Wales (NSW) Government's Department of Agriculture. The GGE led the development of Australia's first bulk grain handling system with construction of 200 country elevators linked by rail to shipping terminals at Sydney and Newcastle. By October 1989, the GGE had gone through a number of changes and was known as the Grain Handling Authority of NSW (GHA). At this time the GHA was corporatised and became the NSW Grain Corporation.

The NSW Grain Corporation was privatised in April 1992 and sold to the grain grower owned Prime Wheat Association that became GrainCorp. GrainCorp was listed on the Australian Stock Exchange (ASX) in 1998.

GrainCorp has grown through acquisition and organic growth. GrainCorp acquired Victorian based Vicgrain in 2000, Allied Mills in a joint venture with Cargill Australia in 2002, Queensland based Grainco in 2003, and malt businesses United Malt Holdings in 2009 and Schill Malz in October 2011. In 1996, GrainCorp was the first Australian bulk handler to trade grain in the Australian domestic market, and in 2008 commenced exporting wheat to international markets following removal of the export single wheat desk.

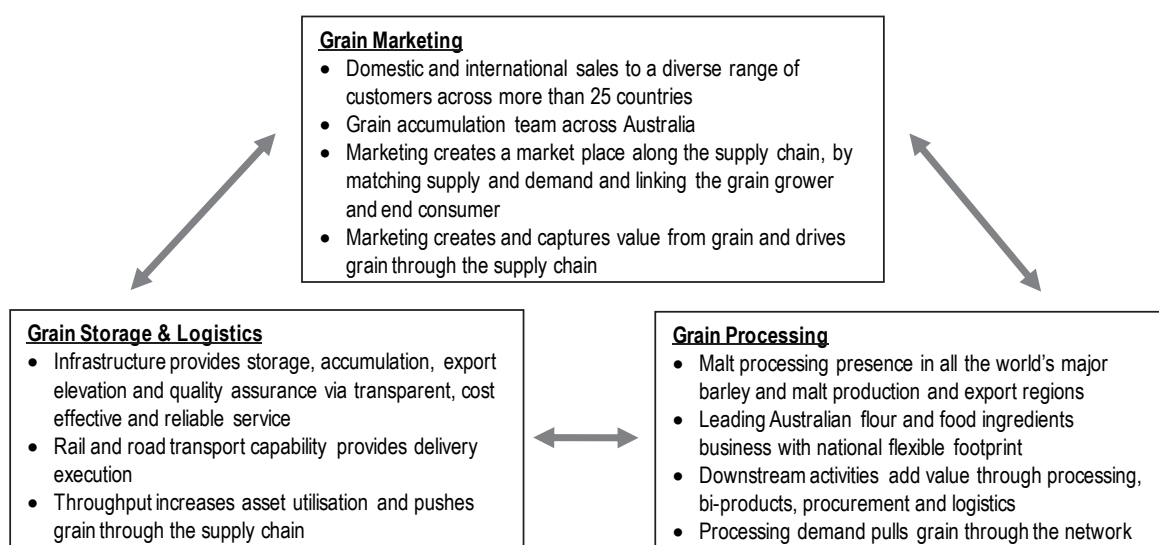
Our integrated and international business

GrainCorp is an integrated grain business with strategic assets along the grain chain through country storage and handling, bulk and container port export facilities and downstream processing of malt and flour.

GrainCorp supplies grain and processed grain products to customers in domestic and international markets, with a focus on core commodities of wheat, barley and canola. Grain ownership drives grain through the supply chain by linking GrainCorp's separate but interdependent businesses.

The market GrainCorp operates in has changed considerably following removal of Australia's export single wheat desk and increasing international participation driven by global population growth and increased demand for food and soft commodities. GrainCorp has grown to meet the opportunities and challenges presented by the growing and changing global grain and malt markets.

Three separate but integrated grain businesses, with a focus on connecting growers and end consumers



Grain Storage and Logistics

GrainCorp's country grain storage network extends approximately 2,700 kilometres from Mackay in Queensland to Portland in Victoria. The network serves more than 10,000 growers through more than 280 sites with total storage capacity of up to 20 million tonnes.

GrainCorp operates seven bulk grain export elevators in eastern Australia with annual elevation capacity of more than 13 million tonnes. The port network also packs and exports containerised grain, and exports and imports non-grain commodities such as woodchips and fertiliser.

GrainCorp's rail freight team manages a fleet of around 20 trains providing our country and port networks with annual haulage capacity of around five million tonnes. A road freight team also manages more than one million tonnes of road transport each year.

Grain Processing

GrainCorp's grain processing activities produce a wide range of malt, flours and food ingredients that deliver value to our broad customer base in food processing.

GrainCorp is the world's fourth largest commercial malt producer, with operations in three regions of North America, Europe and Australia. Businesses and facilities are located in:

- **Canada** (Canada Malting Company) – Montreal, Thunder Bay and Calgary;
- **United States** (Great Western Malting) – Vancouver (WA), Pocatello (ID);
- **United Kingdom** (Bairds Malt) – Witham and Grantham (England); Pencaitland, Arbroath and Inverness (Scotland);
- **Germany** (Schill Malz – acquired on 4 October 2011) – Worms, Mulheim, Sangerhausen and Clingen; and
- **Australia** (Barrett Burston Malting) – Geelong, Burnley, Perth, Thornleigh and Pinkenba.

GrainCorp's 19 malt houses have annual production capacity of nearly 1.4 million tonnes of a range of malt qualities. Customers include some of the world's leading domestic and international brewers and distillers in domestic markets in North America, Europe and Australia, plus export markets in Africa, Asia and South America.

GrainCorp's other downstream grain processing presence is through its 60% joint venture ownership share of Australian based Allied Mills, a leading manufacturer and distributor of food ingredients and semi-finished products with a national footprint. Allied Mills supplies a range of customers including major manufacturers, retailers, franchisers, and foodservice providers.

Grain Marketing

Marketing's strategy is to be a profitable international wheat, barley and canola marketer focused on utilising GrainCorp's Australian supply chain capabilities and Malt's relationships and global asset footprint. Marketing supplies grain to customers located in Australia and offshore with around 50% of sales made to customers outside of Australia. During 2011, Marketing opened a European office in Hamburg (Germany) to better service our international customers.

Strategy and 2011 strategic achievements

GrainCorp's mission, vision and strategy were presented in 2011.

- **Mission:** An international agribusiness creating value by connecting consumers to growers along the grain chain.
- **Vision:** Grow as our grain customers' preferred partner driven by our passionate people and assets around the world.

GrainCorp's competitive advantage rests with its capabilities and infrastructure along the grain supply chain; and its international presence with around 50% of grain sales and 90% of malt sales made in or to countries outside of Australia.

GrainCorp is focused on implementing five strategic themes to meet its three corporate objectives; (1) Improve shareholder return; (2) Manage earnings variability; and (3) Grow as an international agribusiness. Strategic themes and achievements in 2011 include:

1. **Maintain a strong market presence** - a leading grain supply chain service (Storage & Logistics).
 - Received and segregated a record 14.9 million tonnes of grain.
 - Launched GrainTransact (integrated inventory management system).
 - Managed more than 5 million tonnes of rail and 3 million tonnes of road transport.
 - Increased container packing activity to 400,000 tonnes.
2. **Operate along the grain chain** - be an "end to end" supplier of grain (Marketing).
 - Achieved 2.7 million tonnes of export sales, representing 33% of GrainCorp exports handled.
 - Made 65% of grain purchases direct from growers and >90% of grain sales direct to end consumers.
 - Opened New European Marketing office in Hamburg, Germany.
3. **Increase activity in grain processing** - broader and competitive malt offering (Malt) and opportunities in flour (Allied Mills).
 - Added 296,000 tonnes of malt production capacity through acquisition and organic growth.
 - Acquired additional Canadian grain elevator by Canada Malting Company.
 - Grew Allied Mills bakery products including parbake products such as Artisan Bread.
4. **Grow as an international agribusiness** - organic and acquisitions (GrainCorp).
 - Offshore grain and malt sales higher to 50% and >90% respectively.
 - Opened European Marketing office in Hamburg and acquired Schill Malz in October 2011 to grow European presence.
 - Leverage Malt to increase activity in Canadian grain market.
5. **Build supporting capabilities** - capital and organisation model (GrainCorp).
 - Decentralised organisation model being implemented.
 - Key Executive appointments and increased employee engagement results.

RESULTS SUMMARY	2011	2010
Business Drivers (mmt)		
Grain carry-in	2.6	2.9
Country network grain receivals	14.9	7.4
Grain received at port ex-farm and from other bulk handlers	2.3	1.0
Grain exports handled	8.1	3.5
Domestic outload	5.7	5.2
Grain carry-out	6.0	2.6
Marketing grain sales	5.5	3.3
GrainCorp grain exports	2.7	1.1
Non-grain exports	1.5	1.4
Malt sales	1.1	0.9
Key Results (\$ million)		
Revenue	2,776.8	2,002.9
Earnings before interest, tax, depreciation and amortisation	349.6	211.5
Earnings before interest and tax	271.1	140.0
Net profit after tax	171.6	80.2
Dividend (cents per share)	55.0	30.0

BUSINESS RESULTS (\$ million)	2011 Revenue	2011 EBITDA ¹	2010 Revenue	2010 EBITDA ¹
Country & Logistics	522.6	73.8	340.1	34.1
Ports	220.2	137.2	104.3	51.4
Malt	867.8	99.3	796.5	118.7
Marketing	1,406.3	71.9	923.7	31.9
Allied Mills (60% share of NPAT)	-	8.2	-	9.2
Discontinued operations	-	-	13.0	(0.7)
Corporate, head office, eliminations and other	(240.1)	(40.8)	(174.7)	(33.1)
Total	2,776.8	349.6	2,002.9	211.5

FIVE YEAR FINANCIAL SUMMARY		2011	2010	2009	2008	2007
Earnings drivers						
Grain throughput	mmt	24.1	13.9	16.9	9.1	9.0
Malt sales	mmt	1.1	0.9	-	-	-
Financial Performance						
Revenue	\$M	2,776.8	2,002.9	1,725.5	1,534.2	832.1
EBITDA ¹	\$M	349.6	211.5	160.2	51.3	31.9
Net profit / (loss) after tax	\$M	171.6	80.2	63.2	(19.9)	(19.8)
Financial Position						
Total assets	\$M	2,635.2	2,130.2	1,083.8	1,098.3	970.2
Total equity	\$M	1,372.7	1,282.6	693.8	436.1	399.0
Net assets per ordinary share ²	\$	6.9	6.5	7.2	6.8	6.9
Net debt to net debt and equity ³	%	19.4	15.7	4.4	50.5	45.8
Core debt to core debt and equity ⁴	%	0.6	3.8	(8.2)	39.8	37.6
Shareholder returns						
Basic earnings / (loss) per ordinary share	cents	86.7	39.6	34.1	(11.4)	(34.5)
Return on equity	%	13.0	6.6	11.2	(4.8)	(4.9)
Dividend per ordinary share ⁵	cents	55.0	30.0	7.3	-	10.0
Dividend yield per ordinary share ^{5,6}	%	7.6	4.1	0.8	-	1.5

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

2. Excludes reset preference shares at nominal value.

3. Net debt is total debt less cash.

4. Core debt is Net debt less Marketing inventory.

5. All dividends were fully franked and yields include franking credit.

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

Board of Directors



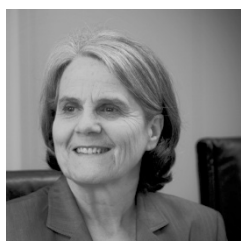
Don C Taylor BCom, CA, GradCertRurSc, FAICD (Chairman and Non-executive Director)

Don Taylor has been Chairman of the Board of Directors since December 2005. Mr Taylor is a member of the Human Resources Committee, member of the Business Risk Committee and also a member of the Corporate Governance Committee. Mr Taylor joined the Board in October 2003. Mr Taylor was formerly Executive Chairman of Grainco Australia Limited, Director of Forest Enterprises Australia Limited and Chairman of Carrington Cotton Limited (formerly listed on Australian Securities Exchange ("ASX")).



Alison M Watkins BCom, FCA, FFin, FAICD (Managing Director & CEO)

Alison Watkins is an experienced Chief Executive Officer ("CEO") and ASX 20 company Board Director, with wide ranging and international experience in the agriculture, food processing, consumer, retail, financial and professional services sectors. Ms Watkins is a member of the Corporate Governance Committee and is entitled to attend the Business Risk Committee, Board Audit Committee and Human Resources Committee meetings ex-officio. Ms Watkins joined the Board in July 2010. Ms Watkins has held a number of Executive roles, including CEO of Berri Limited, Executive Chair of Mrs Crocket's Kitchen Pty Ltd, CEO of the Bennelong Group and is a former partner of McKinsey & Company. She was formerly a Non-executive Director of Just Group Limited and Woolworths Limited, and is currently a Non-executive Director of Australia and New Zealand Banking Group Limited.



Barbara J Gibson BSc, MAICD, FTSE (Non-executive Director)

Barbara Gibson is a member of the Business Risk Committee and of the Corporate Governance Committee, and joined the Board in March 2011. Ms Gibson is an experienced Executive having spent 20 years with Orica Limited, most recently as Orica's Group General Manager, Chemicals Group for 8 years. Ms Gibson is currently a Director of Nuplex Industries Limited, Warakirri Holdings Pty Limited and Warakirri Dairies Pty Limited and Chairman of Warakirri Asset Management Pty Limited. She was formerly a Director of St. Barbara Limited and Penrice Soda Holdings Limited.



Peter J Housden BCom, FCPA, FAICD (Non-executive Director)

Peter Housden is Chairman of the Board Audit Committee and member of the Corporate Governance Committee. Mr Housden joined the Board in October 2008. Mr Housden is currently Chairman of Royal Wolf Holdings Limited, a Board member of Sparke Helmore Lawyers, and Magenta Shores Golf and Country Club. Mr Housden is also a member of the Audit & Risk Committee for Housing NSW, a State Government agency and a former Director of iSoft Group Limited, Sino Gold Mining Ltd and Clean Seas Tuna Limited.



Donald G McGauchie AO, FAICD (Non-executive Director)

Donald McGauchie is Chairman of the Human Resources Committee and a member of the Corporate Governance Committee. Mr McGauchie joined the Board in December 2009. Mr McGauchie is currently a Director of James Hardie SE, Chairman of Nufarm Limited and Chairman of Australian Agricultural Company Limited. His previous roles with public companies include Chairman of Telstra Corporation Limited, Deputy Chairman of Ridley Corporation Limited, Director of National Foods Limited, Chairman of Woolstock, Chairman of the Victorian Rural Finance Corporation (a statutory corporation), and also President of the National Farmers Federation. In 2001 Mr McGauchie was named the Rabobank Agribusiness Leader of the Year, was awarded the Centenary Medal for services to Australian society through agriculture and business and in 2004 was appointed an Officer of the Order of Australia.



Dan J Mangelsdorf BAgEc(Hons), FAICD (Non-executive Director)

Dan Mangelsdorf is Chairman of the Business Risk Committee, and member of the Corporate Governance Committee. Mr Mangelsdorf operates grain growing interests in Central NSW and has wide ranging grains industry expertise. Mr Mangelsdorf joined the Board in February 2005. Mr Mangelsdorf was formerly Chairman of Grain Growers Association Limited and is a member of the Federal Government Industry Expert Group.



David B Trebeck BScAgr(Hons), MEc, FAICD (Non-executive Director)

David Trebeck is Chairman of the Corporate Governance Committee, member of the Board Audit Committee and a member of the Human Resources Committee. Mr Trebeck joined the Board in February 2002. Mr Trebeck is currently Chairman of Penrice Soda Holdings Limited and a Director of Maersk Australia Pty Limited and PrimeAg Australia Ltd. Mr Trebeck was formerly Commissioner of the National Water Commission, and formerly Principal, Managing Director and co-founder of economic consultancy ACIL Consulting Pty Ltd (now ACIL Tasman Pty Ltd).



Simon L Tregoning BCom, (Non-executive Director)

Simon Tregoning is a member of the Board Audit Committee and member of the Corporate Governance Committee. Mr Tregoning joined the Board in December 2008. Mr Tregoning is currently a Director of St Luke's Care and Director of Capilano Honey Limited. Mr Tregoning was formerly a Director of Dairy Farmers Pty Limited, and was formerly Vice-President of Kimberley-Clark Corporation.

Executive Team

Alistair Bell – Chief Financial Officer (“CFO”)

Alistair Bell was appointed CFO of GrainCorp Ltd on 8 November, 2010. Mr. Bell brings to the Company finance, operations, treasury, mergers & acquisitions, and private equity experience from a number of sectors including property, hospitality and travel, telecommunications and mining and metals.

Neil Johns – Chief Development Officer

Neil Johns has been with GrainCorp for 20 years and was appointed to his current position in 1997. He is responsible for corporate strategy, mergers and acquisitions, projects and investor relations. Mr Johns is a Director of Allied Mills, Grain Trade Australia and Queensland Commodity Exports.

Nigel Hart – Group General Manager Storage & Logistics

Nigel Hart has been with GrainCorp for 13 years and was appointed Group General Manager Storage and Logistics in November 2010. He is responsible for GrainCorp's grain receipt, storage and handling, ports, rail and road logistics, safety, customers and quality assurance. Nigel has extensive industry and company experience and has previously held roles with GrainCorp as Company Secretary and General Manager Ports.

Steve Haydon – President and CEO GrainCorp Malt

Steve Haydon joined GrainCorp in 2009 as part of the acquisition of United Malt Holdings. He is responsible for GrainCorp's Malt activities and brings to the role more than 30 years' experience in the malt processing sector. Before being appointed Malt President and CEO, he was President of Bairds Malt and has worked extensively in the United Kingdom and North America.

Sam Tainsh – General Manager Marketing

Sam Tainsh has been with GrainCorp for 10 years and was appointed General Manager Marketing in February 2002. He is responsible for all domestic and international grain and oilseed marketing and trading activities. Before joining GrainCorp, he spent 7 years as a commodity trader at Louis Dreyfus Corporation.

Heather Miles – General Manager Corporate Services

Heather Miles was appointed General Manager Corporate Services on 8 November, 2010, she is responsible for human resources, Company risk, insurance, legal, company secretarial and sustainability. She brings 20 years of forest products, banking, food manufacturing and senior human resources experience from McKinsey & Company, Carter Holt Harvey and Westpac.

Betty Ivanoff – General Counsel and Company Secretary

Betty Ivanoff joined GrainCorp in 2008 and is responsible for the company's legal and regulatory affairs. She is also the Company Secretary appointed by the Board on 28 September 2011, and manages the company's compliance activities. Prior to joining GrainCorp, she held various corporate legal counsel positions with a number of companies including CSR Limited, Walter Constructions and Sinclair Knight Merz.

Introduction

This section of GrainCorp Limited's ("GrainCorp" or "the Company") 2011 Annual Report outlines the governance framework the Board has adopted for GrainCorp. The framework applies to all entities in the GrainCorp Group.

GrainCorp remains committed to ensuring that its systems, procedures and practices reflect a high standard of corporate governance. The Board believes that its governance framework provides clear guidance on how authority is exercised as well as fosters a culture of ethical behaviour, integrity and respect to protect shareholders' and other stakeholders' interests.

GrainCorp considers that, for the year ended 30 September 2011, its governance structure remained consistent with the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007 ("Recommendations"). Changes to the Recommendations were announced in June 2010 and come into effect for GrainCorp's financial year commencing on 1 October 2011. In many cases GrainCorp already complies with the revised Recommendations and in other cases has sought to be an early adopter of the changes.

Copies of the GrainCorp charters and GrainCorp's Constitution are available on GrainCorp's website at www.graincorp.com.au/ir/Pages/governance.aspx

The following sections provide details of GrainCorp's compliance with the eight Corporate Governance Principles that comprise the Recommendations.

Principle 1: Lay solid foundations for management and oversight

a) Primary objective of the Board

The primary objective of the Board is to build long term shareholder value with due regard to other stakeholder interests. The Board provides governance and strategic guidance for GrainCorp and effective oversight of management. The governance structure allows GrainCorp to set and achieve its profit and growth targets, while appropriately managing risk, and considering the interests of shareholders and other stakeholders.

b) Board Charter

To define its role, as distinct from Executives, the Board has formalised its authority, responsibilities and processes into a Board Charter. The charter is consistent with GrainCorp's Constitution, including its role in strategy and planning, budgeting, financial reporting, employee and remuneration policies, risk management, audit and compliance and performance monitoring.

Under GrainCorp's Constitution, and as detailed in its Charter, the Board may delegate any of its powers to Committees of the Board. This allows the Board to spend additional time on specific issues. The standing Committees established by the Board are detailed on page 8.

c) Delegation to Managing Director & CEO

The Board has delegated authority for the day to day management of GrainCorp to the Managing Director & CEO, who manages GrainCorp according to Board-approved strategies, budgets, policies and delegations.

The Managing Director & CEO has appointed a team of senior management ("Executive Team") to implement GrainCorp's strategic plans and manage the business day to day. The Managing Director & CEO provides financial and operational reports to the Board to ensure they are fully informed of all material matters relating to GrainCorp.

The Board and its Committees monitor the decisions and actions of the Managing Director & CEO and the performance of GrainCorp as a whole to ensure achievement of strategies and plans.

d) Evaluation of performance of the Executive Team

The Managing Director & CEO is responsible for the performance of each member of the Executive Team and their succession.

The Executive Team comprises the Managing Director & CEO, the CFO, Group General Manager of Storage & Logistics, General Manager of Marketing, President & CEO Malt, Chief Development Officer, General Manager Corporate Services and General Counsel. The Executive Team meets regularly to review business performance and strategic issues, and to build alignment across the business.

All members of the Executive Team have written position descriptions, employment contracts and annual Key Performance Indicators ("KPIs") to assess performance each year.

The Managing Director & CEO reviews the performance of the Executive Team individually and collectively against their agreed KPIs and GrainCorp's values. The Board and its Committees also monitor the performance of Executives through regular reporting and face to face presentations.

The Human Resources Committee and the Board formally review the performance of the Managing Director & CEO each year against agreed KPIs. Performance reviews of the Managing Director & CEO and of members of the Executive Team were conducted for the year ended 30 September 2011.

e) Board and Committee Meetings

The Board and its Committees meet regularly throughout the year according to an annual schedule of meetings, and at other times as required. Details of the number of meetings held and the attendance record of each Director, and Committee member, are contained on page 19 of the Directors' Report.

The CFO, General Counsel, General Manager Corporate Services and the Company Secretary attend each Board Meeting. Other Executives and employees attend as required.

Principle 2: Structure the Board to add value

a) Structure of the Board.

GrainCorp's Constitution has certain requirements concerning Board size, meetings, election of Directors and the powers and duties of Directors. Collectively the Board of GrainCorp aims to achieve a broad range and balance of skills, experience and expertise to effectively oversee GrainCorp's operations.

The Board currently comprises seven Non-executive Directors and one Executive Director, being the Managing Director & CEO. The Chairman of the Board is an independent Non-executive Director. The skills, experience and responsibilities of each Director are set out on pages 4 to 5 of the Annual Report.

The Board determines its size and composition subject to the limits imposed by the Constitution, which requires a minimum of four Directors but does not specify any maximum number of Directors. The Board Charter provides further details on the composition of the Board and the particular leadership role performed by the Chairman.

b) Board independence

The majority of GrainCorp's Directors must be independent. The Board Charter details the criteria used to assess whether a Director has a relationship with GrainCorp which could, or be perceived to, impede independent decision making.

All Directors are required to notify the Company Secretary of their interests as well as any changes to those interests. Directors are also required to notify the Chairman of any potential changes to their other Board appointments.

For the year ended 30 September 2011, the Corporate Governance Committee ("CGC") conducted its annual review of Non-executive Director independence, as specified in the Board Charter, with regard to independence as detailed in the Recommendations.

The CGC considered all of the circumstances relevant to each Non-executive Director in determining whether the Director is free from any interest or other business or relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in GrainCorp's best interests and exercise unfettered and independent judgement.

Each of GrainCorp's Directors exercised judgement and discharged his or her responsibilities in an independent way at all times throughout the year.

During the year, a number of Directors, through their association with other entities not related to GrainCorp, entered into transactions with GrainCorp in the ordinary course of its business. These arrangements were not considered to be material or to impact upon the independence of those Directors, as the transactions were conducted on GrainCorp's ordinary commercial terms on an "arms-length" basis.

c) Conflicts of interest

As well as ensuring independence, each Director has an ongoing responsibility to determine whether he or she has a potential or actual conflict of interest in relation to any material matter which comes before the Board. The Company Secretary maintains a register of Directors' interests.

The Board Charter details the obligations of Directors in dealing with any conflicts of interest. In such situations, the conflicted Director will not receive relevant Board papers and, unless the non-conflicted Directors resolve to the contrary, will not be present for Board deliberations on the matter and will not vote on any related Board resolutions. These procedures will be recorded in the Minutes of the applicable Board meeting. The same procedures apply in the event of any conflict which may arise relating to any matter to be considered by any Board Committee.

GrainCorp's Code of Conduct provides guidelines for dealing with conflicts of interest, particularly for Executives and other employees.

d) Access to information and independent advice

Directors may access information and seek independent professional advice as they individually or collectively consider necessary to fulfil their responsibilities and permit independent judgement in decision making.

Any independent advice sought will be with the consent of the Chairman, which will not be unreasonably withheld or delayed, will be shared with all other Directors unless precluded by any conflict situation, and will be at GrainCorp's expense.

e) Tenure and election at Annual General Meetings

GrainCorp's Constitution, consistent with the ASX Listing Rules, requires that a Non-executive Director must seek re-election by shareholders every three years if they wish to continue in their role. The Constitution also requires that there be an election of Directors at every Annual General Meeting ("AGM") of the Company. If no Director is to retire from office in accordance with their tenure, the Director to retire will be chosen from those who have held office for the longest period since last elected or re-elected. GrainCorp's Constitution does not impose a maximum number of terms of service on its Directors.

The Chairperson is appointed by his or her fellow Directors with the term of office determined by the remaining members of the Board. The Chairperson remains subject to the same re-election rules as apply to the other Non-executive Directors. The Chairperson appoints the Chairs and the members of the respective Board Committees and determines their tenures.

Subject to the provisions of GrainCorp's Constitution and the Corporations Act, the Board may appoint a Director at any time but that Director must retire and, if they wish to continue in that role, seek election by shareholders at the first AGM to be held after their appointment. The Managing Director & CEO is not subject to the retirement and re-election rules.

f) Board Committees

As previously stated, the Board has the ability to delegate any of its powers to Board Committees. GrainCorp's Board has established the following standing Committees to assist it in discharging its responsibilities:

- Board Audit Committee ("BAC")
- Business Risk Committee ("BRC")
- Corporate Governance Committee ("CGC")
- Human Resources Committee ("HRC")

Each Committee is comprised of independent Non-executive Directors with the exception of the BRC. Membership of the BRC comprises three independent Non-executive Directors, the Managing Director & CEO and an independent advisor who is not a member of the Board but who has the requisite skills and experience to assess and challenge management's performance, particularly in relation to the operations of GrainCorp's Marketing business.

Membership of each Committee is determined by each Director's skills and experience, their ability to add value and to commit the necessary time to the Committee. The composition of each Committee is regularly reviewed by the Chairman of the Board.

Each Committee operates under a Board-approved Charter detailing its responsibilities and may have unrestricted access to GrainCorp's Executives and other employees and to information necessary for the discharge of its responsibilities. Each Committee may require the attendance of any GrainCorp employee or request the attendance of any external party at meetings as considered appropriate.

All Directors are entitled to attend meetings of any Committee and the Managing Director & CEO attends all meetings as appropriate, but does not attend any meetings where her remuneration is considered nor does she attend any Non-executive Director private sessions. The Chairman of the BAC has a standing invitation to attend all meetings of the BRC.

Minutes of all Committee meetings are provided to the Board as part of the Board papers for meetings. Proceedings of each Committee meeting are also reported by the respective Committee Chairman at the first Board meeting following the Committee meeting.

Each Committee's Charter is available on GrainCorp's website.

g) Board composition, selection and appointment

The Board aims to achieve a balance of relevant industry, technical and functional skills and experience, and diversity amongst its Directors. The CGC has the responsibility to review and make recommendations to the Board regarding Board composition and the nomination process for Board appointments. It regularly reviews the size and composition of the Board to assess the need for any appointments.

As well as skills, experience and diversity, the CGC considers factors such as personal qualities, ability and commitment to devote sufficient time to being a member of the Board and one or more of its Committees, the contribution the prospective Director could make to the Board and his or her professional reputation. Potential candidates are assessed by the CGC with recommendations made to the Board for final determination.

All Directors are appointed subject to a formal letter of offer setting out the key terms and conditions of the appointment to ensure GrainCorp's and the Board's expectations for the position are clearly understood. New Directors undergo an induction program involving meetings with Executives and other employees, briefings on GrainCorp's business and strategic plans, independent meetings with GrainCorp's external and internal auditors, discussions with the Chairman and other Directors and the provision of relevant Charters, policies and other material.

The CGC also reviews and recommends the process for the election of the Chairman by Directors and reviews succession planning for the Board, making recommendations as required.

h) Board performance

The Board reviews its performance and that of each Director on an annual basis either by self-evaluation or by independent review. The process for conducting the review is agreed by the Board, led by the Chairman, and covers matters such as:

- The Board's contribution to developing strategy and policy;
- The Board's performance relative to its responsibilities;
- The interaction between Board members and between the Board and GrainCorp's Executives;
- The Board's oversight of business and Executive performance, controls and compliance;
- The operation of the Board including the conduct and content of Board meetings;
- The performance of each Board Committee against the responsibilities of its respective Charter; and
- The individual contribution of each Director.

Each Committee reviews its performance annually through discussion and questionnaires relevant to the Committee's performance during the year. The Chairman of the CGC reviews the performance of the Chairman of the Board in consultation with other Directors.

The performance of the Managing Director & CEO is formally reviewed each year by the HRC and the Board.

In addition, the performance of a Non-executive Director is assessed when nominating for election or re-election at an AGM. In the particular Director's absence, the Board, through the CGC, assesses whether to endorse the Director's election or re-election by shareholders.

The Board performance self evaluation and review during the year ended 30 September 2011 showed no major issues in relation to the Board's, its Committees' and individual Directors' performance. It is intended that the review to be conducted for the year ended 30 September 2012 will be done independently.

i) Corporate Governance Committee

In addition to acting as the "nomination committee" for the Board, the CGC is also responsible for assisting the Board in the oversight and evaluation of the effectiveness of GrainCorp's corporate governance framework and processes. The full responsibilities of the CGC are detailed in its Charter.

The CGC currently comprises all of the members of GrainCorp's Board and is chaired by David Trebeck, an independent Non-executive Director. Notwithstanding its composition, the CGC meets separately from the Board with a separate agenda.

Details of the attendance of the members at meetings of the CGC during the year are contained in the Directors' Report.

During the year the CGC focussed on:

- Identifying and recommending to the Board the appointment of Ms Gibson as an independent Non-executive Director;
- Reviewing and recommending the adoption of new Board and Committee Charters to reflect the current roles and responsibilities of those bodies, which were adopted by the Board; and
- Reviewing and approving revised GrainCorp Group policies including the Code of Conduct, Fraud and Corruption Control, Share Trading and Whistleblower.

A copy of the CGC's Charter is available on GrainCorp's website.

Principle 3: Promote ethical and responsible decision making

a) Responsibilities of the Board, Executives and other employees

GrainCorp cares about the results it achieves and the manner in which they are achieved.

GrainCorp's values provide a common understanding of expected behaviours of Directors and employees towards customers, other stakeholders and the communities and environments in which we operate. The values are:

- Safety
- Our People
- Customers
- Excellence
- Integrity
- Our Community
- Sustainability

All Directors, Executives and other employees are responsible for ethical business conduct, and all are accountable for ensuring their decisions and actions are consistent with GrainCorp's values.

To support its values, GrainCorp has adopted a Code of Conduct ("Code"), which is consistent with the Recommendations, to provide a set of guiding principles for acting honestly and with integrity and fairness at all times. The Code details policies, procedures and practices to ensure the highest ethical standards, corporate behaviour and accountability are maintained across GrainCorp. The Code requires compliance with the laws of every country in which GrainCorp operates or trades.

The principles underlying the Code include:

- Acting legally in the best interests of GrainCorp and valuing and protecting its reputation;
- Acting with honesty and integrity and treating others with dignity and respect, valuing diversity and maintaining a safe working environment;
- Identifying any potential, or actual, conflicts of interest and managing them responsibly;
- Refraining from giving or receiving any improper payments, benefits or other gains;
- Compliance with the spirit of the Code, all other applicable GrainCorp policies and procedures and the laws of each jurisdiction in which the Company operates; and
- Immediately reporting, in good faith, any known or suspected breaches of the Code, other GrainCorp policies and procedures and the law.

GrainCorp's Code is supported by a number of policies and procedures at both a corporate and individual business unit or country level to further guide behaviours.

A copy of the Code is available on GrainCorp's website.

b) Dealing in GrainCorp securities

GrainCorp's Share Trading Policy prohibits dealing in GrainCorp's securities by all Directors, Executives and other employees, or their associates, when in possession of unpublished price sensitive information concerning the Company.

The Policy prohibits "Designated Officers" from dealing in GrainCorp's securities at all times other than during specific "Trading Window" periods after the release of the Company's half and full year results and after its AGM. A Designated Officer may only deal in a Trading Window when not in possession of price sensitive information concerning GrainCorp.

Directors are required to seek approval from the Chairman before they, or their associates, deal in the Company's securities. The Chairman is required to seek approval from the Chairman of the BAC. All dealings in GrainCorp securities by Directors or their associates are notified to the ASX within five business days of the dealing. GrainCorp does not stipulate any minimum security holding requirement by its Directors.

Other Designated Officers are also required to seek approval before they, or their associates, deal in GrainCorp's securities.

The Policy also prohibits Designated Officers and their associates from providing GrainCorp securities as security in connection with any margin loan or similar financing arrangement without the approval of the Chairman, or in the Chairman's case the Chairman of the BAC.

Further it is a condition of any grant to employees of any performance rights or deferred shares that no schemes are entered into that protect the value of such performance rights or shares before they vest. Any breach of this condition constitutes a breach of the terms of the grant and may result in the forfeiture of the performance rights.

A copy of the Share Trading Policy is lodged with the ASX and available on GrainCorp's website.

c) Whistleblower protection

A principle underlying GrainCorp's Code is the requirement for any Director, Executive or other employee to immediately report, in good faith, any known or suspected breaches of the Code, other GrainCorp policies or the law.

GrainCorp's Whistleblower Policy provides a mechanism whereby such breaches may be reported on a confidential basis without fear of reprisal, dismissal or discriminatory treatment.

Reports may be made under this Policy to specified "Whistleblower Disclosure Officers" or to an independently managed "whistleblower hotline."

A copy of GrainCorp's Whistleblower Policy is available on GrainCorp's website

d) Diversity

GrainCorp is committed to developing and maintaining a workplace culture that is diverse and inclusive, reflective of its values and representative of the communities in which it operates.

The composition of many of GrainCorp's customers' and other stakeholders' workforces has become more diverse and GrainCorp aims to mirror this change to better understand their needs and continue to deliver a superior level of service.

The business case for diversity is well established. Globally, talent is becoming an increasingly scarce resource and, as GrainCorp's operations expand, it will have to compete more effectively by promoting its brand, benefits and workplace environment to attract and retain the talent necessary to support its growth.

To support GrainCorp's commitment to diversity, the Board approved a Diversity Policy and strategy to increase the diversity of GrainCorp's workforce.

GrainCorp's diversity achievements

GrainCorp has a number of existing Company policies and practices that support diversity, including:

- A Parental Leave Policy that allows for eight weeks of full pay, sixteen weeks of half pay plus a further six weeks' return to work bonus in addition to the government's parental scheme;
- Superannuation paid on parental leave;
- A Policy which permits flexible working arrangements;
- Equal pay entitlements for both the fixed and variable components of remuneration; and
- Achievement of pay equity across genders.

For the year ended 30 September 2011, the proportion of women employed in permanent roles across GrainCorp was:

- Board of Directors: 25%
- Executive Team: 37.5%
- GrainCorp Leadership Group: 12%
- Total GrainCorp workforce: 18%

Diversity 2011-2013

The Board and Executive Team committed to the following actions during the financial year under review:

1. Develop a three year diversity strategy; and
2. Increase the gender diversity on GrainCorp's Board by the appointment of a female Non-executive Director in 2011.

These actions were achieved during the year with the development of a three year strategy and the appointment of Ms Gibson to the Board in March 2011. The diversity strategy for the next financial year will be championed by the senior leadership and includes:

Strategy	Long term outcome	In 2012
Building a diverse talent pool focussing initially on women	GrainCorp is an employer of choice, attracting new female talent. Identification and development of existing talent through targeted programs to strengthen skills and build aspirations.	Develop a sourcing strategy by June 2012 to attract women to operational roles and begin implementation. Ensure development plans in place for all women in operational roles by June 2012. Implement a policy of one third of candidates for senior roles to be women. Increase women in management with a focus on operational roles.
Enhancing workplace flexibility	A culture which fosters balance between work, life and community.	Develop an international flexibility policy and leader's toolkit for managing flexibility of all genders and ages, by September 2012.
Planning for an aging workforce	Strong management of the exchange of knowledge and expertise as older employees exit GrainCorp and support of older employees health and well being.	Implement a workforce planning tool and develop a long term workforce plan by June 2012 and implement one key initiative by September 2012.
Build an indigenous workforce strategy	GrainCorp contribution to the social and economic development of indigenous communities.	Develop a Reconciliation Action Plan by March 2012 and implement. Deliver on Australian Employment Covenant by September 2012.

The benefits GrainCorp sees from this strategy include:

- Access to a broader pool of talent and an increase in the attraction and retention of a source of talent previously untapped or under developed;
- Increased employee engagement as a higher proportion of our workforce feels included and has access to flexible working arrangements and meaningful career development;
- Improved knowledge management and transfer from older employees to their younger colleagues through improved engagement and a structured process to ensure knowledge and expertise is not lost as older employees leave GrainCorp's workforce;
- Enhanced ability to deliver on GrainCorp's strategy to expand its operations geographically; and
- Enhanced brand awareness as an employer of choice within the sectors in which it operates.

Principle 4: Safeguard integrity in financial reporting

a) Board Audit Committee

The BAC was constituted by the Board of GrainCorp to assist the Board in fulfilling its oversight responsibilities in relation to financial reporting and internal control. The BAC reviews GrainCorp's financial reporting processes, systems of internal control and management of financial risks as well as the process, coverage, performance and independence of the internal and external audit functions. The responsibilities of the BAC are detailed in its Charter.

The BAC must comprise a majority of independent Directors, including at least one member who has formal financial qualifications. The Chairman of the BAC is an independent Director who is not the Chairman of the Board. The Chairman of the Board may however be a Committee member.

The current members of the BAC are Peter Housden (Chairman), David Trebeck and Simon Tregoning, all of whom are independent Non-executive Directors of GrainCorp. Each member has the technical expertise to enable the BAC to effectively discharge its responsibilities. Details of the BAC members' qualifications and experience are set out on pages 4 and 5 of the Annual Report.

The Managing Director & CEO and the CFO, as well as representatives of GrainCorp's external and internal auditors attend all meetings of the BAC by invitation. The BAC regularly meets with the external auditors without the presence of Executives.

Details of the attendance of members at meetings of the BAC during the year are contained in the Directors' Report.

The BAC's responsibilities are detailed in its Charter and include the monitoring and oversight of:

- GrainCorp's financial reporting policies and principles, controls and procedures;
- The effectiveness of GrainCorp's internal control and financial risk management framework;
- The annual internal audit review program;
- The integrity of GrainCorp's financial statements and reports, compliance with related regulatory requirements and the independent audit of those financial statements and reports;
- The external audit program and the performance of the external auditor; and
- Implementation by the Executive Team of significant findings and recommendations made by the external auditor.

During the year the BAC also focussed on:

- Reviewing its Charter and recommending changes to reflect its current responsibilities to the Board for approval;
- Reviewing and approving an internal audit program for the year ending 30 September 2011 aligned to the Company's risks, monitoring progress against the program and monitoring management's response to the matters identified for improvement or rectification; and
- Ensuring that agendas for its meetings remained aligned to its role and responsibilities as detailed in its revised Charter.

A copy of the BAC's Charter is available on GrainCorp's website.

b) External audit

PricewaterhouseCoopers ("PwC") has been GrainCorp's external auditor since 1998 and is responsible for reviewing and auditing the half year and full year financial statements and reports to provide an independent opinion that these statements and reports are true and fair and comply with applicable accounting standards and regulations.

PwC attends all meetings of the BAC by invitation and regularly meets with the BAC independently of management to raise and discuss matters that have arisen during the course of its reviews and audits. Representatives of PwC also attend GrainCorp's AGM to answer any shareholder questions on the conduct of the audit, the preparation of the audit opinion and any other related matters.

GrainCorp's Board has adopted an External Auditor Independence Policy ("Independence Policy") to govern the independence of the external auditor. This Policy places restrictions on the range of non-audit services PwC can provide to GrainCorp and contains a requirement that the lead audit partner be rotated after five years, unless that appointment is extended by agreement under transition provisions.

The Independence Policy endorses the fundamental principles of auditor independence that, in order to be eligible to undertake any non-audit related assignments for GrainCorp, PwC must not:

- Create a mutual or conflicting interest with that of GrainCorp;
- Audit its own work;
- Act in a management capacity or as an employee of GrainCorp; or
- Act as an advocate for GrainCorp.

The Independence Policy also details the type of non-audit services or assignments that PwC cannot undertake. In addition, any non-audit services or assignments that are not prohibited, with estimated fees in excess of \$100,000, must be approved by the BAC before that service or assignment commences. The CFO has been authorised to approve such services and assignments with fees estimated to be less than \$100,000.

No work will be awarded to PwC if the BAC or the CFO, as applicable, believe such work would give rise to a "self review" threat (as defined in APES110-Code of Conduct for Professional Accountants) or would create a conflict, or potential conflict, of interest for PwC or otherwise compromise PwC's independence.

Details of the amounts paid to PwC during the year, including for any non-audit services provided, are disclosed in Note 27 to the Financial Statements.

PwC has provided GrainCorp with the required full year certification of independence which is on page 43 of this Annual Report.

GrainCorp's current audit engagement partner, Matthew Graham, rotated from GrainCorp's audit at the conclusion of the audit of the financial statements and reports for the year ended 30 September 2011, having completed five years as the lead engagement partner on the audit. Mr Graham has been replaced by Matthew Lunn.

A copy of the Independence Policy, which forms part of the Charter of the BAC, is available on GrainCorp's website.

c) Management assurance to Directors

The Managing Director & CEO and the CFO have provided the following declaration to the Board in relation to the production of GrainCorp's full year financial statements and reports, as required by Section 295A of the Corporations Act, namely in their opinion to the best of their knowledge and belief:

1. The financial records of GrainCorp for the year ended 30 September 2011, have been properly maintained in accordance with Section 286 of the Corporations Act;
2. GrainCorp's financial statements, and the notes to those statements, for the year ended 30 September 2011, comply with the relevant accounting standards;
3. GrainCorp's financial statements, and the notes to those statements, for the year ended 30 September 2011 give a true and fair view of the financial position and performance of GrainCorp;
4. The statements referred to above are founded on a system of risk management and internal compliance and control which implements the policies adopted by the Board; and
5. GrainCorp's risk management and compliance and control system is operating effectively in all material respects in relation to financial reporting risks.

Supporting this declaration are certifications of assurance provided by other senior managers, including senior finance managers within GrainCorp. These certifications comprise representations and responses to questions concerning GrainCorp's financial results, disclosure processes and controls and other matters related to GrainCorp's external reporting obligations.

The effective control environment established by the Board, and reviewed by Internal Audit as part of its annual review program supports this declaration provided by the Managing Director & CEO and the CFO. However it should be noted that associated companies and joint ventures that are not controlled by GrainCorp are not covered by this declaration. Further the declaration provides a reasonable, but not absolute, level of assurance of GrainCorp's risk management, internal compliance and control systems, but does not imply a guarantee against any adverse events or more volatile conditions and outcomes that may occur in the future.

d) Internal Audit

The Board has appointed the audit firm, KPMG, to independently manage GrainCorp's Internal Audit function ("Internal Audit"). Internal Audit's role in relation to financial reporting is to provide the Board, through the BAC, with an effective and independent appraisal of GrainCorp's internal control framework and an assurance that material risks and compliance obligations are effectively managed.

Internal Audit operates under a Charter and an annual audit program approved by the BAC. Internal Audit reports to the BAC but also has a direct line of communication to the CFO.

The annual Internal Audit work program is developed in consultation with the BAC and the Executive Team after considering GrainCorp's risk profile and appetite.

Representatives of Internal Audit attend all meetings of the BAC and provide regular reports of progress against the annual program and detail any issues that have arisen. Internal Audit also monitors the Executive Team's progress in remediating any issues identified in previous audits and highlights the current status of any outstanding matters in its reporting to the BAC.

Principle 5: Make timely and balanced disclosure

a) Commitment to disclosure

GrainCorp seeks to provide shareholders and other interested parties with quality information in a timely way through the reporting of financial results, the provision of the Financial Report and Shareholder Review, as well as other announcements and briefings to the market, copies of which are available on GrainCorp's website. Teleconferencing and webcasting facilities are provided for market briefings.

GrainCorp is committed to:

- Ensuring that its shareholders and other stakeholders, are provided with timely and balanced disclosure of all material matters concerning GrainCorp;
- Complying with its continuous disclosure obligations as required by the Corporations Act, ASX Listing Rules and the Recommendations; and
- Ensuring that all stakeholders have equal and timely access to externally available information issued by GrainCorp.

b) Continuous Disclosure and Financial Markets Communication Policy ("Communication Policy")

GrainCorp's Communication Policy supports the commitment to a fully informed market in its securities by ensuring that announcements are:

- Made to the market (via the ASX Announcement Platform) in a timely manner, are factual and contain all relevant material information; and
- Expressed in a clear and objective manner that allows investment community stakeholders to assess the impact of the information when making investment decisions.

GrainCorp's Company Secretary is responsible for compliance with the continuous disclosure obligations and for overseeing and coordinating disclosures to the ASX and other interested parties. GrainCorp's Investor Relations Manager is responsible for all communications with shareholders.

A copy of the Communication Policy is available on GrainCorp's website.

Principle 6: Respect the rights of shareholders

GrainCorp is committed to ensuring its shareholders are provided with timely disclosure of all material matters concerning the Company.

GrainCorp encourages its shareholders to attend its AGM, where shareholders receive presentations on GrainCorp's performance and outlook and can raise any questions concerning the management of GrainCorp, the conduct of the annual audit, as well as questions on resolutions put to the AGM.

A Notice of Meeting ("Notice") convening the AGM is accompanied by explanatory notes regarding the resolutions to be put to the AGM. A copy of the Notice with the explanatory notes is lodged with the ASX and posted on GrainCorp's website. Shareholders who are unable to attend the AGM in person may still vote by appointing a proxy using the form provided with the Notice or via an online facility. Where a poll is to be taken on a resolution, shareholders or their proxies can cast their votes on a confidential basis, with an independent party appointed to collate and verify the poll results.

The results of voting on all resolutions at the AGM are reported to the ASX and posted to GrainCorp's website as soon as possible after the meeting.

Shareholders are also invited to submit questions in advance of the AGM, so that GrainCorp can ensure issues are addressed.

GrainCorp's external audit partner attends the AGM and is available to answer questions on the conduct of the annual audit of GrainCorp's financial reports and statements and related matters. PwC may also answer any written questions shareholders have submitted prior to the AGM.

No questions were directed to the external auditor in relation to the conduct of the audit of GrainCorp's 2010 financial reports and statements and no questions were directed to the external auditor at the last AGM in February 2011.

Principle 7: Recognise and manage risk

a) Risks

GrainCorp is one of Australia's largest agribusinesses with a significant presence in the storage and logistics of grain and non-grain commodities, the marketing of grain domestically and internationally, as well as the production of malt and flour. Risk is therefore inherent in GrainCorp's daily operations and the ability to achieve its strategies depends heavily on how effectively risk is managed. Risk relates to threats to existing activities as well as taking advantage of opportunities as they arise.

GrainCorp's risk management objective is to ensure all material risks are identified and, where practical and economically viable, measures implemented to mitigate or otherwise manage the impact those risks may have on GrainCorp's activities.

b) Risk management framework

GrainCorp's risk management framework identifies, assesses and manages GrainCorp's strategic, operational, financial and reputational risks. Key components of the framework include the Risk Management Policy & Guidelines and the Statement of Risk Appetite.

The Policy, which is consistent with the Australian/New Zealand and International Standard on Risk Management: AS/NZS ISO 31000:2009, applies to all entities within GrainCorp. It:

- Provides a systematic approach to risk management aligned to GrainCorp's strategic objectives;
- Defines the processes by which GrainCorp determines its risk appetite and manages risk; and
- Articulates the roles and accountabilities for the oversight, governance and management of risk within GrainCorp.

The Risk Appetite defines how much risk GrainCorp is willing to accept in certain situations and circumstances, as approved by the Board.

c) Risk management responsibilities and actions

i) Board of Directors

GrainCorp's Board is responsible for determining the risk profile, appetite and strategies and for monitoring the integrity of internal controls and other resources, processes and systems to manage and mitigate risks.

The Board has delegated direct oversight of risk management, other than financial risk management, within GrainCorp to its BRC.

The Board has delegated to the Executive Team the responsibility for establishing GrainCorp's risk framework and for implementing the internal controls and other systems and processes to manage risk.

ii) Business Risk Committee

From the commencement of the year under review, the former Trading Risk Management Committee was renamed and its responsibilities broadened. The BRC now oversees all aspects of risk within GrainCorp except for financial risks which remain the responsibility of the BAC subject to the overriding responsibilities of the Board. Previously this Committee only oversaw the risk associated with the Marketing (formerly called Trading) business unit.

The BRC's objectives are to review, monitor and report on the following matters:

- Strategic and operational risks which include, but are not limited to, business trading, ethical, safety and relevant regulatory, risks; and
- Compliance with applicable laws and regulations as well as GrainCorp's internal policies and procedures.

The full responsibilities of the BRC are detailed in its Charter, which is available on GrainCorp's website.

The BRC consists of five members, three independent Directors, the Managing Director & CEO and an independent advisor who is not a member of the Board, but who has the necessary skills and experience to critically assess and challenge management's performance in relation to managing risk, particularly the risks associated with the activities of Marketing. The current members are Dan Mangelsdorf (Chairman), Barbara Gibson, Don Taylor, Alison Watkins and Ottmar Weiss (Independent Advisor). The General Manager Marketing, CFO and General Manager Corporate Services attend all meetings of the BRC by invitation. Other Executives and employees attend meetings as required.

Details of the attendance of the members at meetings of the BRC during the year are contained in the Directors' Report.

To discharge its responsibilities the BRC receives regular reports from the Executive Team:

- That identify and evaluate the significant risks that may impact the achievement of GrainCorp's strategies and operations;
- On material business risks and progress against risk management plans and key performance indicators;
- On grain trading strategies and as required approve new trading business activities and control measures;
- Concerning Marketing's related credit, treasury, liquidity, foreign exchange, derivative, country and sovereign risks, and assesses their alignment to the Statement of Risk Appetite.

The BRC, in conjunction with the Board Audit Committee, also receives regular reports from Internal Audit on internal controls and other risk matters.

During the year the BRC focussed on:

- Reviewing its Charter and recommending changes to reflect its broader responsibilities, which were approved by the Board;
- Reviewing and recommending to the Board for approval a new "Position and Trading Risk Management Policy" which combined two separate policies, to ensure that all position risks associated with GrainCorp's Marketing and Malt businesses are now controlled through a consistent application of risk management procedures and practices. This Policy standardises how trading and position risk is measured and managed; and
- Reviewing and recommending to the Board for adoption a revised risk management framework including a revised Risk Management Policy & Guidelines and Statement of Risk Appetite.

iii) Management and other employees

GrainCorp's Managing Director & CEO, supported by the Executive Team, has been delegated the responsibility for implementing the risk framework and risk strategies across GrainCorp, to ensure all risks identified as unacceptable are managed or mitigated, or otherwise dealt with.

Each business and function within GrainCorp is responsible for conducting risk assessments of its operations as well as developing, maintaining and reviewing relevant risk registers and risk management plans.

The Executive Team regularly monitors GrainCorp's risks and reviews the effectiveness of "treatment" strategies implemented to manage the risks identified. Supporting this process is a dedicated Group Risk and Insurance Manager whose responsibilities include the implementation, review and maintenance of GrainCorp's risk management framework and the provision of systems, advice and training.

Corporate strategic and business unit plans are reviewed at least annually, which enables the Executive Team to assess whether GrainCorp's risk profile has changed or any new risks emerged or existing risks increased, decreased or disappeared.

The Executive Team also reviews performance against the Risk Appetite via key risk indicators using a "traffic light" system whereby: RED indicates the appetite is stretched or breached; ORANGE indicates the appetite is stretched but tolerable; and GREEN indicates the appetite is within acceptable parameters.

iv) External and Internal Audit

See page 13 and 14, Principle 4: Safeguard integrity of financial reporting.

d) Environmental risk and sustainability

The Board recognises that adopting sound environmental management practices and sustainable business operations are important to the long-term performance and growth of GrainCorp. The efficient, and reduced, use of energy, water and other resources in its plants and the impact of climate change are significant challenges being considered by the Company throughout its operations. The impacts of drought, the availability of cost effective energy supplies as well as the impact of environmental regulations have been identified as key risks and are addressed as part of GrainCorp's risk management framework.

The Company is a registered participant in the Energy Efficiency Opportunities Program and is a registered reporter of energy use and greenhouse gas emissions under the National Greenhouse and Energy Reporting Act.

Copies of these reports are available on GrainCorp's website.

Principle 8: Remunerate fairly and responsibly

a) Human Resources Committee

The HRC assists the Board to consider human resource and remuneration strategies and issues within GrainCorp.

The objective of the HRC is to assist the Board discharge its responsibilities to shareholders and other stakeholders by ensuring that GrainCorp:

- Has coherent and transparent remuneration policies and practices that are consistent with the Company's strategic goals and human resource objectives which enable it to attract, motivate and retain employees at all levels who will create value for shareholders; and
- Fairly and responsibly remunerates Executives and other employees having regard to the performance of the Company, the performance of the Executive or employee and the general remuneration environment.

The responsibilities of the HRC are detailed in its Charter, available on GrainCorp's website.

The HRC has three members who are appointed by the Chairman of the Board from the Non-executive Directors, and all of whom are independent. The HRC operates independently of the Executive Team and seeks its own advice, as considered necessary, to assist in its decision making processes.

The current members of the HRC are Donald McGauchie (Chairman), Don Taylor and David Trebeck. The Managing Director & CEO and the General Manager Corporate Services attend all meetings of the HRC by invitation.

Details of attendance of the members at meetings of the HRC during the year are contained in the Directors' Report.

During the year the HRC focussed on:

- A review of the performance of the newly appointed Managing Director & CEO and her direct reports, some of whom were also new to GrainCorp or in new roles;
- Ensuring that succession plans were established for the Managing Director & CEO, members of the Executive Team and for other critical roles;
- The impact of the new legislation: Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Bill 2011, which confirmed that the HRC's processes complied with the requirements of this Bill; and
- A review of the remuneration of Non-executive Directors.

b) Non-executive Director remuneration

The remuneration of Non-executive Directors is fixed and is paid according to the role of the Director and the Board Committees on which they serve, and their role on those Committees.

Non-executive Directors do not participate in other remuneration components such as performance related short-term or long-term incentives that are available to GrainCorp's Executives and other employees.

c) Remuneration Report

Details of GrainCorp's remuneration policies and practices and information relating to the remuneration of its Key Management Personnel ("KMP") (including the Non-executive Directors) is disclosed in the Remuneration Report starting on page 24 of the Directors' Report contained within this Annual Report.

Conclusion and summary of compliance with the recommendations

The Board is satisfied with GrainCorp's level of compliance with the Recommendations, but recognises that governance processes require continual monitoring and refinement. The Board, primarily through its CGC, regularly reviews GrainCorp's corporate governance framework to ensure it remains effective, compliant with changing requirements and relevant to GrainCorp's increasingly international business.

The Directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of GrainCorp Limited ("GrainCorp" or the "Company") and the entities it controlled at the end of, or during, the year ended 30 September 2011.

Directors

The following people were Directors of GrainCorp during the financial year 2011 and/or up to the date of this report:

D C Taylor (Chairman)
A M Watkins (Managing Director & CEO)
B J Gibson (appointed 3 March 2011)
P J Housden
D J Mangelsdorf
D G McGauchie
D B Trebeck
S L Tregoning

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Details of the current members of the Board of Directors, including their experience, qualifications, special responsibilities and term of office are included on page 4 of the Annual Report.

Details of Directors' interests in shares and options of GrainCorp are set out in note 30 of the financial statements.

Company Secretary

Betty S M Ivanoff, *GradDipLegPrac, LLB*

An experienced corporate lawyer, Ms Ivanoff was appointed Company Secretary on 28 September 2011 for all relevant entities and oversees corporate governance and compliance. Ms Ivanoff also served as Company Secretary between October 2008 and 22 February 2011.

Michael G A Smith, *BA, FCIS, FAICD*

Michael Smith was appointed Company Secretary on 22 February 2011 and resigned on 28 September 2011.

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 2011, and the number of meetings attended by each Director.

Director	Board meetings		Audit Committee		Human Resources Committee		Business Risk Committee		Corporate Governance Committee	
	A	B	A	B	A	B	A	B	A	B
D C Taylor	13	13	~	~	4	4	4	4	6	6
A M Watkins	13	13	4	4	4	4	4	3	6	6
B J Gibson	8	8	~	~	~	~	2	2	4	4
P J Housden	13	13	4	4	~	~	~	~	6	6
D J Mangelsdorf	13	13	~	~	~	~	4	4	6	6
D G McGauchie	13	13	~	~	4	4	~	~	6	6
D B Trebeck	13	12	4	4	4	3	~	~	6	5
S L Tregoning	13	13	4	3	~	~	~	~	6	6

A - Number held during period in office.

B - Number attended by members of the committee and other Directors.

~ - Not a member of the relevant committee.

Principal activities

The nature and scope of the main activities undertaken by the Group during the year were the provision of services along the grain supply chain including:

- receipt, handling and storage of grain and other bulk commodities for growers and end users; and as an agent for marketing organisations;
- road and rail transport services for bulk commodities;
- handling of export grains and other bulk commodities through ports;
- marketing of grain and other bulk commodities and the operation of grain pools;
- production of malt and provision of products and services to the brewing and distilling industries; and
- flour milling and mixing services (through investment in Allied Mills).

Review of operations

The Group recorded a net profit after tax ("NPAT") of \$171.6 million for the financial year compared to a profit after tax of \$80.2 million for the previous year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased from \$212.2 million to \$349.6 million. The comparative period includes the acquisition of the Malt business from 13 November 2009.

Revenue from continuing operations increased 40% to \$2,776.8 million (2010: \$1,989.9 million), reflecting higher eastern Australian grain harvest volumes and associated revenues from Country and Logistics, Ports and Marketing.

Total up-country receipts during the year were 14.9 million tonnes (2010: 7.4 million tonnes) with 8.1 million tonnes exported through GrainCorp ports (2010: 3.5 million tonnes). Grain in storage at the beginning of the year was 2.6 million tonnes, down on the previous year of 2.9 million tonnes. Grain in storage at the end of the year is 6.0 million tonnes.

Malt sales volumes for the year were 1.1 million tonnes (2010: 0.9 million tonnes from 13 November 2009).

Earnings per share ("EPS")

Basic earnings per share from continuing operations increased 117% to 86.7 cents (2010: 39.9 cents).

Dividends

Since year end the Directors have approved the payment of a fully franked final dividend totalling \$29.7 million and a fully franked special dividend totalling \$39.7 million. This represents the equivalent of a final dividend of 15.00 cents plus a special dividend of 20.00 cents per share on issue at the record date of 7 December 2011. The dividends will be paid on 21 December 2011.

Dividend	Date paid	Fully Franked Dividend per share	Total dividend (\$ million)
Final dividend for the year ended 30 September 2011	21 December 2011	15 cents	29.7
Special dividend for the year ended 30 September 2011	21 December 2011	20 cents	39.7

The following dividends on issued ordinary shares of GrainCorp have been paid since the end of the financial year 2010:

Dividend	Date paid	Fully Franked Dividend per share	Total dividend (\$ million)
Interim dividend for the year ended 30 September 2011	21 July 2011	15 cents	29.7
Interim special dividend for the year ended 30 September 2011	21 July 2011	5 cents	9.9
Final dividend for the year ended 30 September 2010	21 December 2010	10 cents	19.8
Special dividend for the year ended 30 September 2010	21 December 2010	5 cents	9.9

Significant changes in state of affairs during the financial year

There were no significant changes in the state of affairs of the Group in the financial year.

Matters subsequent to the end of the financial year

Acquisition of Schill Malz

GrainCorp Limited acquired all of the issued shares in Schill Malz GmbH & Co ("Schill Malz") for the sum of \$80.7 million (€57.8 million) on 4 October 2011. Management is in the process of completing the relevant business combinations accounting.

MF Global

Since year end, one of GrainCorp's international futures brokers appointed an administrator. At 31 October 2011 the net value of cash and margin call positions held on GrainCorp's behalf in client segregated accounts was \$29.5 million (30 September 2011: \$6.1 million).

As announced to the ASX, GrainCorp successfully transferred its offshore positions and reset its grain marketing futures with other brokers. While investigations are not yet completed, based on known facts at the date of this report, GrainCorp does not expect to report a materially adverse financial outcome from either the voluntary administration or the resetting of its hedging activities.

Other than reported above, no other matter or circumstance has arisen since 30 September 2011 which has significantly affected or may significantly affect:

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

Likely developments and expected results of operations

The Directors believe that additional information as to likely developments in operations of the Group in future financial years, including the expected results of those operations, would likely result in unreasonable prejudice to the Group.

Environment

The Group's operations are subject to various Australian Federal and State environmental legislation and regulation, and are also subject to various environmental legislative and regulatory requirements in the United States ("US"), United Kingdom ("UK"), Canada and Germany. Environmental reporting in all relevant jurisdictions has been completed in accordance with local requirements. There is no environmental regulation specific to the Group. The Directors are not aware of any significant environmental breaches during the year.

Energy efficiency and greenhouse reporting

The Group is subject to the greenhouse gas and energy data reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*.

The *Energy Efficiency Opportunities Act 2006* requires the Australian operations of the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. As required under this Act, the Group is registered with the Department of Resources, Energy and Tourism as a participant entity.

The *National Greenhouse and Energy Reporting Act 2007* requires the Group to report its annual greenhouse gas emissions and energy use. The Group has registered with the Greenhouse and Energy Data Officer (GEDO) and has implemented systems and processes for the collection and calculation of the data required to enable it to prepare and submit reporting to the GEDO. The annual report was submitted on 26 October 2011.

Insurance of officers

During the financial year, the Group 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 Group.

Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Company may decide to employ the external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid to the external auditor PwC for audit and non-audit services provided during the year are set out in note 27.

In accordance with the advice received from the BAC, the Board 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 BAC 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 APES 110 Code of *Ethics of Professional Accountants*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 43 and forms part of this report.

Introduction to remuneration

As shareholders are aware, GrainCorp operates in agricultural and food processing industries characterised by variable annual earnings due to the influence of factors such as weather, grain production volumes, commodity prices and exchange rates.

Shareholders will recall that in 2010, we revised our remuneration framework to increase the alignment of Executive reward to long term shareholder value. We replaced the former Retention Share Plan with the following structure:

1. Fixed remuneration, comprising a base salary and superannuation;
2. Short term incentive ("STI"), based on annual achievements against a balanced scorecard of targets. A substantial proportion of this is deferred into share rights, payable in one and two years following the performance year; and
3. Long term incentive ("LTI"), with Total Shareholder Return ("TSR") and Return on Equity ("ROE") performance hurdles.

These changes were outlined in the Remuneration Report for 2010 which was endorsed by shareholders at the AGM in February 2011.

The Board is confident that the company's remuneration framework is working as intended. It strikes a good balance between:

- Recognising and rewarding Executives for achieving results across a mix of short and long term outcomes they control or influence.
- Requiring Executives to share in the production and other risks inherent in our business which are difficult or impossible to control, but which are important for Executives to mitigate.
- Creating strong retention incentives via a substantial deferred component of remuneration.
- Aligning Executives' financial success to those of shareholders via the inclusion of equity and performance hurdle based components in remuneration.

Changes to Board and Executive Team

In November 2009, GrainCorp acquired the former United Malt Holdings, now GrainCorp Malt. This substantial acquisition doubled the company's earnings, assets and permanent employees. It also transformed GrainCorp from having only Australian-domiciled operations to operating in multiple countries around the world. Late in the 2010 financial year, the Board appointed Alison Watkins as Managing Director & CEO to lead the expanded GrainCorp organisation.

During financial year 2011, consistent with GrainCorp's transformation in scale and scope, the Company has made changes to our Board and Executive Team.

Barbara Gibson was appointed as a Non-executive Director on 3 March 2011. Ms Gibson brings substantial additional skills to the Board, including strong operational experience in safety, extensive corporate management skills from international and large publicly listed companies and Board experience.

Several new senior Executive appointments were made during the year. The new appointees are Alistair Bell as Group Chief Financial Officer, Nigel Hart as Group General Manager Storage and Logistics, Steve Haydon as President & CEO GrainCorp Malt and Heather Miles as General Manager Corporate Services.

Remuneration outcomes for the year

2011 has been a year of strong performance for the Company. This reflects more favourable conditions in Australia than seen for some time, coupled with strong leadership and judgment by the Executive team and employees.

Executive remuneration in total is higher in 2011 than 2010 (\$6.48 million compared with \$5.63 million for disclosed Executives) driven by:

- A reconstituted leadership team with the requisite skills and experience to lead a larger, more international GrainCorp.
- The strong performance of the company and contribution of individual Executives to the result, which produced above target STI cash and deferred equity payments.

- The inclusion of severance payments to former Executives in the year.

A summary of 2011 STI targets and results is included in the following report which explains the targets set for Executives at the start of 2011 and the outcomes achieved against those targets.

In summary

The Board is comfortable with the overall framework for Executive remuneration which was introduced last year.

For Executives other than the Managing Director & CEO, the Board intends to take a further step towards target mix for this group by increasing the LTI component from approximately 10% to 20% of each Executive's Total Target Reward ("TTR"). This increase to TTR will arise through long term performance rights, which will only vest if performance conditions (TSR and ROE) are satisfied. The Board's view, supported by market data, is that senior Executives should have 20% of their target remuneration via a hurdled long term incentive. The Managing Director & CEO's LTI will remain unchanged at the higher level of 33% of TTR – that is, at risk and subject to performance criteria which aligns with shareholder interest.

The Board is confident that GrainCorp's remuneration policy framework is well aligned with shareholder value creation over the short and long term and appropriately motivates, rewards and retains high calibre Executives.

1. Remuneration Governance

Role of the Human Resources Committee

The Human Resources Committee ("HRC"), chaired by Donald McGauchie, is responsible for reviewing the remuneration, human resources policies, processes, incentive schemes and performance of the Managing Director & CEO and Executives.

The HRC provides independent recommendations to the Board on the direction and strategies regarding Director and Executive remuneration and benefits, reward and recognition and succession planning.

The HRC consists of three independent Non-executive Directors. The Directors that serve on this committee, and their attendance history, are disclosed on page 19. The Managing Director & CEO, Alison Watkins, is invited to HRC meetings, as required, to discuss senior Executives' performance and remuneration packages but does not attend HRC discussions pertaining to her own remuneration.

In making its decisions, the HRC considers advice from the Managing Director & CEO, other members of management and external advisors.

Further information on the HRC's role, responsibilities and membership is contained in the Corporate Governance Report included within this Annual Report.

External advice

Where appropriate, the HRC seeks and considers input from external remuneration advisors. The HRC has regard to the experience, expertise and scope for potential conflicts of interest when appointing the advisor.

Ernst & Young again assisted GrainCorp with the review of our approach to Executive remuneration. This approach has now been formalised and Ernst & Young was appointed as the current remuneration advisor to the company on matters pertaining to Board and Executive remuneration. When undertaking work that involves giving remuneration advice to GrainCorp on Key Management Personnel, Ernst & Young report directly to the Board via the HRC Chairman.

During the financial year Ernst & Young provided factual information (including market remuneration data and market practice), implementation advice in relation to the share plans (including tax advice), assistance with the preparation of Remuneration Reports and other general remuneration advice. No remuneration recommendations were provided by Ernst & Young during the financial year.

2. Key Management Personnel

This report details the Group's remuneration policy and remuneration details for Key Management Personnel. GrainCorp has determined Key Management Personnel to be the Directors, Managing Director & CEO and selected direct reports. For the year ended 30 September 2011 this also includes the five highest paid Executives in the consolidated entity and the company. For the purposes of this report a distinction is made between Non-executive Directors and Executives including the Managing Director & CEO. The following individuals are disclosed in this report.

Name	Position
Non-executive Directors	
D C Taylor	Chairman
B J Gibson	Non-executive Director (appointed 3 March 2011)
P J Housden	Non-executive Director
D J Mangelsdorf	Non-executive Director
D G McGauchie	Non-executive Director
D B Trebeck	Non-executive Director
S L Tregoning	Non-executive Director
Executive Director	
A M Watkins	Managing Director & CEO
Current Executives	
A G Bell	Group Chief Financial Officer (appointed 8 November 2010)
N P Hart	Group General Manager Storage & Logistics (appointed 8 November 2010)
S A Haydon	President & CEO, GrainCorp Malt (appointed 15 March 2011)
A N Johns	Chief Development Officer
H L Miles	General Manager Corporate Services (appointed 8 November 2010)
S J Tainsh	General Manager Marketing (previously called Trading)
Former Executives	
B J Griffin	Group General Manager, Storage & Logistics (ceased employment 5 November 2010)
G J Haskew	Acting Chief Financial Officer (ceased employment 3 December 2010)
R S Porcheron	General Manager, Human Resources (ceased employment 5 November 2010)
I Wilton	President & CEO, GrainCorp Malt (ceased employment 21 April 2011)

The report incorporates the disclosure requirements of accounting standard AASB 124 *Related Party Disclosures*, as well as those prescribed by the *Corporations Act 2001*. Details of equity holdings, loans and other transactions with respect to Key Management Personnel are disclosed in note 30 to the financial statements.

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

3. Executive remuneration strategy

GrainCorp's strategy

The agricultural and food processing industries in which GrainCorp operates are characterised by variable annual earnings due to the influence of factors such as weather, grain production volumes, commodity prices and exchange rates. In addition, the sector in Australia has undergone considerable change over the past three years with significant changes to regulation, the entry of overseas based grain traders and with a number of ASX listed and private agribusinesses having been acquired by overseas companies.

GrainCorp has successfully capitalised on the opportunity presented by the removal of the single wheat desk in 2008, steadily growing its market share of export grains, building and enhancing strong overseas customer and grower relationships. GrainCorp is better managing production variability through broadening its involvement along the grain chain. The acquisition of GrainCorp Malt in 2009 gives the Group a significant international presence in other major grain markets, access to another stream of earnings (albeit still variable) and future growth options.

Looking to 2012, GrainCorp will focus on its mission to be a leading international agribusiness which creates value for shareholders and customers by connecting consumers to growers along the grain chain. Our vision is to grow as our grain customers' preferred partner – driven by our passionate people, and assets around the world. Our strategies to achieve this mission and vision are:

1. Maintain a strong market presence → leading grain supply chain service
2. Operate along the grain chain → "end to end" supplier
3. Increase participation in grain processing → (a) broader and competitive malt offering; (b) downstream opportunities in flour
4. Grow as an international agribusiness → organic and acquisitions
5. Build supporting capabilities → capital and organisation model

The Group's objectives are to increase returns by reinvesting in, and reshaping, its assets for productivity and growth, managing variability by diversifying its earnings base, managing its cost structure and increasing earnings through profitable "bolt-on" acquisitions.

Achieving these outcomes requires a remuneration strategy that balances short term operational earnings and returns with long term value through underlying earnings growth. Our remuneration strategy aims to achieve this balance with short term incentives based on short and medium term goals and other goals, plus long term incentives focused on improving share price and return on equity.

Remuneration strategy

The objective of the Executive remuneration strategy is to ensure reward for performance is competitive and appropriate for the results delivered.

The framework provides a mix of fixed remuneration and variable 'at-risk' pay including: a short term incentive paid partly in cash and partly as deferred equity and a long term incentive based on hurdled performance rights. We pay for performance and expect our Executives to share some of the risk; therefore our remuneration structure incorporates both the upside and downside in weather and production factors. Providing Executives with deferred equity (based on achievement against annual targets) encourages retention and promotes shareholder alignment. The Long Term Incentive Plan provides longer term focus and alignment to strategy through performance hurdles.

Our current incentive (variable 'at-risk') framework is outlined below:

Element	Short term incentive	+	Short term incentive deferral	+	Long term incentive
Award focus	Current year performance		Future share price growth and retention		3 year performance hurdles (ROE and TSR)
Award realised	Current year		50% 1 year, 50% 2 years		3 years

Remuneration is benchmarked against other ASX companies of a similar market capitalisation and geographic spread, with consideration applied to specific roles in peer companies. Fixed remuneration is generally positioned at the median against the market data, with total remuneration, through appropriately challenging variable incentives, providing the opportunity for high performing individuals to earn up to the market 75th percentile range. Actual remuneration varies by individual based on competence, experience, performance, value to GrainCorp, as well as internal relativities.

4. Executive remuneration structure overview

Disclosed Executives are rewarded based on the following remuneration components:

Remuneration component	Purpose
Fixed remuneration	Fixed remuneration rewards the competent completion of day-to-day accountabilities and is made up of base salary (including salary sacrifice benefits and applicable fringe benefits) and superannuation.
Short term incentive	The short term incentive is an annual 'at risk' component of remuneration and is performance related rewarding relative performance against the achievement of Board approved individual annual plans. The short term incentive is awarded in two components: <i>Short term incentive – cash</i> A percentage of no more than 60% of short term incentive to be paid annually in cash. <i>Short term incentive – deferred equity plan</i> A deferred component whereby at least 40% of short term incentive will be deferred into share rights, and then restricted for one year (50%) and two years (50%).
Long term incentive	A performance share rights plan where awards vest after three years subject to GrainCorp meeting ROE and relative TSR performance targets at the three year period. There is no retesting if targets are not met.
Retention Share Plan (<i>legacy plan</i>)	GrainCorp does not intend to make any future grants under this Plan with final vesting of the plan occurring in September 2013.

For the financial year, the relative proportions of target remuneration that are linked to performance, and those that are fixed, are as follows:

Name	Fixed remuneration	At risk – target total short term incentive ¹	At risk – long term Incentive ²
Executive Directors			
A M Watkins	33.3%	33.3%	33.3%
Current Executives			
A G Bell	59%	30%	11%
N P Hart	55%	35%	10%
S A Haydon	55%	35%	10%
A N Johns	59%	30%	11%
H L Miles	59%	30%	11%
S J Tainsh	55%	35%	10%
Former Executives			
B J Griffin ³	50%	25%	25%
G J Haskew ³	67%	17%	16%
R S Porcheron ³	71%	15%	14%
I Wilton	55%	35%	10%

1. Includes cash and deferred equity component

2. Face value of awards at grant date.

3. Employees separated prior to the implementation of the new remuneration strategy therefore their reward is made up of fixed remuneration, short term incentive cash and retention share plan (shown under long term incentive)

5. GrainCorp performance – 5 year summary

2011 has been a year of strong financial performance for GrainCorp and as required by the Corporations Act, the following table summarises GrainCorp's five-year earnings, share price and dividends of the Group:

	2011	2010	2009	2008	2007
Share price at 30 September (\$)	7.20	7.24	9.04	8.00	9.80
Total dividends paid per share (cents)	55.0	30.0	7.30	-	10.0
Basic earnings per share (cents)	86.7	39.6	34.1	(11.4)	(34.5)
Profit attributable to owners of GrainCorp Limited (\$m)	171.6	80.2	63.2	(19.9)	(19.8)

6. Short term incentive details and performance

The short term incentive has a cash-based component and a deferred equity component reflecting achievement of key performance indicators ("KPIs") for GrainCorp, the Business Unit (where applicable) and the individual. KPI targets and weightings are determined each year for each Executive, having regard to the role, the annual business plan and strategic plans. The Board approves the KPIs for the Managing Director & CEO at the beginning of the year, the achievement against each KPI at the end of the year and the associated short term incentive payment.

The short term incentive target for the Managing Director & CEO was 33.3% of TTR, Executives who managed a line of business 35% of TTR and functional Executives 30% of TTR. The KPI weightings are based on a balanced scorecard approach and vary depending on the Executive's role. Financial weightings vary from 30% - 50% of the target STI, with 10% allocated to safety and the balance spread across customer, people and strategic objectives.

Short term incentive targets and outcomes

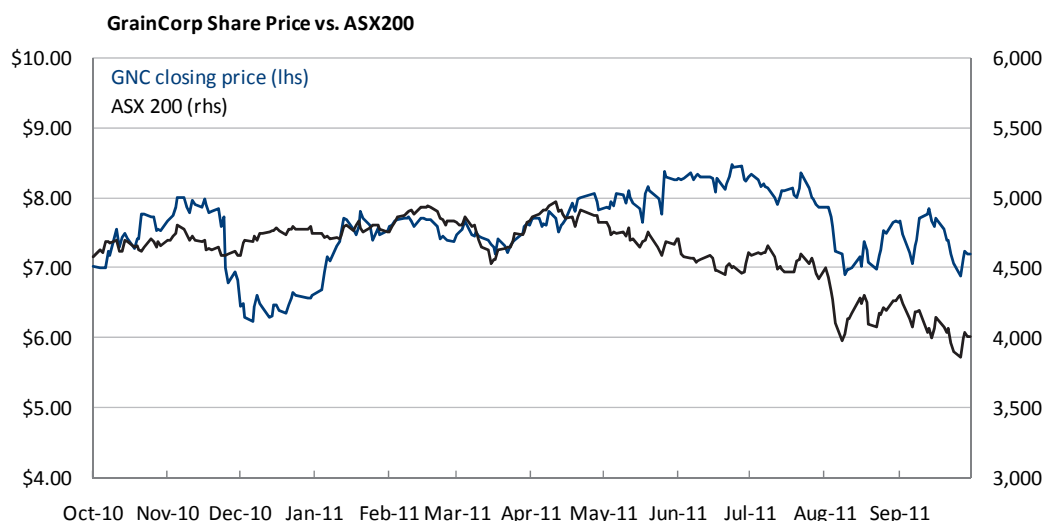
The table below shows typical KPIs across the Group and the performance against these achievements. Due to the commercially sensitive nature of the information we do not disclose individual KPIs, but the following is representative.

Area of focus	Typical achievements required	Group performance
Financial	- Achieve net profit after tax ("NPAT") budget. - Completion of capital projects plan in accordance with budget.	Exceeded
Safety	Improve All Injury Frequency Rate on previous year.	Not met
Customer	- Targeted international sales of Australian wheat, while continuing a conservative approach to risk. - Increase market share for export, domestic and grower receivals. - Improve customer account management capability and delivered customer quality, with no significant losses. - Increased growth and performance in Ports and container growth.	Met in majority of cases
People & Organisational Capability	- Employee engagement result improved on previous results. - Enhance talent management and succession planning.	Exceeded
Strategic	- Improve competitive position. - Develop and begin execution of three year vision and strategy. - Strengthen international position and diversification.	Exceeded

Further detail on the achievements during the year are outlined below:

Financial:

- All parts of the business delivered above budget during the year. Despite the challenges presented by adverse weather conditions impacting the quality of grain, our storage, handling and export facilities performed above expectations. Our Marketing team worked very closely with our traditional milling customers to provide solutions to the quality challenges arising from the harvest and for the first time executed a significant wheat export programme to new customers.
- Our program of capital projects was managed well to plan including the successful completion of the Pinkenba malt plant, the expansion of the Portland, Victoria, woodchip capacity and commencement of water sustainability initiatives at Portland, Vancouver, USA and Geelong, Australia (notwithstanding flooding of the adjoining Brisbane River just prior to completion).
- In the 12 months to 30 September 2011, GrainCorp's share price outperformed the ASX200. GrainCorp closed at \$7.20, \$0.04 or 0.6% lower, while the ASX200 finished the year 12.5% lower.
- Operating cash flow increased significantly to \$305m.
- Our core debt gearing fluctuates during the season and at year end was 1%. Significant cash outflows associated with acquiring Schill Malz, final dividend and tax instalments in the next 6 months will increase our gearing.



Safety:

- Despite achieving to target in three of the four Malt businesses and the Ports business and despite a decline in duration rate of lost time incidents, GrainCorp did not achieve its overall health and safety target of a 10% reduction on last year's All Injury Frequency Rate. The Board and the Executive Team are extremely disappointed in this result and have increased the focus on health and safety along with increasing management's focus through the coming year's KPIs both in the target and the weighting.

Customers:

- We had a strong year of growth in the Ports business, including in the growth of non-grain business. This reflects focused customer engagement over several years.
- We improved our export customer engagement, now supplying grain to over 90 international customers in 25 countries. This was facilitated by our open access supply chain along with adding value through integrating our grain storage and handling, processing and marketing.
- We were able to provide strong support to our grower customers through the difficult harvest with a large number of special segregations to reflect particular crop conditions, the development of our wheat position and being able to mobilise road and rail to facilitate the export task.
- We have agreed new service contracts with major domestic consumers and increased our share of grain exported through GrainCorp ports. However, this area needs continued focus.

People and organisational capability:

- Over the past 12 months, we increased employee engagement as measured by Hewitt's engagement survey, moving from 49% engaged in November 2010 to 55%.
- We are investing in building capability of our senior leaders to create a stronger succession and talent pool.
- We developed a diversity strategy which is now in implementation.
- We successfully transitioned to a more decentralised organisational model, more appropriate given our dispersed geographical locations and different businesses, connected yet discrete.

Strategic:

- During the year, we tightened our strategic focus, developing and beginning execution of a three year vision and strategy. This has been supplemented with a disciplined program of 'game changers'.
- We improved our international position and diversification through the acquisition of Schill Malz a leading German based malting company (acquired on 4 October 2011), opening a European Marketing Office in Hamburg, acquisition of a Canadian elevator business and acquisition of a malt house in Perth from Kirin Australia.

Short term incentive deferred equity component

Short term incentives awarded to Executives are not paid out in full in the performance year. Rather a significant portion (50% for the Managing Director & CEO and at least 40% for other Executives) is deferred and paid subject to the Executive remaining with the company for subsequent periods. This reflects the Board's desire to encourage retention and ensure Executives are exposed to the GrainCorp share price.

The Deferred Equity Plan is made up of the following elements:

Element	Description
Award	- A right that converts to a share at the end of the vesting period. - Each right is a right to receive one share. - Employees take on the price risk of the share from grant.
Quantum	- Grant quantum is a deferred proportion of the prior financial year's total short term incentive. - The dollar value is converted into the number of rights by dividing it by the Volume Weighted Average Price ("VWAP") of GrainCorp's shares over the 20 trading days after annual results are released.
Vesting period	- The vesting period is 50% at the end of one year and 50% at the end of two years. - GrainCorp purchases the shares on market prior to vesting.
Performance measures	- The grant is determined by performance against short term incentive KPIs (set annually). - Once rights have been granted, the vesting period must be served before the shares vest. - Participants in the Marketing Incentive Plan, which defers a significant portion to deferred equity, may be subject to clawbacks in certain situations.
Treatment of dividends	Dividends are not paid on shares held by the Trustee on behalf of participants in the plan during the period prior to vesting.
Cessation of employment	On an employee leaving GrainCorp, share rights under the plan vest as follows: - Redundancy, disability, death or retirement: Awards vest in full at normal vesting date, subject to Board discretion. - Resignation/termination with cause: Awards forfeited, subject to Board discretion.

The first grant will be made in January 2012 relating to the performance in the financial year 2011, once the VWAP has been calculated, enabling the number of shares to be determined.

Detail regarding short term incentive outcomes

Executives have different target STI opportunities of their TTR depending on their role (see the remuneration mix table on page 36). For Executives running a business unit the target STI is 35% of their TTR and for functional Executives 30%. The maximum opportunity available is twice the target percentage. For the Managing Director & CEO the target opportunity is 33.3% of TTR with a maximum 1.4 times the target amount. Achievement of the maximum amount would be unusual given the Board's approach to setting a range of stretch objectives.

The short term incentive payments for 2011 reflect the strong achievements by the company and individual Executives against a balanced scorecard of measures and targets. The table below shows the percentage of STI payments awarded and forfeited. For the purpose of this analysis, maximum is expressed at 100%, thus 50% is target for current Executives (excluding Executive Director).

Name	Short term incentive	
	Paid/Award %	Forfeited %
Executive Director		
A M Watkins	88%	12%
Current Executives		
A G Bell	70%	30%
N P Hart	91%	9%
S A Haydon	65%	35%
A N Johns	80%	20%
H L Miles	82%	18%
S J Tainsh	85%	15%
Former Executives		
B J Griffin	50%	50%
G J Haskew	74%	26%
R S Porcheron	50%	50%
I Wilton ²	45%	55%

1. Any separated Executives short term incentive payments were pro-rated for their period of employment.

2. Paid out at target for six months service however did not separate from Group until 21 April 2011.

7. Long Term Incentive Plan details and performance

The Long Term Incentive Plan was designed to provide longer term focus and alignment to business strategy through performance hurdles of ROE and relative TSR. TSR focuses Executives on delivering returns to shareholders relative to peer companies, while ROE (a key focus area for the company) focuses Executives on generating earnings that efficiently use shareholder capital.

ROE has been chosen as an appropriate measure because GrainCorp is asset intensive and improving the performance of its assets is an important strategic objective. ROE was specifically selected by the Board to focus on equity capital management which the Board believes ensures a close alignment to shareholder interests.

These measures are applied in a way which the Board believes allow it to minimise anomalous outcomes, which might result given the significant earnings volatility in our industries, and that GrainCorp's share price and annual ROE can fluctuate quite widely.

The first grant of the Long Term Incentive Plan was made shortly after receiving shareholder approval at the February 2011 Annual General Meeting.

The Long Term Incentive Plan is made up of the following elements:

Element	Description								
Award	Grant of performance rights subject to meeting certain performance conditions and hurdles split: • 50% TSR • 50% ROE								
Quantum	• Grant quantum is derived by a percentage of fixed remuneration as determined by the Board. • The dollar value is converted into the number of rights by dividing it by the VWAP of GrainCorp's shares over the 20 trading days after annual results are released.								
TSR hurdle	• TSR is the growth in share price plus the value of dividends and distributions paid on the relevant shares. • The hurdle is relative TSR measured against a peer group of 100 companies listed on the ASX. • The peer group of companies for comparison is the 50 companies immediately above, and 50 companies immediately below GrainCorp in market capitalisation. • TSR is measured over a three year period starting on 1 October of the financial year to which the grant relates and ending on 30 September. • TSR for GrainCorp and comparators are based on a starting 12 month average market capitalisation up to the start of the performance period. The end average share price is based on the 12 months up to and ending 30 September. The use of a 12 month average period for the starting and ending share price minimises the impact of within year fluctuations which can characterise agricultural companies such as GrainCorp. The Board believes this approach, consistently applied, neither advantages nor disadvantages Executives. • The percentage of performance rights which vest based on TSR during the performance period if any, will be determined by the Board with reference to the percentile ranking achieved by GrainCorp over the three year performance period compared to the comparator peer group, as follows:								
<table> <tr> <th>TSR growth – percentile ranking actual performance</th><th>TSR tested performance rights that vest</th></tr> <tr> <td>75th Percentile and above</td><td>100%</td></tr> <tr> <td>Between 51st to 75th percentile</td><td>Straight line between 50% and 100%</td></tr> <tr> <td>At or below 50th percentile</td><td>Nil</td></tr> </table>		TSR growth – percentile ranking actual performance	TSR tested performance rights that vest	75 th Percentile and above	100%	Between 51 st to 75 th percentile	Straight line between 50% and 100%	At or below 50 th percentile	Nil
TSR growth – percentile ranking actual performance	TSR tested performance rights that vest								
75 th Percentile and above	100%								
Between 51 st to 75 th percentile	Straight line between 50% and 100%								
At or below 50 th percentile	Nil								

Element	Description										
ROE hurdle	- ROE is defined as GrainCorp's NPAT for the financial year (as set out in GrainCorp's financial reports for that year), divided by the average shareholders' equity for that financial year as determined by the Board from GrainCorp's financial reports. - The Board will set a one year ROE target range ("Target Range") as part of the budgeting process each year in the three year Performance Period. The top end of the target range will be set with regard to the degree of difficulty, and will be considered challenging yet achievable. - The setting of one year targets each year for three years allows the Board to take better account of the particular production conditions for the forthcoming year than is possible using a three year target, which may quickly prove too hard or too easy given the prevailing conditions. This approach also allows the Board to overlay near-term capital management objectives which may diverge from GrainCorp's across-the-cycle gearing strategy (which is to retain conservative gearing not exceeding 25% of core debt). The Board's view is that management should improve ROE across the cycle and achieve ROE in excess of the cost of equity (estimated at 9%) over the three year cycle. However, the Board recognises that annual targets should reflect the mix of expected earnings by business, the accounting values that underlie the ROE metric for each business and the particular industry and climatic conditions expected for the year. - The percentage of performance rights which vest based on ROE during the period, if any, will be determined by the Board by reference to GrainCorp's average ROE performance over the three year period against the average of the minimum of the Target Range and the average of the maximum of the Target Range for ROE over the three year performance period, as follows: <table border="1"> <thead> <tr> <th>ROE actual performance</th><th>ROE tested performance rights that vest</th></tr> </thead> <tbody> <tr> <td>At maximum of Target Range and above</td><td>100%</td></tr> <tr> <td>Within Target Range</td><td>Straight line between 50% and 100% vesting</td></tr> <tr> <td>At minimum of Target Range</td><td>50%</td></tr> <tr> <td>Below minimum of Target Range</td><td>Nil</td></tr> </tbody> </table>	ROE actual performance	ROE tested performance rights that vest	At maximum of Target Range and above	100%	Within Target Range	Straight line between 50% and 100% vesting	At minimum of Target Range	50%	Below minimum of Target Range	Nil
ROE actual performance	ROE tested performance rights that vest										
At maximum of Target Range and above	100%										
Within Target Range	Straight line between 50% and 100% vesting										
At minimum of Target Range	50%										
Below minimum of Target Range	Nil										
Performance testing and vesting period	- The performance testing and vesting period is three financial years with no retesting. - GrainCorp purchases the shares on market prior to vesting.										
Cessation of employment	On an employee leaving GrainCorp, rights awarded under the plan vest as follows: - Retirement, Redundancy, disability or death: Participant is entitled to a pro-rata amount of unvested rights and all other rights are forfeited. Any unvested rights which continue to be held will be tested at the end of the performance period, subject to Board discretion. - Resignation/termination with cause: Rights are forfeited, subject to Board discretion.										

The Long Term Incentive Plan performance and vesting implications for grants are as follows:

Long Term Incentive Plan 2010	
Grant date:	28 February 2011 and 30 March 2011 (for a new Executive)
Performance hurdle:	TSR and ROE
Status at commencement of the financial year:	- The ROE Target Range set by the Board for 2010/2011 was between 8% and 8.8% in line with the agreed budget and reflecting a significant improvement on the prior year (6.6%) and prior 3 years when the average was 4.3%. - The TSR component has not yet been tested.
Summary of performance:	- ROE performance for 2010/2011 was 13.0% reflecting the unexpectedly strong volumes received and exported by the Storage & Logistics business plus an outstanding Marketing result. A second annual target has been set by the Board for 2011/2012. - No vesting occurs unless the average performance over the three year period exceeds the average of the three year target ROEs set. - TSR will not be tested until the end of the three year performance period has been completed.
Implications for vesting:	Vesting based on TSR and ROE is not tested until 30 September 2013.

8. Legacy equity plans

We have two legacy plans, the Retention Share Plan and the Performance Share Rights Plan. The Retention Share Plan was discontinued in response to unfavourable shareholder feedback and the final grant was associated with the 2009/2010 short term incentive.

The Performance Share Rights Plan has had no grants made under this plan since 1 October 2007 and the plan is discontinued with only three key management personnel and seven other employees remaining in the plan.

Retention Share Plan details and performance

The Retention Share Plan was designed to focus participants on performance over the financial year, plus provide a strong retention element over the medium to longer term, with shareholder alignment via deferral into shares.

The Retention Share Plan was made up of the following elements:

Element	Description
Award	Grant of restricted shares.
Quantum	Grant quantum was derived by matching 100% of the prior financial year short term incentive award into shares.
Vesting period	- Restricted shares or a portion thereof may have vested early or be subject to forfeiture in the event a participant ceased employment with GrainCorp before the end of the restriction period, as the Board determined. - Disposal restrictions applied to shares post-vesting. - Transitional arrangements applied to those Executives who formerly participated in the Performance Share Rights Plan and were granted rights on 1 October 2007. The restriction period for their initial award (relating to the financial year ended 30 September 2009) was two years. - GrainCorp purchases the shares on market prior to vesting.
Performance measures	- The grant was determined by performance against short term incentive KPIs (set annually). - If, in any financial year, GrainCorp did not make a net profit after tax, the opportunity under the plan was capped at the level of the target short term incentive. - Once restricted shares had been granted, the vesting period must have been served before the shares vested.
Treatment of dividends	Dividends were not paid on shares held by the Trustee on behalf of participants in the plan during the restriction period.
Cessation of employment	On an employee leaving GrainCorp, restricted shares under the plan vested as follows: - Retirement: Awards vested pro-rata for time served. - Redundancy, disability or death: Awards vested in full, subject to Board discretion. - Resignation/termination with cause: Awards in full or in part may have vested or been subject to forfeiture as the Board may determine in the circumstances.

The Retention Share Plan performance and remaining vesting implications for grants previously made are as follows:

Retention Share Plan 2009	
Grant date:	9 December 2009
Performance hurdle:	100% matching of short term incentive.
Status at commencement of the financial year:	Granted based on 2008/2009 short term incentive performance.
Summary of performance:	Not applicable.
Implications for vesting:	- Shares will be fully vested on 30 September 2012. - Transitional arrangements apply to those Executives who formerly participated in the Performance Share Rights Plan and were granted rights on 1 October 2007. The restriction period for their initial award (relating to the financial year ended 30 September 2009) was two years.
Retention Share Plan 2010	
Grant date:	15 December 2010
Performance hurdle:	100% matching of short term incentive.
Status at commencement of the financial year:	Granted based on 2009/2010 short term incentive performance.
Summary of performance:	Not applicable.
Implications for vesting:	Shares will be fully vested on 30 September 2013.

Performance Share Rights Plan detail and performance

The Plan provided selected eligible employees a grant of rights. Each right is converted into one share on the satisfaction of certain performance conditions. No amount is payable for the grant of a right and no exercise price is payable on the exercise of a right.

The following outlines the features of the Performance Share Rights Plan:

Element	October 2006 award	October 2007 award
Performance conditions	50%: EPS growth; and 50%: Total Shareholder Return ("TSR") ranking relative to the S&P/ASX 200 Index (excluding companies in the resources, biotechnology and property trust sectors) defined at the date of grant.	100% EPS growth.
TSR hurdle	Threshold: At the 50th percentile, 25% of awards vest. No awards vest for below threshold performance. Target: At the 60th percentile, 50% of awards vest. Stretch: At the 75th percentile, 100% of awards vest. - Pro-rata vesting occurs between threshold and target, and target and maximum levels of performance.	Not applicable.
EPS hurdle	Threshold: EPS that is equivalent to being at or above 4% per annum compound EPS growth over the 3 year period. At threshold, 25% of the award vests. Target: EPS that is equivalent to being at or above 7.5% per annum compound EPS growth over the 3 year period. At target, 50% of the award vests. Stretch: EPS that is equivalent to being at or above 12% per annum compound EPS growth over the 3 year period. At stretch, 100% of the award vests.	
Performance period	The performance period is three financial years.	
Performance retesting	If vesting of the grant of rights is not achieved at the end of the performance period, re-testing will occur at the end of the fourth and fifth years. Improved performance over the four or five-year measurement periods will produce additional vesting.	

The Performance Share Right Plan performance and vesting implications for grants are as follows:

Performance Share Right Plan 2006	
Grant date:	1 October 2006
Performance hurdle:	TSR and EPS
Status at commencement of the financial year:	- The EPS component was retested at 30 September 2011. - The TSR component had partially vested with TSR ranged at the 69th percentile against the peer group and was retested at 30 September 2011.
Summary of performance:	- The EPS hurdle was not met at 30 September 2011. - TSR ranked at the 76th percentile against the peer group at 30 September 2011.
Implications for vesting:	- The unvested portion of EPS award lapsed. - A further 21% of the TSR component vested, resulting in a total of 100% vesting of the TSR component to date.
Performance Share Right Plan 2007	
Grant date:	1 October 2007
Performance hurdle:	EPS
Status at commencement of the financial year:	EPS hurdle was not met and the component which had not vested was retested at 30 September 2011.
Summary of performance:	EPS hurdle was not met and will be retested at 30 September 2012.
Implications for Vesting:	No vesting as at 30 September 2011.

9. Remuneration summary table

The following table sets out the remuneration for Executives based on the accounting disclosure requirements. To aid with interpretation of the remuneration table values, which include multiple years' award, GrainCorp has also provided "additional information" disclosure. This includes subtracting the value of remuneration received in respect of the current year but which does not vest until a future period (such as the deferred component of the STI) or which may not vest at all (such as the LTI).

The table also shows share-based payments (share rights) awarded in respect of previous years which have vested in the current year because the relevant performance conditions were satisfied in the current year (for example, the component of legacy Retention Share Plans vesting in the current year).

Total current year vested remuneration is the amount to which the Executive became entitled to during the financial year and is a combination of fixed salary (cash, superannuation and non-monetary benefits), the cash component of STI for the current year (cash bonus), plus equity awarded in prior years which has vested in the current year.

The increase in total remuneration from 2010 to 2011 is partially influenced by the changes in Executive Team with separations from the Executive Team and the attraction of new Executives with the skills to manage the size and growing geographical complexities of the Group.

GrainCorp Limited

Directors' Report – Remuneration Report

2011 Annual Report

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										Additional information		
	Year	Cash salary & fees \$'000	Cash bonus \$'000	Non-monetary benefits \$'000	Super-annuation \$'000	Long service leave \$'000	Retirement/ redundancy/ separation \$'000	Share rights ¹ \$'000	Total \$'000	Less: current year amounts not vested ² \$'000	Add: previously accrued amounts vested in current year ³ \$'000	Total current year vested remuneration ⁴ \$'000
Name												
Executive Director												
A M Watkins	2011	935	582	31	15	16	-	551	2,130	(567)	-	1,563
Appointed 30 Jul 2010	2010	166	119	-	2	3	-	-	290	(3)	-	287
Current Executives												
A G Bell	2011	389	175	5	13	7	-	74	663	(81)	-	582
Appointed 8 Nov 2010												
N P Hart	2011	308	228	4	13	9	-	125	687	(134)	118	671
Appointed 8 Nov 2010												
S A Haydon	2011	200	104 ⁵	2	15	-	-	35	356	(35)	-	321
Appointed 15 Mar 2011												
A N Johns	2011	313	173	26	21	15	-	116	664	(131)	119	652
	2010	302	221 ⁶	26	14	15	-	35	613	(50)	72	635
H L Miles	2011	313	180	-	42	6	-	73	614	(79)	-	535
Appointed 8 Nov 2010												
S J Tainsh	2011	342	277	-	26	7	-	227	879	(234)	223	868
	2010	301	193	-	25	5	-	57	581	(62)	72	591
Former Executive Director												
M D Irwin	2010	286	150 ⁷	20	9	-	562	188	1,215	(188)	191	1,218
Separated 21 Jan 2010												
Former Executives												
J Anderson	2010	198	582	-	-	-	-	-	780	-	-	780
Separated 1 Mar 2010												
B J Griffin	2011	46	14	5	2	-	187	(20) ⁸	234	20	-	254
Separated 5 Nov 2010	2010	337	157	16	15	6	-	20	551	(26)	-	525
G J Haskew	2011	65	25	-	4	-	179	10	283	(10)	25	298
Separated 3 Dec 2010	2010	273	68	-	15	5	-	10	371	(15)	-	356
R S Porcheron	2011	23	6	6	3	-	119	11	168	(11)	50	207
Separated 5 Nov 2010	2010	171	79	19	23	4	-	16	312	(20)	19	311
I Wilton	2011	230	143	4	38	-	113	(50) ⁸	478	50	-	528
Separated 21 Apr 2011	2010	509	360 ⁹	4	50	12	-	-	935	(12)	-	923
TOTAL	2011	3,164	1,907	83	192	60	598	1,152	7,156	(1,212)	535	6,479
	2010	2,543	1,929	85	153	50	562	326	5,648	(376)	354	5,626

1. The value of equity grants represents the accounting value, rather than the cash value to participants and can include value of equity grants for legacy plans (Retention Share Plan) and new plans (Long Term Incentive Plan and Deferred Equity Plan).

2. The value of current year amounts not vested represents the accounting value for share based payments not vested during the year and long service leave accruals not vested.

3. The value of previously accrued amounts vested in current year represents long service leave and share based payments vested during the year.

4. Total current year vested remuneration is disclosed as additional information which reverses the share-based payments expense calculated in accordance with accounting standards and recognises the value of shares which vested to the Executives valued at the share price on the date of vesting. The accrual for long service leave is also reversed and the value of vested long service leave is recognised.

5. \$3,199 (GPBE2,077) relates to payment of a contractual obligation from UMH purchase agreement.

6. \$100,000 relates to a one-off discretionary bonus for contribution to the GrainCorp Malt acquisition.

7. \$150,000 relates to a one-off discretionary bonus for contribution to the GrainCorp Malt acquisition.

8. Share based payments expense for the current year includes a credit relating to forfeited rights which have been expensed in prior years.

9. \$100,000 relates to a one-off discretionary bonus for contribution to the GrainCorp Malt acquisition.

10. Details of equity grants made during the year

The following table summarises rights over ordinary shares in the Group that were granted as compensation to each key management person during the year and details on rights that vested during the year. The number of ordinary shares issued on the exercise of rights previously granted as compensation is also disclosed.

	Number of rights granted during the year 2010/11	Number of rights vested during the year 2010/11	Number of ordinary shares issued on exercise of rights during the year 2010/11
Executive Director			
A M Watkins	162,684	-	-
Current Executives			
A G Bell	12,916	-	-
N P Hart	25,447	16,419	9,722
S A Haydon	5,830	-	-
A N Johns	26,465	16,528	9,920
H L Miles	11,388	-	-
S J Tainsh	36,434	21,684	9,920
Former Executives			
B J Griffin	-	-	-
G J Haskew	-	4,040	4,040
R S Porcheron	-	6,221	8,844
I Wilton	47,619 ¹	-	-

1. These rights lapsed on separation from GrainCorp.

No options have been granted during or since the end of the financial year to any Directors or other Key Management Personnel of the Company and Group.

Hedging policy

Executives are prohibited from hedging or otherwise reducing or eliminating the risk associated with equity incentives such as unvested shares, rights and options offered by the Company to the Executive. Where an Executive is in breach of this policy, the unvested shares, rights or options shall be forfeited or lapse.

11. Executive contracts

Managing Director & CEO – Alison Watkins

Due to the changes in Executive remuneration structure, a new service agreement was established for the Managing Director & CEO and executed on 15 February 2011. In line with the previous service agreement commenced on 30 July 2010 the contract is an ongoing contract and will continue until terminated by either party in accordance with the relevant termination provisions.

The Managing Director & CEO's target remuneration package (to be reviewed annually) is made up of a total fixed remuneration of \$950,000, \$950,000 of short term incentive (50% paid in cash and 50% offered as rights in the Deferred Equity Plan) and \$950,000 of long term incentive.

Termination notice by either party (including upon failure to perform duties for an extended period due to injury, illness or other cause and Company initiated without cause) is six months; the Company may pay fixed remuneration in lieu of notice. Termination on grounds of redundancy or termination by Managing Director & CEO due to material adverse change in role includes six months' notice and an additional three months' severance payment. Company initiated termination with cause requires no notice. Upon termination (excluding with cause), eligibility for short term incentive will be at the discretion of the Board having regard to its assessment of performance to the date of termination.

Equity from the Deferred Equity Plan, Long Term Incentive Plan and Retention Share Plan (legacy plan) will be treated as per the relevant plan rules.

All other Executives

All other Executives named in the remuneration tables are employed under common law employment contracts which specify termination payments within the termination cap. Due to the historical nature of employment contracts, the terms can be summarised as:

- All Executives have ongoing contracts of no fixed term.
- The contracts may be terminated by an individual giving between four weeks and three months' notice, or by the company giving between four weeks and six months' notice and a severance payment of a minimum four weeks and up to a maximum of 52 weeks (inclusive of notice).
- If an Executive is retrenched, he or she will receive payment in lieu of notice of between four weeks and six months' notice, plus a severance payment of up to six months' base, or for an Executive covered by the GrainCorp Termination Policy a severance payment of three weeks' base package for each completed year of service and a maximum of 52 weeks' base package. In addition, an Executive may be eligible for a pro-rata short term incentive cash bonus for past performance subject to Managing Director & CEO's discretion.
- The Group may terminate an employment contract if it reasonably determines that the performance of the Executive has fallen below the standard required for the position, by providing between a minimum four weeks and maximum eight weeks' notice.
- In the instance of serious misconduct the Group can terminate employment at any time.
- Equity from the Deferred Equity Plan, Long Term Incentive Plan and legacy plans (Retention Share Plan and Performance Share Rights Plan) will be treated as per the relevant plan rules.

Leadership changes

During the year due to our changing business the following Executives departed from GrainCorp: Gary Haskew, Bruce Griffin, Robyn Porcheron and Ian Wilton. Their termination payments were determined in line with individual circumstances and are shown in the remuneration summary table on page 36 and treatment of equity on page 41. No payments exceeded the amount of 12 months' fixed remuneration.

The former Acting Chief Financial Officer, Gary Haskew, ceased employment on 3 December 2010. He received a separation package that included statutory entitlements, a cash component, a component of discretionary short term incentive and accelerating of Retention Share Plan 2009.

The former Group General Manager Storage & Logistics, Bruce Griffin, ceased employment on 5 November 2010. He received a separation package that included statutory entitlements, a cash component and a component of discretionary short term incentive. All share rights were forfeited.

The former General Manager Human Resources, Robyn Porcheron, ceased employment on 5 November 2010. She received a separation package that included statutory entitlements, a cash component, a component of discretionary short term incentive, accelerating of Retention Share Plan 2009 and performance share rights.

The former President & CEO GrainCorp Malt, Ian Wilton, resigned with effect from 21 April 2011. He received a separation package on resignation that included statutory entitlements, a cash component and a component of discretionary short term incentive. All share rights were forfeited.

12. Non-executive Director remuneration

Approach to setting Non-executive Director fees

The Human Resources Committee annually reviews the Non-executive Directors' remuneration arrangements. Recommendations are then submitted to the Board for its review and approval. Non-executive Directors' annual fees are established based on market data and advice from Ernst & Young. The market data considers Australian listed companies of a similar market capitalisation and complexity, plus other factors such as the time commitment required to fulfil the role.

The table below outlines the base and committee fees payable to Non-executive Directors as at 30 September 2011. The Chairman does not receive additional committee fees. Other than the Chair of the Corporate Governance Committee, the remaining members of the Corporate Governance Committee do not receive an additional fee.

Position	Board Base Fees \$	Board Audit Committee Chair Fees \$	Business Risk, Corporate Governance and Human Resources Committee Chair Fees \$	Committee Member Fees \$
Chairman	250,000	Nil	Nil	Nil
Non-executive Directors	75,860	25,750	15,450	10,300

The compulsory 9% Superannuation Guarantee Contribution is paid in addition to all fees except that it is included in the fees shown above for the Chairman. Non-executive Directors do not receive performance-based bonuses, share plans or participate in the Executive incentive plans.

Maximum aggregate fee pool

Non-executive Directors are paid fees from a maximum aggregate fee pool of \$1,000,000 which was approved by shareholders in 2001.

At the 2012 Annual General Meeting the Board intends to seek shareholder approval for an increase in the maximum aggregate fee pool of Non-executive Directors' remuneration. The company has changed significantly in size and scope since the pool was set over 10 years ago. While there are fewer Directors today, the fees required to attract and retain Directors of the calibre suitable for Australia's largest listed agribusiness have changed significantly. The Board has no immediate plans to change its size, however anticipates future increases in fees to achieve the stated policy of paying between the median and the 75th percentile for a company of GrainCorp's size, given recent benchmarking undertaken following the GrainCorp Malt acquisition which substantially increased the scale and scope of the company. In addition, the Board believes it is wise to reserve capacity for the addition of one to two Non-executive Directors to provide additional skills, particularly on international matters.

During the drought periods of 2006/2007 and 2007/2008 years, the Board took minimal or no increases, although substantial increases would have been due to them as per policy. The Directors now feel it is appropriate to realign Non-executive Director remuneration to the market.

Retirement benefits

In December 2003, the Board resolved to cease any further contributions to Non-executive Director retirement benefits other than statutory entitlements. The benefit accrued by the Chairman 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. No other Non-executive Director is eligible for a retirement benefit.

Non-executive Directors' total remuneration

Name	Year	Cash salary and fees \$'000	Superannuation \$'000	Total \$'000
D C Taylor - Chairman	2011	198	49	247
	2010	155	51	206
B J Gibson - commenced 3 Mar 2011	2011	45	4	49
P J Housden	2011	101	9	110
	2010	89 ¹	8	97
D J Mangelsdorf	2011	91	8	99
	2010	84	8	92
D G McGauchie	2011	91	8	99
	2010	58	5	63
D B Trebeck	2011	96	26	122
	2010	80	29	109
S L Tregoning	2011	76	17	93
	2010	42	55 ¹	97
TOTAL	2011	698	121	819
TOTAL	2010	508	156	664

1. Includes a payment of \$10,000 for additional services provided for the United Malt Holdings due diligence committee.

13. Additional statutory disclosures

The following additional disclosures are presented in accordance with the Corporations Act and accounting standards requirements.

Additional detail regarding performance rights

For each grant of rights included in the tables in note 38 of the financial statements, the percentage of the grant that vested in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria are set out below. A summary of the terms and conditions and performance criteria of each grant is set out on pages 30 to 34.

No performance rights vest if the conditions are not satisfied, hence the minimum value of the performance rights yet to vest is nil. The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value that is yet to be expensed.

Name	Plan	Number of rights	Financial Year granted	Vested %	Forfeited %	Financial year in which rights vest	Maximum total value of grant yet to vest \$'000
Executive Director							
A M Watkins	LTIP	146,604	2011	-	-	2013	558
	RSP	16,080	2011	-	-	2013	58
Current Executives							
A G Bell	LTIP	12,916	2011	-	-	2013	51
N P Hart	LTIP	10,416	2011	-	-	2013	41
	RSP	15,031	2011	-	-	2013	43
	RSP	13,834	2010	100%	-	-	-
	PSR	20,974	2008	-	-	2010-12	-
	PSR	24,613	2007	11%	50%	2009-11	-
S A Haydon	LTIP	5,830	2011	-	-	2013	27
A N Johns	LTIP	10,000	2011	-	-	2013	38
	RSP	16,465	2011	-	-	2013	47
	RSP	13,890	2010	100%	-	-	-
	PSR	20,974	2008	-	-	2010-12	-
	PSR	25,115	2007	11%	50%	2009-11	-
H Miles	LTIP	11,388	2011	-	-	2013	45
S Tainsh	LTIP	10,277	2011	-	-	2013	39
	RSP	26,157	2011	-	-	2013	74
	RSP	19,046	2010	100%	-	-	-
	PSR	20,974	2008	-	-	2010-12	-
	PSR	25,115	2007	11%	50%	2009-11	-
Former Executives							
B J Griffin	RSP	8,154	2010	-	100%	-	-
G J Haskew	RSP	4,040	2010	100%	-	-	-
R S Porcheron	RSP	6,221	2010	100%	-	-	-
	PSR	7,470	2008	-	100%	2010-12	-
	PSR	6,641	2007	-	61%	2009-11	-
I Wilton	LTIP	12,500	2011	-	100%	-	-
	RSP	35,119	2011	-	100%	-	-

LTIP: Long Term Incentive Plan

RSP: Retention Share Plan

PSR: Performance Share Rights Plan

13. Additional statutory disclosures

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission (ASIC), relating to the "rounding off" of amounts in the Directors' report and financial report. The Group has elected to round off amounts in the financial reports and Directors' report to the nearest one hundred thousand dollars or in certain cases, to the nearest thousand dollars, as permitted by that Class Order.

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

A handwritten signature in black ink, appearing to read 'D. C. Taylor', is written on a light-colored background.

D C Taylor
Chairman

Sydney,
24 November 2011



Auditor's Independence Declaration

As lead auditor for the audit of GrainCorp Limited for the year ended 30 September 2011, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'M K Graham', written over a light grey rectangular background.

M K Graham
Partner
PricewaterhouseCoopers

Sydney, 24 November 2011

PricewaterhouseCoopers, ABN 52 780 433 757

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GrainCorp Limited
Consolidated Income Statement
For the year ended 30 September 2011

2011 Financial Report
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	Note	2011 \$M	2010 \$M
Revenue from continuing operations	5	2,776.8	1,989.9
Other income	6	128.1	40.9
Goods purchased for resale		(1,575.1)	(1,105.9)
Raw materials and consumables used		(540.0)	(361.2)
Employee benefits expense		(261.9)	(188.0)
Depreciation and amortisation expense	7	(78.5)	(71.5)
Impairment expense		-	(3.4)
Finance costs	7	(34.3)	(26.4)
Repairs and maintenance		(36.6)	(26.9)
Operating leases	7	(43.6)	(42.4)
Other expenses		(97.9)	(94.5)
Share of net profits of associates accounted for using the equity method	35	8.5	9.4
Profit before income tax		245.5	120.0
Income tax expense	8	(73.9)	(39.1)
Profit from continuing operations		171.6	80.9
Loss from discontinued operations	13	-	(0.7)
Profit attributable to owners of GrainCorp Limited		171.6	80.2
		Cents	Cents
Earnings per share for profit from continuing operations attributable to owners of the Company			
Basic earnings per share	37	86.7	39.9
Diluted earnings per share	37	86.6	39.8
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share	37	86.7	39.6
Diluted earnings per share	37	86.6	39.4

The above consolidated income statement should be read in conjunction with the accompanying notes.

GrainCorp Limited
Consolidated Statement of Comprehensive Income

As at 30 September 2011

2011 Financial Report

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	2011 \$M	2010 \$M
Profit for the year	171.6	80.2
Other comprehensive income		
Exchange differences on translation of foreign operations	(6.2)	(19.0)
Changes in the fair value of cash flow hedges	(6.7)	2.5
Share of comprehensive income of associates	(0.6)	0.1
Actuarial losses on retirement benefit obligations	(1.3)	(10.8)
Income tax relating to components of other comprehensive income	2.0	2.7
Other comprehensive income for the year, net of tax	(12.8)	(24.5)
Total comprehensive income for the year attributable to owners of GrainCorp Limited	158.8	55.7

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

GrainCorp Limited

Consolidated Statement of Financial Position

As at 30 September 2011

2011 Financial Report

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	Note	2011 \$M	2010 \$M
Current assets			
Cash and cash equivalents	9	312.4	91.9
Trade and other receivables	10	326.1	253.8
Inventories	11	526.6	348.1
Derivative financial instruments	12	60.5	81.9
		1,225.6	775.7
Assets classified as held for sale	13	-	0.7
Total current assets		1,225.6	776.4
Non-current assets			
Trade and other receivables	10	20.0	20.1
Investments accounted for using the equity method	14	124.1	116.1
Other financial assets	15	1.0	1.0
Deferred tax assets	16	70.7	57.1
Property, plant and equipment	17	807.9	753.8
Intangible assets	18	380.7	402.8
Derivative financial instruments	12	5.2	2.9
Total non-current assets		1,409.6	1,353.8
Total assets		2,635.2	2,130.2
Current liabilities			
Trade and other payables	19	318.1	233.7
Borrowings	20	364.6	56.2
Derivative financial instruments	12	51.9	84.5
Other financial liabilities	21	0.2	0.2
Current tax liabilities		65.6	11.4
Provisions	22	47.9	38.3
Total current liabilities		848.3	424.3
Non-current liabilities			
Borrowings	20	278.4	274.9
Derivative financial instruments	12	5.8	19.6
Other financial liabilities	21	0.8	1.0
Deferred tax liabilities	16	79.5	78.3
Provisions	22	5.3	3.2
Retirement benefit obligations	23	44.4	46.3
Total non-current liabilities		414.2	423.3
Total liabilities		1,262.5	847.6
Net assets		1,372.7	1,282.6
Equity			
Contributed equity	24	1,064.5	1,063.2
Reserves		(15.0)	(2.6)
Retained earnings	25	323.2	222.0
Total equity		1,372.7	1,282.6

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

GrainCorp Limited

Consolidated Statement of Changes in Equity

For the year ended 30 September 2011

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	Hedging reserve \$M	Capital reserve \$M	Share option reserve \$M	Translation reserve \$M	Total reserves \$M	Contributed equity \$M	Retained earnings \$M	Total equity \$M
At 1 October 2009	(1.1)	8.3	5.3	-	12.5	487.9	193.3	693.7
Profit for the year	-	-	-	-	-	-	80.2	80.2
Other comprehensive income:								
Exchange difference on translation of foreign operations	-	-	-	(19.0)	(19.0)	-	-	(19.0)
Gain / (loss) on cash flow hedges	2.0	-	-	-	2.0	-	-	2.0
Transfer to net profit	0.5	-	-	-	0.5	-	-	0.5
Defined benefit plan actuarial gains and losses	-	-	-	-	-	-	(10.8)	(10.8)
Share of other comprehensive income of associates	-	-	-	-	-	-	0.1	0.1
Deferred tax credit	(0.7)	-	-	-	(0.7)	-	3.4	2.7
Total other comprehensive income	1.8	-	-	(19.0)	(17.2)	-	(7.3)	(24.5)
Total comprehensive income	1.8	-	-	(19.0)	(17.2)	-	72.9	55.7
Transactions with owners:								
Dividends paid	-	-	-	-	-	-	(44.2)	(44.2)
Share issues (net of transaction costs)	-	-	-	-	-	575.6	-	575.6
Share-based payments	-	-	2.1	-	2.1	-	-	2.1
Deferred tax credit	-	-	-	-	-	1.9	-	1.9
Less: Treasury shares	-	-	-	-	-	(2.2)	-	(2.2)
Total transactions with owners	-	-	2.1	-	2.1	575.3	(44.2)	533.2
At 30 September 2010	0.7	8.3	7.4	(19.0)	(2.6)	1,063.2	222.0	1,282.6
Profit for the year	-	-	-	-	-	-	171.6	171.6
Other comprehensive income:								
Exchange difference on translation of foreign operations	-	-	-	(6.2)	(6.2)	-	-	(6.2)
Gain / (loss) on cash flow hedges	(6.8)	-	-	-	(6.8)	-	-	(6.8)
Transfer to net profit	0.1	-	-	-	0.1	-	-	0.1
Defined benefit plan actuarial gains and losses	-	-	-	-	-	-	(1.3)	(1.3)
Share of other comprehensive income of associates	(0.6)	-	-	-	(0.6)	-	-	(0.6)
Deferred tax credit	2.0	-	-	-	2.0	-	-	2.0
Total other comprehensive income	(5.3)	-	-	(6.2)	(11.5)	-	(1.3)	(12.8)
Total comprehensive income	(5.3)	-	-	(6.2)	(11.5)	-	170.3	158.8
Transactions with owners:								
Dividends paid	-	-	-	-	-	-	(69.4)	(69.4)
Share-based payments	-	-	1.3	-	1.3	-	-	1.3
Deferred tax credit	-	-	-	-	-	(0.1)	-	(0.1)
Dividends received by Employee Trust	-	-	-	-	-	-	0.3	0.3
Less: Treasury shares	-	-	-	-	-	(0.8)	-	(0.8)
Less: Treasury shares vested to employees	-	-	(2.2)	-	(2.2)	2.2	-	-
Total transactions with owners	-	-	(0.9)	-	(0.9)	1.3	(69.1)	(68.7)
At 30 September 2011	(4.6)	8.3	6.5	(25.2)	(15.0)	1,064.5	323.2	1,372.7

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

GrainCorp Limited

Consolidated Statement of Cash Flows

For the year ended 30 September 2011

2011 Financial Report

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	Note	2011 \$M	2010 \$M
Cash flows from operating activities			
Receipts from customers		3,046.4	2,291.0
Payments to suppliers and employees		(2,891.2)	(2,087.2)
		155.2	203.8
Transaction costs of business combinations		(1.0)	(9.3)
Proceeds/(repayments) of secured bank loan – commodity inventory funding		199.0	(53.3)
Interest received		7.7	4.8
Interest paid		(38.2)	(25.0)
Income taxes paid		(17.9)	(11.7)
Net inflow from operating activities	36	304.8	109.3
Cash flows from investing activities			
Payments for property, plant and equipment		(119.5)	(118.7)
Payments for computer software		(2.7)	(6.5)
Proceeds from sale of property, plant and equipment		0.4	2.8
Payments for investment/business (net of cash)		(10.6)	(573.7)
Dividends received		-	0.2
Loans repaid by related parties		0.2	-
Net outflow from investing activities		(132.2)	(695.9)
Cash flows from financing activities			
Proceeds from borrowings		184.1	436.6
Repayment of borrowings		(67.4)	(448.7)
Proceeds from share issue		-	617.3
Dividend paid	26	(69.4)	(44.2)
Share issue transaction costs		-	(41.7)
Treasury shares purchased		(0.8)	(2.2)
Net inflow from financing activities		46.5	517.1
Net increase / (decrease) in cash and cash equivalents		219.1	(69.5)
Cash and cash equivalents at the beginning of the year		91.9	161.4
Effects of exchange rate changes on cash and cash equivalents		1.4	-
Cash and cash equivalents at the end of the year	9	312.4	91.9

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

1. Summary of significant accounting policies

The financial report includes consolidated financial statements for GrainCorp Limited ("GrainCorp" or the "Company") and its controlled entities (collectively the "Group"). GrainCorp Limited is a company incorporated in Australia, limited by shares which are publicly traded on the Australian Securities Exchange.

The financial report of GrainCorp Limited for the period ended 30 September 2011 was authorised for issue in accordance with a resolution of the Directors on 24 November 2011. The Directors have the power to amend and reissue the financial report.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

(a) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with Australia Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The accounting policies have been applied consistently to all periods presented in the financial report. No accounting standards issued but not yet effective have been early adopted in the financial year. The financial report has been prepared on a going concern basis.

Statement of compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of GrainCorp Limited complies with the International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments), and commodity inventories, at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of GrainCorp Limited as at 30 September 2011 and the results of all subsidiaries for the year then ended. GrainCorp Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all entities (including special purpose entities) over which the parent entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the parent entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and the equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Employee share trust

The Group has formed a trust to administer the Group's employee share schemes. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the GrainCorp Employee Share Ownership Plan Trust are disclosed as treasury shares and deducted from contributed equity.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, is the Chief Executive Officer.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue from major business activities include: revenue earned from the provision of services, including the handling, classification and storage of grains and other bulk commodities; management of grain pools; production of malt products and provision of brewing and distilling inputs; and the marketing and sale of grain and farm inputs.

(i) Sale of goods

Revenue from sale of goods is recognised when the risks and rewards of the ownership of goods are transferred to the customer. This occurs upon delivery of the goods. In the case of export sales, the bill of lading (shipment) date is taken as the transaction date unless title is to pass at a materially different time.

(ii) Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Amounts billed in advance are recorded as a current liability until such time as the service is performed.

(iii) Rental income

Rental income is recognised on a straight-line basis over the lease term.

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(e) Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

1. Summary of significant accounting policies (continued)

(e) Government grants (continued)

Where Government grants take the form of a transfer of non monetary assets for the use of the entity, both the asset and grant are recorded at a nominal amount.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributed to temporary differences between the tax bases of assets and liabilities and their carrying amount in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Goods and services and other value-added taxes (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the taxation authority, in which case it is recognised as part of the cost of acquisition of an asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

GrainCorp Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirees' net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as

1. Summary of significant accounting policies (continued)

(h) Business combinations (continued)

goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after period end.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will be unable to collect all amounts due according to the original terms of receivables.

Movements in the amount of the provision are recognised in the income statement in other expenses.

(j) Inventories

(i) Consumable Stores

Consumable stores held for own consumption are valued at the lower of cost and net realisable value.

(ii) Raw materials

Raw materials held for own use in malting processes, are valued at the lower of cost and net realisable value. Cost also includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to the purchases of raw materials.

(iii) Finished goods and work in progress

Finished goods and work in progress are stated at the lower of cost and net realisable value. Cost comprises raw materials, direct labour and other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(iv) Trading inventory

Trading inventory is stated at the lower of cost and net realisable value. Cost comprises direct materials and an appropriate portion of variable overhead. Costs are assigned to individual items of inventory on the basis of weighted average costs.

(v) Commodities inventory

Commodities inventory, principally grain inventories acquired with the purpose of selling in the near future and generating a profit from fluctuation in price or broker-traders' margin, is measured at fair value less costs to sell, with changes in fair value recognised in the income statement.

(k) Grain pools

The Group manages grain pools on behalf of growers, and receives a management fee for its services based on a percentage of the pools' final return to pool participants. The expected management fee is recognised on a straight-line basis over the estimated life of the pool.

As part of the Group's management of wheat and barley pools, it arranges funding to facilitate advanced payments to growers over the life of the pool. The Group has entered into an arrangement with GrainCorp Pools Pty Limited (GCPL), a company 100% owned by Rabo Australia Limited, to provide this financing.

1. Summary of significant accounting policies (continued)

(l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(m) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when all rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

1. Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised costs using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary financial assets classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Details on how the fair value of financial instruments is determined are disclosed in note 3.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its costs is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(n) Property, plant and equipment

(i) Cost of asset

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. For acquired assets, cost includes the purchase price, costs that are directly attributable to bringing the asset to the necessary location and condition and an initial estimate of any dismantling, removal and restoration costs that have been recognised as provisions. For self constructed assets, cost includes the cost of all materials used in construction, direct labour and borrowing costs incurred during the construction.

1. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

(ii) Depreciation

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost over their estimated useful lives as follows:

- Freehold buildings - 20 to 50 years;
- Leasehold improvements - 1 to 50 years; and
- Plant and equipment - 3 to 25 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Assets located at port sites are depreciated over useful lives based on management's judgement of the likelihood of continuing renewal of the underlying operating leases.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount, and are included in the income statement.

(iii) Leased Assets

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between the liability and finance charges and the interest element of the finance cost is charged to the income statement. The leased asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the expected total lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

Lease income from operating leases where the Group is lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(iv) Compensation for impairment

Compensation payable by third parties for items of property, plant and equipment that are impaired, lost, or given up is included in other income when the compensation becomes receivable.

(o) Intangible assets

(i) Computer software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over an estimated useful life of 3 to 7 years.

Computer software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(ii) Goodwill

The measurement of goodwill on acquisition is described in note 1(h).

1. Summary of significant accounting policies (continued)

(o) Intangible assets (continued)

Goodwill is not amortised. Instead, goodwill is tested for impairment at least annually and whenever there is indication that the goodwill may be impaired, and carried at cost less accumulated impairment losses. Refer note 1(p) for accounting policy on impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity or operation sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash-generating units that are expected to benefit from the business combination in which goodwill arose, identified according to operating segments.

(iii) Trade name

Trade names acquired as part of a business combination are recognised separately from goodwill. Trade names are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 3 to 9 years.

(iv) Customer contracts and relationships

Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill. The customer contracts and relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of 7 to 10 years.

(v) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of material, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, which varies from 3 to 7 years.

(p) Impairment of Assets

Assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested at least annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

(q) Repairs and maintenance

Property, plant and equipment is required to be overhauled on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the year end which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months of the reporting date.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

1. Summary of significant accounting policies (continued)

(t) Employee benefits

(i) *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is charged to expense as the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*

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

(iii) *Pension obligations*

Group companies operate various pension plans. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and remuneration. The schemes are funded through payments to trustee-administered funds determined by periodic actuarial calculations.

The liability or asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximately equal to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

Life Assurance and health insurance

Some Group entities pay premiums for life assurance and health insurance. The payments are recognised as employee benefit expense when they are due.

(iv) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) *Share-based payments*

Share-based compensation benefits are provided to employees via GrainCorp's employee share plans. (Refer note 1(u)).

(vi) *Bonus plans*

The Group recognises a liability and an expense for bonuses. The liability is recognised where the Group has a contractual obligation or where there is a past practice that has created a constructive obligation.

(u) Share-based payments

Share-based compensation benefits are provided to employees via the performance Share Rights Plan, Retention Share Plan, Long Term Incentive Plan and the Deferred Equity Plan. Information relating to these schemes is set out in the note 38.

The fair value of share-based payment awards is recognised as an employee expense, with a corresponding increase in the share option reserve included in equity, over the period that the employees unconditionally become entitled to the awards. The total amount to be

1. Summary of significant accounting policies (continued)

(u) Share-based payments (continued)

expensed is determined by reference to the fair value of the awards granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of awards that are expected to vest. At the end of each period, the entity revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions and any impact is recognised in the income statement with a corresponding adjustment to equity.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

(x) Workers' Compensation

The Group insures for workers' compensation through the relevant statutory funds in all Australian States and Territories. Premiums are recognised as an expense in the income statement as incurred.

Prior to 29 June 2006 the controlled entity GrainCorp Operations Limited was a self-insurer in New South Wales for workers' compensation liabilities. Provision is made for potential liability in respect of claims incurred prior to 29 June 2006 on the basis of an independent actuarial assessment.

(y) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets or liabilities and highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in the cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated revenues in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred into equity are transferred from equity and included in the initial measurement of the cost of the asset.

1. Summary of significant accounting policies (continued)

(y) Derivatives (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other income or other expense.

(ii) Derivatives that do not qualify for hedge accounting

Where derivative instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement and are included in other income or other expenses.

(z) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is GrainCorp Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that related to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction date, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised as a separate component of equity and disclosed in the Statement of comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit and loss, as part of the gain and loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(aa) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

1. Summary of significant accounting policies (continued)

(ab) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

Shares acquired by an employee share trust that is consolidated are not cancelled, but are presented as a deduction from equity.

(ac) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(ad) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ae) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. The financial reports and Directors' report have been rounded to the nearest hundred thousand dollars, or in certain cases, to the nearest thousand dollars.

(af) Parent entity financial information

The financial information for the parent entity, GrainCorp Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of GrainCorp Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

GrainCorp Limited is the head entity in a tax-consolidated group comprising the head entity and all of its wholly-owned Australian subsidiaries. The head entity, GrainCorp Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, GrainCorp Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The members of the tax-consolidated group have entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Under the terms of the agreement the wholly-owned entities fully compensate GrainCorp Limited for any current tax payable assumed and are compensated by GrainCorp Limited for any current tax receivable and

1. Summary of significant accounting policies (continued)

(af) Parent entity financial information (continued)

deferred tax assets relating to unused tax losses or unused tax credits that are transferred to GrainCorp Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' accounts.

The amounts receivable/payable under the tax funding agreement are due on demand, subject to set-off or agreement to the contrary, and regardless of whether any consolidated group liability is actually payable by the head entity. These amounts are recognised as current inter-company receivables or payables. Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(iv) Share-based payments

The grant by the company of options over its equity instruments to the employees subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(ag) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 October 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement (effective 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The amendment is not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 October 2011.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) *Estimated impairment of goodwill and other assets*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer note 18 for details of these assumptions.

(ii) *Treatment of inactive sites*

From time to time, the Group decides to close and/or suspend operations at certain sites based on expected receivables in the coming year, or other relevant factors. These sites can become operational in future periods. The carrying value of such sites is considered for impairment annually. The total value of such sites as at 30 September 2011 amounts to \$17.5 million (2010: \$17.3 million).

(iii) *Defined benefit pension plans' obligations*

The calculation of defined benefit pension plans' obligations is determined on an actuarial basis, using a number of assumptions including discount rates and expected returns on plan assets. Discount rates are based on interest rates applicable to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid. Expected returns on plan assets are based in part on current market conditions. Refer note 23 for details of these assumptions.

(iv) *Income taxes*

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law pertaining in each jurisdiction. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

(b) Critical judgements in applying the entity's accounting policies

(i) *Fair value where there is no organised market*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Physical positions comprising inventory, forward sales and forward purchases do not have quoted market prices available. Other techniques, such as obtaining bid values from a variety of commodity brokers and trade marketers, are used to determine fair value for these financial instruments. The fair value of interest-rate swap contracts is determined by reference to market values for similar instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

(ii) *Port leases and the useful lives of port assets*

Operating leases over port facilities are on terms ranging from 3 to 99 years. The majority of these leases include options to extend terms. Given the nature of the Group's relationship with port operators it is anticipated that most leases will be continually renewed. As a result, the useful lives of certain port assets may be assessed by management to be in excess of the lease term of the underlying port lease.

(iii) *Ownership interest in Allied Mills*

GrainCorp Limited (GrainCorp) has a 60% equity interest in Allied Mills Australia Pty Limited (Allied), with the other 40% held by Cargill Australia Limited (Cargill). However, GrainCorp's voting rights in Allied are 50%, equal with Cargill.

GrainCorp entered into an agreement with Cargill on 2 October 2002 to establish Allied as a jointly operated company. The agreement establishes that neither party has control of Allied, due to the existence of 50% voting rights and equal Board representation between the two parties.

Therefore, although GrainCorp owns more than half of the equity interest in Allied, this ownership is not judged to constitute control. Hence the Group applies the concept of equity accounting and does not consolidate this entity.

2. Critical accounting estimates and judgements (continued)

(b) Critical judgements in applying the entity's accounting policies (continued)

(iv) Judgements in providing for claims and disputes

Provision is made for various claims for losses or damages received from time-to-time in the ordinary course of business. Management estimates the provision based on historical information and its experience in resolving claims and disputes.

3. Financial risk management

Overview

The Group's activities expose it to a variety of financial risks including commodity price risk, utility price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. The overall management of these financial risks seeks to minimise any potential adverse effects on the Group's financial performance that may arise from the unpredictability of financial markets. All areas of risk management are subject to comprehensive policies, procedures and limits which are monitored by management and approved by the Board, the Board Audit Committee or the Business Risk Committee (formerly the Trading Risk Management Committee) under authority from the Board.

Group Treasury manages interest rate risk, liquidity risk, counterparty credit risk and foreign currency risk in accordance with policies approved by the Board.

The Business Risk Committee reviews and agrees policies for managing risks arising from commodity trading and malt production and sales including the setting of limits for trading in derivatives to manage commodity price risk, foreign currency risk and utility price risk.

The Group's principal financial instruments comprise receivables, cash and short-term deposits, payables, bank loans and overdrafts, finance leases and derivative financial instruments.

Derivative financial instruments are utilised to manage commodity price risk, utility price risks, and foreign currency risk arising from trading in commodities, and malt in the ordinary course of business; and to manage the inherent interest rate risk of Group borrowings. Certain foreign exchange derivatives for malt sales and interest rate swaps currently qualify for hedge accounting as cashflow hedges.

The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk; and assessments of market forecasts for interest rate, foreign exchange, commodity and utility prices. Ageing analysis and monitoring of specific credit limits are undertaken to manage credit risk. Liquidity risk is monitored through the use of rolling cash flow forecasts, and by comparing projected net debt levels against total committed facilities.

Price risk

Commodity price risk – commodity trading

Commodity price risk arises due to grain price fluctuations impacting on the value of commodity forward purchase and forward sales contracts written by the Group as part of its grain and meal marketing activities. The Group's policy is generally to lock in favourable margins between the purchase and sale price of commodities but differences in the timing of entering into these contracts create an exposure to commodity price risk.

To manage exposure to this commodity price risk, the Group enters into grain futures contracts, options contracts and over-the-counter contracts with terms between 2 and 24 months depending on the underlying transactions. These contracts are predominantly on Australian, US, Canadian and European financial markets and denominated in those currencies. Changes in fair value are recognised immediately in the income statement.

3. Financial risk management (continued)

Commodity price risk – commodity trading (continued)

Commodity trading assets and liabilities subject to commodity price risk as at 30 September 2011:

	Fair value of derivatives and physical inventory \$M	Net effect of a 20% appreciation in price on post-tax profit or loss \$M	Net effect of a 20% depreciation in price on post-tax profit or loss \$M
Consolidated 30 September 2011			
Commodity	361.2	3.4	(3.4)

	Fair value of derivatives and physical inventory \$M	Net effect of a 20% appreciation in price on post-tax profit or loss \$M	Net effect of a 20% depreciation in price on post-tax profit or loss \$M
Consolidated 30 September 2010			
Commodity	170.5	0.2	(0.2)

Discussion of sensitivity analysis

A 20% movement in commodity prices has been determined as a reasonably possible change based on recent market history specific to agricultural commodities. However, due to controls the Group has in relation to commodity trading, such as trading limits and stop losses, it is not expected that a change of this magnitude would crystallise. The fair value exposure on derivatives and physical inventory above includes inventory held in a broker-trader relationship (because it is integral to the profile of the commodity risk) and the associated forward sales agreements are included in the derivative financial instrument exposures.

Commonly traded commodities include wheat, coarse grains, sorghum, barley, pulses and canola.

3. Financial risk management (continued)

Commodity price risk – malt production

The Group enters into forward purchase and grain future contracts to manage the underlying price risks in the purchase of raw materials for malt production and the subsequent sale of malt products from own use manufacture. These contracts are entered into and continue to be held for the purpose of delivery of raw materials and subsequent sale of processed malt arising from the Group's expected purchase, sale or usage requirements; and are classified as non-derivative, and not fair valued.

Utility price risk – malt production

The Group enters into gas and electricity price swap contracts to fix utility costs incurred in malt processing. Changes in fair value are recognised immediately in the income statement.

Assets and liabilities subject to utility price risk as at 30 September 2011:

	2011 \$M	2010 \$M
Gas contracts at fair value:		
Liabilities	(11.3)	(18.7)
	(11.3)	(18.7)

As at 30 September 2011, there are no electricity price swap contracts in place.

At 30 September 2011, had the price of gas swap contracts moved, as illustrated in the table below, with all other variables held constant, profit after tax would have been affected as follows:

	2011 Impact on profit (loss) after tax \$M	2010 Impact on profit (loss) after tax \$M
Net effect of 20% increase		
Gas	1.4	2.5
Net effect of 20% decrease		
Gas	(1.4)	(2.5)

Equity securities price risk

The Group has no exposure to equity securities price risk (2010: \$nil).

Foreign currency risk

The Group operates internationally and is exposed to foreign currency exchange risk from various currency exposures.

Transactional currency exposures arise from sales or purchases in currencies other than the Group's functional currencies. Group companies hedge their foreign exchange risk exposure using forward and swap contracts.

The Group is also exposed to foreign currency risk on foreign currency denominated commodity contracts taken out on the Australian, US, Canadian and European markets to manage commodity price risk arising from commodity trading. Forward exchange contracts are taken out to manage this risk, with these contracts timed to mature when the relevant underlying commodity contracts expire. Changes in fair value are recognised immediately in the income statement.

3. Financial risk management (continued)

Foreign currency risk (continued)

The Group has certain foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 30 September 2011, the Group had the following exposure to foreign currencies expressed in Australian dollars:

	2011						Total \$M
	USD \$M	NZD \$M	EUR \$M	CAD \$M	YEN \$M	GBP \$M	
Cash	5.5	-	0.2	0.1	-	-	5.8
Trade receivables	48.2	-	1.9	-	2.4	-	52.5
Borrowings	-	-	-	(98.4)	-	(51.9)	(150.3)
Trade payables	-	-	(0.3)	-	-	-	(0.3)
Other payables	-	-	-	(0.1)	-	-	(0.1)
Notional values of derivatives:							
Forward exchange contracts - buy	24.5	-	31.8	-	-	-	56.3
Forward exchange contracts - sell	(587.7)	-	(23.0)	(24.8)	(23.8)	-	(659.3)
Commodity futures and options	(43.0)	-	23.2	(23.6)	-	-	(43.4)
Commodity contracts - forward purchases	(34.0)	-	(16.8)	-	-	-	(50.8)
Commodity contracts - forward sales	287.3	-	22.1	0.8	-	-	310.2
Margin deposit	7.0	-	1.1	-	-	-	8.1
Interest rate swaps	-	-	-	(73.8)	-	(38.9)	(112.7)
Embedded sales contracts	66.0	-	-	-	-	-	66.0

	2010						Total \$M
	USD \$M	NZD \$M	EUR \$M	CAD \$M	YEN \$M	GBP \$M	
Cash	6.4	-	1.5	0.3	-	-	8.2
Trade receivables	6.9	-	4.6	0.1	0.7	-	12.3
Borrowings	(9.8)	-	-	(100.1)	-	(53.3)	(163.2)
Trade payables	(11.3)	-	(0.6)	(1.2)	-	-	(13.1)
Other payables	(0.7)	-	-	-	-	-	(0.7)
Notional values of derivatives:							
Forward exchange contracts - buy	46.8	-	19.0	24.9	-	-	90.7
Forward exchange contracts - sell	(550.3)	-	(16.9)	(38.0)	(23.9)	-	(629.1)
Commodity futures and options	(0.1)	(3.8)	15.8	-	-	-	11.9
Commodity contracts - forward purchases	(19.9)	-	-	-	-	-	(19.9)
Commodity contracts - forward sales	480.6	0.1	-	23.9	-	-	504.6
Interest rate swaps	-	-	-	(75.1)	-	(40.0)	(115.1)
Embedded sales contracts	40.5	-	-	-	-	-	40.5

3. Financial risk management (continued)

Foreign currency risk (continued)

The sensitivity analysis below is based on the foreign currency risk exposures at the end of the reporting period.

Had the Australian dollar strengthened or weakened against the nominated foreign currency as illustrated in the table below, with all other variables held constant, profit after tax would have been affected as follows:

	2011 Impact on profit after tax \$M	2010 Impact on profit after tax \$M
10% increase		
AUD/USD	14.4	3.1
AUD/EUR	(2.6)	(0.3)
AUD/CAD	14.0	11.0
AUD/YEN	1.4	-
AUD/GBP	5.8	5.9
10% decrease		
AUD/USD	(17.6)	(3.7)
AUD/EUR	3.1	0.3
AUD/CAD	(17.1)	(13.5)
AUD/YEN	(1.7)	-
AUD/GBP	(7.1)	(7.3)

Credit risk

The Group's exposure to credit risk arises from potential default of customers or counterparties.

The carrying amount of financial assets represents the maximum exposure at the reporting date:

	2011 \$M	2010 \$M
Trade receivables	254.3	183.9
Other receivables	41.8	31.4
Derivative contracts at fair value	65.7	84.8
Amounts receivable from associates	20.4	20.5
Derivative contracts margin deposits	10.5	25.3
Bank balances and call deposits	312.4	91.9
Pool advance	-	2.9
	705.1	440.7

It is the Group's policy that customers who wish to trade on credit terms are subject to credit verification which may include an assessment of their independent credit rating (provided by an independent credit bureau), supplier references, financial position, past trading experience and industry reputation. Credit limits are determined for each individual customer based on the credit assessment. These limits are approved under the financial delegation policy which is approved by the Board.

3. Financial risk management (continued)

Credit risk (continued)

The Group does not have any significant credit risk exposure to a single customer or group of customers. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is usually not significant but where appropriate, an allowance for doubtful debtors may be raised. On occasion, the Group may also hold collateral which may take the form of physical commodities, bank guarantees, personal guarantee or mortgage over property until the debt is recovered. There was no significant concentration of credit risk within the Group as it deals with a large number of customers, geographically dispersed.

The Group may not provide for balances past due where it has been determined that there was no significant change in credit quality at reporting date based upon the customer's payment history and analysis of the customer's current financial position.

The credit risk arising from favourable derivatives transactions and deposits with financial institutions exposes the Group if the contracting entity is unable to complete its obligations under the contracts. The Group has a panel of authorised counterparties. Authorised counterparties are principally large banks and recognised financial intermediaries with acceptable credit ratings determined by a rating agency. The Group's net exposure and credit assessment of its counterparties are continuously monitored to ensure any risk is minimised.

The Group may also be subject to credit risk for transactions which are not included in the statement of financial position, such as when a guarantee is provided for another party. Details of contingent liabilities are disclosed in note 28.

The ageing of trade receivables at the reporting date was:

	2011		2010	
	Gross \$M	Impairment \$M	Gross \$M	Impairment \$M
Not past due	208.7	-	146.9	(0.3)
Past due up to 30 days	28.4	-	25.5	(0.1)
Past due 31 to 60 days	4.3	(0.1)	4.8	(0.1)
Past due 61 to 90 days	0.7	-	0.9	-
Past due over 90 days	12.2	(1.7)	5.8	(1.4)
	254.3	(1.8)	183.9	(1.9)

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

	2011 \$M	2010 \$M
Balance at 1 October	(1.9)	(2.2)
Acquisitions through business combinations	-	(0.8)
Provisions made during the year	(0.9)	(0.6)
Impairment loss recognised	0.1	1.3
Provisions reversed during the year	0.9	0.4
Balance at 30 September	(1.8)	(1.9)

None of the Group's other receivables and other financial assets are past due (2010: \$nil).

Amounts receivable from associates – Group

No provision for impairment of advances to associated entities was provided in 2011 (2010: \$nil impaired).

3. Financial risk management (continued)

Interest rate risk

The Group's interest-rate risk arises from interest obligations on all borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. Current policy is to maintain between 40% and 75% of long term borrowings at fixed rates inclusive of a natural hedge from a subordinated loan. To manage this mix, the Group predominantly uses interest rate swaps. Under interest rate swap contracts, the Group is entitled to receive interest at variable rates and is obliged to pay interest at fixed rates, calculated by reference to an agreed-upon notional principal amount. The contracts require settlement of net interest receivable or payable at each reset period. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

At 30 September 2011, after taking into account the effect of interest rate swaps and a natural hedge from a subordinated loan, approximately 69% of the Group's long term borrowings are at a fixed rate of interest (2010: 76%).

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

At balance date, having adjusted for the effect of interest rate swaps and a natural hedge from a subordinated loan, the Group had the following mix of financial assets and liabilities with interest at fixed and variable rates:

	2011 \$M	2010 \$M
Fixed rate instruments		
Financial assets	0.9	1.0
Financial liabilities ¹	(184.6)	(197.3)
	(183.7)	(196.3)
Variable rate instruments		
Financial assets	312.4	91.9
Financial liabilities	(439.3)	(114.7)
	(126.9)	(22.8)

¹ Fixed rate non-current financial liabilities: \$180.0 million (2010: \$195.9 million)

3. Financial risk management (continued)

Interest rate risk (continued)

At balance date the Group had the following variable rate borrowings outstanding, exposed to variable interest rate risk:

	30 September 2011		30 September 2010	
	Weighted average interest rate %	Balance \$M	Weighted average interest rate %	Balance \$M
Group				
<i>Current:</i>				
Short term facilities	-	-	5.2%	(55.0)
Commodity inventory funding facility	6.12%	(360.0)	-	-
		(360.0)		(55.0)
<i>Non-current:</i>				
Term facilities	2.77%	(267.1)	2.5%	(260.4)
Subordinated loan (associates)	7.43%	19.1	4.9%	19.1
Interest rate swaps (notional principal amount)	1.11%	168.7	2.1%	181.6
		(79.3)		(59.7)
Net exposure to cash flow interest rate risk		(439.3)		(114.7)

Sensitivity analysis

At 30 September 2011, if interest rates had moved as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

	2011 \$M	2010 \$M
Profit / (loss)		
+ 100 basis points	(4.8)	(2.2)
- 100 basis points	4.8	2.2
Increase / (decrease) in equity		
+ 100 basis points	1.7	1.8
- 100 basis points	(1.7)	(1.8)

Liquidity risk

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

At balance date, the Group had approximately \$349.5 million of unused credit facilities available for immediate use. For further details refer note 20.

3. Financial risk management (continued)

Maturity analysis of financial liabilities

The tables below show the contractual maturities of financial liabilities, including estimated interest payments¹. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 30 September 2011	Less than 1 year \$M	Between 1 and 2 years \$M	Between 2 and 5 years \$M	Over 5 years \$M	Total \$M
<i>Non-derivatives:</i>					
Bank borrowings	(370.8)	(276.1)	-	-	(646.9)
Trade payables	(269.4)	-	-	-	(269.4)
Pool advance facility	-	-	-	-	-
Other payables	(17.4)	-	-	-	(17.4)
Finance leases	(0.9)	(0.9)	(3.4)	(15.9)	(21.1)
<i>Derivatives:</i>					
Interest rate swap contracts	(0.3)	(2.0)	-	-	(2.3)
Forward foreign exchange contracts - held for trading:					
- outflow	(127.1)	(42.0)	(1.6)	-	(170.7)
- inflow	3.3	0.1	-	-	3.4
Commodity futures and options:					
- outflow	(54.0)	(0.1)	-	-	(54.1)
- inflow	74.5	3.6	-	-	78.1
Commodity contracts (forward purchases and sales):					
- outflow	(9.5)	-	-	-	(9.5)
- inflow	24.1	0.7	-	-	24.8
Utility contracts (utility swaps)					
- outflow	(17.1)	(4.4)	-	-	(21.5)
Embedded foreign exchange contracts:					
- inflow	22.2	0.7	-	-	22.9

1. The Group's bank borrowing facilities and maturity dates are set out in note 20(e)

3. Financial risk management (continued)

Liquidity risk (continued)

	Less than 1 year \$M	Between 1 and 2 years \$M	Between 2 and 5 years \$M	Over 5 years \$M	Total \$M
At 30 September 2010					
<i>Non-derivatives:</i>					
Bank borrowings	(62.1)	(6.6)	(265.9)	-	(334.6)
Trade payables	(193.9)	-	-	-	(193.9)
Pool advance facility	(2.9)	-	-	-	(2.9)
Other payables	(14.1)	-	-	-	(14.1)
Finance leases	(1.8)	(1.9)	(4.3)	(18.7)	(26.7)
<i>Derivatives:</i>					
Interest rate swap contracts	(0.2)	(0.8)	-	-	(1.0)
Forward foreign exchange contracts - held for trading:					
- outflow	(47.1)	(9.9)	(0.2)	-	(57.2)
- inflow	21.7	1.2	-	-	22.9
Commodity futures and options:					
- outflow	(25.7)	(5.5)	-	-	(31.2)
- inflow	27.0	0.3	-	-	27.3
Commodity contracts (forward purchases and sales):					
- outflow	(16.6)	(0.8)	-	-	(17.4)
- inflow	42.8	10.8	-	-	53.6
Utility contracts (utility swaps)					
- outflow	(9.2)	(7.7)	(1.8)	-	(18.7)
Embedded foreign exchange contracts:					
- outflow	(0.8)	(0.4)	(0.1)	-	(1.3)
- inflow	0.1	0.1	-	-	0.2

Fair value measurements

Financial instruments carried at fair value are classified by valuation method based on the following hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (use of unobservable inputs).

3. Financial risk management (continued)

Fair value measurements (continued)

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 September 2011. Comparative information has not been provided as permitted by the transitional provisions in the amended AASB 7 *Financial Instruments: Disclosures*.

30 September 2011	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	26.6	12.3	-	38.9
Commodity contracts	-	-	26.8	26.8
Derivatives used for hedging	-	-	-	-
Total assets	26.6	12.3	26.8	65.7
Liabilities				
Financial assets at fair value through profit or loss				
Trading derivatives	24.5	6.2	-	30.7
Commodity contracts	-	-	13.4	13.4
Derivatives used for hedging	11.3	2.3	-	13.6
Total liabilities	35.8	8.5	13.4	57.7

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded on active markets (such as publicly traded derivatives) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. These instruments are included in Level 2.

Physical positions comprising stocks, forward sales and forward purchases for commodity trading do not have quoted market prices available. Other techniques, such as obtaining bid values from a variety of commodity brokers and trade marketers, are used to determine fair value for these financial instruments. These instruments are included in Level 3.

The fair value of interest-rate swap contracts is determined by reference to market values for similar instruments (Level 2).

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date (Level 1).

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair values of financial assets and liabilities are shown in each applicable note throughout these consolidated financial statements.

4. Segment information

For management purposes, the Group is organised into four business units based on their products and services, forming the four reportable segments reviewed by the Managing Director in making strategic decisions and as described below.

- **Storage & Logistics** consists of:
 - Country & Logistics – receipt, transport, testing, and storage of grains and other bulk commodities;
 - Ports – storage and export/import of grain and other bulk commodities;
- **Marketing (previously called Trading)** – marketing of grain and agricultural products, and the operation of grain pools;
- **Malt** – production of malt products, provision of brewing inputs and other malting services to brewers and distillers, sale of farm inputs, and export of malt; and
- **Corporate/Unallocated** – includes the share of profit from Associates and corporate and support services costs.

Management measures performance based on a measure of EBITDA, after adjusting for the allocation of interest expense to the Marketing segment. Other than interest associated with Marketing, Group financing (including interest income and interest expense) and income taxes are managed on a Group basis and are not allocated to operating segments.

Revenue from external customers is measured in a manner consistent with that in the income statement. Inter-segment pricing is determined on an arm's length basis.

Segment assets reported to management are measured in a manner consistent with that of the financial statements, based on the operations of the segment.

Comparative segment information has been represented in conformity with the requirement of AASB 8 *Operating Segments*.

In accordance with AASB 8, Country & Logistics and Ports have been combined as Storage & Logistics to ensure the operating segment disclosure aligns with the business structure and how GrainCorp manages, assesses performance and makes decisions. As required by AASB 8, comparative information for prior periods including interim reporting periods, has been restated and included below. Further details of business performance are shown in the 5 year financial summary on page 3.

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4. Segment information (continued)

2011	Storage & Logistics \$M	Marketing \$M	Malt \$M	Reportable segments \$M	Corporate/ unallocated \$M	Eliminations \$M	Total \$M
Reportable segment revenue							
External revenues	513.6	1,395.4	867.8	2,776.8	-		2,776.8
Inter-segment revenue	229.2	10.9	-	240.1	0.3	(240.4)	-
Total reportable segment revenue	742.8	1,406.3	867.8	3,016.9	0.3	(240.4)	2,776.8
Dividends:					-	-	-
Total revenue from continuing operations	742.8	1,406.3	867.8	3,016.9	0.3	(240.4)	2,776.8
Reportable segment result	211.0	71.9	99.3	382.2	(41.1)	-	341.1
Share of profit of associates					8.5	-	8.5
Profit before net interest, depreciation, amortisation and income tax							349.6
Net Interest	-	(24.5)	-	(24.5)	(1.1)	-	(25.6)
Depreciation and amortisation	(43.8)	(0.5)	(31.2)	(75.5)	(3.0)	-	(78.5)
Profit before income tax from continuing operations	167.2	46.9	68.1	282.2	(36.7)	-	245.5
Other segment information							
Reportable segment assets	612.3	518.8	880.3	2,011.4	623.8		2,635.2
Capital expenditure	51.2	-	66.0	117.2	5.0		122.2
Material non-cash items	12.9	92.0	10.6	115.5	0.1		115.6

2010	Storage & Logistics \$M	Marketing \$M	Malt \$M	Reportable segments \$M	Corporate/ unallocated \$M	Eliminations \$M	Total \$M
Reportable segment revenue							
External revenues	308.6	902.5	778.6	1,989.7	-	-	1,989.7
Inter-segment revenue	135.8	21.2	17.9	174.9	-	(174.9)	-
Total reportable segment revenue	444.4	923.7	796.5	2,164.6	-	(174.9)	1,989.7
Dividends					0.2	-	0.2
Total revenue from continuing operations	444.4	923.7	796.5	2,164.6	0.2	(174.9)	1,989.9
Reportable segment result	85.5	31.9	118.7	236.1	(33.3)	-	202.8
Share of profit of associates					9.4	-	9.4
Profit before net interest, depreciation, amortisation and income tax							212.2
Net Interest	-	(11.8)	0.5	(11.3)	(9.4)	-	(20.7)
Depreciation and amortisation	(37.3)	(0.3)	(29.7)	(67.3)	(4.2)	-	(71.5)
Profit before income tax from continuing operations	48.2	19.8	89.5	157.5	(37.5)	-	120.0
Other segment information							
Reportable segment assets	449.3	358.9	890.6	1,698.8	431.4	-	2,130.2
Capital expenditure	42.6	-	54.2	96.8	9.1	-	105.9
Material non-cash items	11.5	11.1	(2.9)	19.7	-	-	19.7

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4. Segment information (continued)

Half-year 2011	Storage & Logistics \$M	Marketing \$M	Malt \$M	Reportable segments \$M	Corporate/ unallocated \$M	Eliminations \$M	Total \$M
Reportable segment revenue							
External revenues	272.8	659.1	416.7	1,348.6	0.2	-	1,348.8
Inter-segment revenue	101.2	4.4	-	105.6	-	(105.6)	-
Total reportable segment revenue	374.0	663.5	416.7	1,454.2	0.2	(105.6)	1,348.8
Dividends:							
Total revenue from continuing operations	374.0	663.5	416.7	1,454.2	0.2	(105.6)	1,348.8
Reportable segment result	98.5	34.8	57.3	190.6	(19.4)	-	171.2
Share of profit of associates	-	-	-	-	1.6	-	1.6
Profit before net interest, depreciation, amortisation and income tax							172.8
Net Interest	-	(8.6)	-	(8.6)	(1.3)	-	(9.9)
Depreciation and amortisation	(19.4)	(0.2)	(14.8)	(34.4)	(1.4)	-	(35.8)
Profit before income tax from continuing operations	79.1	26.0	42.5	147.6	(20.5)	-	127.1
Other segment information							
Reportable segment assets	711.8	748.4	921.7	2,381.9	308.8	-	2,690.7
Capital expenditure	29.0	-	35.6	64.6	2.5	-	67.1
Material non-cash items	(0.2)	12.9	3.6	16.3	-	-	16.3

Half-year 2010	Storage & Logistics \$M	Marketing \$M	Malt \$M	Reportable segments \$M	Corporate/ unallocated \$M	Eliminations \$M	Total \$M
Reportable segment revenue							
External revenues	183.5	394.8	328.4	906.7	-	-	906.7
Inter-segment revenue	53.8	13.2	-	67.0	-	(67.0)	-
Total reportable segment revenue	237.3	408.0	328.4	973.7	-	(67.0)	906.7
Dividends							
Total revenue from continuing operations	237.3	408.0	328.4	973.7	-	(67.0)	906.7
Reportable segment result	56.0	15.1	58.6	129.7	(22.3)	-	107.4
Share of profit of associates					4.3	-	4.3
Profit before net interest, depreciation, amortisation and income tax							111.7
Net Interest	-	(4.8)	-	(4.8)	(3.6)	-	(8.4)
Depreciation and amortisation	(17.9)	(0.2)	(10.8)	(28.9)	(2.2)	-	(31.1)
Profit before income tax from continuing operations	38.1	10.1	47.8	96.0	(23.8)	-	72.2
Other segment information							
Reportable segment assets	515.8	226.5	519.2	1,261.5	724.6	-	1,986.1
Capital expenditure	27.1	-	23.5	50.6	2.9	-	53.5
Material non-cash items	(1.2)	5.8	(2.4)	2.2	-	-	2.2

4. Segment information (continued)

Geographical information	2011 \$M	2010 \$M
<i>Sales Revenue from external customers based on the location of the customer:</i>		
Australia	1,159.7	880.7
North America	327.3	370.3
Europe	370.2	244.2
Asia	433.8	290.5
Middle East	428.0	120.0
Other	49.6	76.1
	2,768.6	1,981.8
<i>Non-current assets based on geographical location of assets: ¹</i>		
Australia	866.8	899.9
North America	337.0	265.0
Europe	129.9	128.9
	1,333.7	1,293.8

1. Excludes derivative financial instruments and deferred tax assets

5. Revenue

	2011 \$M	2010 \$M
From continuing operations		
Sales revenue		
Sale of goods	2,326.2	1,708.6
Services	442.4	273.2
	2,768.6	1,981.8
Other revenue		
Dividends	-	0.2
Rental income	8.2	7.9
	8.2	8.1
Total revenue from continuing operations	2,776.8	1,989.9
From discontinued operations (note 13)		
Sale of goods	-	12.9
Interest	-	0.1
Total revenue from discontinued operations	-	13.0

6. Other income

	2011 \$M	2010 \$M
Net gain / (loss) on derivative/commodity trading:		
Net realised gain on foreign currency	57.5	5.5
Net realised gain / (loss) on financial derivatives	60.5	(3.3)
	118.0	2.2
Net unrealised gain/ (loss) on foreign currency derivatives	(35.1)	6.3
Net unrealised gain/ (loss) on financial derivatives	35.3	(5.5)
Net unrealised gain/ (loss) on commodity contracts	42.7	(34.9)
Net unrealised gain/ (loss) on commodity inventories at fair value less costs to sell	(58.3)	42.4
	(15.4)	8.3
Net gain / (loss) on derivative/commodity trading	102.6	10.5
In relation to the net unrealised gain/loss associated with the commodity inventory position, the sensitivity to a 20% movement in commodity prices is set out in note 3 (see table on page 64).		
Compensation for impairment of assets received from third party	7.1	8.9
Break fee arising from unsuccessful merger with AWB Ltd	-	8.6
Interest	8.7	5.7
Sundry income	9.7	7.2
	128.1	40.9

7. Expenses

	2011 \$M	2010 \$M
Finance costs		
- interest charges	34.2	25.9
- loss on interest swaps cash flow hedges – transfer from equity	0.1	0.5
Total finance costs	34.3	26.4
Depreciation		
- plant and equipment	42.7	43.2
- buildings and improvements	18.4	12.2
Total depreciation	61.1	55.4
Amortisation		
- intangible assets	17.4	16.1
Total amortisation	17.4	16.1
Total depreciation and amortisation	78.5	71.5
Rental expenses relating to operating leases		
- minimum lease payments	43.6	42.4
Total rental expenses relating to operating leases	43.6	42.4
Defined contribution superannuation expense	18.3	10.7
Research and development costs	0.3	1.0
Acquisition transaction costs	1.9	6.7
Transaction costs – proposed merger with AWB	-	3.2
Provision for claims and disputes	13.9	8.9

8. Income tax expense

	2011 \$M	2010 \$M
(a) Income tax expense		
Current tax	82.5	4.5
Deferred tax	(10.1)	35.5
Under / (over) provision in prior years	1.5	(1.1)
	73.9	38.9
Income tax expense attributable to:		
Profit from continuing operations	73.9	39.1
Profit / (loss) from discontinued operations	-	(0.2)
	73.9	38.9
Deferred income tax (revenue) / expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 16)	(10.5)	21.5
(Decrease) / increase in deferred tax liabilities (note 16)	0.4	14.0
	(10.1)	35.5
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	245.5	120.0
Profit / (loss) from discontinuing operations before income tax expense	-	(0.9)
Operating profit / (loss) before income tax expense	245.5	119.1
Income tax calculated at 30% (2010 – 30%)	73.6	35.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Other non-deductible items	1.4	-
- Intangible amortisation	1.9	1.6
- Interest expense	(2.1)	(1.6)
- Acquisition expenses	-	2.4
- Tax loss cancellation	-	4.2
- Share of net (profit) / loss of associates	(2.5)	(2.8)
- Other non-assessable items	(1.6)	(0.6)
	70.7	38.9
Under / (over) provision in prior years	1.5	(1.1)
Difference in overseas tax rates	1.7	1.1
Income tax expense	73.9	38.9
(c) Amounts recognised directly in equity		
Deferred tax: Transaction costs recognised directly in equity	0.1	(1.9)

8. Income tax expense (continued)

	2011 \$M	2010 \$M
(d) Tax expense (income) relating to items of other comprehensive income		
Change in fair value of cash flow hedges	1.9	(0.7)
Actuarial gains / (losses) on retirement benefit obligations	-	3.4
Share of other comprehensive income of associates	0.1	-
(e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	-	-
(f) Unrecognised temporary differences		
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities / (assets) have not been recognised	52.6	44.7

9. Cash and cash equivalents

	2011 \$M	2010 \$M
Cash at bank and on hand	69.4	60.6
Deposits at call	243.0	31.3
	312.4	91.9

10. Trade and other receivables

	2011 \$M	2010 \$M
Current		
Trade receivables	254.3	183.9
Provision for impairment of trade receivables	(1.8)	(1.9)
	252.5	182.0
Other receivables	41.8	31.4
Prepayments	20.9	11.8
Margin deposits on commodity futures contracts	10.5	25.3
Pool advance (note 1(k) & note 19)	-	2.9
Amounts receivable from associates (note 30)	0.4	0.4
	326.1	253.8
Non-current		
Loans to associates (note 30)	20.0	20.1
	20.0	20.1

(a) Fair values

Current: Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Non-current: All amounts in respect of non-current receivables approximate fair value.

(b) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 3.

11. Inventories

	2011 \$M	2010 \$M
Consumable stores at cost	0.8	5.7
Raw materials	119.7	90.9
Work in progress	10.8	8.4
Finished goods	70.3	43.1
Trading stock at net realisable value	3.3	12.1
Commodities inventory at fair value less costs to sell	321.7	187.9
	526.6	348.1

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 September 2011 amounted to \$1,440.4 million (2010: \$1,038.9 million). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 September 2011 amounted to \$2.3 million (2010: \$0.05 million). The expense is included in other expenses in the income statement.

(b) Secured inventory

The value of inventory secured against bank loans is \$312.5 million (2010: \$nil). Refer to note 20.

12. Derivative financial instruments

	2011 \$M	2010 \$M
Current assets		
Commodity futures and options	29.7	36.7
Commodity contracts (forward purchases and sales)	26.1	18.3
Foreign exchange contracts	4.7	26.9
Total current derivative financial instrument assets	60.5	81.9
Non-current assets		
Commodity futures and options	3.5	0.8
Commodity contracts (forward purchases and sales)	0.7	0.1
Foreign exchange contracts	1.0	1.6
Interest rate swaps contracts – cash flow hedges	-	0.4
	5.2	2.9

12. Derivative financial instruments (continued)

	2011 \$M	2010 \$M
Current liabilities		
Commodity futures and options	7.1	35.1
Commodity contracts (forward purchases and sales)	13.4	31.1
Foreign exchange contracts	21.9	8.9
Utility swap contracts	9.2	9.2
Interest rate swaps contracts – cash flow hedges	0.3	0.2
Total current derivative financial instrument liabilities	51.9	84.5
Non-current liabilities		
Commodity futures and options	-	6.0
Commodity contracts (forward purchases and sales)	-	0.9
Foreign exchange contracts	1.7	2.4
Utility swap contracts	2.1	9.5
Interest rate swaps contracts – cash flow hedges	2.0	0.8
Total non-current derivative financial instrument liabilities	5.8	19.6

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to manage financial risk and the financial exposure of commodity inventories in accordance with the Group's financial risk management policies (see note 3). Of the Group's derivative transactions only the interest rate swap contracts and some foreign exchange contracts currently qualify for hedge accounting as defined under AASB 139 *Financial Instruments: Recognition and Measurement*.

(i) Interest rate swap contracts

It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, it entered into interest rate swap contracts under which the Group was entitled to receive interest at variable rates and obliged to pay interest at fixed rates. The contracts required settlement of net interest receivable or payable at each reset period. The settlement dates coincided with the dates on which interest became payable on the underlying debt.

The gain or loss from remeasuring the interest rate swap contracts at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. In the year ended 30 September 2011, \$0.1 million was reclassified into profit and loss and included in finance costs (2010: \$0.5 million). There was no hedge ineffectiveness in the current or prior year.

(ii) Forward purchase and forward sale contracts

As part of its grain marketing activities as a commodity trader the Group writes forward purchase and forward sales contracts. All open contracts are fair valued at balance date with any gains and losses on these contracts, together with the costs of the contracts, being recognised immediately through the income statement.

The Group also enters into forward purchase and grain future contracts to manage the underlying price risks in the purchase of raw materials for malt production and the subsequent sale of malt products from own use manufacture. These contracts are entered into and continue to be held for the purpose of delivery of raw materials and subsequent sale of processed malt arising from the Group's expected purchase, sale or usage requirements; and are classified as non-derivative, and not fair valued.

(iii) Commodity futures and option contracts

To manage exposure to commodity price risk, the Group enters into grain commodity futures contracts and grain commodity options contracts.

12. Derivative financial instruments (continued)

(iv) Gas and electricity swap contracts

The Group manages exposure to utility price risk in malt production, through the use of gas and electricity swap contracts. Gains and losses on these contracts are recognised immediately through the income statement.

(v) Foreign exchange contracts

The Group manages currency exposures arising from grain futures taken out in the US, Canada and Europe and from export contracts for sales of grain and meal. In accordance with the Group's risk management policy, this exposure is managed through transactions entered into in foreign exchange markets. Forward exchange contracts and currency option contracts have been used for this purpose. The foreign exchange contracts are timed to mature when the grain futures contracts expire.

Transactional currency exposures arise from sales or purchases of malt and raw materials in currencies other than the Group's functional currencies. Group companies hedge their foreign currency exposure using forward exchange and swap contracts.

(b) Risk exposures

Information about the Group's and the parent entity's exposure to credit risk, foreign exchange and interest rate risk is provided in note 3.

13. Assets classified as held for sale and discontinued operations

(a) Assets classified as held for sale

	2011 \$M	2010 \$M
Land	-	0.1
Plant and equipment	-	0.6
	-	0.7

From time to time, the Directors of GrainCorp Limited determine to sell certain sites which have been closed to operations based on their historic and expected receivables. As at 30 September 2011, no sites were being actively marketed for sale (2010: seven sites).

(b) Discontinued operations

(i) Description

On 18 December 2009, GrainCorp Operations Limited (a wholly owned subsidiary of GrainCorp Limited), announced the decision to sell a number of its merchandise service centres, and exit the merchandise sector by the end of the 2010 financial year.

By 31 July 2010 the operations of the merchandise division had ceased, with a number of merchandise service centre assets sold. Remaining assets were redeployed within the storage and logistics business.

13. Assets classified as held for sale and discontinued operations (continued)

Financial information relating to the discontinued operation for the period to 31 July 2010 is set out below.

	2011 \$M	2010 \$M
<i>(ii) Financial performance of discontinued operations</i>		
Revenue	-	13.0
Other income	-	-
Expenses	-	(13.9)
Loss before income tax from discontinued operations	-	(0.9)
Income tax credit	-	0.2
Loss from discontinued operations	-	(0.7)
<i>(iii) Cash flow information - discontinued operations</i>		
Net cash inflow from operating activities	-	4.2
Net cash inflow/ (outflow) from investing activities	-	1.4
Net cash outflow from financing activities	-	(5.4)
Net increase in cash generated by discontinued operation	-	0.2
<i>(iv) Details of sale of assets – discontinued operations</i>		
Total cash consideration received	-	1.4
Carrying amount of net assets sold	-	1.4
Gain on sale before income tax	-	-
Income tax expense	-	-
Gain on sale after income tax	-	-

14. Investments accounted for using the equity method

	2011 \$M	2010 \$M
Shares in associates	124.1	116.1

Investments in associates are accounted for using the equity method (see note 35).

15. Other financial assets

	2011 \$M	2010 \$M
Investments in other entities – at cost	1.0	1.0

No impairment of investment in other entities was recognised this year (2010: \$2 million).

16. Deferred tax assets and liabilities

Deferred tax assets	2011 \$M	2010 \$M
The balance comprises temporary differences attributable to:		
Unrealised losses on derivative contracts	6.8	9.3
Inventories	9.2	0.6
Share capital costs	2.8	4.6
Cash flow hedges	0.1	0.2
Creditors and other payables	12.8	9.8
Asset impairment	0.6	0.9
Pension deficit	6.2	7.6
Provisions and accruals	31.9	22.6
Tax losses recognised	0.3	1.5
Net deferred tax assets	70.7	57.1
Movements:		
Opening balance at 1 October	57.1	37.0
Take on balance through acquisition (note 32)	0.4	38.0
Credited/(charged) to the income statement (note 8)	10.5	(21.5)
Credited/(charged) to equity	-	2.0
Credited/(charged) to other comprehensive income	1.8	3.2
Exchange differences	0.9	(1.6)
Closing balance at 30 September	70.7	57.1

Deferred tax assets recoverable within 12 months: \$30.7 million (2010: \$39.1 million).

16. Deferred tax assets and liabilities (continued)

Deferred tax liabilities	2011 \$M	2010 \$M
The balance comprises temporary differences attributable to:		
Prepayments	0.9	1.1
Consumables	0.7	0.9
Creditors and other payables	5.5	3.7
Property, plant and equipment	57.7	50.6
Pension assets	-	0.9
Intangible assets	10.3	15.2
Unrealised gains on derivative contracts	4.4	5.9
Net deferred tax liabilities	79.5	78.3
Movements:		
Opening balance 1 October	78.3	29.7
Take on balance through acquisition (note 32)	1.0	34.1
Credited/(charged) to other comprehensive income	(0.2)	0.5
Charged/(credited) to the income statement (note 8)	0.4	14.0
Closing balance 30 September	79.5	78.3

Deferred tax liabilities recoverable within 12 months: \$12.6 million (2010: \$11.4 million).

17. Property, plant and equipment

2011	Land	Buildings & structures	Leasehold improvements	Leased plant & equipment	Plant & equipment	Capital works in progress	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
At 1 October 2010							
Cost or fair value	58.1	199.4	18.1	16.2	828.2	109.0	1,229.0
Accumulated depreciation and impairment	-	(96.6)	(4.9)	(4.4)	(369.3)	-	(475.2)
Net book value	58.1	102.8	13.2	11.8	458.9	109.0	753.8
Year ended 30 September 2011							
Opening net book value	58.1	102.8	13.2	11.8	458.9	109.0	753.8
Transfer (to) / from assets held for sale	0.1	0.1	-	-	0.5	-	0.7
Transfer between asset categories (note 18)	0.7	27.6	10.4	-	79.1	(118.7)	(0.9)
Additions	0.4	15.5	1.4	-	29.5	77.9	124.7
Acquisitions through business combinations (note 32)	2.9	0.7	-	-	2.7	0.2	6.5
Disposals	-	(1.5)	-	-	(1.4)	(9.4)	(12.3)
Depreciation	-	(17.1)	(1.2)	(0.1)	(42.7)	-	(61.1)
Exchange difference	(0.6)	(0.5)	(0.1)	-	(2.7)	0.4	(3.5)
Closing net book value	61.6	127.6	23.7	11.7	523.9	59.4	807.9
At 30 September 2011							
Cost or fair value	61.6	241.2	29.8	16.2	933.3	59.4	1,341.5
Accumulated depreciation and impairment	-	(113.6)	(6.1)	(4.5)	(409.4)	-	(533.6)
Net book value	61.6	127.6	23.7	11.7	523.9	59.4	807.9

17. Property, plant and equipment (continued)

2010	Land	Buildings & structures	Leasehold improve- ments	Leased plant & equip- ment	Plant & equipment	Capital works in progress	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
At 1 October 2009							
Cost or fair value	18.7	149.4	14.8	5.2	635.7	9.6	833.4
Accumulated depreciation and impairment	-	(82.7)	(3.9)	(4.3)	(328.0)	-	(418.9)
Net book value	18.7	66.7	10.9	0.9	307.7	9.6	414.5
Year ended 30 September 2010							
Opening net book value	18.7	66.7	10.9	0.9	307.7	9.6	414.5
Transfer (to) / from assets held for sale	-	-	-	-	-	-	-
Transfer between asset categories (note 18)	0.2	6.8	0.9	-	42.3	(53.3)	(3.1)
Additions	2.5	12.2	0.9	11.0	16.6	75.4	118.6
Acquisitions through business combinations (note 32)	38.4	32.3	2.8	-	143.2	80.3	297.0
Disposals	(0.3)	(0.2)	(0.1)	-	(1.8)	(0.2)	(2.6)
Depreciation ¹	-	(14.0)	(1.0)	(0.1)	(40.7)	-	(55.8)
Impairment charge	-	-	-	-	(1.0)	-	(1.0)
Exchange difference	(1.4)	(1.0)	(1.2)	-	(7.4)	(2.8)	(13.8)
Closing net book value	58.1	102.8	13.2	11.8	458.9	109.0	753.8
At 30 September 2010							
Cost or fair value	58.1	199.4	18.1	16.2	828.2	109.0	1,229.0
Accumulated depreciation and impairment	-	(96.6)	(4.9)	(4.4)	(369.3)	-	(475.2)
Net book value	58.1	102.8	13.2	11.8	458.9	109.0	753.8

¹ Depreciation: Continuing operations \$55.4 million; Discontinued operations \$0.4 million.

18. Intangible assets

2011	Computer software \$M	Trade name \$M	Customer relationship \$M	Goodwill \$M	Total \$M
At 1 October 2010					
Cost or fair value	41.1	1.6	111.4	278.9	433.0
Accumulated amortisation and impairment	(17.5)	(0.5)	(12.2)	-	(30.2)
Net book value	23.6	1.1	99.2	278.9	402.8
Year ended 30 September 2011					
Opening net book amount	23.6	1.1	99.2	278.9	402.8
Additions	1.9	-	-	-	1.9
Acquisitions through business combinations	-	-	-	0.1	0.1
Transfer between asset categories	0.9	-	-	-	0.9
Disposals	(1.9)	-	-	-	(1.9)
Amortisation charge	(4.9)	(0.2)	(12.3)	-	(17.4)
Impairment charge	-	-	-	-	-
Exchange difference	(0.1)	-	(0.9)	(4.7)	(5.7)
Closing net book value	19.5	0.9	86.0	274.3	380.7
At 30 September 2011					
Cost or fair value	30.6	1.6	109.2	274.3	415.7
Accumulated amortisation and impairment	(11.1)	(0.7)	(23.2)	-	(35.0)
Net book value	19.5	0.9	86.0	274.3	380.7

2010	Computer software \$M	Trade name \$M	Customer relationship \$M	Goodwill \$M	Total \$M
At 1 October 2009					
Cost or fair value	30.8	0.5	0.3	17.7	49.3
Accumulated amortisation and impairment	(14.1)	(0.3)	(0.1)	(1.0)	(15.5)
Net book value	16.7	0.2	0.2	16.7	33.8
Year ended 30 September 2010					
Opening net book amount	16.7	0.2	0.2	16.7	33.8
Additions	6.5	-	-	-	6.5
Acquisitions through business combinations	0.7	1.3	114.5	262.2	378.7
Transfer between asset categories	3.1	-	-	-	3.1
Amortisation charge ¹	(3.4)	(0.2)	(12.5)	-	(16.1)
Exchange difference	-	(0.2)	(3.0)	-	(3.2)
Closing net book value	23.6	1.1	99.2	278.9	402.8
At 30 September 2010					
Cost or fair value	41.1	1.6	111.4	278.9	433.0
Accumulated amortisation and impairment	(17.5)	(0.5)	(12.2)	-	(30.2)
Net book value	23.6	1.1	99.2	278.9	402.8

¹ Amortisation: Continuing operations \$16.1 million.

18. Intangible assets (continued)

(a) Impairment tests for goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's operating segments (CGUs) which represent the lowest level within the Group at which goodwill is monitored for internal management purposes as follows:

	2011 \$M	2010 \$M
Country and Logistics	10.2	10.6
Ports	-	-
Marketing	6.5	6.1
Malt	257.6	262.2
	274.3	278.9

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use projected cash flows from a growth model that is based on an initial 5 year forecast. Inputs into these forecasts include expected grain handling volumes for Storage and Logistics, expected trading volumes and market conditions for Marketing and expected malt sales volumes for Malt.

(b) Key assumptions used for value-in-use calculations

Growth rates of 1.9% to 7.0% have been applied to extrapolate cash flows for a five year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 1.9% to 2.5%. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate.

If the growth rate applied to the cashflow projections were -3.0% to -2.7% instead of 1.9% to 7.0% the recoverable amount of the goodwill would equal its carrying amount.

Post-tax discount rates of 6.4% to 8.1% (pre-tax discount rate 8.9% to 11.6%) have been applied to discount the forecast future attributable post-tax cash flows. These post-tax discount rates reflect specific risks relating to the relevant segment and its country of operation.

If the post-tax discount rates applied to the cash flow projections were 8.6% to 16.5% instead of 6.4% to 8.1% (pre-tax discount rate 12.1% to 23.6% instead of 8.9% to 11.6%) (2010: post-tax: 8.7% to 11.2% instead of 7.9% to 10.4%; pre-tax: 12.7% to 16.1% instead of 11.4% to 14.9%), the recoverable amount of the goodwill would equal its carrying amount.

The exchange rates used represent the spot rate at 30 September 2011.

19. Trade and other payables

Current	2011 \$M	2010 \$M
Trade payables	269.4	193.9
Other payables	17.4	14.1
Income received in advance	31.3	22.8
Grain pool advance facility (notes 1(k) & 10)	-	2.9
	318.1	233.7

20. Borrowings

	2011 \$M	2010 \$M
Current		
Short term facilities - unsecured	-	55.0
Commodity inventory funding facility - secured	360.0	-
Leases - secured	4.6	1.2
Total current borrowings	364.6	56.2
Non-current		
Term funding facilities- unsecured	267.1	260.4
Leases - secured	11.3	14.5
Total non-current borrowings	278.4	274.9

(a) Bank overdraft

No interest is payable on overdrawn amounts, providing the Group's cash position is positive.

(b) Short term and commodity inventory funding facilities

These facilities are available to be drawn down on demand. The facilities are renewable at the option of the financier each 12 months. Interest was payable for the term drawn in the range 6.0% - 6.4% (2010: 4.5% - 5.9%).

(c) Term funding facilities

Interest was payable for the term drawn in the range 5.8% - 6.2% (2010: 4.6% - 6.2%).

(d) Assets pledged as security

Leases are secured by the underlying assets. The commodity inventory funding facility is secured against the related inventory. The total secured liabilities (current and non-current) are as follows:

	2011 \$M	2010 \$M
Lease liabilities	15.9	15.7
Commodity inventory funding facility	360.0	-
	375.9	15.7

20. Borrowings (continued)

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2011 \$M	2010 \$M
Leased assets (note 17)	11.7	11.8
Commodity inventory (note 11)	312.5	-
	324.2	11.8

Lease liabilities (other than liabilities recognised in relation to surplus space under non-cancellable operating leases) are effectively secured, as rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The commodity inventory funding facility is secured against the related inventory.

Loans under term funding facilities are secured by a negative pledge that imposes certain covenants on the Group. The negative pledge states that (subject to certain exceptions) the subject entity will not provide any other security over its assets, and will ensure that certain financial ratios and limits are maintained at all times, including: interest cover, gearing ratios; and net tangible assets. All such borrowing covenant ratios and limits have been complied with during the financial year.

(e) Financing arrangements

The table sets out the Group debt facilities and maturity dates as at the date of this report and the amount drawn at year end:

2011	Maturity date	Principal facility amount \$M	Amount utilised \$M
Term debt	Jul -13	386.6	267.1
Commodity inventory funding	Nov -12	500.0	360.0
Working capital	Nov -12	200.0	-
		1,086.6	627.1

2010	Maturity date	Principal facility amount \$M	Amount utilised \$M
Term debt	Jul -13	390.4	260.4
Commodity inventory funding	Nov -11	400.0	-
Working capital	Nov -11	150.0	55.0
		940.4	315.4

(f) Risk exposures

Information about the Group's exposure to risks arising from current and non-current borrowings and interest rate and foreign currency movements is provided in note 3.

(g) Fair value

Current and non-current liabilities are stated at fair value.

21. Other financial liabilities

	2011 \$M	2010 \$M
Current		
Lease incentives	0.2	0.2
Non-current		
Lease incentives	0.8	1.0

(a) Financial guarantees

Financial guarantees are provided by Group entities as follows:

- GrainCorp Operations Limited was a self-insurer for workers' compensation in NSW up to 29 June 2006. As required by the NSW workers' compensation self-insurance licensing requirements a Bank Guarantee in favour of the WorkCover Authority NSW for \$2.6 million is in place, representing an actuarial assessment of the contingent liability arising from past self-insurance for periods prior to 29 June 2006.
- In the normal course of business the Group enters into guarantees. At 30 September 2011 they amounted to \$17.1 million (2010: \$2.7 million). The Directors do not believe any claims will arise in respect of these guarantees.
- GrainCorp Limited and the wholly owned entities listed in note 33 are parties to a deed of cross guarantee as described in note 34. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees, to each creditor, payment in full of any debt in accordance with the deed of cross guarantee. No deficiency of net assets existed for the Closed Group as at 30 September 2011.

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

22. Provisions

	2011 \$M	2010 \$M
Current		
Claims and disputes	20.4	12.6
Workers' compensation	0.3	0.2
Restoration	-	0.9
Onerous contracts	5.9	5.0
Employee benefits	21.3	19.6
	47.9	38.3
Non-current		
Workers' compensation	1.3	1.3
Restoration	0.5	0.9
Employee benefits	3.5	1.0
	5.3	3.2

(a) Claims and disputes

Provision is made for various claims for losses or damages received from time-to-time in the ordinary course of business. Management estimates the provision based on historical information and its experience in resolving claims.

22. Provisions (continued)

(b) Workers' compensation

GrainCorp Operations Limited (GCOP) was a self-insurer for workers' compensation in NSW up to 29 June 2006. As required by the NSW workers' compensation self-insurance licensing requirements, provision is made based on an annual actuarial assessment for GCOP's potential liability arising from past self-insurance.

(c) Restoration

Provision is made to satisfy obligations to remove redundant plant and equipment, and for head office leased premises make-good obligations.

(d) Onerous contracts

Provision is made for the unavoidable costs of meeting contractual obligations where the costs of meeting those obligations exceed the economic benefits expected to be received from the contract.

(e) Movements in provisions

2011	Claims & disputes \$M	Workers' compensation \$M	Restoration \$M	Onerous contracts \$M
Carrying amount at beginning of year	12.6	1.5	1.8	5.0
Additional provisions recognised	13.9	0.1	0.1	1.0
Amounts used	(1.5)	-	-	(0.1)
Unused amounts reversed	(4.8)	-	(1.4)	-
Exchange difference	0.2	-	-	-
Carrying amount at end of year	20.4	1.6	0.5	5.9

(f) Amounts not expected to be settled within the next 12 months

The Group's current provision for employee benefits includes \$17.1 million (2010: \$17.8 million) in respect of long service leave, where employees have completed the required period of service and, as the Group does not have an unconditional right to defer settlement, the entire obligation is categorised as a current liability. Based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

Group long service leave obligations expected to be settled within the next 12 months amount to \$0.3 million (2010: \$0.4 million).

23. Retirement benefit obligations

(a) Retirement benefit plans

Defined contribution superannuation plans

Employees of the Group's Australian entities are entitled to benefits on retirement, disability or death from the Group's defined contribution superannuation plans. Contributions to these employee superannuation plans are charged as an expense as the contributions are paid or become payable. The Group's legal or constructive obligation is limited to these contributions. The expense recognised for the year is disclosed in note 7.

Defined benefit plans

The Group provides funded defined benefit plans for employees of its US, Canadian, UK and Australian Malt entities. These plans provide lump sum benefits based on years of service and final average salary. The following sets out details of the defined benefit plans.

23. Retirement benefit obligations (continued)

(b) Benefit asset/ (liability) recognised in the statement of financial position

	2011 \$M	2010 \$M
Present value of the defined benefit obligations	(141.1)	(144.8)
Fair value of defined benefit plans assets	98.1	98.5
	(43.0)	(46.3)
Unrecognised past service plan assets	(1.4)	-
Net liability recognised in statement of financial position	(44.4)	(46.3)

The Group has no legal obligation to settle the liabilities with an immediate contribution or additional one off contribution. The Group intends to continue to contribute to the defined benefit plans at a rate in line with the latest recommendations provided by the plans' actuaries.

The retirement benefit liability recognised in Australia represents that of the Top-up defined Benefit Fund. This fund operates under terms that are similar in nature to a defined contribution fund, and as such does not have an investment in plan assets. However, contractual terms between the Company and certain employees result in an obligation that is in substance that of a defined benefit fund and this obligation has been recognised as a retirement benefit liability.

(c) Categories of plan assets

	2011 %	2010 %
The major categories of plan assets are as follows:		
Cash	1%	1%
Equity instruments	48%	53%
Debt instruments	47%	44%
Other assets	4%	2%
	100%	100%

(d) Reconciliations

	2011 \$M	2010 \$M
<i>Reconciliation of the present value of the defined benefit obligations:</i>		
Balance at the beginning of the year	144.8	-
Acquired in business combinations	-	135.4
Current service cost	1.5	1.3
Interest cost	6.8	6.9
Scheme participants contributions	0.1	0.2
Actuarial (gains)/ losses	(1.1)	14.1
Curtailments	-	(0.5)
Benefits paid	(5.6)	(4.4)
Past service cost	-	-
Exchange difference	(5.4)	(8.2)
	141.1	144.8

23. Retirement benefit obligations (continued)

	2011 \$M	2010 \$M
<i>Reconciliation of fair value of plan assets:</i>		
Balance at the beginning of the year	98.5	-
Acquired in business combinations	-	92.5
Expected return on plan assets	5.6	5.4
Actuarial gains/ (losses)	(2.4)	3.6
Contributions by Group companies	5.2	7.1
Scheme participants contributions	0.1	0.2
Actual plan administrative expenses	-	(0.3)
Benefits paid	(5.6)	(4.3)
Exchange difference	(3.3)	(5.7)
	98.1	98.5

(e) Amounts recognised in the income statement

	2011 \$M	2010 \$M
<i>The amounts recognised in the income statement are as follows:</i>		
Current service cost	1.5	1.6
Interest cost	6.8	6.8
Expected return on plan assets	(5.6)	(5.4)
Effect of curtailments	-	(0.5)
Past service cost	-	-
Total included in employee benefits expense	2.7	2.5
Actual return on plan assets	2.9	6.5

(f) Amounts recognised in other comprehensive income

	2011 \$M	2010 \$M
Actuarial (loss)/ gain recognised in the year	(1.3)	(10.8)
Cumulative actuarial losses recognised	(12.1)	(10.8)

(g) Principal actuarial assumptions

	North America	UK	Australia
2011			
<i>Principal actuarial assumptions used (expressed as weighted averages):</i>			
Discount rate	5.10%	5.10%	4.40%
Expected return on plan assets	7.05%	5.26%	-
Future salary increases	1.50%	-	4.00%
Inflation increase	-	3.10%	-

23. Retirement benefit obligations (continued)

(g) Principal actuarial assumptions (continued)

	North America	UK	Australia
2010			
<i>Principal actuarial assumptions used (expressed as weighted averages):</i>			
Discount rate	-	5.6%	4.9%
Expected return on plan assets	7.1%	6.2%	-
Future salary increases	1.8%	-	4.0%
Inflation increase	-	3.2%	-

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes in the plans as well as the expected and actual allocation of plan assets to each of these major categories. This resulted in the selection of a 5.3% - 7.5% rate of return gross of tax (and net of expenses) and a 4.3% - 4.7% rate of return net of tax (and expenses).

(h) Employer contributions

Employer contributions to the defined benefit plans are based on the recommendations of the plans' actuaries. Actuarial assessments are made at time intervals as required by local regulations (ranging from annual to three year intervals).

Total employer contributions expected to be paid by Group companies for the year ended 30 September 2012 are \$5.2 million (2011: \$4.7million).

(i) Historic summary

	2011 \$M	2010 \$M
Defined benefit plan obligation	(141.1)	(144.8)
Plan assets	98.1	98.5
Surplus/ (deficit)	(43.0)	(46.3)
Experience adjustments arising on plan liabilities	(1.3)	(3.0)
Experience adjustments arising on plan assets	2.6	0.7

The Group's obligation for the liabilities of the defined benefit plans commenced on acquisition of the United Malt Holdings Group in November 2009.

24. Contributed equity

	2011		2010	
Consolidated and Company	Number	\$M	Number	\$M
Fully paid ordinary shares				
Total contributed equity – Company	198,318,900	1,068.4	198,318,900	1,068.6
Treasury shares	(550,615)	(3.9)	(717,249)	(5.4)
Total consolidated contributed equity		1,064.5		1,063.2

24. Contributed equity (continued)

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

	Details	Total number of shares	Ordinary share capital \$M
30 September 2009	Balance brought forward	96,089,995	491.0
	Share issue – institutional tranche	54,681,410	331.4
	Share issue – retail tranche	47,547,495	285.9
	Less: Transaction costs arising on share issues		(24.2)
	Less: Premium on retail offer paid to non-participating eligible shareholders		(17.5)
	Deferred tax credit recognised directly in equity		1.9
30 September 2010	Sub-total	198,318,900	1,068.5
	Deferred tax credit recognised directly in equity		(0.1)
30 September 2011	Total contributed equity - Company	198,318,900	1,068.4
	Less: Treasury shares	(550,615)	(3.9)
30 September 2011	Total consolidated contributed equity		1,064.5

¹ Refer to note 38 for details of employee share acquisition plan.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every member present in person or by proxy is entitled to one vote, and upon a poll each share shall have one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Employee equity schemes

Details of employee share and rights schemes are set out in note 38.

Treasury shares

Treasury shares are shares in GrainCorp Limited that are held by the GrainCorp Employee Share Ownership Plan Trust for purposes of issuing shares under employee share plans including: GrainCorp Exempt Share Plan, GrainCorp Deferred Share Plan, and GrainCorp Retention Share Plan (see note 38 for further information). During the year 107,234 shares were acquired on market at a cost of \$831,535. (2010: 391,726 shares). 480,729 shares were granted or issued under the employee share plans during the year. (2010: 110,261).

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to maintain an optimal capital structure so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group consists of debt and equity and the mix of debt and equity is measured by reference to the Group's gearing ratio (long term debt net of cash and cash equivalents to total equity). The Group's objective is to maintain a core debt gearing ratio of less than 25%. At 30 September 2011, core debt gearing was low at 1%.

24. Contributed equity (continued)

The long term gearing ratios were as follows:

	2011 \$M	2010 \$M
Long term borrowings	278.4	274.9
Cash and cash equivalents	(312.4)	(91.9)
Net debt	(34.0)	183.0
Total equity	1,372.7	1,282.6
Gearing ratio	N/A	14.3%

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group complied with all borrowing covenant ratios and other capital requirements during the year.

25. Retained earnings and reserves

	2011 \$M	2010 \$M
Retained earnings		
Retained earnings at the beginning of the financial year	222.0	193.3
Net profit for the year	171.6	80.2
Items of other comprehensive income recognised directly in retained earnings:		
Actuarial (losses)/gains on retirement benefit obligations, net of tax	(1.3)	(7.4)
Dividends received by Employee Trust	0.3	-
Share of other comprehensive income of equity accounted associates, net of tax	-	0.1
Dividends provided for or paid (note 26)	(69.4)	(44.2)
Closing balance	323.2	222.0

Nature and purpose of reserves

The reserves disclosed in the Statement of Changes in Equity (page 47) include the following:

- I. The hedging reserve is used to record gains and losses on hedging instruments in a cash flow hedge that are recognised directly in equity, as described in note 1(y) and note 3. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.
- II. The capital reserve represents the residual equity component of reset preference shares of the Company, on their reclassification to an interest-bearing liability as at 1 October 2005. The reset preference shares were converted to ordinary shares on 30 September 2006.
- III. The share option reserve is used to recognise the fair value of share rights accounted for as share-based payments issued but not exercised.
- IV. The translation reserve is used to recognise exchange differences arising on the translation of the financial statements of foreign operations.

26. Dividends

	2011 \$M	2010 \$M
Dividends paid in the year:		
Final fully franked dividend for the year ended 30 September 2010 of 15 cents (2010: 7.27 cents)	29.7	14.5
Interim fully franked dividend for the year ended 30 September 2011 of 20 cents (2010: 15 cents)	39.7	29.7
Closing balance	69.4	44.2

Dividends not recognised at year end

Since year end the Directors have approved the payment of the following dividends, expected to be paid on 21 December 2011:

Final fully franked dividend for the year ended 30 September 2011 of 15.0 cents (2010: 10.0 cents)	29.7
Special fully franked dividend for the year ended 30 September 2011 of 20.0 cents (2010: 5.0 cents)	39.7
Closing balance	69.4

These dividends are to be paid out of retained profits at 30 September 2011, but are not recognised as a liability at year end.

Franking credits available

	2011 \$M	2010 \$M
Franking credits available for the subsequent financial year	79.1	23.9

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.

The impact on the franking account of the dividend approved by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$29.7 million (2010: \$12.7 million).

27. Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2011 \$'000	2010 \$'000
PwC Australia		
Audit and other assurance services		
(i) Audit services		
Audit and review of financial reports and other work under the <i>Corporations Act 2001</i>	801	1,249
(ii) Other Assurance Services		
Other services	73	218
Review of other financial information	-	392
	73	610
Taxation services		
Tax compliance and advice	4	4
Total remuneration of PwC Australia	878	1,863
Related practices of PwC Australia		
Audit and other assurance services		
(i) Audit services		
Audit and review of financial reports and other work under the <i>Corporations Act 2001</i>	614	581
(ii) Other Assurance Services		
Other assurance services	10	-
Total remuneration of related practices of PwC Australia	624	581
Total auditors' remuneration	1,502	2,444

Any PwC non-audit engagements are subject to the Group's corporate governance procedures, auditor independence policies and Board Audit Committee, or CFO, approval depending on the estimated fee for the non-audit engagement.

28. Contingencies

(i) The Group may from time to time receive notices of possible claims for losses or damages. A provision of \$20.4 million (30 September 2010: \$12.6 million), primarily for customer claims, has been recognised to cover any liabilities which may arise out of such claims. Based on information currently available, the Directors believe that no further provision is required at this time. A contingent liability exists for any amounts that ultimately become payable over and above current provisioning levels.

(ii) WorkSafe Victoria are currently investigating GrainCorp's compliance with the *Occupational Health and Safety Act 2004 (Vic)* in relation to an injury and death at GrainCorp sites in the last two financial years. A contingent liability exists for any amounts that ultimately may become payable over and above current provisioning levels.

29. Commitments

	2011 \$M	2010 \$M
Capital expenditure commitments		
Total capital expenditure contracted for at the reporting date but not provided for in payables:		
- Not later than one year	24.2	48.4
- Later than one year but not later than five years	-	-
	24.2	48.4
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
- Not later than one year	16.6	43.1
- Later than one year and not later than five years	44.6	93.8
- Later than five years	101.1	84.4
	162.3	221.3
Representing:		
Cancellable operating leases	0.6	1.5
Non-cancellable operating leases	161.7	219.8
	162.3	221.3
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- Not later than one year	16.3	42.8
- Later than one year but not later than five years	44.3	92.9
- Later than five years	101.1	84.1
	161.7	219.8
Finance leases		
Commitments in relation to finance leases are payable as follows:		
- Not later than one year	0.9	1.8
- Later than one year but not later than five years	4.3	6.2
- Later than five years	15.9	18.7
Minimum lease payments	21.1	26.7
Future finance charges	(5.2)	(11.0)
Total lease liabilities	15.9	15.7
Representing lease liabilities:		
Current (note 20)	4.6	1.2
Non-current (note 20)	11.3	14.5
	15.9	15.7

30. Key Management Personnel disclosures and related party transactions

(1) Key Management Personnel (KMP) disclosures

(a) Key Management Personnel compensation

	2011 \$'000	2010 \$'000
Short-term employee benefits	5,852	5,066
Post-employment benefits	313	309
Long-term benefits	60	50
Share-based payments	1,152	326
Termination payments	598	562
	7,975	6,313

Detailed remuneration disclosures are provided in sections 1-6 of the remuneration report on pages 24 to 42.

(b) Equity instrument disclosures relating to Key Management Personnel

(i) Share Rights provided as remuneration and shares issued on exercise of such rights

Details of rights provided as remuneration and shares issued on the exercise of such rights, together with terms and conditions of the rights, can be found in the remuneration report on pages 28 to 34.

(ii) Share Rights holdings

The numbers of share rights in the Company held during the financial year by each Director of GrainCorp Limited and other Key Management Personnel of the Group, including their personally related entities, are set out below.

2011						
Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Foreited or lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of GrainCorp Limited						
A M Watkins	-	162,684	-	-	162,684	-
Other Key Management Personnel of the Group						
A G Bell	-	12,916	-	-	12,916	-
N P Hart	59,421 ¹	25,447	(9,722)	(12,307)	62,839	16,419
S A Haydon	-	5,830	-	-	5,830	-
A N Johns	59,978	26,465	(9,920)	(12,557)	63,966	16,528
H L Miles	-	11,388	-	-	11,388	-
S J Tainsh	65,134	36,434	(9,920)	(12,557)	79,091	21,684
B J Griffin	8,154	-	-	(8,154)	-	-
G J Haskew	4,040	-	(4,040)	-	-	-
R S Porcheron	20,333	-	(8,844)	(11,489)	-	-
I Wilton	-	47,619	-	(47,619)	-	-

1. Balance at date of becoming KMP

30. Key Management Personnel disclosures and related party transactions (continued)

The numbers of share rights in the Company held during the 2010 financial year by each Director of GrainCorp Limited and other Key Management Personnel of the Group, including their personally related entities, are set out below.

2010	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Forfeited or lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Name						
Directors of GrainCorp Limited						
A M Watkins	-	-	-	-	-	-
M D Irwin	47,098	59,296	(74,390)	(32,004)	-	-
Other Key Management Personnel of the Group						
J Anderson	-	-	-	-	-	-
B J Griffin	-	8,154	-	-	8,154	-
G J Haskew	-	4,040	-	-	4,040	-
A N Johns	62,090	13,890	(8,001)	(8,001)	59,978	9,895
R S Porcheron	18,226	6,221	(2,057)	(2,057)	20,333	2,617
S J Tainsh	62,090	19,046	(8,001)	(8,001)	65,134	9,895
I Wilton	-	-	-	-	-	-

(iii) Share holdings

The numbers of shares in the Company and subsidiaries held during the financial year by each Director of GrainCorp Limited and other Key Management Personnel of the Group, including their personally related entities, are set out in the following table:

2011	Balance at the start of the year	Received during the year on exercise of rights	Movements arising from changes in Board/KMP status	Other changes during the year	Balance at the end of the year
Name					
Directors of GrainCorp Limited					
Ordinary shares - held in the parent company, GrainCorp Limited					
D C Taylor	17,166	-	-	17,469	34,635
A M Watkins	55,000	-	-	-	55,000
B J Gibson	-	-	-	-	-
P J Housden	7,410	-	-	-	7,410
D J Mangelsdorf	14,235	-	-	-	14,235
D G McGaachie	81,544	-	-	-	81,544
D B Trebeck	64,752	-	-	-	64,752
S L Tregoning	13,260	-	-	-	13,260
Other Key Management Personnel of the Group					
Ordinary shares - held in the parent company, GrainCorp Limited					
A G Bell	-	-	-	-	-
N P Hart	-	9,722	11,660	-	21,382
S A Haydon	-	-	-	-	-
A N Johns	8,502	9,920	-	-	18,422
H L Miles	-	-	-	-	-
S J Tainsh	13,003	9,920	-	(5,620)	17,303
B J Griffin	5,795	-	(5,795)	-	-
G J Haskew	1,302	4,040	(5,342)	-	-
R S Porcheron	3,033	8,844	(11,877)	-	-
I Wilton	19,391	-	(19,391)	-	-

No shares were granted to key management personnel during the reporting period as compensation in 2010 or 2011.

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30. Key Management Personnel disclosures and related party transactions (continued)

(iii) Share holdings (continued)

2010	Balance at the start of the year	Received during the year on exercise of rights	Movements arising from changes in Board/KMP status	Other changes during the year	Balance at the end of the year
Name					
Directors of GrainCorp Limited					
Ordinary shares - held in the parent company, GrainCorp Limited					
D C Taylor	10,348	-	-	6,818	17,166
A M Watkins	-	-	55,000	-	55,000
P J Housden	3,900	-	-	3,510	7,410
D J Mangelsdorf	11,388	-	-	2,847	14,235
D G McGauchie	-	-	81,544	-	81,544
D B Trebeck	34,080	-	-	30,672	64,752
S L Tregoning	5,400	-	-	7,860	13,260
M D Irwin	8,730	-	(51,591)	42,861	-
Other Key Management Personnel of the Group					
Ordinary shares - held in the parent company, GrainCorp Limited					
J Anderson	-	-	-	-	-
B J Griffin	3,050	-	-	2,745	5,795
G J Haskew	-	-	1,302	-	1,302
A N Johns	1,307	-	-	7,195	8,502
R S Porcheron	621	-	-	2,412	3,033
S J Tainsh	2,633	-	-	10,370	13,003
I Wilton	6,900	-	-	12,491	19,391

(c) Other transactions with Key Management Personnel

Transactions for storage, handling, transport, testing, seed sales and purchase of grain, fertiliser and other agricultural products from Directors or Director-related entities took place during both financial years covered by this report and occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers. Below are aggregate amounts due, from and to Directors, any other Key Management Personnel and their Director-related and KMP-related entities at balance date. These balances are the result of transactions conducted under normal trading terms and conditions.

Directors and other Key Management Personnel who transacted business with the Group were D J Mangelsdorf, D G McGauchie, A N Johns, A M Watkins, I Wilton and B J Gibson. (2010: D J Mangelsdorf, D G McGauchie, A N Johns, A M Watkins and I Wilton).

Director related and KMP related entities	Consolidated	
	2011 \$'000	2010 \$'000
Current receivables	5,916	7,319
Current payables	617	314

2011:

Current receivables include \$5,731,000 relating to Allied Mills Australia Pty Ltd of which A N Johns and A M Watkins are Directors, \$167,000 receivable from an entity related to D G McGauchie and \$18,000 receivable from an entity related to B J Gibson.

Current payables include \$614,000 relating to Allied Mills Australia Pty Ltd of which A N Johns and A M Watkins are Directors and \$3,000 payable to an entity related to D G McGauchie.

2010:

Current receivables include \$7,009,000 relating to Allied Mills Australia Pty Ltd of which A N Johns, A M Watkins and I Wilton are Directors, \$147,000 receivable from D J Mangelsdorf, and \$163,000 receivable from an entity related to D G McGauchie.

Current payables include \$256,000 relating to Allied Mills Australia Pty Ltd of which A N Johns, A M Watkins and I Wilton are Directors, and \$58,000 payable to D J Mangelsdorf.

30. Key Management Personnel disclosures and related party transactions (continued)

(2) Related party transactions

(a) Transactions with related parties - wholly-owned members of the Group

Details of wholly-owned members of the Group and ownership interests in controlled entities are set out in note 33. Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with wholly-owned entities within the Group were as follows:

	Parent entity	
	2011 \$'000	2010 \$'000
Fee for liabilities guarantee	158	690
Interest expense payable to subsidiaries	2	194
Interest revenue from subsidiaries	49,035	38,531

(b) Transactions with related parties - associates

Details of associated companies are shown in note 35. Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with associates were as follows:

	Consolidated		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Freight income from Allied Mills Australia Pty Ltd ("Allied Mills")	29,001	27,438	-	-
Rental charge from Allied Mills	11	12	-	-
Sales income from Allied Mills	120,086	71,625	-	-
Purchases from Allied Mills	15,623	6,010	-	-
Interest received from Allied Mills	1,391	1,199	1,391	1,199
Storage income from Allied Mills	9,513	11,023	-	-
Membership fees to National Grower Register Pty Ltd ("NGR")	276	255	-	-
Rental income from NGR	-	9	-	-
Interest income from NGR	52	60	-	-

(c) Outstanding balances in relation to transactions with related parties

Aggregate amounts receivable from and payable to other related parties at the end of the reporting period were as follows:

	Consolidated		Parent entity	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiaries				
Non-current receivables (note 10)	-	-	946,684	752,479
Associates				
Loan to NGR (note 10)	850	1,000	-	-
Loan to Wheat Australia (note 10)	17	17	-	-
Loan to Allied Mills (note 10)	19,092	19,092	19,092	19,092
Current receivable (note 10) loan interest Allied Mills	357	377	357	377

30. Key Management Personnel disclosures and related party transactions (continued)

(2) Related party transactions (continued)

(d) Terms and conditions

Transactions between GrainCorp and related parties in the Group during the years ended 30 September 2011 and 2010 consisted of:

- (i) loans advanced and repaid within the Group;
- (ii) payment of dividends to GrainCorp;
- (iii) management fees for administrative services paid to GrainCorp;
- (iv) liability guarantee fees paid to GrainCorp;
- (v) sale of goods; and
- (vi) reimbursement of expenses.

These transactions occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers, except when there is no interest or fixed terms for repayment on intercompany loans within the Group. Outstanding balances are unsecured and repayable in cash.

31. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity (GrainCorp) show the following aggregate amounts:

	2011 \$M	2010 \$M
Statement of financial position		
Current assets	8.3	7.1
Total assets	1,190.6	1,132.4
Current liabilities	1.5	3.0
Total liabilities	1.7	3.2
Shareholders' equity		
Contributed equity	1,068.6	1,068.6
Share option reserve	6.5	7.4
Capital reserve	8.3	8.3
Retained profits	105.5	44.9
	1,188.9	1,129.2
Profit for the year	121.5	60.0
Total comprehensive income	121.5	60.0

(b) Guarantees entered into by the parent entity

GrainCorp and the wholly owned entities listed in note 33 are parties to a deed of cross guarantee as described in note 34. The nature of the deed of cross guarantee is such that each company, which is party to the deed, guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. No deficiency of net assets existed for the Group as at 30 September 2011.

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

31. Parent entity financial information (continued)

(c) Contingent liabilities of the parent entity

GrainCorp did not have any contingent liabilities as at 30 September 2011 or 30 September 2010.

(d) Contractual commitments for the acquisition of property, plant or equipment

GrainCorp did not have any commitments for the acquisition of property, plant and equipment as at 30 September 2011 or 30 September 2010.

32. Business combinations

(a) Acquisitions in the year ended 30 September 2011

Acquisition of Kirin Australia

On 15 April 2011, the Group acquired 100% of Kirin Australia (subsequently renamed Barrett Burston Malting Co. WA Pty Limited) for the purchase consideration of \$13.5 million.

The acquired business contributed revenues of \$12.2 million and net profit before tax of \$3.4 million to the Group for the period from 15 April 2011 to 30 September 2011. Disclosure of the results if the acquisition had occurred on 1 October 2010, and results had been consolidated from that date, is impracticable as the business acquired was a private entity and does not have audited financial statements for the relevant period. Details of the purchase consideration, net assets acquired and goodwill are as follows:

	\$M
Cash consideration	10.6
Accrued consideration	2.9
Provisional purchase consideration	13.5
Provisional fair value of net identifiable assets acquired	(13.5)
Provisional goodwill	-

The assets and liabilities arising from the acquisition are as follows:

	Provisional fair value \$M
Cash and cash equivalent	1.3
Property, plant and equipment	6.5
Inventory	4.5
Other current assets	0.2
Tax receivable	0.6
Receivables	1.7
Net deferred tax	(0.6)
Payables	(0.6)
Provisions	(0.1)
Net identifiable assets acquired	13.5

The initial accounting for the acquisition of the Kirin Australia business has been provisionally determined based upon the best information available as at the reporting date. As permitted under AASB3 Business Combinations, acquisition accounting will be finalised within 12 months of date of acquisition.

(b) Acquisitions in the year ended 30 September 2010

(i) Acquisition of the United Malt Holdings Group

On 13 November 2009, the Group acquired 100% of the United Malt Holdings Group (Canada Malting Company (Canada), Great Western Malting (USA), Bairds Malt (UK), and Barrett Burston Malting (Australia)) for the purchase consideration of \$773.5 million.

The acquired business contributed revenues of \$777 million and net profit before tax of \$85 million to the Group for the period from 13 November 2009 to 30 September 2010. If the acquisition had occurred on 1 October 2009, and results had been consolidated from that date, contributed revenues and contributed net profit before tax for the year ended 30 September 2010 would have been \$890 million and \$109 million respectively. Details of net assets acquired and goodwill are as follows:

32. Business combinations (continued)

(i) Acquisition of United Malt Holdings Group (continued)

Purchase consideration:	\$M
Cash consideration paid	515.8
Repayment of acquired liabilities	54.5
Total cash consideration	570.3
Repayment of debt acquired	203.2
Total cash outflow	773.5
Accrued consideration	0.7
Total purchase consideration	774.2
Fair value of net identifiable assets acquired	(512.2)
Goodwill	262.0

The assets and liabilities arising from the acquisition are as follows:

	Fair value
	\$M
Cash and cash equivalents	1.4
Property, plant and equipment	296.9
Identifiable intangible assets	115.2
Inventories	175.2
Receivables	115.7
Net deferred tax	4.6
Net derivative financial instruments	(9.6)
Payables	(131.2)
Provisions	(7.3)
Net other non-current liabilities	(42.8)
Borrowings	-
Tax liabilities	(5.9)
Net identifiable assets acquired	512.2

Goodwill has arisen on the acquisition primarily because of the assembled workforces, site locations, superior quality processes, and the capacity of the business to generate future recurring revenue streams.

(ii) Acquisition of Brewcraft

On 2 July 2010, the Group acquired 100% of the Brewcraft business, a retailer of home brewing and other products in the USA, for a purchase consideration of \$4.8 million.

The acquired business contributed revenues of \$1.9 million and net loss before tax of \$0.1 million to the Group for the period from 2 July 2010 to 30 September 2010. Disclosure of the results if the acquisition had occurred on 1 October 2009, and results had been consolidated from that date, is impracticable as the business acquired was a private entity not preparing accounts in accordance with International Financial Reporting Standards. Details of net assets acquired and goodwill are as follows:

Purchase consideration:	\$M
Cash consideration paid	4.8
Total purchase consideration	4.8
Fair value of net identifiable assets acquired (refer page 111)	(4.5)
Goodwill	0.3
Cash outflow:	
Cash consideration	4.8
Less: cash balances acquired	-
	4.8

32. Business combinations (continued)

(ii) Acquisition of Brewcraft (continued)

The assets and liabilities arising from the acquisition are as follows:

	Fair value \$M
Cash and cash equivalents	-
Property, plant and equipment	0.1
Identifiable intangible assets	1.3
Inventories	2.6
Receivables	0.6
Payables	(0.1)
Net identifiable assets acquired	4.5

The accounting for the acquisition of the Brewcraft business has been finalised. No subsequent adjustments were made to fair value of net identifiable assets acquired in the current financial year.

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33. Subsidiaries

Name of entity	Class of shares	Country of incorporation	Equity holdings	
			2011	2010
Agricultural Risk Management Services Pty Limited ¹	Ordinary	Australia	100%	100%
ABN 18 052 348 973 Pty Ltd (formerly Ausfarmers Pty Limited) ¹	Ordinary	Australia	100%	100%
ABN 36 073 105 656 Pty Ltd (formerly Globex International Pty Limited) ¹	Ordinary	Australia	100%	100%
ABN 25 069 096 582 Pty Ltd (formerly GrainCorp Victoria Pty Limited) ¹	Ordinary	Australia	100%	100%
ABN 99 059 347 349 Pty Ltd (formerly Victorian Grain Services Pty Limited) ¹	Ordinary	Australia	100%	100%
Australia Malt Holdco Pty Limited	Ordinary	Australia	100%	100%
Australia Malt Finco Pty Limited	Ordinary	Australia	100%	100%
Barrett Burston Malting Co Pty Limited	Ordinary	Australia	100%	100%
Barrett Burston Malting Co WA Pty Limited (formerly Kirin Australia Pty Limited)	Ordinary	Australia	100%	-
Containerlink Pty Limited ¹	Ordinary	Australia	100%	100%
Grainco Australia Limited	Ordinary	Australia	100%	100%
GrainCorp AG Finance Limited	Ordinary	Australia	100%	100%
GrainCorp Australia Pty Limited	Ordinary	Australia	100%	100%
GrainCorp Holdings Australia Pty Limited	Ordinary	Australia	100%	100%
GrainCorp Limited	Ordinary	Australia	100%	100%
GrainCorp NZ Pty Limited	Ordinary	Australia	100%	100%
GrainCorp Operations Limited	Ordinary	Australia	100%	100%
GrainCorp Services Limited	Ordinary	Australia	100%	100%
GrainCorp Warehouse Cashflow Pty Limited	Ordinary	Australia	100%	100%
Hunter Grain Pty Limited	Ordinary	Australia	100%	100%
Hunter Grain Transport Pty Limited	Ordinary	Australia	100%	100%
Malt Real Property Pty Limited	Ordinary	Australia	100%	100%
Security Superannuation Fund Pty Limited	Ordinary	Australia	100%	100%
Vicgrain (Assets) Pty Limited	Ordinary	Australia	100%	100%
Vicgrain Pty Limited	Ordinary	Australia	100%	100%
GrainCorp Europe (UK) Ltd	Ordinary	UK	100%	-
GrainCorp (Canada) Holdings UK Limited	Ordinary	UK	100%	100%
GrainCorp UK Limited	Ordinary	UK	100%	100%
Malt UK Holdco Limited	Ordinary	UK	100%	100%
Ulgrave Limited	Ordinary	UK	100%	100%
Maltco 3 Limited	Ordinary	UK	100%	100%
Bairds Malt Limited	Ordinary	UK	100%	100%
Scotgrain Agriculture Limited	Ordinary	UK	100%	100%
Mark Lawrence (Grain) limited	Ordinary	UK	100%	100%
Saxon Agriculture Limited	Ordinary	UK	100%	100%
Moray Firth Maltings Limited	Ordinary	UK	100%	100%
Bairds Malt (Pension Trustees) Limited	Ordinary	UK	100%	100%
GrainCorp Holdings USA	-	USA	100%	100%
GrainCorp USA	Ordinary	USA	100%	100%
Malt US Holdco, Inc	Ordinary	USA	100%	100%
Great Western Malting Co	Ordinary	USA	100%	100%
BC Holdings LLC	Ordinary	USA	100%	100%
Canada Malting Co. Limited (formerly GrainCorp Canada Ltd)	Ordinary	Canada	100%	100%
Coastal Containers Limited	Ordinary	Canada	100%	100%
GrainCorp Europe Management GmbH	Ordinary	Germany	100%	-
GrainCorp Europe GmbH & Co. KG	-	Germany	100%	-

¹ Subject to members' voluntary liquidation or deregistration.

34. Deed of cross guarantee

GrainCorp and its wholly-owned Australian incorporated entities listed in note 33, with the exception of Agricultural Risk Management Services Pty Ltd, ABN 18 052 348 973 Pty Ltd, ABN 36 073 105 656 Pty Ltd, ABN 25 069 096 582 Pty Ltd, ABN 99 059 347 349 Pty Ltd, and GrainCorp NZ Pty Ltd, are parties to a deed of cross guarantee dated 24 March 2010 under which each of the companies guarantees the debts of the other and are thus relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission.

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

Barrett Burston Malting Company WA Pty Limited is a party to the Deed of Cross Guarantee dated 8 September 2011.

ABN 18 052 348 973 Pty Ltd, ABN 36 073 105 656 Pty Ltd, ABN 25 069 096 582 Pty Ltd, and ABN 99 059 347 349 Pty Ltd were parties to the previous deed of cross guarantee current as at 30 September 2009.

Set out below is the consolidated income statement, a consolidated statement of comprehensive income and a summary of consolidated retained earnings for the Closed Group for the year ended 30 September 2011.

Income statement	2011 \$M	2010 \$M
Revenue from continuing operations	2,050.0	1,331.7
Other income	57.5	32.4
Goods purchased for resale	(1,426.9)	(870.9)
Raw materials and consumables used	(82.1)	(84.6)
Employee benefits expense	(210.9)	(136.7)
Depreciation and amortisation expense	(59.7)	(52.0)
Impairment expense	-	(3.4)
Finance costs	(25.6)	(19.7)
Repairs and maintenance	(36.6)	(22.2)
Operating leases	(42.6)	(36.9)
Other expenses	(27.9)	(71.5)
Share of net profits of associates accounted for using the equity method	8.5	9.4
Profit before income tax	203.7	75.6
Income tax expense	(60.8)	(22.3)
Profit from continuing operations	142.9	53.3
Discontinued operations	-	(0.7)
Profit for the year	142.9	52.6
Other comprehensive income:		
Changes in the fair value of cash flow hedges	(1.0)	1.6
Share of comprehensive income of associates	(0.6)	0.1
Actuarial losses on retirement benefit obligations	(0.7)	(2.5)
Income tax relating to components of other comprehensive income	0.7	0.2
Other comprehensive income for the year, net of tax	(1.6)	(0.6)
Total comprehensive income for the year	141.3	52.0
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	198.5	191.8
Entity disposals and inclusion in Closed Group	-	-
Profit after related income tax expense	142.9	52.6
Other comprehensive income recognised in retained earnings	(1.3)	(1.7)
Dividends provided for or paid	(69.4)	(44.2)
Retained earnings at the end of the financial year	270.7	198.5

34. Deed of cross guarantee (continued)

Set out below is the consolidated statement of financial position as at 30 September 2011 of the Closed Group.

Statement of financial position	2011 \$M	2010 \$M
Current assets		
Cash and cash equivalents	264.1	30.6
Trade and other receivables	230.7	173.5
Inventories	355.9	212.7
Derivative financial instruments	57.7	72.4
Non-current assets classified as held for sale	-	0.7
Total current assets	908.4	489.9
Non-current assets		
Receivables	221.2	228.9
Investment in Subsidiaries	0.6	0.6
Investments accounted for using the equity method	124.1	116.1
Other financial assets	229.2	227.3
Property, plant & equipment	591.8	549.7
Deferred tax assets	53.5	37.6
Intangible assets	117.9	120.6
Derivative financial instruments	4.2	1.3
Total non-current assets	1,342.5	1,282.1
Total assets	2,250.9	1,772.0
Current liabilities		
Trade and other payables	193.1	139.2
Borrowings	373.3	55.9
Derivative financial instruments	37.7	69.3
Other financial liabilities	0.2	0.2
Current tax liabilities	70.1	9.1
Provisions	43.7	36.8
Total current liabilities	718.1	310.5
Non-current liabilities		
Borrowings	121.8	114.2
Derivative financial instruments	0.9	7.8
Other financial liabilities	0.7	1.0
Deferred tax liabilities	34.2	35.3
Provisions	5.3	3.2
Retirement benefit obligations	21.3	17.2
Total non-current liabilities	184.2	178.7
Total liabilities	902.3	489.2
Net assets	1,348.6	1,282.8
Equity		
Contributed equity	1,064.5	1,068.6
Reserves	13.4	15.7
Retained earnings	270.7	198.5
Total equity	1,348.6	1,282.8

35. Investments in associates

(a) Carrying amounts

Company	Principal activity	Ownership interest		Carrying amount	
		2011	2010	2011 \$M	2010 \$M
Allied Mills Australia Pty Ltd ¹	Mixing & milling	60%	60%	123.1	115.6
National Grower Register Pty Ltd	Register management	50%	50%	1.0	0.5
Wheat Australia Pty Ltd	Wheat exportation	33.3%	33.3%	-	-
				124.1	116.1

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

Each of the above associates is incorporated in Australia.

(b) Movements in carrying amounts

	2011 \$M	2010 \$M
Carrying amount at the beginning of the financial year	116.1	106.6
Share of operating profits after income tax	8.5	9.4
Share of other comprehensive income after income tax	(0.5)	0.1
Carrying amount at the end of the financial year	124.1	116.1
Group's share of associate's expenditure commitments, other than for supply of inventories:		
Capital commitments	1.4	0.6
Lease commitments	3.1	2.8
Contingent liabilities	-	-

Summarised financial information of associates:

	Group's share of:			
	Assets \$M	Liabilities \$M	Revenues \$M	Profit \$M
2011	258.7	134.0	269.3	8.5

	Group's share of:			
	Assets \$M	Liabilities \$M	Revenues \$M	Profit \$M
2010	217.5	82.0	266.3	9.4

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

	2011	2010
	\$M	\$M
Profit / (loss) for the year	171.6	80.2
Net (profit) / loss on sale of non-current assets	0.2	-
Dividends received	-	(0.2)
Non-cash employee benefits expense – share based payments	1.3	2.1
Share of (profit) / loss of associate not received as dividends	(8.5)	(9.4)
Depreciation / amortisation	78.5	71.5
Impairment expense	-	3.0
	243.1	147.2
Changes in operating assets and liabilities (net of acquired entity):		
(Increase) / decrease in inventories	25.0	(73.5)
(Increase) / decrease in deferred tax asset	(13.7)	(13.4)
(Increase) / decrease in derivatives	(27.3)	45.9
(Increase) / decrease in receivables	(72.0)	22.9
Increase / (decrease) in trade payables	75.8	(6.8)
Increase / (decrease) in other liabilities	8.5	(53.3)
Increase / (decrease) in provision for income tax	54.8	5.7
Increase / (decrease) in provision for deferred tax liability	0.7	48.7
Increase/(decrease) in defined benefit pension plan liability	(1.8)	(18.3)
Increase / (decrease) in provisions	11.7	4.2
Net cash provided by operating activities	304.8	109.3

37. Earnings per share

	2011 Cents	2010 Cents
Basic earnings per share:		
From continuing operations attributable to owners of the Company	86.7	39.9
From discontinued operations	-	(0.3)
Total basic earnings per share attributable to owners of the Company	86.7	39.6
Diluted earnings per share:		
From continuing operations attributable to owners of the Company	86.6	39.8
From discontinued operations	-	(0.4)
Total diluted earnings per share attributable to owners of the Company	86.6	39.4

	Number of ordinary shares	
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	197,809,493	202,855,084
Adjustment for calculation of diluted earnings per share:		
Performance rights	386,747	650,476
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in the calculation of diluted earnings per share	198,196,240	203,505,560

The weighted average number of ordinary shares used as the denominator in the calculation for the current and prior year has been adjusted for the proportionate change in the number of ordinary shares resulting from the issue of shares at a discount during the year.

	2011 \$M	2010 \$M
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per ordinary share:		
From continuing operations	171.6	80.9
From discontinued operations	-	(0.7)
Earnings used in calculating basic and diluted earnings per ordinary share	171.6	80.2

Information concerning the classification of securities:

Performance rights

Performance rights first granted in 2005 under the GrainCorp Performance Share Rights Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share. Details relating to the rights are set out in the Remuneration Report and note 38.

38. Share based payments

(a) Long Term Incentive Plan (LTIP)

The LTIP was designed to provide longer term focus and alignment to business strategy through performance hurdles of ROE and relative TSR. TSR focuses Executives on delivering returns to shareholders relative to peer companies while ROE (a key focus area for the company) focuses Executives on generating earnings that efficiently use shareholder capital.

ROE has been chosen as an appropriate measure given GrainCorp is asset intensive and improving the performance of its assets is an important strategic objective. ROE was specifically selected by the Board to focus on equity capital management which the Board believes ensures a close alignment to shareholder interests.

The first hurdle is relative TSR measured against a peer group of 100 companies listed on the ASX. Broadly TSR is the growth in share price plus the value of dividends and distributions paid on the relevant shares. The TSR will be measured over a three year period starting on 1 October of the financial year to which the grant relates and ending on 30 September. The percentage of performance rights which vest based on TSR during the performance period if any, will be determined by the Board with reference to the percentile ranking achieved by GrainCorp over the three year performance period compared to the comparator peer group, as follows:

TSR growth – percentile ranking actual performance	TSR tested performance rights that vest
75 th percentile and above	100%
Between 51 st to 75 th percentile	Straight line between 50% and 100%
At or below 50 th percentile	Nil

The Board will set a one year ROE target range ("Target Range") as part of the budgeting process each year in the three year Performance Period. The top end of the target range will be set with regard to the degree of difficulty, and will be considered challenging yet achievable.

The setting of one year targets each year for three years allows the Board to take better account of the particular production conditions for the forthcoming year than is possible using a three year target, which may quickly prove too hard or too easy given the prevailing conditions. This approach also allows the Board to overlay near-term capital management objectives which may diverge from GrainCorp's across-the-cycle gearing strategy (which is to retain conservative gearing not exceeding 25% of core debt). The Board's view is that management should improve ROE across the cycle and achieve ROE in excess of the cost of equity (estimated at 9%) over the three year cycle. However the Board recognises that annual targets should reflect the mix of expected earnings by business, the accounting values that underlie the ROE metric for each business and the particular industry and climatic conditions expected for the year.

The percentage of performance rights which vest based on ROE during the period, if any, will be determined by the Board by reference to GrainCorp's average ROE performance over the three year period against the average of the minimum of the Target Range and the average of the maximum of the Target Range for ROE over the three year performance period, as follows:

ROE actual performance	ROE Performance Rights that vest
At maximum of target range and above	100%
Within target range	Straight line between 50% and 100%
At minimum of target range	50%
Below minimum target range	Nil

The grant-date fair value of the rights granted through the LTIP was measured based on a Monte-Carlo simulation for the TSR component and a binomial tree valuation methodology for the ROE component. The inputs used in the measurement of the fair values at grant date for the grants made in the current financial year included the following:

Grant date	28 February 2011	30 March 2011
Fair value at grant date (TSR)	\$4.91	\$5.18
Fair value at grant date (ROE)	\$6.51	\$6.76
Estimated vesting date	30 September 2013	30 September 2013
Share price at grant date	\$7.37	\$7.62
Volatility	35%	35%
Risk free interest rate	5.00%	4.92%
Dividend yield	4.5%	4.5%

38. Share based payments (continued)

Set out below is a summary of the number of rights granted under the plan

Grant date	Expiry date	Balance at start of year	Granted during year	Exercised during the year	Forfeited during year	Expired during year	Balance at end of year	Exercisable at end of year
2011								
28 Feb 2011	30 Sep 2013	-	221,879	-	(12,500)	-	209,379	-
30 Mar 2011	30 Sep 2013	-	6,663	-	-	-	6,663	-
		-	228,542	-	(12,500)	-	216,042	-

(b) Deferred Equity Plan

Short term incentives awarded to Executives are not paid out in full in the performance year. Rather a significant portion (50% for the Managing Director & CEO and at least 40% for other Executives) is deferred and paid subject to the Executive remaining with the company for subsequent periods. This reflects the Board's desire to encourage retention and ensure Executives are exposed to the GrainCorp share price.

Grant quantum is a deferred proportion of the prior financial year's total STI. The dollar value is converted into the number of rights by dividing it by VWAP of GrainCorp's shares over the 20 trading days after annual results are released. The vesting period is 50% at the end of one year and 50% at the end of two years.

(c) Performance Share Rights Plan (legacy plan)

The Performance Share Rights Plan became operative on 1 October 2004, to provide permanent full time employees of the Group (including Executive Directors) the opportunity to participate in competitive performance based remuneration incentives. No grants were made under the plan in the financial year, and the Company does not intend to make any future grants under this plan.

Under the plan, employees may be granted a number of rights, each right may be converted into one share on the satisfaction of certain performance conditions. The number of rights available to be granted, other than the initial grant, is determined by the following process:

- (a) Base salary multiplied by standard grant LTI value %; and
- (b) Divided by the VWAP for the period 1 September – 30 September.

The initial grant of rights was made on 1 October 2004 and further grants have been made on 1 October 2005, 1 October 2006 and 1 October 2007. The Company does not intend to make future grants under this plan.

There is no amount payable for the grant of a right and there is no exercise price payable on the exercise of a right. Rights may be exercised on the exercise date (being the date on which performance conditions are satisfied). Rights expire (lapse) on the fifth anniversary of the date they are granted. Rights are forfeited if the employee ceases to be employed in the Group.

Rights vest only if certain performance conditions based on growth in the Group's earnings per share and total shareholder return are fulfilled, and the employee continues to be employed in the Group.

The measurement period for the purposes of the performance conditions is in blocks of three financial years, commencing on each grant date. If vesting of the grant of rights is not achieved at the end of the measurement period, re-testing takes place at the end of the fourth and fifth years, and improved performance over the four or five year measurement periods will produce additional vesting.

38. Share based payments (continued)

(c) Performance rights share plan (legacy plan) (continued)

Set out below is a summary of the number of rights granted under the plan.

Grant date	Expiry date	Balance at start of year	Granted during year	Exercised during the year	Forfeited during year	Expired during year	Balance at end of year	Exercisable at end of year
2010								
1 Oct 2006	30 Sep 2011	168,173	-	(68,661)	(83,680)	-	15,832	15,832
1 Oct 2007	30 Sep 2012	159,628	-	-	(16,664)	-	142,964	-
		327,801	-	(68,661)	(100,344)	-	158,796	15,832

The first measurement period for the performance rights issued on 1 October 2006 was the three year period to 30 September 2009. No rights vested as at 30 September 2009 as the performance conditions were not fulfilled for this three year period. Re-testing occurred as at 30 September 2010, at which time 39% of the rights vested. Re-testing of the remaining 61% occurred at 30 September 2011 and a further 11% of the rights vested. The remaining 50% of rights expired on 30 September 2011.

The first measurement period for the performance rights issued on 1 October 2007 was the three year period to 30 September 2010, at which time no rights vested. Re-testing occurred at 30 September 2011, at which time no rights vested. Final testing will occur at 30 September 2012.

(d) Retention Share Plan (legacy plan)

The Retention Share Plan was introduced in the 2009 financial year for eligible employees (including Executive Directors).

Under the plan, eligible employees invited to participate are awarded restricted shares to the value of their prior year's STI award amount received. The shares are purchased on market and held by the plan trustee subject to a three year sale restriction; vesting to the employee on the conclusion of three years service.

The restricted shares are subject to forfeiture in the event that a participant ceases employment within the Group before the end of the restriction period as a result of resignation or termination with cause.

Set out below is a summary of the number of rights granted under the plan to date.

Grant date	Expiry date	Balance at start of year	Granted during year	Exercised during the year	Forfeited during year	Balance at end of year	Exercisable at end of year
9 Dec 09	30 Sep 12	323,955	-	(70,262)	(51,337)	202,356	128,115
15 Dec 10	30 Sep 13	-	252,187	(4,471)	(41,667)	206,049	-

The inputs used in the measurement of the fair values at grant date for the grants made in the current financial year included the following:

Grant date	15 December 2010
Fair value at grant date	\$5.69
Estimated vesting date	30 September 2013
Share price at grant date	\$6.47
Dividend yield	4.5%

38. Share based payments (continued)

(e) Employee share acquisition plan

Under the plan, eligible employees (permanent employees with at least 12 months' service and satisfactory performance), may be offered fully-paid ordinary shares in GrainCorp annually for no cash consideration. The market value of shares issued under the scheme, measured at the weighted average market price on the day of issue of the shares, is recognised in the statement of financial position as contributed equity and as part of employee benefit costs in the period the shares are granted.

Shares vest once granted but employees cannot dispose of the shares until their employment ceases or 3 years after the grant whichever is earlier. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

This plan was suspended on 1 October 2009.

No shares were issued under the scheme during the reporting period (2010: no shares were issued).

(f) Employee exempt share plan, deferred employee share plan and Non-executive Directors' deferred share plan

These salary sacrifice plans enable eligible employees and Directors of the Company to acquire shares in the Company as part of their remuneration. Shares are purchased on market and held in the plans by the plan trustee for the benefit of participating employees subject to holding locks under the plan rules.

Under the employee exempt share plan, the plan trustee purchases as close as possible to (but no more than) \$1,000 worth of shares (as calculated under the tax rules) in December each year. The employee's future cash salary or wages are reduced by \$1,000 spread evenly over a one-year period.

Under the employee and Non-executive Directors' deferred share plans, employees and Non-executive Directors may elect to salary sacrifice a minimum of \$1,000 and up to a maximum of 50% of their pre-tax base wage or salary to acquire shares in the Company in the course of a year. The plan trustee purchases shares each month, at the prevailing market price over a period of up to 5 days, commencing on the 23rd day of each month (or on the next business day).

(e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expenses in the income statement were as follows:

	2011 \$M	2010 \$M
Share-based payments expense	1.3	2.1

39. Events occurring after the reporting period

GrainCorp Limited acquired all of the issued shares in Schill Malz GmbH & Co. KG for the sum of \$80.7 million (€57.8 million) on 4 October 2011. GrainCorp is in the process of completing the relevant business combinations accounting.

Since year end, one of GrainCorp's international futures broker's appointed an administrator. At 31 October 2011 the net value of cash and margin call positions held on GrainCorp's behalf in client segregated accounts was \$29.5 million (30 September 2011: \$6.1 million).

As announced to the ASX, GrainCorp successfully transferred its offshore positions and reset its grain marketing futures with other brokers. While investigations are not yet completed, based on known facts at the date of this report, GrainCorp does not expect to report a materially adverse financial outcome from either the voluntary administration or the resetting of its hedging activities.

Other than reported above, no other matter or circumstance has arisen since 30 September 2011 which has significantly affected or may significantly affect:

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

Directors Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 44 to 121 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 30 September 2011 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 34 will be able to meet any obligation or liabilities to which they are, or may become, subject to by virtue of a deed of cross guarantee described in note 34.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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



D C Taylor
Chairman

Sydney
24 November 2011



Independent auditor's report to the members of GrainCorp Limited

Report on the financial report

We have audited the accompanying financial report of GrainCorp Limited (the company), which comprises the consolidated statement of financial position as at 30 September 2011, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the GrainCorp Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1a), the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion

In our opinion:

- (a) the financial report of GrainCorp Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1a.

Report on the Remuneration Report

We have audited the remuneration report included in pages 24 to 41 of the Directors' report for the year ended 30 September 2011. The Directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of GrainCorp Limited for the year ended 30 September 2011, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in a dark grey font.

PricewaterhouseCoopers

A stylized, handwritten-style signature of 'MK Graham' in a dark grey font.

MK Graham
Partner

Sydney, 24 November 2011

Holdings distribution as at 8 November 2011

Range	Securities	%	No. Of Holders	%
100,001 and Over	157,222,267	79.28	44	0.29
50,001 to 100,000	3,209,332	1.62	46	0.30
10,001 to 50,000	12,296,233	6.20	667	4.37
5,001 to 10,000	9,176,630	4.63	1,279	8.38
1,001 to 5,000	13,315,943	6.71	5,582	36.59
1 to 1,000	3,098,495	1.56	7,637	50.07
Total	198,318,900	100.00	15,255	100.00
Unmarketable Parcels	8,393	0.00	706	4.63

Twenty largest shareholders as at 8 November 2011

Rank	Name	Shares held	Issued Capital
1	HSBC Custody Nominees (Australia) Limited	35,176,012	17.74%
2	National Nominees Limited	32,417,755	16.35%
3	J P Morgan Nominees Australia Limited	28,602,352	14.42%
4	JP Morgan Nominees Australia Limited	12,502,265	6.30%
5	Citicorp Nominees Pty Limited	11,925,045	6.01%
6	Citicorp Nominees Pty Limited	6,794,489	3.43%
7	Cogent Nominees Pty Limited	5,997,749	3.02%
8	AMP Life Limited	4,087,120	2.06%
9	HSBC Custody Nominees (Australia) Limited – A/C 2	2,608,958	1.32%
10	Queensland Investment Corporation	2,133,943	1.08%
11	RBC Dexia Investor Services Australia Nominees Pty Limited	2,023,412	1.02%
12	UBS Nominees Pty Ltd	1,915,390	0.97%
13	UBS Wealth Management Australia Nominees Pty Ltd	1,386,616	0.70%
14	HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,140,814	0.58%
15	Cogent Nominees Pty Limited	1,013,050	0.51%
16	Pacific Custodians Pty Limited	788,426	0.40%
17	CS Fourth Nominees Pty Limited	706,285	0.36%
18	Bond Street Custodians Ltd	459,000	0.23%
19	Catholic Church Insurances Ltd	440,000	0.22%
20	Australian Reward Investment Alliance	416,000	0.21%
Total		152,534,681	76.91%
Balance of Register		45,784,219	23.09%
Grand Total		198,318,900	100.00%

Substantial shareholders

The following organisations disclosed a substantial shareholding notice in GrainCorp Limited by 8 November 2011.

Name	Notice Date	Shares held	Issued Capital
AMP Limited	15 September 2011	11,941,720	6.02%
IOOF Holdings Limited	5 July 2011	11,840,118	5.97%
Deutsche Bank AG	13 October 2011	10,569,582	5.33%
Dimensional Fund Advisors	18 July 2011	9,930,248	5.01%

Voting rights

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

Board of Directors

Don Taylor
(Chairman)

Alison Watkins
(Managing Director & CEO)

Barbara Gibson
(Non-executive Director)

Peter Housden
(Non-executive Director)

Donald McGauchie
(Non-executive Director)

Dan Mangelsdorf
(Non-executive Director)

David Trebeck
(Non-executive Director)

Simon Tregoning
(Non-executive Director)

General Counsel and Company Secretary

Betty Ivanoff

Registered Office

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175 Liverpool Street
Sydney NSW 2000

Tel: + 61 2 9325 9100
Fax: + 61 2 9325 9180

Company website

www.graincorp.com.au

Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Tel: +61 2 8280 7111

