



Company Announcement

GrainCorp Limited ABN 60 057 186 035

Date: 15 November 2012
To: Announcements
Company Announcements Office
Australian Securities Exchange

APPENDIX 4E AND ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2012

Please find attached the Appendix 4E and Annual Report relating to the financial year ended 30 September 2012.

Yours sincerely,

A handwritten signature in black ink, appearing to read "A. Horne", is placed above the name of the signatory.

Andrew Horne
Company Secretary

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GRAINCORP LIMITED
APPENDIX 4E
FOR THE YEAR ENDED 30 SEPTEMBER 2012

Results for Announcement to the Market				
	Up / Down	Movement %		2012 \$ M
Revenue from ordinary activities	Up	20.0	to	3,329.4
Profit before significant items from ordinary activities after tax attributable to members	Up	19.4	to	204.9
Significant items ⁽¹⁾ from ordinary activities net of tax	n/a	n/a		-
Profit from ordinary activities after tax attributable to members	Up	19.4	to	204.9
Net profit for the period attributable to members	Up	19.4	to	204.9

Dividend Information	Amount per security	Franked amount per security at 30% tax
Interim dividend per share (paid 20 July 2012)	15.0 cents	15.0 cents
Interim special dividend per share (paid 20 July 2012)	15.0 cents	15.0 cents
Final dividend per share	20.0 cents	20.0 cents
Final special dividend per share	15.0 cents	15.0 cents
Record date for determining entitlements to the final dividend		3 December 2012
Payment date for final dividend		17 December 2012

Additional Information

Net Tangible Assets per share: \$5.79 (2011: \$5.05)

Additional Appendix 4E disclosure requirements can be found in the attached Financial Report.

This report is based on the consolidated financial statements and notes which have been audited by PricewaterhouseCoopers.

1. GrainCorp defines significant items as not in the ordinary course of business, non-recurring and material in nature and amount. Significant items are shown in Note 7 in the Financial Report.

Further information regarding the company and its business activities can be obtained by visiting the company's website at www.graincorp.com.au.

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

Annual Report

30 September 2012



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About GrainCorp

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 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, an international portfolio of malt businesses from United Malt Holdings in 2009, Schill Malz in October 2011 and edible oils businesses Gardner Smith and Integro Foods in October 2012. 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.

Australia's leading agribusiness

We are Australia's leading agribusiness, with integrated end-to-end grain handling and processing assets in Australia and overseas. By connecting local and global consumers to grain growers, we play an important role in the international grain supply chain. Specifically we:

- Handle 75% of eastern Australia's grain crop through direct receivals at either our country sites or port terminals.
- Handle 90% of eastern Australia's bulk grain exports.
- Market 35% of eastern Australia's grain to overseas consumers and 25% to domestic consumers.
- Produce 40% of Australia's crude canola oil and Australasia's refined edible oils.
- Produce 35% of Australia's flour.¹
- Produce 35% of Australia's malt.

Our strong Australian presence is complemented by our growing international reach, where we:

- Are the world's 4th largest commercial maltster with operations in Canada, USA, UK and Germany.
- Are a leading edible oil refiner in New Zealand.
- Have a growing grain Marketing platform with a presence in the UK, Europe, Canada and Asia.
- Own and operate a leading bulk liquid terminal portfolio with terminals in New Zealand and a presence in China.

Our corporate objectives

We aim to:

- **Improve shareholder returns** by creating and capturing value along the grain supply chain.
- **Manage earnings variability** by participating in multiple grain chains and geographies.
- **Grow** to realise opportunities and be competitive in the global grain market.

We have made significant achievements in meeting these corporate objectives through:

- Total shareholder returns ("TSR") of 36% in the 12 months to 30 September 2012.
- Dividends to shareholders representing 66% of earnings during the last three years, above our dividend policy range of 40-60% through the business cycle.
- Delivering an average return on equity ("ROE") of 11.3% over the last three years including 14.4% in the 12 months to 30 September 2012.
- Reducing earnings volatility with around half our pro-forma EBITDA, including GrainCorp Oils, now generated outside of grain storage, handling and marketing activities.

¹ Through Allied Mills, 60% owned by GrainCorp.

- Increasing earnings per share from 39.6 cents in 2010 to 102.6 cents in 2012.
- Organic and acquisitive growth, supported by a strong and prudent balance sheet, driving the company's market capitalisation from \$100 million 20 years ago to more than \$2 billion, enabling the company to enter into the S&P/ASX100.
- Creating two new processing businesses during the last three years – GrainCorp Malt and GrainCorp Oils.

Our business model

We operate a business model based on:

- **Three core grains** – wheat, barley and canola. We focus on the 'drier climate' grains where we have comparative advantages of grain origination, freight differentials and technical expertise.
- **Three integrated grain activities** – Storage & Logistics, Marketing and Processing. We create and capture value in our core grains along the grain chain, with insight into consumer requirements in these grains.
- **Three operating geographies** – Australasia, North America and Europe. These regions collectively service over 50% of the global trade in our core grains; providing market insight, price risk management and multi-origin capability.

Creating value

We create and capture value for consumers, growers and shareholders from the following competitive advantages:

- **Strategic assets** – our unique "end-to-end" infrastructure network at all stages of the grain chain in our three core grains.
- **Freight advantage** – Proximity to the world's growth markets for grain in Asia, Middle East and Africa.
- **Grain origination** – Access to grain with strong quality advantages to satisfy a diversified range of consumer products:
 - Wheat → dry, clean, mid-high protein, white with high flour extraction. Ideal for use in Asian noodles and Arabian flat bread markets.
 - Barley → dry, clean with desirable characteristics. Ideal for use in Chinese malt and Middle Eastern feed markets.
 - Canola → desirable oil content.

Creation of GrainCorp Oils

In August 2012, we announced the \$472 million acquisition of Gardner Smith and Integro Foods. Upon completion in October 2012, we combined the two complementary businesses to form GrainCorp Oils, a leading integrated Australasian edible oils business, comprising:

- **Gardner Smith** – Australia's second largest oilseed crusher with approximately 300,000 tonnes of capacity at three locations, and operator of bulk liquid port terminal facilities with approximately 200,000m³ of storage capacity at 13 locations. Gardner Smith also operates complementary used oil recycling and animal feed businesses in Australia and New Zealand.
- **Integro Foods** – Australia and New Zealand's largest refiner and packager of edible fats and oils, with approximately 300,000 tonnes of capacity at three locations.

GrainCorp Oils is a compelling strategic fit with our business because it strengthens our integrated grain supply chain model by:

- Its natural extension of our soft commodity procurement and supply chain management capability.
- Combining Gardner Smith and Integro Foods, forming a natural fit between canola crushing and edible oil refining.
- Leveraging complementary activities from bulk liquid terminals for the export and import of crude edible oils, used edible oil collection, protein meal and stockfeeds.

Financial Summary

RESULTS SUMMARY

Business Drivers (million metric tonnes)	2008	2009	2010	2011	2012
Grain carry-in	1.2	2.2	2.9	2.6	6.0
Country network grain receivals	5.8	9.6	7.4	14.9	12.2
Grain received at port ex-farm and from other bulk handlers	0.7	1.1	1.0	2.3	3.0
Grain exports handled	1.0	5.2	3.5	8.1	10.6
Domestic outload	4.7	4.9	5.2	5.7	6.3
Grain carry-out	2.2	2.9	2.6	6.0	4.3
Grain throughput	9.0	16.9	13.9	24.1	28.5
Marketing sales (including Pools)	3.1	3.6	3.3	5.5	6.9
GrainCorp international grain sales	0.6	1.5	1.1	2.7	4.4
Non-grain exports	2.1	1.3	1.4	1.5	1.8
Malt sales (2010 reflects 10.5 months trading only)	-	-	0.9	1.1	1.3

Key Results (\$ M)	2008	2009	2010	2011	2012
Revenue	1,534.2	1,725.5	2,002.9	2,776.8	3,329.4
Adjusted EBITDA ²	51.3	160.2	211.5	349.6	413.9
Adjusted EBIT ³	11.1	117.9	140.0	271.1	322.7
Net profit / (loss) after tax	(19.9)	63.2	80.2	171.6	204.9
Dividend (cents per share) ⁷	-	7.3	30.0	55.0	65.0

Segment Results (\$ M)	2011 Revenue	2011 Adjusted EBITDA ²	2012 Revenue	2012 Adjusted EBITDA ²
Storage & Logistics	742.8	194.7	804.6	249.7
Malt	867.8	98.7	945.1	117.1
Marketing	1,406.3	70.0	1,890.8	63.1
Allied Mills (60% share of NPAT)	-	8.2	-	9.7
Corporate, head office, eliminations and other	(240.1)	(22.0)	(311.1)	(25.7)
Total	2,776.8	349.6	3,329.4	413.9

Financial Position		2008	2009	2010	2011	2012
Total assets	\$ M	1,098.3	1,083.8	2,130.2	2,635.2	2,840.3
Total equity	\$ M	436.1	693.8	1,282.6	1,372.7	1,540.5
Net assets per ordinary share ⁴	\$	6.78	7.22	6.47	6.92	7.32
Net debt to net debt and equity ⁵	%	50.5	4.4	15.7	19.4	17.5
Core debt to core debt and equity ⁶	%	39.8	(8.2)	3.8	0.6	1.0

Shareholder Returns						
Basic earnings / (loss) per ordinary share	cents	(11.4)	34.1	39.6	86.2	102.6
Return on equity	%	(4.8)	11.2	6.6	13.0	14.4
Dividend per ordinary share ⁷	cents	-	7.3	30.0	55.0	65.0
Dividend yield per ordinary share ^{7,8}	%	-	0.8	4.1	7.6	7.3

² Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, excluding significant items.

³ Adjusted EBIT is earnings before interest and tax, excluding significant items.

⁴ Excludes reset preference shares at nominal value.

⁵ Net debt is total debt less cash.

⁶ Core debt is net debt less Marketing Inventory.

⁷ All dividends were fully franked.

⁸ Using closing price immediately prior to or on 30 September divided by dividends per year.

Board of Directors and Executives

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 and the Business Risk Committee, as well as attending all meetings of the Board Audit Committee, and the Nominations and 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).



Alison M Watkins BCom, FCA, FFin, FAICD *Managing Director & Chief Executive Officer ("CEO")*

Alison Watkins is an experienced CEO and ASX 20 company Board Director, with extensive and international experience in the agriculture, food processing, consumer, retail, financial, and professional services sectors. Ms Watkins attends all meetings of the Nominations and Corporate Governance Committee, 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, CEO of the Bennelong Group, Managing Director of Regional Banking at ANZ, 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 and a Non-executive Director and Chairman of Allied Mills.



Barbara J Gibson BSc, MAICD, FTSE *Non-executive Director*

Barbara Gibson is a member of the Business Risk Committee and of the Nominations and 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. A fellow of the Australian Academy of Technological Sciences and Engineering and in 2003, Ms Gibson received the Centenary Medal for services to the Australian Society in Medical Technology. 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. Mr Housden joined the Board in October 2008. Mr Housden is currently Chairman of Royal Wolf Holdings Limited and a Director of Alliance Aviation Services Limited, and Calibre Group Limited. Mr Housden is a member of the Audit & Risk Committee for the Central Coast Local Health District in NSW. He has been a Director of iSoft Group Limited, Sino Gold Mining Ltd and Clean Seas Tuna Limited.



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

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



Donald G McGauchie AO, FAICD Non-executive Director

Donald McGauchie is Chairman of the Human Resources Committee. Mr McGauchie joined the Board in December 2009 and is currently a Director of James Hardie plc, 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.



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

David Trebeck is Chairman of the Nominations and Corporate Governance 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, a Director of PrimeAg Australia Ltd and an adviser to, and former director of, Maersk Australia Pty Ltd. He is also an ACT divisional councillor of the Australian Institute of Company Directors. Mr Trebeck was formerly a 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 Nominations and 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. He was formerly a Director of Australian Co-operative Foods Limited (Dairy Farmers) and Vice-President of Kimberly-Clark Corporation.

Executive Team

Alistair Bell Group Chief Financial Officer ("CFO")

Alistair Bell was appointed CFO of GrainCorp in November 2010. Mr Bell brings 20 years of finance, strategic and operational planning, treasury, mergers and acquisitions, and private equity international experience from a number of sectors including hard commodities, property, hospitality and travel and telecommunications. He has been a Director of Alzheimer's Australia NSW since 2008.

Nigel Hart Group General Manager Storage & Logistics

Nigel Hart has been with GrainCorp for 14 years and was appointed Group General Manager Storage & 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, Mr Haydon was President of Bairds Malt and has worked extensively in the United Kingdom and North America.

Heather Miles General Manager Corporate Services

Heather Miles was appointed General Manager Corporate Services in November 2010. She is responsible for human resources, company risk, insurance, legal, change and communications, 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. Ms Miles was appointed a Director of LUCRF in June 2012.

Neil Johns *Chief Development Officer*

Neil Johns has been with GrainCorp for 24 years and was appointed to his current position in 2000. He is responsible for corporate strategy, mergers and acquisitions, corporate affairs and investor relations. He has held a number of positions in the company including Trading Manager, Deputy Divisional Manager and Marketing Manager. Mr Johns is a Non-executive Director of Allied Mills and Grain Trade Australia.

Klaus Pamminger *General Manager Marketing*

Klaus Pamminger was appointed General Manager Marketing in August 2012. He joined GrainCorp in 2007 and was previously Trading Manager GrainCorp Marketing. He is responsible for all domestic and international grain and oilseed marketing and trading activities. Before joining GrainCorp, he worked for a number of companies in Australia and the USA.

Sam Tainsh *Group General Manager GrainCorp Oils*

Sam Tainsh was appointed Group General Manager GrainCorp Oils in August 2012. He joined GrainCorp in July 2001 and was previously General Manager Marketing. Before joining GrainCorp, he spent seven years as a commodity trader at Louis Dreyfus Corporation.

Betty Ivanoff *Group General Counsel*

Betty Ivanoff was appointed General Counsel for all the GrainCorp entities in October 2008, and is the Group General Counsel, managing the company's legal affairs across all business units and jurisdictions. Betty is also a member of the Executive Team. Prior to joining GrainCorp, Betty held internal corporate counsel positions with companies including CSR Limited, Walter Constructions and Sinclair Knight Merz.

Corporate Governance Statement

Introduction

This section of GrainCorp Limited's ("GrainCorp" or "the Company") 2012 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 and fosters a culture of ethical behaviour, integrity and respect to protect shareholders' and other stakeholders' interests.

For the year ended 30 September 2012, GrainCorp considers that its governance structure remained consistent with the Corporate Governance Principles and Recommendations first introduced by the ASX Corporate Governance Council in 2003 and last revised in 2010 ("Recommendations"). 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 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 10.

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 strategies, budgets, policies and delegations approved by the Board.

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, CFO, Group General Manager Storage & Logistics, General Manager Marketing, Group General Manager GrainCorp Oils, President & CEO GrainCorp Malt, Chief Development Officer, General Manager Corporate Services and Group 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 2012.

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 on page 20 of the Directors' Report.

The CFO, Group Company Secretary, General Manager Corporate Services, and the Group General Counsel attend each Board Meeting. Other members of the Executive Team and Senior Managers from the business operations 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 on page 5 to 6 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 and maximum number of 10 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

All of GrainCorp's Non-Executive Directors are 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 Group 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 2012, the Nomination and Corporate Governance Committee ("NCGC") 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 NCGC 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, 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 ordinary "arms-length" commercial terms being no more or less favourable than other users of GrainCorp's services. Details of transactions with Directors are shown in Note 30.

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 Group 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 consented to by 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 retire from office and may seek re-election by shareholders at the third Annual General Meeting ("AGM") after their election if they wish to continue in their role. The Constitution also requires that there be an election of Directors at every 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")
- Nominations and Corporate Governance Committee ("NCGC")
- Human Resources Committee ("HRC")

Each Committee is comprised of independent Non-executive Directors with the exception of the BRC. 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.

Details of the Directors' attendance at Committee meetings during the year are contained in the Directors' Report on page 20.

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 NCGC 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 NCGC 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 NCGC 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 NCGC 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.
- 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 NCGC 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 NCGC, assesses whether to endorse the Director's election or re-election by shareholders.

An independent Board Performance Review was conducted during the year ended 30 September 2012 which rated the Board as 'strong'. The reviewer also provided recommendations to further strengthen the Board's effectiveness. It is intended that the review to be conducted for the year ended 30 September 2013 will be a self assessment. An Independent Board Performance review will be done every second year.

i) Nominations and Corporate Governance Committee

The NCGC acts as the "nomination committee" for the Board and 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 NCGC are detailed in its Charter.

The NCGC was formed as a separate Board Committee in February 2012 and is chaired by David Trebeck, an independent Non-executive Director. It also comprises Barbara Gibson and Simon Tregoning who are both independent Non-executive Directors. The NCGC meets separately from the Board with a separate agenda.

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

During the year the NCGC focussed on:

- Implementing the independent Board Performance Review and reviewing Board composition and succession planning.
- Reviewing and recommending the adoption of new NCGC Charter to reflect the current roles and responsibilities of Committee which was adopted by the Board.
- Reviewing the Environmental Stewardship Strategy.
- Reviewing the Sustainability Strategy and Report.
- Reviewing the Community Strategy.
- Reviewing and compliance with the Code of Conduct, Fraud and Corruption Controls, Share Trading and Whistleblower Policies.

A copy of the NCGC'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. Together they 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.
- 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 is 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 providing an inclusive culture aligned to our values.

GrainCorp's customers' and other stakeholders' workforces have become more diverse so GrainCorp aims to mirror this change by better understanding their needs and continuing 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 has approved a Diversity Policy and strategy to increase the diversity of GrainCorp's workforce.

GrainCorp's diversity achievements in 2012

During the financial year under review, the Board and Executive Team continued to implement the three year diversity strategy adopted in 2011. The diversity strategy continues to be a focus for the senior leadership team and includes:

Strategy	Long term outcome	Outcomes in 2012
Building a diverse talent pool, initially focussing 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.	In November 2011, a target was set to increase Women in Management ("WIM") to 25% by 2014. WIM defines the number of women in leadership roles as a percentage of overall leaders. GrainCorp's WIM has held steady since the target was set at 19%. GrainCorp is aiming to improve this and intends to reassess our overall initiatives and implemented strategy to increase focus on gender diversity. <u>Key initiatives undertaken in the last 12 months:</u> - Developed women in operational and leadership roles. GrainCorp sponsored the Australian Regional Women's Conference in May. It was attended by 22 GrainCorp operational leaders and provided additional time for career counselling, networking opportunities, coaching and mentoring with the Managing Director & CEO and senior Executives. - Revised the recruitment criteria to specify that 30% of candidate shortlisted for operational and senior management roles must be women. - Set a target to attract 50% female participation into leadership and talent programs, including our emerging leaders and graduate programs. Two out of six graduates selected were female. They were appointed to operational roles in Storage & Logistics. Of the 19 participants in the emerging leaders pilot program, 10 were female. - Revised the Certificate III in Warehouse Operations traineeship program that attracted six female, and five Aboriginal and Torres Strait Islander trainees out of 36 attendees. - Developed and implemented a sourcing strategy to attract women to operational roles, and created talent pools for regional women. - Ensured that development plans were in place for all women in operational roles.
Enhancing workplace flexibility	A culture which fosters balance between work, life and community.	Implemented in Australian operations a policy and leaders' toolkit for managing flexibility of all genders and ages. A similar policy for international operations is planned for FY13.

Strategy	Long term outcome	Outcomes in 2012
Planning for an ageing workforce	Strong management of the exchange of knowledge and expertise as older employees exit GrainCorp and support of older employees' health and well being.	Continued to develop a long term workforce plan including targets to implement initiatives in early 2013.
Build an indigenous workforce strategy	GrainCorp contribution to the social and economic development of indigenous communities.	- Developed and currently implementing a Reconciliation Action Plan focused on bridging the life expectancy gap of all Australians and Aboriginal and Torres Strait Island people. As an employer of more than 50 Aboriginal people, we are focused on initiatives to build relationships, demonstrate respect and create opportunities for Aboriginal and Torres Strait Island people. - Delivered Australian Employment Covenants.

Diversity strategy benefits 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.
- Enhanced brand awareness as an employer of choice within the sectors in which it operates.

The percentage of women employed in permanent roles across GrainCorp at year end was:

- Board of Directors: 25%
- Executive Team: 38%
- GrainCorp Leadership Group: 6%
- Total GrainCorp workforce: 21%

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), Dan Mangelsdorf 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 5 to 6 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.
- Implementation by the Executive Team of significant findings and recommendations made by the external auditor.

During the year the BAC also focussed on:

- Reviewing and approving an internal audit program for the year ending 30 September 2012 aligned to the Company's risks, monitoring progress against the program and monitoring management's response to the matters identified for improvement or rectification.
- 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. The Independence 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.
- 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 46 of this Annual Report.

GrainCorp's current audit engagement partner, Matthew Lunn, replaced Matthew Graham, who rotated from GrainCorp's audit at the conclusion of the audit of the financial statements and reports for the year ended 30 September 2011 after completing five years as the lead engagement partner on the audit.

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 2012, 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 2012, comply with the relevant accounting standards.
3. GrainCorp's financial statements, and the notes to those statements, for the year ended 30 September 2012 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.

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.
- Ensuring that all stakeholders have equal and timely access to externally available information issued by GrainCorp.
- Its Continuous Disclosure and Financial Markets Communication Policy ("Communication Policy").

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.
- 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 Group 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 or directly through the same online facility. Where a poll is to be taken on a resolution, shareholders, including those who have voted directly 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 2011 financial reports and statements and no questions were directed to the external auditor at the Company's last AGM in February 2012.

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.

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 (the "Policy") 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.
- Articulates the roles and accountabilities for the oversight, governance and management of risk within GrainCorp.

The Statement of 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 the 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

The BRC 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.

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.
- 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 four members, three independent Directors and an independent advisor who is not a member of the Board, but who has the specialised 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 and Ottmar Weiss (Independent Advisor). The Managing Director & CEO, 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.
- Health & safety performance and risks.

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

During the year the BRC focussed on:

- Group safety reporting overseeing the development of new safety performance reports, scorecards and risk management plans.
- Continual review of the Corporate Risk Register, Statement of Risk Appetite and Risk Management Plans produced by the business.
- Reviewing amendments to the Position and Trading Risk Management Policy to accommodate business growth with recent expansion into Canada and Germany.

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 Statement of 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 *Principle 4: Safeguard integrity in financial reporting* on page 14.

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 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.

During the year, GrainCorp also developed an environment strategy, based on our environmental policy. The environment strategy reflects the nature of our business and our role in the grain chain. It sets a clear direction for GrainCorp in its management of environmental risks and stewardship of resources. Based on an environment gap analysis, the strategy outlines the activities and initiatives required to enhance regulatory compliance, address gaps, capitalise on opportunities and improve the appropriate governance, accountability and communication of the strategy during the coming 18 months.

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.
- 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.

During the year the HRC focussed on:

- A review of the performance of the Managing Director & CEO and her direct reports.
- Ensuring that succession plans were updated for the Managing Director & CEO, members of the Executive Team and for other critical roles.
- Undertaking detailed external benchmarking of the remuneration of the Managing Director & CEO, Executives and the Non-executive Directors.
- Reviewing performance of the long term incentive plan to ensure it was delivering its objectives.
- Reviewing and tracking the overall people strategy of the business including recruitment, performance, learning, engagement, development and remuneration.
- Understanding the employee relations environment and trends across the business.

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 25 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 NCGC, regularly reviews GrainCorp's corporate governance framework to ensure it remains effective, compliant with changing requirements and relevant to GrainCorp's increasingly international business.

Directors' Report

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 2012.

Directors

The following people were Directors of GrainCorp during the financial year 2012 and/or up to the date of this report:

D C Taylor (Chairman)
 A M Watkins (Managing Director & CEO)
 B J Gibson
 P J Housden
 D J Mangelsdorf
 D G McGauchie AO
 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 pages 5 to 6 of the Annual Report.

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

Group Company Secretary

Andrew C Horne, BLegS, Grad Dip Leg Prac, Solicitor, FCIS, FCSA, MAICD

Andrew Horne was appointed by the Board on 27 March 2012. Mr Horne is responsible for the Group's corporate governance and compliance. He is also Company Secretary for all GrainCorp subsidiaries in Australia. Mr Horne has 25 years of experience in corporate law, governance and compliance. He was previously Group General Counsel and Company Secretary of the Thakral Holdings Limited Group for 18 years and Legal Counsel and Company Secretary of Tooth and Co Limited.

Mr Horne is a Non-executive Director of Chartered Secretaries Australia Limited (CSA), a member of the ICSA National Council for Australia and Chairman of the CSA NSW Council.

Betty Ivanoff, GradDipLegPrac, LLB

An experienced corporate lawyer, in addition to her continuing role as Group General Counsel, Ms Ivanoff was Group Company Secretary for all relevant entities between 28 September 2011 and 27 March 2012. Ms Ivanoff also served as Group Company Secretary between October 2008 and 22 February 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 12 months to 30 September 2012, and the number of meetings attended by each Director.

Director	Board		Audit Committee		Human Resources Committee		Business Risk Committee		Nominations & Corporate Governance Committee		Other Committees	
	A	B	A	B	A	B	A	B	A	B	A	B
D C Taylor	14	14	~	3 [#]	4	4	4	4	~	4 [#]	~	10
A M Watkins	14	14	~	3 [#]	~	4 [#]	~	4 [#]	~	4 [#]	~	10
B J Gibson	14	11	~	~	~	~	4	3	4	4	~	1
P J Housden	14	12	3	3	~	~	~	2 [#]	~	1 [#]	~	10
D J Mangelsdorf	14	14	3	2	~	~	4	4	~	1 [#]	~	3
D G McGauchie	14	12	~	~	4	4	~	~	~	1 [#]	~	1
D B Trebeck	14	14	1	1	4	4	~	1 [#]	4	4	~	1
S L Tregoning	14	14	3	3	~	~	~	~	4	3	~	1

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.

[#] Attended by invitation.

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:

- Receival, 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.
- Flour milling and mixing services (through investment in Allied Mills).

Review of operations

The Group recorded a net profit after tax ("NPAT") of \$204.9 million for the financial year compared to a profit after tax of \$171.6 million for the previous year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased from \$349.6 million to \$413.9m (statutory EBITDA of \$428.6 million including significant items of \$14.7 million; no significant items in prior year).

Revenue from continuing operations increased 20.0% to \$3,329.4 million (2011: \$2,776.8 million), reflecting strong volumes across the Group coupled with barley gains in Malt and a growing global reach in Marketing.

Total up-country receivals during the year were 12.2 million tonnes (2011: 14.9 million tonnes) with 10.6 million tonnes exported through GrainCorp Ports (2011: 8.1million tonnes). Grain in storage at the beginning of the year was 6.0 million tonnes, an increase from 2.6 million tonnes in the previous year. Grain in storage at the end of the year is 4.3 million tonnes.

Malt sales volumes for the year were 1.3 million tonnes (2011:1.1 million tonnes).

Earnings per share ("EPS")

Basic EPS from continuing operations increased 19.0% to 102.6 cents (2011: 86.2 cents).

Dividends

Since year end the Directors have approved the payment of a fully franked final dividend totalling \$45.6 million and a fully franked special dividend totalling \$34.2 million. This represents the equivalent of a final dividend of 20 cents plus a special dividend of 15 cents per share on issue at the record date of 3 December 2012. The dividends will be paid on 17 December 2012.

Dividend	Date paid	Fully Franked Dividend per share	Total dividend (\$ M)
Final dividend for the year ended 30 September 2012	17 December 2012	20 cents	45.6
Special dividend for the year ended 30 September 2012	17 December 2012	15 cents	34.2

The following dividends on issued ordinary shares of GrainCorp have been paid since the end of the financial year 2011:

Dividend	Date paid	Fully Franked Dividend per share	Total dividend (\$ M)
Interim dividend for the year ended 30 September 2012	20 July 2012	15 cents	29.8
Interim special dividend for the year ended 30 September 2012	20 July 2012	15 cents	29.8
Final dividend for the year ended 30 September 2011	21 December 2011	15 cents	29.8
Special dividend for the year ended 30 September 2011	21 December 2011	20 cents	39.6

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 Integro and Gardner Smith

On 2 October 2012 the Group acquired 100% of Gardner Smith Group ("Gardner Smith"), a leading oilseed crusher and operator of bulk liquid port terminals and Integro Foods, a commercial oilseed business, to create GrainCorp Oils. The combined purchase consideration for the acquisitions was \$472 million. Management is in the process of integrating these businesses into the GrainCorp Oils edible oils business.

Conditional proposal from Archer Daniels Midland Company ("ADM")

On 19 October 2012 the Group received an indicative, non-binding proposal from ADM stating that it was prepared to make an offer to acquire the outstanding shares in GrainCorp at a price of \$11.75 per share in cash, subject to a number of conditions including due diligence, exclusivity and approval by the ADM board.

Likely developments and expected results of operations

The Directors believe that additional information regarding 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 their 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.

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.
- 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 external auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 46 and forms part of this report.

Introduction to remuneration

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, global economic conditions and exchange rates.

In 2010 we revised our remuneration framework to increase the alignment of Executive reward to long term shareholder value. We removed the former Retention Share Plan and put in place the following structure:

1. Fixed remuneration, comprising a base salary and superannuation.
2. Short term incentive, 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.
3. Long term incentive ("LTI"), with Total Shareholder Return ("TSR") and Return on Equity ("ROE") performance hurdles.

The framework was designed to:

- Reward Executives for achieving superior results across a mix of short and long term outcomes they control or influence.
- Require Executives to share in the production and other risks in our business which are difficult or impossible to control, but which need to be mitigated.
- Assist in retaining Executives via a substantial deferred component of remuneration.
- Align Executives' financial success to that of shareholders via equity and performance hurdle based LTIs.

The changes to the framework were outlined in the Remuneration Report for 2010 which was endorsed by shareholders at the AGM in February 2011 and again in February 2012 where the Remuneration Report received a positive 98% vote for adoption. The Board endeavours to provide better information for shareholders each year to assist their understanding. This year's Remuneration Report provides further detail on short term incentives and outcomes, and the ROE component of the LTI.

Financial Year 2012 Remuneration Overview

2012 has been a year of outstanding performance by the Company. This reflects strong leadership and judgment by the Executive team and employees, along with the favourable conditions in the Storage and Logistics, Malt and Marketing businesses. The strong performance has delivered above target short term incentive payments for Executives which are disclosed in the following report, along with information on target setting and how the outcomes link to shareholder value.

Changes to Executives in 2012

On 2 October 2012, GrainCorp acquired two leading oilseed processing businesses Gardner Smith and Integro Foods. The two businesses together create a new business unit called GrainCorp Oils, making GrainCorp a leading integrated edible oils business in Australia and New Zealand.

Sam Tainsh (previously General Manager Marketing) was appointed Group General Manager GrainCorp Oils, and Klaus Pamminger as General Manager Marketing effective 28 August 2012. These changes are included in this report.

Looking forward: Financial Year 2013 Remuneration Overview

As part of GrainCorp's remuneration strategy and governance, the HRC undertakes comprehensive market benchmarking on Director and Executive remuneration against ASX companies of a similar market capitalisation and geographic spread every two years. The HRC commissioned Ernst & Young to complete this benchmarking work and to provide information but not recommendations. The outcomes indicated we had fallen behind market-competitive levels for our senior roles and the Board subsequently approved a number of changes to remuneration for the financial year 2013 which the Board has elected to outline in the 2012 Remuneration Report.

Temporary changes to Remuneration Framework

Due to current takeover speculation and share price volatility, the Board considers it prudent to make temporary adjustments to the Remuneration Framework as it relates to the issue of new grants of equity to the Managing Director & CEO and Executives, to ensure Executive and shareholder interests remain aligned.

In place of issuing performance rights under the Deferred Equity Scheme and the LTI plan, the Board intends to award cash grants under the same terms and conditions as the existing plans. Deferred cash based awards will replace performance rights for one year only and will impact:

1. The short term incentive deferred equity component for financial year 2012.
2. The LTI plan for financial year 2013.

The deferred cash based awards will maintain the same timing, vesting and performance conditions as existing plans. In the event that a Change of Control of the Company occurs, the Board intends to pro-rata the LTI portion of the deferred cash awards subject to both the extent to which performance conditions have been satisfied and the portion of the performance period that has expired at the time a Change of Control occurs.

If the Board considers it appropriate at any time to convert the deferred cash based awards into performance rights to the Managing Director & CEO, it will seek shareholder approval.

The Board is confident this approach will continue to align Executives' interests with those of shareholders, without the challenges of issuing new equity grants. The Board intends to revert to the use of share rights for financial year 2014.

Directors' Report – Remuneration Report

The Remuneration Report provides a summary of GrainCorp's remuneration policy and practice for the financial year 2012 as they relate to GrainCorp Key Management Personnel. The report covers:

1. Remuneration Governance
2. Key Management Personnel
3. Executive remuneration strategy
4. Executive remuneration structure
5. Short term incentives and link to performance
6. Long Term Incentive Plan and link to performance
7. Remuneration summary table
8. Legacy equity plans
9. Details of equity grants made during the year
10. Additional detail regarding performance rights
11. Executive contracts
12. Non-executive Director remuneration
13. Additional non-statutory disclosures
14. Additional statutory disclosures

1. Remuneration Governance

Role of the Human Resources Committee ("HRC")

The 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 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 20. 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 or performance.

In making its decisions, the HRC considers advice from the Managing Director & CEO, other members of management and external advisors, as well as feedback received from investors and shareholders. 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 was again appointed as the remuneration advisor to the company on matters pertaining to Director and Executive remuneration. The appointment terms identify that when undertaking work that involves giving remuneration advice to GrainCorp on Key Management Personnel, Ernst & Young report to the Board via the HRC Chairman.

Throughout the year Ernst & Young provided remuneration benchmarking data for Non-executive Directors, the Managing Director & CEO and Executives. This was in addition to implementation and tax advice in relation to share plans, assistance with the preparation of remuneration reports and other general remuneration advice and market practice. No remuneration recommendations were provided by Ernst & Young during the year.

2. Key Management Personnel

GrainCorp has determined Key Management Personnel to be the Directors, Managing Director & CEO and selected members of the Executive Team.

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
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
Executives	
S A Haydon	President & CEO, GrainCorp Malt
N P Hart	Group General Manager Storage & Logistics
S J Tainsh	General Manager Marketing (1 October 2011 to 27 August 2012) Group General Manager GrainCorp Oils (appointed 28 August 2012)
K Pamminger	General Manager Marketing (appointed 28 August 2012)
A G Bell	Group Chief Financial Officer
A N Johns	Chief Development Officer
H L Miles	General Manager Corporate Services

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 of 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

Background

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 four years, involving regulation and the entry of overseas based grain traders, and a number of ASX listed and private agribusinesses having been acquired by overseas companies.

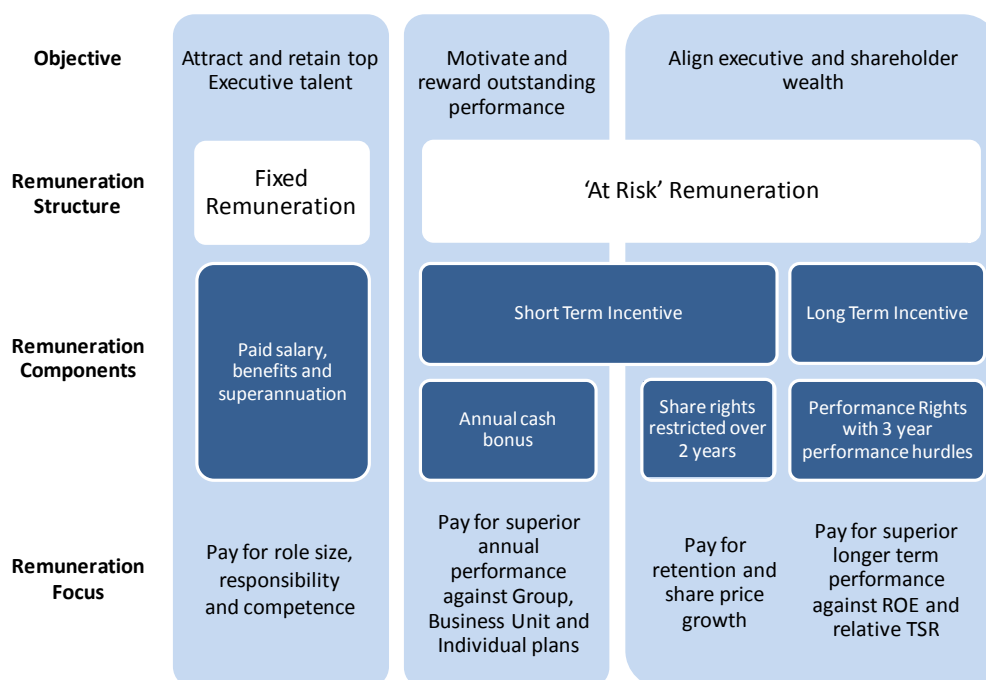
GrainCorp is managing the effect of production variability through broadening its involvement along the grain chain. The addition of Allied Mills in 2002, GrainCorp Malt in 2009, the growth of GrainCorp Marketing and the creation of GrainCorp Oils via the acquisitions of Gardner Smith and Integro Foods in October 2012, gives the Group a significant international presence in other major grain markets, access to multiple earnings streams and many future growth options.

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

Remuneration strategy

The objective of the Executive remuneration strategy is to attract and retain Executive talent, motivate and reward outstanding performance and align Executive and shareholder interests. Achieving GrainCorp's business strategy requires a remuneration strategy that balances short term operational earnings and returns with longer term value through underlying earnings growth.

Our remuneration framework shown below provides a mix of Fixed Remuneration and variable 'at-risk' pay to reward performance against short and medium term goals as well as focus on improving longer term share price and return on equity for shareholders.



Remuneration is benchmarked against ASX companies of a similar market capitalisation and geographic spread, with consideration applied to specific roles in peer companies.

GrainCorp's remuneration policy for Executive Fixed Remuneration is to position at the median of the market, with total remuneration through appropriately challenging short and long incentives, providing the opportunity for high performing individuals to earn up to the market 75th percentile. Actual remuneration varies by individual based on competence, experience, performance, value to GrainCorp, as well as internal relativities. Our remuneration policy for Director fees is to position between the median and the 75th percentile, consistent with our Executive remuneration policy.

4. Executive remuneration structure

Remuneration Components

Disclosed Executives are rewarded based on the following remuneration components:

Remuneration component	Purpose
Fixed remuneration	Fixed remuneration rewards the effective 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 performance against the achievement of Board-approved key performance indicators ("KPIs"). The short term incentive is awarded in two components: <i>Cash</i> – A percentage of no more than 60% of short term incentive to be paid annually in cash. <i>Deferred equity plan</i> – A deferred component whereby at least 40% of short term incentive is 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.

2012 Executive Pay Mix

Executives have different proportions of remuneration that are fixed versus variable. The HRC reviews the competitiveness and appropriateness of GrainCorp's remuneration structure and made some refinements to the 2012 pay mix, following the removal of the Retention Share Scheme in 2010, as follows:

- A step-up in the proportion of remuneration 'at risk' for each Executive with the LTI component increasing from 11% to 20% of Target Total Remuneration ("TTR").
- The Managing Director & CEO's remuneration mix remained unchanged, although the short term incentive maximum percent payable was increased from 140% to 150% of fixed remuneration.

The Managing Director & CEO's remuneration mix is made up of one-third Fixed Remuneration, one-third short term incentive and one-third long term incentive. For disclosed Executives running a Business Unit the target short term incentive is 31% of their TTR and for functional Executives 27%. All Executives have 20% of their TTR as long term incentive, with the exception of Klaus Pamminger who was not eligible for a 2012 long term incentive grant.

Name	Fixed remuneration	Short term incentive ⁹	Long term incentive ¹⁰
Executive Directors			
A M Watkins	33%	33%	33%
Executives			
S A Haydon	49%	31%	20%
N P Hart	49%	31%	20%
S J Tainsh	49%	31%	20%
K Pamminger ¹¹	61%	39%	
A G Bell	53%	27%	20%
A N Johns	53%	27%	20%
H L Miles	53%	27%	20%

⁹ Includes cash and deferred components.

¹⁰ Face value of awards at grant date.

¹¹ Not eligible for a long term incentive grant during the financial year given appointment as an Executive on 28 August 2012.

5. Short term incentives and link to performance

The short term incentive has a cash-based component and a deferred component reflecting achievement of KPIs for GrainCorp, the Business Unit (where applicable) and the individual. KPI targets and weightings are determined each year for each Executive, considering the role, the annual business plan and strategic plans. The KPI weightings are based on a balanced scorecard and vary depending on the Executive's role. Financial weightings vary from 30% to 50% of the target short term incentive, with 10% to 15% allocated to safety and the balance spread across areas such as customer, people, strategic, regulation and external objectives.

The Board approves the KPIs for the Managing Director & CEO at the beginning of the performance year, the achievement against each KPI at the end of the performance year and the associated short term incentive payments. The Managing Director & CEO assesses and recommends Executive KPIs and associated short term incentive payments. These are then approved by the HRC to ensure consistency and alignment to the Group's performance as a whole.

Detail regarding short term incentive outcomes

Executives have different target short term incentives as a percentage of their Fixed Remuneration depending on their role and overall performance. For achievement of target performance, the short term incentive for the Managing Director & CEO is equivalent to 100% of Fixed Remuneration, Executives who manage a line of business 63.75% of Fixed Remuneration and functional Executives 51% of Fixed Remuneration.

Executives can earn additional short term incentive for 'above target' performance. The maximum opportunity available for the Managing Director & CEO is 150% of Fixed Remuneration, Executives who manage a line of business 127.5% of Fixed Remuneration, General Manager Marketing 160% of Fixed Remuneration and functional Executives 102% of Fixed Remuneration. Achievement of the maximum amount would be unusual given the Board's approach to setting a range of stretch objectives.

Short term incentive targets and outcomes

The table below shows typical KPIs across the Group and the performance against these for financial year 2012. 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.	Exceeded
Safety	- Improve Lost Time Injury Frequency Rate on previous year. - Zero fatalities. - Deliver personal initiatives and leadership on safety.	Met
Customer	- Continue to build grower and end consumer relationships. - Create value through more integration across the supply chain. - Improve supply chain performance for exporter customers.	Met in majority of cases
People & Organisational Capability	- Improve employee engagement. - Develop talent and more successors for critical roles.	Exceeded
Strategic	- Improve competitive position to build a strong future for GrainCorp. - Strengthen international position and diversification.	Exceeded
Regulation & External	- Build sustainability, brand and regulatory relationships. - Manage internal operations to a high industry standard.	Exceeded

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

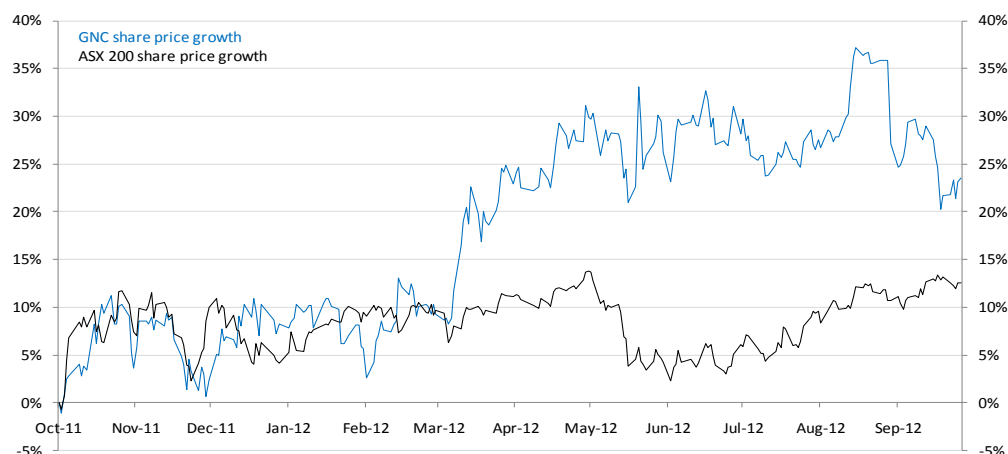
Financial:

- All parts of the business finished well above budget during the year for both earnings before interest, taxes, depreciation and amortisation ("EBITDA") and NPAT on the back of strong earnings from both GrainCorp's grain and processing businesses and continued focus from the Executive team on driving value from all points along the grain chain.
- Despite the disruption of rain and flood damage that impacted Country Operations (within Storage and Logistics), the year benefited from a very good crop and subsequent above budget performance in receival volumes and exports from our ports. Profits also benefited from improved operational capability, cost efficiency initiatives and capturing opportunities in a stronger pricing environment.
- Malt continues to experience processing margins below the long term industry average, driven by the tough environment in mature beer markets. Despite this, EBITDA increased significantly over the same period last year as a result of higher sales from our Canadian, UK and US operations and a continued focus on capturing value through barley procurement and cost

saving initiatives. Allied Mills enjoyed higher volumes, managed supply chain disruption from prior years flooding well and increased capability in retail products.

- GrainCorp returned a double digit ROE result as we continued to focus on improving the performance of our assets.
- Our cash flow position was strong and well above budget due to strong earnings and a renewed focus on collections.
- In the 12 months to 30 September 2012, GrainCorp's share price outperformed the ASX200. GrainCorp closed at \$8.96, or 24% higher, while the ASX200 finished the year 13% higher. GrainCorp paid a final year fully franked dividend of 20 cents per share plus a 15 cents per share special dividend, in addition to a fully franked interim dividend of 15 cents per share plus a 15 cents per share special dividend.

GrainCorp 12 month share price growth vs. ASX200



- As required by the Corporations Act, the below table summarises GrainCorp's five-year earnings, share price and dividends of the Group.

	2012	2011	2010	2009	2008
Share price at 30 September (\$)	8.96	7.20	7.24	9.04	8.00
Total dividends paid per share (cents)	65.0	55.0	30.0	7.3	-
Basic earnings per share (cents)	102.6	86.2	39.6	34.1	(11.4)
Profit attributable to owners of GrainCorp Limited (\$ M)	204.9	171.6	80.2	63.2	(19.9)

Safety:

- The Executive team has shown strong leadership in driving a step change in safety through both global and business unit initiatives.
- GrainCorp achieved its goal of a 20% reduction in Lost Time Injury Frequency Rate during the financial year.
- This result has been achieved by significant investment in behavioural and awareness training, improvements to plant and equipment quality, increased calibre of senior safety professionals and a focus on safety assessments and fatal risk identification.
- These initiatives have resulted in an increase in the number of injuries being reported. Further reductions in Lost Time Frequency Rate will continue to be an area of focus for the Executive Team next year.

Customers:

- Storage & Logistics took in significant volumes during the year (more than 12 million tonnes in receivals) and exported record levels through the Ports network (in excess of 10 million tonnes in bulk & container exports).
- To maximise receivals and to build stronger relationships with exporters, customer initiatives included the successful implementation of truck slotting, upgraded GrainTransact rail, wagon loading optimisation and securing additional capacity at port terminals. These results were achieved despite supply chain constraints such as the disruption to rail and accumulation caused by the significant flooding across NSW in February and March. Record exports also created some supply chain disruptions at our ports for our customers which are a focus for improvement in financial year 2013.
- We invested in the country network to improve receipt efficiency and intake speeds for growers for the coming season such as the purchase of new generation mobile stackers and improvements to in and out-load infrastructure at high volume sites.

- Malt's global customers have responded well to our delivery of an integrated offering, with increased collaboration between Malt and Storage & Logistics on barley accumulation, and Malt and Marketing (Hamburg) working together on grain price management. Common global processes were developed across the Malt businesses and operations. Customer excellence projects were identified and prioritised for 2013 implementation.
- Marketing volumes were high during the year with 6.9 million tonnes sold, including pools. The team managed the risk well to capture opportunities for customers in a volatile market, including higher wheat prices in Europe due to crop concerns and a rally in US corn futures as drought continued to affect corn yields. Relationships with customers deepened with some new and renewed agreements implemented during the year.
- The successful set up of a Singapore service office and the new Hamburg and Calgary Marketing offices continue to grow our international presence, market intelligence and multi-region procurement capability for customers.
- Areas of focus in 2013 are our domestic, export and global customer relationships – through further account and supply chain planning to enhance the value GrainCorp provides along the grain chain.

People and organisational capability:

- During the past 12 months, employee engagement increased, as measured by Hewitt's engagement survey, improving the engagement score from 55% to 60%. The GrainCorp Leadership Group comprised of our 70 most senior leaders increased from 77% to 86%. Both these scores are the highest results achieved since GrainCorp began using the Hewitt's engagement survey in 2010.
- We invested in strengthening our senior leadership teams with a number of successful external appointments and internal promotions, a growing international mobility program, a frontline leaders program and a program of assessment and development of our 70 most senior leaders.
- We put a greater focus on performance management through applying a global review cycle for performance and remuneration. This has improved the quality of individual and team KPIs and produced greater differentiation in performance and reward outcomes, thereby building a stronger culture of accountability and recognition.
- We continued our focus on diversity with a successful launch of the Reconciliation Action Plan, increased employment of Aboriginal and Torres Strait Islander people, and development of women in operational roles.
- We implemented a new learning system (Learning@GrainCorp) and delivered 18 online safety programs, a revamped Code of Conduct and induction module, along with access to an increasing number of self serve development programs.
- We made significant structural and cultural improvements within the Malt business to move towards a more integrated global organisation.

Strategic:

- We implemented identified "gamechangers" and further developed our longer term corporate strategy. Marketing and Storage & Logistics teams each developed three year strategies including initiatives to improve supply chain planning, customer management and a global risk management and trading platform.
- We acquired Norton Organic, a leading UK organic feed and foodstuff company, to extend the European seed and organics business.
- Malt delivered cross-border operational improvements, a more integrated global offering to customers and an extension of a craft sector into UK.
- We successfully integrated Schill Malz and the West Australian malt businesses.
- We continued to focus on improving normalised earnings, return on capital employed and return on equity including rigorous project management and benefit tracking. We acquired two leading oilseed processing businesses, Gardner Smith and Integro Foods, making GrainCorp Oils a leading integrated edible oils business in Australia and New Zealand, as well as delivering a successful capital raising.

Regulation & external:

- We have increased GrainCorp's profile as the leading Australian agribusiness with a voice on industry issues such as food security and infrastructure.
- We improved shareholder reporting on sustainability, including safety, community, people and the environment.

Linking Executive team performance and short term incentive outcomes

The short term incentive payments for 2012 reflect the strong achievements by the Company and of individual Executives against the balanced scorecard of targets. The table below shows the percentage of short term incentive payments awarded and forfeited for disclosed Executives. For the purpose of this analysis, maximum is expressed at 100% and 50% represents target for Executives (excluding Executive Director).

Name	Short term incentive	
	Paid / Award %	Forfeited %
Executive Director		
A M Watkins	93%	7%
Executives		
S A Haydon	69%	31%
N P Hart	78%	22%
S J Tainsh	89%	11%
K Pamminger ¹²	72%	28%
A G Bell	86%	14%
A N Johns	88%	12%
H L Miles	80%	20%

Short term incentive deferred equity component:

Short term incentives awarded to Executives are paid in cash and deferred equity. 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.

For short term incentive payments relating to financial year 2012, as outlined in the Introduction to Remuneration, the Board intends to grant deferred cash awards instead of deferred equity, under the same terms and conditions as the existing plan outlined below. The Board intends to revert to the use of share rights for financial year 2014.

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 and clawbacks	- 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. The Board may alter the allocation of or entitlement to unvested rights at any time prior to vesting where in the Board's opinion an event or circumstance has arisen or may arise, which should be taken in to consideration and could impact the assessment of performance, such as short term incentives being incorrectly calculated. The Board may also alter unvested rights at any time prior to vesting if it becomes apparent that any activity was conducted beyond the Company's approved or delegated limits or approvals, outside of policy or delegation, or where fraudulent or inappropriate activity has occurred.
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.

¹² Reflects short term incentive paid for performance between 28 August 2012 and 30 September 2012.

Element	Description
Change of control	In the event of a change of control, any unvested rights will vest unless the Board determines that the circumstances surrounding the change of control warrant a different treatment (including, without limitation, whether equivalent awards are offered by the acquiring entity). Rights which do not vest on a change of control will lapse.

6. Long Term Incentive Plan and link to performance

The Long Term Incentive ("LTI") plan is designed to provide longer term focus and alignment to business strategy and shareholders through performance hurdles of ROE and relative TSR. TSR focuses Executives on delivering returns to shareholders relative to peer companies, while ROE focuses Executives on generating earnings that efficiently use shareholder capital.

ROE has been chosen as an appropriate measure because GrainCorp is asset intensive; improving the performance of its assets is an important strategic objective, and to focus Executives 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 irregular outcomes, which might result given the earnings volatility within the agricultural cycle and the need to reinvest in and reshape its assets for productivity and growth.

As outlined in the Introduction to Remuneration, the Board intends to grant a deferred cash award instead of performance rights for the coming financial year 2013 only. The deferred cash based awards will maintain the same timing, vesting and performance conditions as the LTI plan, but avoid the challenges of issuing equity grants at this time of takeover speculation. This applies to all recipients of the LTI plan, including the Managing Director & CEO. If a Change of Control of the Company occurs, the Board intends to pro-rata the LTI deferred cash award subject to both the extent to which performance conditions have been satisfied and the portion of the performance period that has expired at the time the Change of Control occurs.

The Board intends to revert to the use of share rights for financial year 2014.

The existing LTI 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. - Vesting of performance rights are subject to meeting certain performance conditions and hurdles split: 50% relative 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. No discounts to reflect the expected probability of vesting are applied. - No dividends are payable on unvested rights.
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 based on 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:

Element	Description																																										
	<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	75th Percentile and above	100%	Between 51st to 75th percentile	Straight line between 50% and 100%	At or below 50th percentile	Nil																																		
TSR growth – percentile ranking actual performance	TSR tested performance rights that vest																																										
75th Percentile and above	100%																																										
Between 51st to 75th percentile	Straight line between 50% and 100%																																										
At or below 50th percentile	Nil																																										
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 sets a one year ROE target range ("Target Range") as part of the budgeting process each year in the three year performance period. - The percentage of performance rights which vest based on ROE during the period, if any, is 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><tr><th>ROE actual performance</th><th>ROE tested performance rights that vest</th></tr><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%</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></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%	At minimum of Target Range	50%	Below minimum of Target Range	Nil																																
ROE actual performance	ROE tested performance rights that vest																																										
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Within Target Range	Straight line between 50% and 100%																																										
At minimum of Target Range	50%																																										
Below minimum of Target Range	Nil																																										
ROE target setting	- 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 core debt gearing not exceeding 25%), and to factor in the impact of acquisitions. - The chart below shows GrainCorp's annual and rolling three average ROE since financial year 2000, highlighting the variability of agribusiness returns, the impact of acquisitions and capital raisings, and the need to set targets that reflect the conditions in a given year to be meaningful. For example, it shows a range of annual ROE performance since 2007 from -4.9% to 14.4%. In three of the past six years ROE was less than 10 percent. - While our business is now more diversified following the Malt acquisition and more recently Gardner Smith and Integro Foods, environmental conditions continue to be a critical factor in our earnings, specifically in eastern Australia. - The Board's view is that management should improve ROE across the agricultural cycle, recognising there may still be individual years, or even three year periods where returns may decline from the prior period. Annual ROE (%) and Rolling 3 yr avg ROE <table><thead><tr><th>Year</th><th>Annual ROE (%)</th><th>Rolling 3 yr avg ROE (%)</th></tr></thead><tbody><tr><td>2000</td><td>24.0</td><td>21.0</td></tr><tr><td>2001</td><td>19.0</td><td>20.5</td></tr><tr><td>2002</td><td>17.0</td><td>21.0</td></tr><tr><td>2003</td><td>-6.0</td><td>10.0</td></tr><tr><td>2004</td><td>7.0</td><td>6.0</td></tr><tr><td>2005</td><td>3.0</td><td>2.0</td></tr><tr><td>2006</td><td>7.0</td><td>6.0</td></tr><tr><td>2007</td><td>-4.9</td><td>1.0</td></tr><tr><td>2008</td><td>-4.9</td><td>1.0</td></tr><tr><td>2009</td><td>11.0</td><td>3.0</td></tr><tr><td>2010</td><td>6.0</td><td>6.0</td></tr><tr><td>2011</td><td>13.0</td><td>10.0</td></tr><tr><td>2012</td><td>14.4</td><td>11.0</td></tr></tbody></table>	Year	Annual ROE (%)	Rolling 3 yr avg ROE (%)	2000	24.0	21.0	2001	19.0	20.5	2002	17.0	21.0	2003	-6.0	10.0	2004	7.0	6.0	2005	3.0	2.0	2006	7.0	6.0	2007	-4.9	1.0	2008	-4.9	1.0	2009	11.0	3.0	2010	6.0	6.0	2011	13.0	10.0	2012	14.4	11.0
Year	Annual ROE (%)	Rolling 3 yr avg ROE (%)																																									
2000	24.0	21.0																																									
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2004	7.0	6.0																																									
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2007	-4.9	1.0																																									
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2010	6.0	6.0																																									
2011	13.0	10.0																																									
2012	14.4	11.0																																									
	The Board takes the following business drivers into account when considering the annual budget and																																										

Element	Description
	setting the annual ROE target in November each year: - The mix of expected earnings by business area. This is based on the estimated production and market conditions for the forthcoming year for harvest volumes, receivables, export demand, malt contract sales, local and global trading environments, and the industry and climatic conditions expected for the rest of the year. - Consensus from external analysts covering GrainCorp in the November period. - External market forecasts such as the Australian Bureau of Agricultural Resource Economics and Sciences ("ABARES") and Australian Crop Forecasters ("ACF"). - The capital investment strategy for the coming year and any impact on the accounting values that underlie the ROE metric. - Historical ROE performance.
Disclosing the ROE target	The ROE target set is generally not disclosed to the market in November as this precedes the usual forecast earnings announcement in February / March. It is the Board's view that releasing the ROE target in advance of a forecast earnings announcement may lead to it being adopted as a proxy for earnings guidance. The ROE target and achievement against target is disclosed in the following year's Remuneration Report.
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.
Change of control	In the event of a change of control, the rights will be tested as to the extent to which the vesting conditions have been satisfied at the time of the change of control as determined by the Board. Any unvested rights will vest accordingly, without being pro-rated as to time, provided that the Board may, in its discretion, determine that a different proportion of unvested rights may vest depending on all of the circumstances surrounding the change of control (including without limitation, whether equivalent awards are offered by the acquiring entity). Rights which do not vest on a change of control will lapse.

Long Term Incentive ("LTI") Plan performance

The LTI plan performance and vesting implications for grants are as follows:

	LTI plan 2011/2012	LTI plan 2010/2011
Grant date:	16 February 2012	28 February 2011 30 March 2011 (President & CEO GrainCorp Malt)
Performance hurdle	TSR and ROE	TSR and ROE
TSR Performance	TSR will not be tested until the end of the three year performance period has been completed (30 September 2014).	TSR will not be tested until the end of the three year performance period has been completed (30 September 2013).
ROE Performance 2010 1st year of LTI plan 2010/2011	Not applicable.	- The ROE Target Range set by the Board for financial year 2010/2011 was between 8.0% 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 ROE target range set was broadly in line with forecasts by external analysts covering GrainCorp in the November 2010 period (9.2%). - Business drivers used in setting the ROE target were validated against external consensus. For example: - Forecast receivals: GrainCorp November 2010 budget (13.4mt) versus November 2010 analyst consensus

LTI plan 2011/2012	LTI plan 2010/2011
	(12.1mt), ABARES September 2010 forecast (12.7mt) and ACF November 2010 forecast (14.8mt). • Forecast exports: GrainCorp November 2010 budget (6.6mt) vs. November 2010 analyst consensus (6.3mt). • ROE performance for financial year 2010/2011 was 13.0%, reflecting above forecast grain receivals (14.9mt) and export volumes (8.1mt). This was combined with the successful execution of operational and pricing strategies to drive increased feed wheat participation, rail productivity, port volumes and Malt sales.
ROE Performance 2011/2012 • 2nd year of LTI plan 2010/2011 • 1st year of LTI plan 2011/2012	• The ROE Target Range set by the Board for financial year 2011/2012 was between 10% and 11% in line with the agreed budget and forecast earnings in November 2011. This target reflected a significant increase on the prior year target (between 8.0% and 8.8%) and was broadly in line with forecasts by external analysts covering GrainCorp in the November 2011 period (11.2%). • Business drivers used in setting the ROE target were also validated against external consensus. For example: • Forecast receivals: GrainCorp November 2011 budget (10.9mt) versus November 2011 analyst consensus (11.3mt), ABARES September 2011 forecast (11.0mt) and ACF November 2011 forecast (10.8mt). • Forecast exports: GrainCorp November 2011 budget (8.4mt) vs. November 2011 analyst consensus (8.0mt). • ROE performance for financial year 2011/2012 was 14.4%, reflecting another harvest result above expectations, stronger performance in receivals (12.2mt), record exports by the Storage & Logistics business (10.6mt) and above budget performance by Marketing and Malt. Stretch performance was driven by the execution of a customer focused growth strategy that included better Malt operational performance and global customer management, and improved customer account and supply chain management across all Business Units. This enabled the company to receive and capture additional value along the grain chain during the financial year. Another year of strong ROE performance. • An annual target has been set by the Board for financial year 2012/2013 in line with the agreed budget and forecast earnings in November 2012.
Implications for vesting	• Vesting based on TSR and ROE is not tested until 30 September 2014. • Vesting based on TSR and ROE is not tested until 30 September 2013.

7. Remuneration summary table

The following table sets out the remuneration for disclosed Executives based on the accounting disclosure requirements. To aid with interpretation of the remuneration table values, which include multiple years' awards, GrainCorp has also provided an "additional information" disclosure which is non-statutory information. 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 short term incentive) 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 first 50% vesting of the financial year 2011 short term incentive deferred equity component).

Total current year vested remuneration is the amount to which the disclosed 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 short term incentive for the current year (cash bonus), plus equity awarded in prior years which has vested in the current year.

Total remuneration from 2011 to 2012 reflects a greater accounting impact of share rights for disclosed Executives, reflecting the second year of operation for both the Deferred Equity Plan and the LTI plan, and the subsequent two years of accounting value. In comparison, financial year 2011 reported one year of accounting value for these plans given the first year of operation.

Please note that the Share Rights column includes the accounting value of the deferred cash based awards, resulting from the temporary change in Remuneration Framework (refer to the Introduction to Remuneration on page 23). This change was implemented subsequent to the year end and under Australian Accounting Standards is deemed to be a 'non-adjusting' event. Thus the deferred cash based award is reflected in the Share Rights column as at 30 September 2012.

Financial year 2012 also saw the first 50% vesting of last year's short term incentive deferred equity component, which has increased the actual vested remuneration for 2012 compared to 2011.

Name	Year	Statutory Information								Additional information		
		Cash salary & fees	Cash bonus ¹³	Non-monetary benefits	Super-annuation	Long service leave	Retirement/ redundancy / separation	Share rights ¹⁴	Total	Less: current year accruals ¹⁵	Add: previously accrued amounts vested in current year ¹⁶	Total current year vested remuneration ¹⁷
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Executive Director												
A M Watkins	2012	1,002	692	38	17	17	-	1,099	2,865	(1,115)	343	2,093
	2011	935	582	31	15	16	-	551	2,130	(567)	-	1,563
Executives												
S A Haydon¹⁸ Appointed 15 Mar 2011	2012	373	199	17	30	-	-	143	762	(143)	56	675
	2011	200	104	2	15	-	-	35	356	(35)	-	321
N P Hart Appointed 8 Nov 2010	2012	408	248	7	18	11	-	233	925	(244)	157	838
	2011	308	228	4	13	9	-	125	687	(134)	118	671
S J Tainsh	2012	400	276	2	28	11	-	356	1,073	(366)	195	902
	2011	342	277	-	26	7	-	227	879	(234)	223	868
K Pamminger Appointed 28 Aug 2012	2012	30	26	-	2	1	-	24	83	(25)	183¹⁹	241
	2011	-	-	-	-	-	-	-	-	-	-	-
A G Bell Appointed 8 Nov 2010	2012	482	251	4	17	8	-	198	960	(206)	72	826
	2011	389	175	5	13	7	-	74	663	(81)	-	582
A N Johns	2012	348	201	21	27	16	-	188	801	(205)	71	667
	2011	313	173	26	21	15	-	116	664	(131)	119	652
H L Miles Appointed 8 Nov 2010	2012	395	204	-	44	7	-	176	826	(184)	74	716
	2011	313	180	-	42	6	-	73	614	(79)	-	535
Former Executives												
B J Griffin Separated 5 Nov 2010	2011	46	14	5	2	-	187	(20)²⁰	234	20	-	254
G J Haskew Separated 3 Dec 2010	2011	65	25	-	4	-	179	10	283	(10)	25	298
R S Porcheron Separated 5 Nov 2010	2011	23	6	6	3	-	119	11	168	(11)	50	207
I Wilton Separated 21 Apr 2011	2011	230	143	4	38	-	113	(50)²⁰	478	50	-	528
TOTAL	2012	3,438	2,097	89	183	71	-	2,417	8,295	(2,488)	1,151	6,958
	2011	3,164	1,907	83	192	60	598	1,152	7,156	(1,212)	535	6,479

¹³ The accounting value of the deferred cash based awards resulting from the temporary changes in Remuneration Framework is reflected in the Share Rights column, refer to page 36.

¹⁴ 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 (LTI Plan and Deferred Equity Plan). It also includes the accounting value of the deferred cash based awards put in place of deferred equity for financial year 2012 (refer to Introduction to Remuneration, page 24 and Remuneration Summary Table narrative on page 36).

¹⁵ The value of current year accruals represents the accounting value for share based payments, deferred cash and long service leave.

¹⁶ The value of previously accrued amounts vested in current year represents long service leave and share based payments vested during the year.

¹⁷ Total current year vested remuneration reverses 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 at year end. The accrual for long service leave is also reversed and the value of vested long service leave is recognised.

¹⁸ Converted from GBP to AUD at the rate of 1.5323 (average rate from 1 October 2011 to 30 September 2012).

¹⁹ Reflects vesting of short term incentive deferred equity earned prior to becoming Key Management Personnel.

²⁰ Share based payments expense includes a credit relating to forfeited rights which have been expensed in prior years.

8. Legacy equity plans

GrainCorp has two legacy plans, the Retention Share Plan and the Performance Share Rights Plan. The Retention Share Plan was discontinued and the last grant made on 15 December 2010. 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 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, and 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 vest early or be subject to forfeiture in the event a participant ceases employment with GrainCorp before the end of the restriction period, as the Board determines. - Disposal restrictions applied to shares post-vesting. - 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 NPAT, 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 vest 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 vesting implications for grants are as follows:

	Retention Share Plan 2010/11	Retention Share Plan 2009/10
Grant date:	15 December 2010	9 December 2009
Performance hurdle:	100% matching of short term incentive.	100% matching of short term incentive.
Status at commencement of the financial year:	Granted based on financial year 2009/2010 short term incentive performance.	Granted based on financial year 2008/2009 short term incentive performance.
Summary of performance:	Not applicable.	Not applicable.
Implications for vesting:	Shares will be fully vested on 30 September 2013.	Shares will be fully vested on 30 September 2012.

Performance Share Rights Plan detail and performance

The Performance Share Rights Plan provided selected eligible employees with 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 2007 award
Performance conditions	100% Earnings per Share ("EPS") growth.
TSR hurdle	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 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 2012.
Summary of performance:	EPS hurdle was not met at 30 September 2012.
Implications for vesting:	The unvested portion of the Performance Share Rights Plan award lapsed.

9. 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 Personnel during the year (the short term incentive deferred equity component and LTI), and details on rights that vested during the year (the first 50% vesting of financial year 2011 short term incentive deferred equity component). The number of ordinary shares issued on the exercise of rights previously granted as compensation is also disclosed.

	Number of rights granted during the financial year 2011/12	Number of rights vested during the financial year 2011/12	Number of ordinary shares issued on exercise of rights during the financial year 2011/12 ²¹
Executive Director			
A M Watkins	206,456	38,281	-
Executives			
S A Haydon	32,895	6,247	-
N P Hart	46,398	11,773	16,418
S J Tainsh	65,436	21,749	21,683
K Pamminger	40,946	20,473	-
A G Bell	40,420	8,056	-
A N Johns	34,795	7,956	16,527
H L Miles	37,744	8,287	-

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.

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.

²¹ Represents shares issued on the exercise of rights which vested on 30 September 2011 (Retention Share Plan and Performance Share Rights Plan).

10. Additional detail regarding performance rights

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

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 in note 38.

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	LTI 2012	129,894	2012	-	-	2014	546
	DEP 2011	76,562	2012	50%	-	2012 and 2013	94
	LTI 2011	146,604	2011	-	-	2013	279
	RSP 2011	16,080	2011	-	-	2013	29
Executives							
S A Haydon	LTI 2012	20,401	2012	-	-	2014	86
	DEP 2011	12,494	2012	50%	-	2012 and 2013	15
	LTI 2011	5,830	2011	-	-	2013	14
N P Hart	LTI 2012	22,853	2012	-	-	2014	96
	DEP 2011	23,545	2012	50%	-	2012 and 2013	29
	LTI 2011	10,416	2011	-	-	2013	21
	RSP 2011	15,031	2011	-	-	2013	21
	PSR 2008	20,974	2008	-	100%	2010-12	-
S Tainsh	LTI 2012	21,938	2012	-	-	2014	92
	DEP 2011	43,498	2012	50%	-	2012 and 2013	54
	LTI 2011	10,277	2011	-	-	2013	20
	RSP 2011	26,157	2011	-	-	2013	37
	PSR 2008	20,974	2008	-	100%	2010-12	-
K Pamminger	DEP 2011	40,946	2012	50%	-	2012 and 2013	51
	RSP 2011	9,118	2011	-	-	2013	13
	PSR 2008	9,112	2008	-	100%	2010 - 2012	-
A G Bell	LTI 2012	24,309	2012	-	-	2014	102
	DEP 2011	16,111	2012	50%	-	2012 and 2013	20
	LTI 2011	12,916	2011	-	-	2013	25
A N Johns	LTI 2012	18,884	2012	-	-	2014	79
	DEP 2011	15,911	2012	50%	-	2012 and 2013	20
	LTI 2011	10,000	2011	-	-	2013	19
	RSP 2011	16,465	2011	-	-	2013	23
	PSR 2008	20,974	2008	-	100%	2010 - 12	-
H Miles	LTI 2012	21,170	2012	-	-	2014	89
	DEP 2011	16,574	2012	50%	-	2012 and 2013	20
	LTI 2011	11,388	2011	-	-	2013	22

LTI: Long Term Incentive Plan

DEP: Deferred Equity Plan of the short term incentive

RSP: Retention Share Plan

PSR: Performance Share Rights Plan

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 which commenced on 30 July 2010, the contract will continue until terminated by either party in accordance with the relevant termination provisions.

The Managing Director & CEO's target remuneration package, reviewed annually, is made up of Fixed Remuneration of \$988,000, \$988,000 of short term incentive (50% paid in cash and 50% offered as rights in the Deferred Equity Plan) and \$988,000 of LTI.

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, LTI plan and Retention Share Plan (legacy plan) will be treated as per the relevant plan rules.

Other Disclosed Executives

All other Executives named in the remuneration tables are employed under common law employment contracts which provide for termination payments capped at the maximum permitted under the Corporations Act without member approval. Terms can be summarised as follows:

All disclosed Executives have contracts of no fixed term.

The contracts may be terminated by either party providing between three and six months' notice to the other. On termination by GrainCorp or in the case of retrenchment, in addition to notice, a severance payment is required by GrainCorp. The manner in which that severance payment is calculated varies between the Executives, but does not exceed 52 weeks total employment cost. 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, LTI Plan and legacy plans (Retention Share Plan and Performance Share Rights Plan) will be treated as per the relevant plan rules.

Leadership changes

On 2 October 2012, GrainCorp acquired two leading oilseed processing businesses: Gardner Smith and Integro Foods. The two businesses together create a new business unit called GrainCorp Oils, making GrainCorp a leading integrated edible oils business in Australia and New Zealand. Sam Tainsh (previously General Manager Marketing) has been appointed as Group General Manager GrainCorp Oils, and Klaus Pamminger as General Manager Marketing effective 28 August 2012.

During the year no Executives departed from GrainCorp.

12. Non-executive Director remuneration

Approach to setting Non-executive Director fees

The HRC reviews Non-executive Director remuneration arrangements annually. Recommendations are then submitted to the Board for its review and approval. Non-executive Directors' annual fees are established based on market data 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.

Maximum aggregate fee pool

Non-executive Directors are paid fees from a maximum aggregate fee pool of \$1.5 million which was approved by shareholders at the February 2012 Annual General Meeting. The increase in the fee pool was to account for the significant change and scope of GrainCorp since the pool was set more than 10 years ago and in order to continue to attract and retain Directors of the calibre suitable for Australia's largest listed agribusiness. The table below outlines the base and committee fees payable to Non-executive Directors as at 1 October 2011. The Chairman does not receive additional committee fees.

Position	Board Base Fees \$	Board Audit Committee Chair Fees \$	Business Risk and Human Resources Committee Chair Fees \$	Corporate Governance Committee Chair Fees \$	Committee Member Fees \$
Chairman	310,000	Nil	Nil	Nil	Nil
Non-executive Directors	95,000	27,100	20,000	16,300	10,900

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.

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

The following table sets out the remuneration for Non-executive Directors.

The change in total remuneration from financial year 2011 to 2012 is due to an increase in fees to move towards the stated policy of paying between the median and the 75th percentile, all Non-executive Directors reporting a full financial year of remuneration, and changes in membership of the Board committees effective 1 March 2012 as part of the rotation of Directors amongst the Board Committees. This included the extraction of the Corporate Governance Committee from the Board to form a separate Board committee, remunerated separately.

Name	Year	Cash salary and fees \$'000	Superannuation \$'000	Total \$'000
D C Taylor ²² – Chairman	2012	268	52	320
	2011	198	49	247
B J Gibson – commenced 1 March 2011	2012	116	10	126
	2011	45	4	49
P J Housden	2012	126	11	137
	2011	101	9	110
D J Mangelsdorf	2012	125	11	136
	2011	91	8	99
D G McGauchie	2012	119	11	130
	2011	91	8	99
D B Trebeck	2012	131	12	143
	2011	96	26	122
S L Tregoning	2012	116	10	126
	2011	76	17	93
TOTAL	2012	1,001	117	1,118
	2011	698	121	819

²² Total remuneration exceeded reported base and committee fees due to the inclusion of an additional payment cycle during the financial year

13. Additional non-statutory disclosure

Financial Year 2013 Remuneration Overview

- The HRC and Board approved a number of changes to remuneration for the financial year 2013 which the Board has elected to disclose in this 2012 report for transparency. These changes were made following a comprehensive market benchmarking review conducted by Ernst & Young which indicated we had fallen behind market-competitive levels and our stated remuneration policy for our senior roles.
- These gaps came about in part because the Company's size and market capitalisation has increased significantly since market benchmarking was last undertaken in 2010 (also by Ernst & Young), from approximately \$1.2 billion to in excess of \$1.8 billion. The full detail of 2013 Key Management Personnel remuneration levels will be outlined in next years' Remuneration Report.

Governance and Approach

Comprehensive remuneration benchmarking data was presented by Ernst & Young to the HRC pertaining to Non-executive Directors, the Managing Director & CEO and Executives. No recommendations were provided by Ernst & Young. The primary source of data chosen by the HRC was the 20 ASX200 companies below and 20 ASX200 companies above GrainCorp's market capitalisation, with the President & CEO of GrainCorp Malt benchmarked against a similar UK market capitalisation group.

The benchmarking showed that:

- The Chairman's fees were positioned at market median and Non-executive Directors' fees were positioned below the market median.
- The Managing Director & CEO's Fixed Remuneration was below market median. Short term incentive levels and the percentage deferred into equity were below market median. The maximum total cash (Fixed Remuneration + maximum short term incentive) was also below the market 75th percentile. The LTI levels were below the market median based on "face value". The remuneration structure and pay mix were generally in line with the market although a higher proportion of LTIs exist in the market.
- Executives' Fixed Remuneration was below market median. Short term incentive levels were below market median, with maximum levels and percentage deferred into equity at market median. LTI levels were below market median based on "face value". The remuneration structure and pay mix were generally in line with the market although a higher proportion of LTIs exist in the market.

The decisions taken by the HRC and approved by the Board for FY13 are outlined below.

Financial Year 2013 Non-executive Director fees

- There is no change to the aggregate fee pool of \$1.5 million.
- The Chairman's fees will be increased to \$330,000 to position between the median and the 75th percentile of market.
- Non-executive Director base fees will be increased to \$114,000 to position at the market median.
- There will be no change to Committee fees.
- The total Non-executive Director fees increased by 13%, moving total fees from \$1.09 million to \$1.24 million, well within the aggregate fee pool of \$1.5 million.

Financial Year 2013 Managing Director & CEO remuneration

- Fixed Remuneration will be increased to \$1.2 million effective December 2012, to bring it in line with the market median.
- There will be no change to remuneration mix; that is Target Total Reward is \$1.2 million Fixed Remuneration, \$1.2 million short term incentive (50% paid in cash and 50% offered as rights in the Deferred Equity Plan) and \$1.2 million LTI. This reflects a 21% increase in Target Total Reward.
- The short term incentive maximum percentage payable has been increased from 150% to 200% of Fixed Remuneration in order to position the maximum remuneration opportunity at the 75th percentile range of the market.
- Although LTI levels are still below market median levels, the Board's preference is to leave the current proportion of LTI as is and to test the plan over its intended length of three years.

Financial Year 2013 Executive remuneration outcomes

- Overall Fixed Remuneration for Executives will increase by 16% effective December 2012, bringing the majority of Executives to within 95% of the market median.
- Short term incentive levels as a percentage of Fixed Remuneration have been increased from 63.75% to 70% for Executives who manage a line of business and from 51% to 60% for functional Executives.

- LTIs will remain at 20% of Target Total Reward as per benchmarking outcomes from 2012. Although LTI levels are still below market median levels, the Board's preference is to leave the current proportion of LTI and to test the plan over its intended length of three years.

For the financial year 2013 LTI plan, as outlined in the Introduction to Remuneration, the Board intends to replace the grant of performance rights with a grant of deferred cash, with the same timing, vesting and performance conditions as the LTI plan. The Board intends to revert to the use of share rights for financial year 2014.

14. 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.



D C Taylor
Chairman

Sydney
15 November 2012

Auditor's Independence Declaration



As lead auditor for the audit of GrainCorp Limited for the year ended 30 September 2012, 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 'Matthew Lunn', written over a light blue horizontal line.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney, 15 November 2012

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2012 Financial Report

Consolidated Income Statement

For the year ended 30 September 2012

	Note	2012 \$ M	2011 \$ M
Revenue from continuing operations	5	3,329.4	2,776.8
Other income	6	77.0	128.1
Goods purchased for resale		(1,746.0)	(1,575.1)
Raw materials and consumables used		(750.7)	(540.0)
Employee benefits expense	7, 8	(274.8)	(261.9)
Depreciation and amortisation expense	8	(91.1)	(78.5)
Finance costs	8	(42.5)	(34.3)
Repairs and maintenance		(42.2)	(36.6)
Operating leases	8	(61.6)	(53.7)
Other expenses	7, 8	(106.7)	(87.8)
Share of results of associates accounted for using the equity method	7, 35	15.4	8.5
Profit before income tax		306.2	245.5
Income tax expense	7, 9	(101.3)	(73.9)
Profit from continuing operations		204.9	171.6
Profit attributable to owners of GrainCorp Limited		204.9	171.6

	Note	Cents	Cents
Earnings per share for profit from continuing operations attributable to owners of the Company			
Basic earnings per share	37	102.6	86.2
Diluted earnings per share	37	102.0	85.9
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share	37	102.6	86.2
Diluted earnings per share	37	102.0	85.9

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

Consolidated Statement of Comprehensive Income

As at 30 September 2012

	Note	2012 \$ M	2011 \$ M
Profit for the year		204.9	171.6
Other comprehensive income			
Exchange differences on translation of foreign operations		(11.9)	(6.2)
Changes in the fair value of cash flow hedges		7.4	(6.7)
Share of comprehensive income of associates	35	(0.1)	(0.6)
Actuarial losses on retirement benefit obligations	23	(13.6)	(1.3)
Income tax relating to components of other comprehensive income	9	0.5	2.0
Other comprehensive income for the year, net of tax		(17.7)	(12.8)
Total comprehensive income for the year attributable to owners of GrainCorp Limited		187.2	158.8

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

Consolidated Statement of Financial Position

As at 30 September 2012

	Note	2012 \$ M	2011 \$ M
Current assets			
Cash and cash equivalents	10	350.3	312.4
Trade and other receivables	11	390.5	326.1
Inventories	12	551.5	526.6
Derivative financial instruments	13	77.2	60.5
Assets classified as held for sale	14	7.6	-
Total current assets		1,377.1	1,225.6
Non-current assets			
Trade and other receivables	11	20.0	20.0
Investments accounted for using the equity method	35	139.4	124.1
Other financial assets	15	1.5	1.0
Deferred tax assets	16	58.4	70.7
Property, plant and equipment	17	872.2	807.9
Intangible assets	18	370.8	380.7
Derivative financial instruments	13	0.9	5.2
Total non-current assets		1,463.2	1,409.6
Total assets		2,840.3	2,635.2
Current liabilities			
Trade and other payables	19	299.1	305.2
Borrowings	20	338.2	364.6
Derivative financial instruments	13	68.2	51.9
Other financial liabilities	21	0.2	0.2
Current tax liabilities		17.6	65.6
Provisions	22	70.4	60.8
Total current liabilities		793.7	848.3
Non-current liabilities			
Trade and other payables	19	10.3	-
Borrowings	20	339.9	278.4
Derivative financial instruments	13	4.9	5.8
Other financial liabilities	21	0.6	0.8
Deferred tax liabilities	16	108.0	79.5
Provisions	22	5.1	5.3
Retirement benefit obligations	23	37.3	44.4
Total non-current liabilities		506.1	414.2
Total liabilities		1,299.8	1,262.5
Net assets		1,540.5	1,372.7
Equity			
Contributed equity	24	1,171.8	1,064.5
Reserves		(19.6)	(15.0)
Retained earnings	25	388.3	323.2
Total equity		1,540.5	1,372.7

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

Consolidated Statement of Changes in Equity

For the year ended 30 September 2012

	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 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
Profit for the year	-	-	-	-	-	-	204.9	204.9
Other comprehensive income:								
Exchange difference on translation of foreign operations	-	-	-	(11.9)	(11.9)	-	-	(11.9)
Gain / (loss) on cash flow hedges	7.4	-	-	-	7.4	-	-	7.4
Transfer to net profit	-	-	-	-	-	-	-	-
Defined benefit plan actuarial gains and losses	-	-	-	-	-	-	(13.6)	(13.6)
Share of other comprehensive income of associates	(0.1)	-	-	-	(0.1)	-	-	(0.1)
Deferred tax credit	(2.0)	-	-	-	(2.0)	-	2.5	0.5
Total other comprehensive income	5.3	-	-	(11.9)	(6.6)	-	(11.1)	(17.7)
Total comprehensive income	5.3	-	-	(11.9)	(6.6)	-	193.8	187.2
Transactions with owners:								
Dividends paid	-	-	-	-	-	-	(129.0)	(129.0)
Share issue (net of transaction costs)	-	-	-	-	-	104.4	-	104.4
Share-based payments	-	-	4.1	-	4.1	-	-	4.1
Deferred tax credit	-	-	-	-	-	0.8	-	0.8
Dividends received by Employee Trust	-	-	-	-	-	-	0.3	0.3
Less: Treasury shares	-	-	-	-	-	-	-	-
Less: Treasury shares vested to employees	-	-	(2.1)	-	(2.1)	2.1	-	-
Total transactions with owners	-	-	2.0	-	2.0	107.3	(128.7)	(19.4)
At 30 September 2012	0.7	8.3	8.5	(37.1)	(19.6)	1,171.8	388.3	1,540.5

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

Consolidated Statement of Cash Flows

For the year ended 30 September 2012

	Note	2012 \$ M	2011 \$ M
Cash flows from operating activities			
Receipts from customers		3,707.5	3,046.4
Payments to suppliers and employees		(3,357.8)	(2,891.2)
		349.7	155.2
Transaction costs of business combinations		(0.9)	(1.0)
(Repayments) / proceeds of secured bank loan – commodity inventory funding		(73.0)	199.0
Interest received		13.1	7.7
Interest paid		(41.0)	(38.2)
Income taxes refunded / (paid)		(107.9)	(17.9)
Net inflow from operating activities	36	140.0	304.8
Cash flows from investing activities			
Payments for property, plant and equipment		(108.0)	(119.5)
Payments for computer software		(4.2)	(2.7)
Proceeds from sale of property, plant and equipment		0.1	0.4
Payments for investment/business (net of cash)	32	(80.7)	(10.6)
Loans repaid by related parties		-	0.2
Net (outflow) from investing activities		(192.8)	(132.2)
Cash flows from financing activities			
Proceeds from borrowings		222.9	184.1
Repayment of borrowings		(100.0)	(67.4)
Proceeds from share issue	24	106.9	-
Dividend paid	25	(129.0)	(69.4)
Share issue transaction costs	24	(2.5)	-
Treasury shares purchased		-	(0.8)
Net inflow from financing activities		98.3	46.5
Net increase in cash and cash equivalents		45.5	219.1
Cash and cash equivalents at the beginning of the year		312.4	91.9
Effects of exchange rate changes on cash and cash equivalents		(7.6)	1.4
Cash and cash equivalents at the end of the year	10	350.3	312.4

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

Notes to the Financial Statements

For the year ended 30 September 2012

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 2012 was authorised for issue in accordance with a resolution of the Directors on 15 November 2012. 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.

Rounding 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.

b) Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of GrainCorp as at 30 September 2012 and the results of all subsidiaries for the year then ended. GrainCorp 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.

1. Summary of significant accounting policies (Continued)

ii. *Associates*

Associates are all entities over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in those financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

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 a 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 CEO.

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 includes: 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.

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.

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.

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.

1. Summary of significant accounting policies (Continued)

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.

GrainCorp 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 offset in the consolidated financial statements.

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.

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 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.

1. Summary of significant accounting policies (Continued)

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) 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.

j) 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.

k) 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.

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.

1. Summary of significant accounting policies (Continued)

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.

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

1. Summary of significant accounting policies (Continued)

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 the income statement.

Impairment losses on equity instruments that were recognised in the income statement are not reversed through the income statement 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 the income statement, the impairment loss is reversed through the income statement.

n) 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 either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities; and
- Highly probable forecast transactions (cash flow hedges); or
- Hedges of a net investment in a foreign operation (net investment 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. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other income or other expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

ii. 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.

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

1. Summary of significant accounting policies (Continued)

gain or loss that was reported in equity is immediately transferred to the income statement within other income or other expense.

iii. *Net investment hedges*

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is partially disposed of or sold.

iv. *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.

o) **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.

p) **Property, plant and equipment**

i. *Cost of asset*

Property, plant and equipment are 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.

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
- Plant and equipment – 2 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.

1. Summary of significant accounting policies (Continued)

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.

q) 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).

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(r) 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.

r) 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 ("CGU").

1. Summary of significant accounting policies (Continued)

s) Repairs and maintenance

Property, plant and equipment are 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.

t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year 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.

u) 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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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.

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) Employee benefits

i. *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries are included in other payables. Non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current provisions 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.

1. Summary of significant accounting policies (Continued)

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.

iv. *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.

v. *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.

vi. *Share-based payments*

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

vii. *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.

x) **Share-based payments**

Share-based compensation benefits are provided to employees via the performance Share Rights Plan, Retention Share Plan, LTI 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 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.

y) **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.

z) **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.

aa) **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'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

1. Summary of significant accounting policies (Continued)

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).
- 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.

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) 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.

1. Summary of significant accounting policies (Continued)

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 standalone 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 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 is 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 of 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.

ae) **Significant Items**

GrainCorp defines significant items as not in the ordinary course of business, non-recurring and material in nature and amount.

af) **New accounting standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2012 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 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 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.

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. The Group has not elected to apply the pronouncement for the period ending 30 September 2012.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income (effective for annual reporting periods beginning on or after 1 July 2012)

The main change from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to the income statement in the future. The amendments do not address which items are presented in other comprehensive income ("OCI"). The Group has not elected to apply the pronouncement for the period ending 30 September 2012.

1. Summary of significant accounting policies (Continued)

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 July 2013)

The main changes include removal of the corridor method with entities recognising actuarial gains and losses immediately in OCI and are not recycled in subsequent periods; clarification of the split between short term and long term classification where provisions such as annual leave are long-term obligations in their entirety; modifying accounting for termination benefits including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits. The Group has not elected to apply the pronouncement for the period ending 30 September 2012.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7) (effective for annual reporting periods on or after 1 July 2013)

The Board has also introduced more extensive disclosure requirements into AASB 7 which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements, irrespective of whether they are offset. The Group has not elected to apply the pronouncement for the period ending 30 September 2012.

Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132) (effective for annual reporting periods on or after 1 July 2014)

The IASB made amendments to the application guidance to clarify some of the requirements for offsetting financial assets and financial liabilities. The Group is yet to assess its full impact and has not elected to apply the pronouncement for the period ending 30 September 2012.

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(r). The recoverable amounts of cash-generating units have been determined based on higher of fair value less cost to sell and 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 2012 amounts to \$17.0 million (2011: \$17.5 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.

2. Critical accounting estimates and judgements (Continued)

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 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.

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, business practices 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:

- Market risk - commodity price risk, utility price risk, foreign currency risk, interest rate risk
- Credit risk
- 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 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 risk, 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

3. Financial risk management (Continued)

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.

Market 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.

Commodity trading assets and liabilities subject to commodity price risk as at 30 September 2012:

	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 2012			
Commodity	309.6	4.1	(4.1)
	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)

The fair value for commodity trading assets and liabilities subject to commodity risk is defined as follows:

- Inventory: the market value amount as at reporting date
- Forward purchase and sales contracts: mark to market as at reporting date
- Commodity futures: mark to market as at reporting date
- Commodity options: market value amount as at reporting date

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 20% movement is calculated over the market value amount of the net exposure of the commodity physical and derivative contracts.

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

Commodity price risk – malt production

The Group enters into forward physical purchase and sales contracts along with commodity derivative 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 2012:

	2012 \$ M	2011 \$ M
Gas contracts at fair value:		
Liabilities	(2.4)	(11.3)
	(2.4)	(11.3)

3. Financial risk management (Continued)

At 30 September 2012, 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:

	2012 Impact on profit / (loss) after tax \$ M	2011 Impact on profit / (loss) after tax \$ M
20% increase		
Gas	0.8	1.4
Net effect of 20% increase	0.8	1.4
20% decrease		
Gas	(0.8)	(1.4)
Net effect of 20% decrease	(0.8)	(1.4)

Equity securities price risk

The Group has no exposure to equity securities price risk (2011: \$nil).

Foreign currency risk

The Group is exposed to foreign currency risk arising from transactions entered into in its normal course of business and as a result of its investments in foreign operations. GrainCorp operates in five local currencies across its global operations: Australian dollar, US dollar, Canadian dollar, UK pound sterling and Euro. The Australian dollar is the functional currency of the Group, and movements in foreign currency exchange rates will result in gains or losses in the income statement due to the revaluation of certain balances or in movements in the foreign currency translation reserve due to the revaluation of foreign operations.

The investment of capital in foreign operations, such as overseas subsidiaries, with functional currencies other than the Australian dollar exposes the Group to the risk of changes in foreign exchange rates. The Group's consolidated balance sheet is therefore affected by exchange differences between the Australian dollar and functional currencies of foreign operations. Variations in the value of these overseas operations arising as a result of exchange differences are reflected in the foreign currency translation reserve in equity. The Group monitors this risk via its foreign currency risk policy and conducts hedging, such as the use of net investment hedges, in accordance with this policy. Refer to note 1(n).

Transactional currency exposures arise from sales or purchases in currencies other than the Group's functional currencies. For example, the Group is exposed to transactional exposure in respect of non-functional currencies on foreign currency denominated contracts taken out on the Australian, US, Canadian and European markets to manage commodity price risk from commodity trading. In accordance with the Group's risk policy, forward exchange contracts and foreign currency options are utilised to manage this risk, with the contract timed to mature when the relevant underlying commodity contracts expire.

Expressed in Australian dollar, the table below indicates GrainCorp's sensitivity to movements in exchange rates on the profit or loss of the Group, based on the global currency exposures at 30 September.

	2012 Impact on profit / (loss) after tax \$ M		2011 Impact on profit / (loss) after tax \$ M	
Movement in exchange rate	+10%	-10%	+10%	-10%
Australian dollar	(2.0)	2.0	(0.5)	0.5
US dollar	2.3	(2.3)	1.5	(1.5)
Canadian dollar	(0.5)	0.5	(1.1)	1.1
UK pound sterling	0.6	(0.6)	0.0	0.0
Euro	(0.5)	0.5	(0.1)	0.1

This table is based upon the Group's financial asset and liability profile at 30 September and fluctuates over the course of normal operations. The foreign currency sensitivity disclosure has changed from the prior year to better reflect GrainCorp's internal management of foreign exchange risk.

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 2012, after taking into account the effect of interest rate swaps and a natural hedge from a subordinated loan, approximately 56%, that is \$183 million of the Group's long term borrowings are at a fixed rate of interest (2011: 69%, \$184 million).

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:

	2012 \$ M	2011 \$ M
Fixed rate instruments		
Financial assets	0.9	0.9
Financial liabilities	(179.3)	(184.6)
	(178.4)	(183.7)
Variable rate instruments		
Financial assets	350.3	312.4
Financial liabilities	(479.6)	(439.3)
	(129.3)	(126.9)

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

Group	30 September 2012		30 September 2011	
	Weighted average interest rate %	Balance \$ M	Weighted average interest rate %	Balance \$ M
<i>Current:</i>				
Short term facilities	1.03%	(47.0)	-	-
Commodity inventory funding facility	4.75%	(287.0)	6.12%	(360.0)
	4.23%	(334.0)	6.12%	(360.0)
<i>Non-current:</i>				
Term facilities	2.34%	(328.9)	2.77%	(267.1)
Subordinated loan (associates)	5.73%	19.1	7.43%	19.1
Interest rate swaps (notional principal amount)	1.07%	164.2	1.11%	168.7
	3.33%	(145.6)	5.17%	(79.3)
Net exposure to cash flow interest rate risk		(479.6)		(439.3)

3. Financial risk management (Continued)

Sensitivity analysis

At 30 September 2012, 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:

	2012 \$ M	2011 \$ M
Profit / (loss)		
+ 100 basis points	(6.3)	(4.8)
– 100 basis points	6.3	4.8
Increase / (decrease) in equity		
+ 100 basis points	1.6	1.7
– 100 basis points	(1.6)	(1.7)

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:

	2012 \$ M	2011 \$ M
Trade receivables	250.7	254.3
Other receivables	40.1	41.8
Derivative contracts at fair value	78.1	65.7
Amounts receivable from associates	20.3	20.4
Derivative contracts margin deposits	80.6	10.5
Bank balances and call deposits	350.3	312.4
	820.1	705.1

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, country risk, 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 credit policy which is approved by the Board.

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 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.

3. Financial risk management (Continued)

The ageing of trade receivables at the reporting date was:

	2012		2011	
	Gross \$ M	Impairment \$ M	Gross \$ M	Impairment \$ M
Not past due	201.3	-	208.7	-
Past due up to 30 days	29.9	(0.1)	28.4	-
Past due 31 to 60 days	6.1	(0.2)	4.3	(0.1)
Past due 61 to 90 days	2.8	(0.3)	0.7	-
Past due over 90 days	10.6	(1.1)	12.2	(1.7)
	250.7	(1.7)	254.3	(1.8)

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

	2012 \$ M	2011 \$ M
Balance at 1 October	(1.8)	(1.9)
Provisions made during the year	(0.7)	(0.9)
Impairment loss recognised	0.3	0.1
Provisions reversed during the year	0.5	0.9
Balance at 30 September	(1.7)	(1.8)

With the exception of a \$29.5 million receivable from MF Global included within derivative contracts margin deposits (refer to note 7), none of the Group's Other Receivables or Other Financial Assets are past due (2011: \$nil).

Amounts receivable from associates- no provision for impairment of advances to associated entities was provided in 2012 (2011: \$nil impaired).

3. Financial risk management (Continued)

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 \$277.6 million (2011: \$349.5 million) of unused credit facilities available for immediate use. For further details refer to note 20.

Maturity analysis of financial liabilities

The tables below show the contractual maturities of financial liabilities, including estimated interest payments²³. The amounts disclosed in the table are the contractual undiscounted cash flows:

At 30 September 2012	Less than 1 year \$ M	Between 1 and 2 years \$ M	Between 2 and 5 years \$ M	Over 5 years \$ M	Total \$ M
Non-derivatives:					
Bank borrowings	(335.0)	(6.8)	(335.9)	-	(677.7)
Trade payables	(267.8)	-	-	-	(267.8)
Other payables	(5.2)	-	-	-	(5.2)
Finance leases	(5.0)	(1.1)	(3.8)	(15.1)	(25.0)
Derivatives:					
Interest rate swap contracts	(1.2)	(0.1)	-	-	(1.3)
Forward foreign exchange contracts – held for trading:					
- outflow	(342.3)	(1.5)	(5.1)	-	(348.9)
- inflow	341.5	1.2	-	-	342.7
Commodity futures and options:					
- outflow	(56.4)	(0.2)	-	-	(56.6)
- inflow	195.8	1.0	-	-	196.8
Commodity contracts (forward purchases and sales):					
- outflow	(266.6)	(15.1)	-	-	(281.7)
- inflow	330.7	8.9	-	-	339.6
Utility contracts (utility swaps)					
- outflow	(0.7)	-	-	-	(0.7)
Embedded foreign exchange contracts:					
- outflow	(7.7)	-	-	-	(7.7)
- inflow	60.0	14.0	2.5	-	76.5

In addition to the cash flows above, financial guarantees (refer note 21a) would be payable immediately in the event that a default of terms occurred.

²³ The Group's bank borrowings facilities and maturity dates are set out in note 20(e).

3. Financial risk management (Continued)

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
Non-derivatives:					
Bank borrowings	(370.8)	(276.1)	-	-	(646.9)
Trade payables	(269.4)	-	-	-	(269.4)
Other payables	(17.4)	-	-	-	(17.4)
Finance leases	(0.9)	(0.9)	(3.4)	(15.9)	(21.1)
Derivatives:					
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

3. Financial risk management (Continued)

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

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 September 2012. Comparative information has not been provided as permitted by the transitional provisions in the amended AASB 7 *Financial Instruments: Disclosures*.

	Level 1 \$ M	Level 2 \$ M	Level 3 \$ M	Total \$ M
30 September 2012				
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	19.4	23.4	-	42.8
Commodity contracts	-	-	22.3	22.3
Derivatives used for hedging	6.9	6.1	-	13.0
Total assets	26.3	29.5	22.3	78.1
Liabilities				
Financial assets at fair value through profit or loss				
Trading derivatives	23.2	19.7	-	42.9
Commodity contracts	-	-	23.5	23.5
Derivatives used for hedging	6.7	-	-	6.7
Total liabilities	29.9	19.7	23.5	73.1
30 September 2011				
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 for disclosure purposes. The fair values of financial assets and liabilities are shown in note 13 of the Annual Report.

The fair value of financial instruments traded on active markets (such as exchange traded commodity derivatives and forward exchange contracts) is based on the quoted markets prices and forward exchange market rates as at the reporting date. The quoted market price used for financial assets and liabilities held by the Group is the market settlement price on the reporting date. 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 commodity and foreign currency derivatives) are determined using the Black Scholes pricing model, which is sourced from a widely used

3. Financial risk management (Continued)

market pricing provider. The fair value of interest rate swap contracts is received from market counterparties as at balance date. The valuation methodology used by the counterparties reflects common market practice of net present value of estimated future cashflows determined by observable yield curves. These instruments are included in Level 2.

The fair value of physical positions comprising inventory, forward sales and forward purchases for commodity trading do not have quoted market prices available. To obtain the market prices, bid values are sourced from commodity brokers defined by commodity and grade type. The market prices are amended through location and grade differentials (market zone adjustments) to bring them to a common point. These instruments are included in Level 3.

The following table presents the changes in Level 3 instruments for the year ended 30 September 2011 and 30 September 2012.

	2012 \$ M	2011 \$ M
Opening balance as at 1 October	13.4	(13.7)
Gains / (losses) on new contracts	(1.6)	13.9
Gains / (losses) recognised in income statement on contracts carried forward	(13.0)	13.2
Closing balance as at 30 September	(1.2)	13.4

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 & CEO in making strategic decisions and as described below.

- **Storage & Logistics consists of:**

- Country & Logistics – receivals, transport, testing and storage of grains and other bulk commodities
- Ports – storage and export/import of grain and other bulk commodities

- **Marketing** – 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

- **Corporate** – includes the share of profit from Associates along with corporate costs

Management measures performance based on a measure of EBITDA, after adjusting for the allocation of interest expense to the Marketing segment and significant items. 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.

Since 1 October 2011, corporate costs have been split between support service costs and corporate costs. The support service costs, including HR, IT and corporate services, are now included within the reportable segments and in accordance with AASB 8 *Operating Segments* the prior year comparative disclosure has been restated. This has resulted in a reallocation of \$18.8 million from Corporate to Storage & Logistics (\$16.3 million), Marketing (\$1.9 million) and Malt (\$0.6 million) in the current year.

	Storage & Logistics \$ M	Marketing \$ M	Malt \$ M	Reportable segments \$ M	Corporate \$ M	Eliminations \$ M	Total \$ M
2012							
Reportable segment revenue							
External revenues	535.5	1,848.8	945.1	3,329.4			3,329.4
Inter-segment revenue	269.1	42.0	-	311.1	0.2	(311.3)	-
Total reportable segment revenue	804.6	1,890.8	945.1	3,640.5	0.2	(311.3)	3,329.4
Dividends	-	-	-	-	-		-
Total revenue from continuing operations	804.6	1,890.8	945.1	3640.5	0.2	(311.3)	3,329.4
Reportable segment result	249.7	63.1	117.1	429.9	(26.2)	-	403.7
Share of profit of associates	-	-	-	-	10.2	-	10.2
Profit before significant items, net interest, depreciation, amortisation and income tax							413.9
Net Interest	-	(21.9)	-	(21.9)	(9.4)	-	(31.3)
Depreciation and amortisation	(53.3)	(0.4)	(36.5)	(90.2)	(0.9)	-	(91.1)
	196.4	40.8	80.6	317.8	(26.3)	-	291.5
Significant items (note 7)	-	-	16.8	16.8	(2.1)	-	14.7
Profit before income tax from continuing operations	196.4	40.8	97.4	334.6	(28.4)	-	306.2
Other segment information							
Reportable segment assets	535.4	615.6	981.6	2,132.6	707.7	-	2,840.3
Capital expenditure	64.2	9.9	37.5	111.60	0.6	-	112.2

4. Segment information (Continued)

2011	Storage & Logistics \$ M	Marketing \$ M	Malt \$ M	Reportable segments \$ M	Corporate \$ 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	194.7	70.0	98.7	363.4	(22.3)	-	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	150.9	45.0	67.5	263.4	(17.9)	-	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

Geographical information	2012 \$ M	2011 \$ M
Sales Revenue from external customers based on the location of the customer:		
Australia	1,277.6	1,159.7
North America	421.9	327.3
Europe	604.1	370.2
Asia	691.1	433.8
Middle East	255.5	428.0
Other	70.3	49.6
	3,320.5	2,768.6
Non-current assets based on geographical location of assets ²⁴ :		
Australia	854.8	866.8
North America	345.8	337.0
Europe	203.3	129.9
	1,403.9	1,333.7

²⁴ Excludes derivative financial instruments and deferred tax assets.

5. Revenue

	2012 \$ M	2011 \$ M
From continuing operations		
Sales revenue		
Sale of goods	2,818.9	2,326.2
Services	501.6	442.4
	3,320.5	2,768.6
Other revenue		
Rental income	8.9	8.2
	8.9	8.2
Total revenue from continuing operations	3,329.4	2,776.8

6. Other income

	2012 \$ M	2011 \$ M
Net gain / (loss) on derivative / commodity trading:		
Net realised gain on foreign currency derivatives	2.4	57.5
Net realised gain / (loss) on financial derivatives	(19.9)	60.5
	(17.5)	118.0
Net unrealised gain / (loss) on foreign currency derivatives	22.7	(35.1)
Net unrealised gain / (loss) on financial derivatives	(28.6)	35.3
Net unrealised gain / (loss) on commodity contracts	(8.2)	42.7
Net unrealised gain / (loss) on commodity inventories at fair value less costs to sell	81.7	(58.3)
	67.6	(15.4)
Net gain / (loss) on derivative/commodity trading	50.1	102.6
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 66).		
Compensation for impairment of assets received from third party	4.8	7.1
Interest	11.2	8.7
Sundry income	10.9	9.7
	77.0	128.1

7. Significant items

Net profit after tax for the current year includes the following items whose disclosure is relevant in explaining the financial performance of the Group. No significant items were reported in 2011.

	Business Unit	Profit before interest and tax \$ M	Tax \$ M	NPAT \$ M
Net significant items for 2012 comprise:				
Defined benefit plan adjustment ²⁵	Malt	16.8	(5.1)	11.7
Gardner Smith and Integro Foods acquisition related costs ²⁶	Corporate	(7.2)	2.2	(5.0)
Adjustment to deferred tax ²⁷	Corporate	-	(11.8)	(11.8)
Share of associate result - Allied Mills insurance claim ²⁸	Corporate	5.1	-	5.1
Net significant items		14.7	(14.7)	-

During the year, one of GrainCorp's international futures brokers, MF Global Australia Limited, appointed a liquidator and subsequently went into liquidation. At 30 September 2012, GrainCorp recognises a receivable of \$29.5 million in respect of MF Global. Whilst the recovery process is not yet complete and the court proceedings remain ongoing, based on known factors at the date of this report, GrainCorp does not expect to report a materially adverse outcome.

²⁵ Defined benefit plan adjustment reflects the remeasurement of the liability recognised in relation to the Australian top-up benefit fund due to curtailment of the obligation in the current period. Refer to notes 8 and 23.

²⁶ Gardner Smith and Integro Foods acquisition related costs comprises advisory costs incurred as at 30 September 2012 for the Group's acquisition. Refer to notes 8 and 39.

²⁷ Adjustment to deferred tax reflects the impact of changes to the tax base for capitalised customer contracts. The change was required by the Tax Laws Amendment (2012 Measure No. 2) Bill 2012 enacted 29 June 2012. Refer to note 9.

²⁸ Allied Mills insurance claim relates to an insurance settlement received by associate, Allied Mills, in the year relating to flood damage at Toowoomba. The amount reflects GrainCorp's post tax share of proceeds received net of an impairment relating to plant and equipment.

8. Expenses

	2012 \$ M	2011 \$ M
Employee benefit expense		
Defined contribution superannuation expense	17.6	18.3
Other employee benefit expenses ²⁹	257.2	243.6
Total employee benefit expense	274.8	261.9
Finance costs		
Interest charges	42.5	34.2
Loss on interest swaps cash flow hedges – transfer from equity	-	0.1
Total finance costs	42.5	34.3
Depreciation		
Plant and equipment	47.9	42.8
Buildings and improvements	25.1	18.3
Total depreciation	73.0	61.1
Amortisation		
Intangible assets	18.1	17.4
Total amortisation	18.1	17.4
Total depreciation and amortisation	91.1	78.5
Operating leases		
Minimum lease payments	61.6	53.7
Total rental expenses relating to operating leases	61.6	53.7
Other		
Research and development costs	0.3	0.3
Acquisition transaction costs ³⁰	7.2	1.9
Provision for claims and disputes	12.6	13.9
Other expenses	86.6	71.7
Total other expenses	106.7	87.8

²⁹ The current year balance includes a \$16.8 million credit relating to the curtailment of a defined benefit obligation. Refer to note 7, Significant Items.

³⁰ Acquisition transaction costs for the current year relate to the acquisition of Gardner Smith and Integro Foods. Refer to note 7, Significant items.

9. Income tax expense

	2012 \$ M	2011 \$ M
a) Income tax expense		
Current tax	60.2	82.5
Deferred tax	41.4	(10.1)
Under / (over) provision in prior years	(0.3)	1.5
	101.3	73.9
Income tax expense attributable to:		
Profit from continuing operations	101.3	73.9
	101.3	73.9
Deferred income tax (revenue) / expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 16)	14.2	(10.5)
(Decrease) / increase in deferred tax liabilities (note 16)	27.2	0.4
	41.4	(10.1)
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	306.2	245.5
Operating profit / (loss) before income tax expense	306.2	245.5
Income tax calculated at 30% (2011: 30%)	91.9	73.6
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Other non-deductible items	5.7	1.4
- Intangible amortisation	1.4	1.9
- Interest expense	(3.7)	(2.1)
- Share of net (profit) / loss of associates	(4.6)	(2.5)
- Other non-assessable items	(0.8)	(1.6)
	89.9	70.7
(Under) / over provision in prior years	(0.3)	1.5
Difference in overseas tax rates	(0.1)	1.7
Changes in tax legislation ³¹	11.8	-
Income tax expense / (benefit)	101.3	73.9

³¹ The enactment of *Tax Laws Amendment (2012 Measure No. 2) Bill 2012* on 29 June 2012 has resulted in changes to the tax base of capitalised customer contracts. Refer to note 7, Significant items.

9. Income tax expense (Continued)

	2012 \$ M	2011 \$ M
c) Amounts recognised directly in equity		
Deferred tax: transaction costs recognised directly in equity	(0.8)	0.1
d) Tax expense (income) relating to items of other comprehensive income		
Change in fair value of cash flow hedges	2.0	(1.9)
Actuarial gains / (losses) on retirement benefit obligations	(2.5)	-
Share of other comprehensive income of associates	-	(0.1)
	(0.5)	(2.0)
e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	6.0	-
f) Unrecognised temporary differences		
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities / (assets) have not been recognised	67.2	52.6

10. Cash and cash equivalents

	2012 \$ M	2011 \$ M
Cash at bank and on hand	259.1	69.4
Deposits at call	91.2	243.0
	350.3	312.4

11. Trade and other receivables

	2012 \$ M	2011 \$ M
Current		
Trade receivables	250.7	254.3
Provision for impairment of trade receivables	(1.7)	(1.8)
	249.0	252.5
Other receivables	40.4	41.8
Prepayments	20.2	20.9
Margin deposits	80.6	10.5
Amounts receivable from associates (note 30)	0.3	0.4
	390.5	326.1
Non-current		
Loans to associates (note 30)	20.0	20.0
	20.0	20.0

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.

12. Inventories

	2012 \$ M	2011 \$ M
Consumable stores at cost	1.3	0.8
Raw materials	126.3	119.7
Work in progress	11.7	10.8
Finished goods	98.0	70.3
Trading stock at net realisable value	2.2	3.3
Commodities inventory at fair value less costs to sell	312.0	321.7
	551.5	526.6

a) Inventory expense

Inventories recognised as an expense during the year ended 30 September 2012 amounted to \$1,988.3 million (2011: \$1,440.4 million).

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 September 2012 amounted to \$3.4 million (2011: \$2.3 million). The expense is included in other expenses in the income statement.

b) Secured inventory

The value of inventory secured against short term debt is \$287.1 million (2011: \$312.5 million). Refer to note 20.

13. Derivative financial instruments

	2012 \$ M	2011 \$ M
Current assets		
Commodity futures and options	42.4	29.7
Commodity contracts (forward purchases and sales)	22.2	26.1
Foreign exchange contracts	12.3	4.7
Utility swap contracts	0.3	-
Total current derivative financial instrument assets	77.2	60.5
Non-current assets		
Commodity futures and options	-	3.5
Commodity contracts (forward purchases and sales)	0.1	0.7
Foreign exchange contracts	0.8	1.0
Total non-current derivative financial instrument assets	0.9	5.2
Current liabilities		
Commodity futures and options	41.2	7.1
Commodity contracts (forward purchases and sales)	20.7	13.4
Foreign exchange contracts	2.4	21.9
Interest rate swaps contracts – cash flow hedges	1.2	0.3
Utility swap contracts	2.7	9.2
Total current derivative financial instrument liabilities	68.2	51.9
Non-current liabilities		
Commodity futures and options	1.6	-
Commodity contracts (forward purchases and sales)	2.8	-
Foreign exchange contracts	0.4	1.7
Interest rate swaps contracts – cash flow hedges	0.1	2.0
Utility swap contracts	-	2.1
Total non-current derivative financial instrument liabilities	4.9	5.8

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

13. Derivative financial instruments (Continued)

recognised. In the year ended 30 September 2012, \$0.2 million was reclassified into profit and loss and included in finance costs (2011: \$0.1 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.

iv. *Gas swap contract*

The Group manages exposure to utility price risk in malt production, through the use of gas 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 exposure to credit risk, foreign exchange and interest rate risk is provided in note 3.

14. Assets classified as held for sale

a) Assets classified as held for sale

	2012 \$ M	2011 \$ M
Land	6.7	-
Plant and equipment	0.9	-
	7.6	-

From time to time, the Directors of GrainCorp determine to sell certain sites which have been closed to operations based on their historic and expected receivables and production utilisation. As at 30 September 2012, one site was actively marketed for sale (2011: no sites). The assets are presented within total assets of the Malt segment in Note 4.

15. Other financial assets

	2012 \$ M	2011 \$ M
Investments in other entities – at cost	1.5	1.0

No impairment of investment in other entities was recognised this year (2011: nil).

16. Deferred tax assets and liabilities

	2012 \$ M	2011 \$ M
Deferred tax assets		
The balance comprises temporary differences attributable to:		
Unrealised losses on derivative contracts	1.6	6.8
Inventories	0.9	9.2
Share capital costs	2.9	2.8
Cash flow hedges	0.1	0.1
Creditors and other payables	10.9	12.8
Asset impairment	0.6	0.6
Pension deficit	2.5	6.2
Provisions and accruals	37.2	31.9
Tax losses recognised	1.7	0.3
Net deferred tax assets	58.4	70.7
Movements:		
Opening balance at 1 October	70.7	57.1
Take on balance through acquisition (note 32)	-	0.4
Credited / (charged) to the income statement (note 9)	(14.2)	10.5
Credited / (charged) to other comprehensive income	1.1	1.8
Credit / (charged) to equity	0.8	-
Exchange differences	-	0.9
Closing balance at 30 September	58.4	70.7

Deferred tax assets recoverable within 12 months: \$50.7 million (2011: \$30.7 million).

	2012 \$ M	2011 \$ M
Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Prepayments	0.7	0.9
Inventories	17.0	-
Consumables	0.9	0.7
Creditors and other payables	2.5	5.5
Property, plant and equipment	61.0	57.7
Pension assets	1.6	-
Intangible assets	21.4	10.3
Unrealised gains on derivative contracts	2.9	4.4
Net deferred tax liabilities	108.0	79.5
Movements:		
Opening balance 1 October	79.5	78.3
Take on balance through acquisition (note 32)	1.8	1.0
Charged / (credited) to the income statement (note 9)	27.2	0.4
Credited / (charged) to other comprehensive income	0.6	(0.2)
Exchange differences	(1.1)	-
Closing balance 30 September	108.0	79.5

Deferred tax liabilities recoverable within 12 months: \$23.9 million (2011: \$12.6 million).

17. Property, plant and equipment

2012	Land \$ M	Buildings & structures \$ M	Leasehold improvements \$ M	Leased plant and equipment \$ M	Plant and equipment \$ M	Capital works in progress \$ M	Total \$ M
At 1 October 2011							
Cost or fair value	72.7	241.2	29.8	5.1	933.3	59.4	1,341.5
Accumulated depreciation and impairment	-	(113.6)	(6.1)	(4.5)	(409.4)	-	(533.6)
Net book value	72.7	127.6	23.7	0.6	523.9	59.4	807.9
Year ended 30 September 2012							
Opening net book value	72.7	127.6	23.7	0.6	523.9	59.4	807.9
Transfer (to) / from assets held for sale (note 14)	(6.7)	-	-	-	(0.9)	-	(7.6)
Transfer between asset categories (note 18)	-	11.2	1.9	-	46.8	(63.0)	(3.1)
Additions	-	20.0	1.9	0.6	23.9	61.6	108.0
Acquisitions through business combinations (note 32)	2.6	10.0	-	-	39.1	-	51.7
Disposals	-	(0.3)	-	-	(1.4)	(0.5)	(2.2)
Depreciation	-	(23.6)	(1.5)	(0.1)	(47.8)	-	(73.0)
Exchange difference	(0.7)	(1.7)	(0.1)	-	(5.7)	(1.3)	(9.5)
Closing net book value	67.9	143.2	25.9	1.1	577.9	56.2	872.2
At 30 September 2012							
Cost or fair value	67.9	280.4	33.5	5.7	1,035.1	56.2	1,478.8
Accumulated depreciation and impairment	-	(137.2)	(7.6)	(4.6)	(457.2)	-	(606.6)
Net book value	67.9	143.2	25.9	1.1	577.9	56.2	872.2

17. Property, plant and equipment (Continued)

2011	Land \$ M	Buildings & structures \$ M	Leasehold improvements \$ M	Leased plant and equipment \$ M	Plant and equipment \$ M	Capital works in progress \$ M	Total \$ 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)	11.8	27.6	10.4	(11.1)	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	72.7	127.6	23.7	0.6	523.9	59.4	807.9
At 30 September 2011							
Cost or fair value	72.7	241.2	29.8	5.1	933.3	59.4	1,341.5
Accumulated depreciation and impairment	-	(113.6)	(6.1)	(4.5)	(409.4)	-	(533.6)
Net book value	72.7	127.6	23.7	0.6	523.9	59.4	807.9

18. Intangible assets

	Computer software \$ M	Trade name \$ M	Customer relationship \$ M	Goodwill \$ M	Total \$ M
2012					
At 1 October 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
Year ended 30 September 2012					
Opening net book amount	19.5	0.9	86.0	274.3	380.7
Additions	4.2	-	-	-	4.2
Acquisitions through business combinations	0.8	-	-	10.1	10.9
Transfer between asset categories	3.1	-	-	-	3.1
Disposals	(0.2)	-	-	-	(0.2)
Amortisation charge	(6.1)	(0.1)	(11.9)	-	(18.1)
Exchange difference	(0.2)	(0.1)	(1.0)	(8.5)	(9.8)
Closing net book value	21.1	0.7	73.1	275.9	370.8
At 30 September 2012					
Cost or fair value	38.3	1.5	108.2	275.9	423.9
Accumulated amortisation and impairment	(17.2)	(0.8)	(35.1)	-	(53.1)
Net book value	21.1	0.7	73.1	275.9	370.8
	Computer software \$ M	Trade name \$ M	Customer relationship \$ M	Goodwill \$ M	Total \$ M
2011					
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)
Exchange differences	(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

18. Intangible assets (Continued)

a) Impairment tests for goodwill

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

	2012 \$ M	2011 \$ M
Storage and Logistics	10.2	10.2
Marketing	6.5	6.5
Malt	259.2	257.6
	275.9	274.3

As the result of organisational changes across the Malt Business Unit which have increased the centralisation of decision making along with commercial cohesion and interdependency across the entities, management considers the five Malt entities as one aggregated CGU (2011: the Malt entities were considered as individual CGUs). It should be noted that no impairment was indicated in any of the entities prior to aggregation.

The recoverable amount of the CGUs is determined as the higher of the CGU's fair value less cost to sell and value in use. These calculations use projected cash flows from financial budgets and a growth model based on an initial 5 year forecast which are approved by management. 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

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 cash flow projections were 7% lower than management's estimates, the recoverable amount of the goodwill would equal its carrying amount.

Post-tax discount rates of 7.1% to 8.1% (pre-tax discount rate 10.3% 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 9.9% to 10.9% instead of 7.1% to 8.1% (pre-tax discount rate 14.4% to 15.6% instead of 10.3% to 11.6%) (2011: 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%), the recoverable amount of the goodwill would equal its carrying amount.

If the underlying cash flows were 25% lower than management's estimates, the recoverable amount of goodwill would be equal to its carrying amount. A reasonably possible change in any other key assumptions would not cause an impairment charge.

19. Trade and other payables

	2012 \$ M	2011 \$ M
Current		
Trade payables	267.8	269.4
Other payables	2.3	4.5
Income received in advance	29.0	31.3
	299.1	305.2
Non-current		
Income received in advance	10.3	-
	10.3	-

Information about the Group's exposure to foreign currency risk is provided in note 3.

20. Borrowings

	2012 \$ M	2011 \$ M
Current		
Short term facilities – unsecured	47.0	-
Commodity inventory funding facility – secured	287.0	360.0
Leases – secured	4.2	4.6
Total current borrowings	338.2	364.6
Non-current		
Term funding facilities – unsecured	328.9	267.1
Leases – secured	11.0	11.3
Total non-current borrowings	339.9	278.4

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 0.8% - 6.1% (2011: 6.0% - 6.4%).

c) Term funding facilities

Interest was payable for the term drawn in the range 1.3% - 5.8% (2011: 1.3% - 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:

	2012 \$ M	2011 \$ M
Lease liabilities	15.2	15.9
Commodity inventory funding facility	287.0	360.0
	302.2	375.9

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

	2012 \$ M	2011 \$ M
Leased assets (note 17)	1.2	0.7
Commodity inventory (note 12)	287.1	312.5
	288.3	313.2

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

Borrowings are drawn under the following Group debt facilities as at the date of this report and the amount drawn at year end:

20. Borrowings (Continued)

2012	Maturity date	Principal facility amount \$ M	Amount utilised \$ M
Term debt ³²	July 2016	380.6	328.9
Commodity inventory funding	November 2013	550.0	287.0
Working capital	October 2013	200.0	47.0
		1,130.6	662.9

2011	Maturity date	Principal facility amount \$ M	Amount utilised \$ M
Term debt	July 2013	386.6	267.1
Commodity inventory funding	November 2012	550.0	360.0
Working capital	November 2012	200.0	-
		1,136.6	627.1

Since year end, on 2 October 2012, the Group entered into new banking facilities consisting of fully drawn term debt of \$225.0 million and working capital facilities of \$130.0 million relating respectively to the acquisition of Gardner Smith and Integro Foods and their working capital funding requirements, refer to note 39.

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.

³² During the year, the maturity date of the Term debt facility was extended from July 2013 to July 2016. All other conditions of the facility remained the same.

21. Other financial liabilities

	2012 \$ M	2011 \$ M
Current		
Lease incentives	0.2	0.2
Non-current		
Lease incentives	0.6	0.8

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 \$1.4 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 2012 they amounted to \$13.2 million (2011: \$17.1 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 Group as at 30 September 2012.

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

22. Provisions

	2012 \$ M	2011 \$ M
Current		
Claims and disputes	26.0	20.4
Workers' compensation	1.0	0.3
Onerous contracts	2.9	5.9
Employee benefits	40.5	34.2
	70.4	60.8
Non-current		
Workers' compensation	0.9	1.3
Restoration	0.5	0.5
Employee benefits	3.7	3.5
	5.1	5.3

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, business practices and its experience in resolving claims.

b) Workers' compensation

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, provision is made based on an annual actuarial assessment for GrainCorp Operations Limited's potential liability arising from past self-insurance.

22. Provisions (Continued)

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

	Claims & disputes	Workers' compensation	Restoration	Onerous contracts
2012	\$ M	\$ M	\$ M	\$ M
Carrying amount at beginning of year	20.4	1.6	0.5	5.9
Additional provisions recognised	13.3	0.3	-	8.3
Amounts used	(4.8)	-	-	(11.3)
Unused amounts reversed	(2.9)	-	-	-
Carrying amount at end of year	26.0	1.9	0.5	2.9

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

The Group's current provision for employee benefits includes \$29.1 million (2011: \$28.1 million) in respect to accrued annual leave, vesting sick leave and a portion 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 (2011: \$0.3 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 8.

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.

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

	2012 \$ M	2011 \$ M
Present value of the defined benefit obligations	(141.5)	(141.1)
Fair value of defined benefit plans assets	104.2	98.1
	(37.3)	(43.0)
Unrecognised past service plan assets	-	(1.4)
Net liability recognised in statement of financial position	(37.3)	(44.4)

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

	2012 %	2011 %
The major categories of plan assets are as follows:		
Cash	1%	1%
Equity instruments	43%	48%
Debt instruments	52%	47%
Other assets	4%	4%
Total	100%	100%

23. Retirement benefit obligations (Continued)

d) Reconciliations

	2012 \$ M	2011 \$ M
Reconciliation of the present value of the defined benefit obligations:		
Balance at the beginning of the year	141.1	144.8
Current service cost	1.4	1.5
Interest cost	6.8	6.8
Scheme participants contributions	0.1	0.1
Actuarial (gains)/ losses	17.4	(1.1)
Curtailments	(16.8)	-
Benefits paid	(8.6)	(5.6)
Exchange difference	0.1	(5.4)
	141.5	141.1
Reconciliation of fair value of plan assets:		
Balance at the beginning of the year	98.1	98.5
Expected return on plan assets	5.4	5.6
Actuarial gains/ (losses)	3.8	(2.4)
Contributions by Group companies	5.0	5.2
Scheme participants contributions	0.1	0.1
Benefits paid	(7.5)	(5.6)
Exchange difference	(0.7)	(3.3)
	104.2	98.1

e) Amounts recognised in the income statement

	2012 \$ M	2011 \$ M
The amounts recognised in the income statement are as follows:		
Current service cost	1.4	1.5
Interest cost	6.8	6.8
Expected return on plan assets	(5.4)	(5.6)
Effect of curtailments ³³	(16.8)	-
Total expense / (income) included in employee benefits expense	(14.0)	2.7
Actual return on plan assets	8.8	2.9

³³ This reflects the remeasurement of the liability recognised in relation to the Australian Top-up Benefit Fund and has been disclosed as a Significant Item. Refer to note 7.

23. Retirement benefit obligations (Continued)

f) Amounts recognised in other comprehensive income

	2012 \$ M	2011 \$ M
Actuarial (loss) / gain recognised in the year	(13.6)	(1.3)
Cumulative actuarial losses recognised	(25.7)	(12.1)

g) Principal actuarial assumptions

2012	North America	UK	Australia
Principal actuarial assumptions used (expressed as weighted averages):			
Discount rate	4.90%	4.40%	3.00%
Expected return on plan assets	6.50%	4.60%	-
Future salary increases	3.00%	-	4.00%
Inflation increase	-	2.80%	-
2011	North America	UK	Australia
Principal actuarial assumptions used (expressed as weighted averages):			
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%	-

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 4.6% - 7.5% rate of return gross of tax (and net of expenses) and a 3.4% - 4.8% 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 \$5.1 million (2011: \$5.2 million).

i) Historic summary

	2012 \$ M	2011 \$ M	2010 \$ M
Defined benefit plan obligation	(141.5)	(141.1)	(144.8)
Plan assets	104.2	98.1	98.5
Surplus/ (deficit)	(37.3)	(43.0)	(46.3)
Experience adjustments arising on plan liabilities	0.9	(1.3)	(3.0)
Experience adjustments arising on plan assets	(4.8)	2.6	0.7

24. Contributed equity

Consolidated and Company	2012		2011	
	Number	\$ M	Number	\$ M
Fully paid ordinary shares	210,467,800	1,173.6	198,318,900	1,068.4
Total contributed equity – Company				
Treasury shares	(198,275)	(1.8)	(550,615)	(3.9)
Total consolidated contributed equity		1,171.8		1,064.5

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-Sep-10	Balance brought forward	198,318,900	1,068.5
	Deferred tax credit recognised directly in equity		(0.1)
30-Sep-11	Sub-total		1,068.4
	Share issue – institutional tranche	12,148,900	106.9
	Less: Transaction cost arising on share issue		(2.5)
	Add: Deferred tax credit recognised through equity		0.8
30-Sep-12	Total contributed equity – Company	210,467,800	1,173.6
	Less: Treasury shares	(198,275)	(1.8)
30-Sep-12	Total consolidated contributed equity		1,171.8

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.

On 11 September 2012, the company issued 12,148,900 fully paid ordinary shares under the institutional entitlement offer. As part of the offer, 10,932,674 shares were issued at \$8.80 per share and 1,216,226 shares at \$9.20 per share, with \$8.80 payable to the Company and \$0.40 payable to renouncing institutional shareholders.

Subsequent to year end, additional ordinary shares were issued relating, respectively, to the retail entitlement offer and consideration under the agreement for the acquisition of Gardner Smith Group (“Gardner Smith”). Refer to note 39 for further details.

Employee equity schemes

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

Treasury shares

Treasury shares are shares in GrainCorp 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 (refer to note 38 for further information). During the year no shares were acquired on market (2011: 107,234 shares). Under the employee share plans, 757,605 shares were granted or issued during the year (2011: 480,729). At 30 September 2012, the aggregate amount of unvested performance rights of 880,701, as set out in note 38, is partially covered by the Treasury shares above.

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.

24. Contributed equity (Continued)

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 core debt gearing ratio. Core debt is the total debt net of cash and cash equivalents and Marketing grain inventory. The core debt ratio is core debt divided by core debt and equity.

The Group's objective is to maintain a core debt gearing ratio of less than 25%. At 30 September 2012, core debt gearing was low at 1% (2011: 1%).

The core debt gearing ratios were as follows:

	2012 \$ M	2011 \$ M
Total borrowings	678.1	643.0
Cash and cash equivalents	(350.3)	(312.4)
Net debt	327.8	330.6
Marketing grain inventory (note 12)	(312.0)	(321.7)
Core debt	15.8	8.9
Total equity	1,540.5	1,372.7
Core debt gearing ratio	1%	1%

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

	2012 \$ M	2011 \$ M
Retained earnings		
Retained earnings at the beginning of the financial year	323.2	222.0
Net profit for the year	204.9	171.6
Items of other comprehensive income recognised directly in retained earnings:		
Actuarial (losses) / gains on retirement benefit obligations, net of tax	(11.1)	(1.3)
Dividends received by Employee Trust	0.3	0.3
Share of other comprehensive income of equity accounted associates, net of tax	-	-
Dividends provided for or paid (note 26)	(129.0)	(69.4)
Closing balance	388.3	323.2

Nature and purpose of reserves

The reserves disclosed in the Statement of Changes in Equity (page 50) include the following:

- 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(n) and note 3. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.
- 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.
- The share option reserve is used to recognise the fair value of share rights accounted for as share-based payments issued but not exercised.
- The translation reserve is used to recognise exchange differences arising on the translation of the financial statements of foreign operations.

26. Dividends

	2012 \$ M	2011 \$ M
Dividends paid in the year:		
Final fully franked dividend for the year ended 30 September 2011 of 15.0 cents (2010: 10.0 cents)	29.8	19.8
Special fully franked dividend for the year ended 30 September 2011 of 20.0 cents (2010: 5.0 cents)	39.6	9.9
Interim fully franked dividend for the half year ended 31 March 2012 of 15.0 cents (2011: 15.0 cents)	29.8	29.8
Special interim fully franked dividend for the half year ended 31 March 2012 of 15.0 cents (2011: 5.0 cents)	29.8	9.9
Total	129.0	69.4

Dividends not recognised at year end

Since year end the Directors have approved the payment of the following dividends, expected to be paid on 17 December 2012:

Final fully franked dividend for the year ended 30 September 2012 of 20.0 cents (2011: 15.0 cents)	45.6
Special fully franked dividend for the year ended 30 September 2012 of 15.0 cents (2011: 20.0 cents)	34.2
Total	79.8

These dividends are to be paid out of retained profits at 30 September 2012, but are not recognised as a liability at year end.

Franking credits available

	2012 \$ M	2011 \$ M
Franking credits available for the subsequent financial year	76.2	79.1

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

- Franking credits that will arise from the payment of the current tax liability;
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- 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 \$34.2 million (2011: \$25.5 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 and its related practices:

	2012 \$'000	2011 \$'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>	810	801
	810	801
(ii) Other Services		
Other services	70	73
	70	73
Taxation services		
Tax compliance and advice	10	4
	10	4
Total remuneration of PwC Australia	890	878
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>	470	614
(ii) Other services		
Secretarial services	37	10
Total remuneration of related practices of PricewaterhouseCoopers Australia	507	624
Total auditors remuneration	1,397	1,502

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

28. Contingencies

- The Group may from time to time receive notices of possible claims for losses or damages. A provision of \$26.0 million (2011: \$20.4 million) 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.
- WorkSafe Victoria is currently investigating GrainCorp's compliance with the Occupational Health and Safety Act 2004 (Vic) in relation to injuries at two separate GrainCorp sites and a contingent liability exists for any amounts that ultimately may become payable over and above current provisioning levels.
- The Environment Protection Authority of NSW is currently investigating GrainCorp's compliance with the Protection of the Environment Operations Act 1997 (NSW) in relation to an incident at a GrainCorp port terminal and a contingent liability exists for any amounts that ultimately may become payable over and above current provisioning levels.

29. Commitments

	2012 \$ M	2011 \$ M
Capital expenditure commitments		
Total capital expenditure contracted for at the reporting date but not provided for in payables:		
- Not later than one year	28.4	24.2
	28.4	24.2
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
- Not later than one year	62.1	59.2
- Later than one year and not later than five years	36.6	44.6
- Later than five years	92.9	101.1
	191.6	204.9
Representing:		
Cancellable operating leases	0.8	0.5
Non-cancellable operating leases	190.8	204.4
	191.6	204.9
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- Not later than one year	62.0	59.0
- Later than one year but not later than five years	35.9	44.3
- Later than five years	92.9	101.1
	190.8	204.4
Finance leases		
Commitments in relation to finance leases are payable as follows:		
- Not later than one year	5.0	0.9
- Later than one year but not later than five years	4.8	4.3
- Later than five years	15.2	15.9
Minimum lease payments	25.0	21.1
Future finance charges	(9.8)	(5.2)
Total lease liabilities	15.2	15.9
Representing lease liabilities:		
Current (note 20)	4.2	4.6
Non-current (note 20)	11.0	11.3
	15.2	15.9

30. Key Management Personnel disclosures and related party transactions

1. Key Management Personnel ("KMP") disclosures

a) KMP compensation

	2012 \$'000	2011 \$'000
Short-term employee benefits	6,625	5,852
Post-employment benefits	300	313
Long-term benefits	71	60
Share-based payments	2,417	1,152
Termination payments	-	598
	9,413	7,975

Detailed remuneration disclosures are provided in sections 1 to 7 of the Remuneration Report on pages 25 to 37.

b) Equity instrument disclosures relating to KMP

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 38 to 41.

ii. *Share Rights holdings*

The numbers of share rights in the Company held during the financial year by each Director of GrainCorp and other KMP of the Group, including their personally related entities, are set out below.

2012						
Name	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
Directors of GrainCorp Limited						
A M Watkins	162,684	206,456	-	-	369,140	38,281
Other KMP of the Group						
A G Bell	12,916	40,420	-	-	53,336	8,056
N P Hart	62,839	46,398	(16,418)	(20,974)	71,845	11,773
S A Haydon	5,830	32,895	-	-	38,725	6,247
A N Johns	63,966	34,795	(16,527)	(20,974)	61,260	7,956
H L Miles	11,388	37,744	-	-	49,132	8,287
K Pamminger	59,176 ³⁴	-	-	(9,112)	50,064	20,473
S J Tainsh	79,091	65,436	(21,683)	(20,974)	101,870	21,749

³⁴ 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 2011 financial year by each Director of GrainCorp and other KMP 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	Forfeited 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 KMP of the Group						
A G Bell	-	12,916	-	-	12,916	-
N P Hart	59,421 ³⁵	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)	-	-

³⁵ Balance at date of becoming KMP.

30. Key Management Personnel disclosures and related party transactions (Continued)

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 KMP of the Group, including their personally related entities, are set out in the following table:

2012					
Name	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
Directors of GrainCorp Limited					
Ordinary shares — held in the parent company, GrainCorp Limited					
D C Taylor	34,635	-	-	-	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 McGauchie	81,544	-	-	-	81,544
D B Trebeck	64,752	-	-	-	64,752
S L Tregoning	13,260	-	-	-	13,260
Other KMP of the Group					
Ordinary shares — held in the parent company, GrainCorp Limited					
A G Bell	-	-	-	-	-
N P Hart	21,382	16,419	-	-	37,801
S A Haydon	-	-	-	-	-
A N Johns	18,422	17,333	-	(16,528)	19,227
H L Miles	-	-	-	-	-
K Pamminger	-	-	86	-	86
S J Tainsh	17,303	21,684	-	(11,200)	27,787

No shares were granted to KMP during the reporting period as compensation in the financial year ended 2011 or 2012.

c) Other transactions with KMP

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 KMP 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 KMP who transacted business with the Group were D J Mangelsdorf, D G McGauchie, A N Johns, A M Watkins, B J Gibson, D B Trebeck and P Housden (2011: D J Mangelsdorf, D G McGauchie, A N Johns, A M Watkins and B J Gibson).

	Consolidated	
	2012	2011
Director related and KMP related entities	\$'000	\$'000
Current receivables	2,037	5,916
Current payables	29	617

2012: Current receivables include \$1,908,000 relating to Allied Mills Australia Pty Ltd of which A N Johns and A M Watkins are Directors and \$129,000 receivable from Australian Agricultural Company Ltd, an entity related to D G McGauchie. Current payables include \$28,000 relating to Allied Mills Australia Pty Ltd of which A N Johns and A M Watkins are Directors and \$1,000 payable from Royal Wolf Trading Australia Pty Ltd, an entity related to P Housden.

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.

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	
	2012 \$'000	2011 \$'000
Fee for liabilities guarantee	833	833
Interest expense payable to subsidiaries	2	2
Interest revenue from subsidiaries	56,518	49,035

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Freight income from Allied Mills Australia Pty Ltd ("Allied Mills")	29,628	29,001	-	-
Rental charge from Allied Mills	-	11	-	-
Sales income from Allied Mills	103,057	120,086	-	-
Purchases from Allied Mills	3,185	15,623	-	-
Interest received from Allied Mills	1,269	1,391	1,269	1,391
Storage income from Allied Mills	13,457	9,513	-	-
Membership fees to National Grower Register Pty Ltd ("NGR")	228	276	-	-
Interest income from NGR	51	52	-	-

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Subsidiaries				
Non-current receivables (note 11)	-	-	1,185,470	946,684
Associates				
Loan to NGR (note 11)	800	850	-	-
Loan to Wheat Australia (note 11)	17	17	-	-
Loan to Allied Mills (note 11)	19,052	19,092	19,092	19,092
Loan interest receivable from Allied Mills (note 11)	277	357	277	357

30. Key Management Personnel disclosures and related party transactions (Continued)

d) Terms and conditions

Transactions between GrainCorp and related parties in the Group during the years ended 30 September 2012 and 2011 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:

	2012 \$ M	2011 \$ M
Statement of financial position		
Current assets	6.4	8.3
Total assets	1,431.6	1,190.6
Current liabilities	0.5	1.5
Total liabilities	0.7	1.7
Shareholders' equity		
Contributed equity	1,173.6	1,068.4
Share option reserve	9.3	6.5
Capital reserve	8.3	8.3
Retained profits	239.8	105.7
	1,431.0	1,188.9
Profit for the year	259.2	121.5
Total comprehensive income	259.2	121.5

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 2012.

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 2012 or 30 September 2011.

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 2012 or 30 September 2011.

32. Business combinations

a) Acquisitions in the year ended 30 September 2012

Acquisition of Schill Malz GmbH & Co. KG

i. Summary of acquisition of Schill Malz

On 4 October 2011, the Group acquired 100% of Schill Malz GmbH & Co. KG for the purchase consideration of \$62.5 million.

The acquired business contributed revenues of \$79.6 million, loss before interest, tax, depreciation and amortisation of \$3.2 million and net loss before interest and tax of \$7.4 million to the Group for the period from 4 October 2011 to 30 September 2012. Details of the purchase consideration, net assets acquired and goodwill are as follows:

	\$ M
Purchase consideration	62.5
Fair value of net identifiable assets acquired	(52.4)
Goodwill	10.1

The assets and liabilities arising from the acquisition are as follows:

	Fair value \$ M
Cash and cash equivalent	0.5
Property, plant and equipment	51.7
Software	0.8
Inventory	21.8
Other assets	2.2
Trade receivables	11.7
Trade payables	(5.9)
Borrowings	(18.7)
Net deferred tax	(1.8)
Other liabilities	(9.9)
Net identifiable assets acquired	52.4

The goodwill is attributed to the synergies and strategic location of the acquired business.

The accounting for the acquisition of Schill Malz GmbH & Co. KG business has been finalised. The charges from the provisional acquisition accounting disclosed at half year relate primarily to the finalisation of deferred tax.

32. Business combinations (Continued)

ii. Purchase consideration cash outflow

	\$ M
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	62.5
Less: Balance acquired	
Cash	0.5
Borrowings	(18.7)
	(18.2)
Outflow of Cash – investing activities	80.7

b) 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 \$23.1 million and net profit before tax of \$0.7 million to the Group for the period from 1 October 2011 to 30 September 2012. Details of the purchase consideration, net assets acquired and goodwill are as follows:

	\$ M
Cash consideration	10.6
Accrued consideration	2.9
Purchase consideration	13.5
Fair value of net identifiable assets acquired	(13.5)
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 accounting for the acquisition of the Kirin Australia business has been finalised in the current financial year with no differences from the provisional balances disclosed in the 2011 Annual Report.

33. Subsidiaries

Name of entity	Class of shares	Country of incorporation	Equity holdings	
			2012	2011
Agricultural Risk Management Services Pty Limited ³⁶	Ordinary	Australia	100%	100%
ABN 18 052 348 973 Pty Ltd (formerly Ausfarmers Pty Limited) ³⁶	Ordinary	Australia	100%	100%
ABN 36 073 105 656 Pty Ltd (formerly Globex International Pty Limited) ³⁶	Ordinary	Australia	100%	100%
ABN 25 069 096 582 Pty Ltd (formerly GrainCorp Victoria Pty Limited) ³⁶	Ordinary	Australia	100%	100%
ABN 99 059 347 349 Pty Ltd (formerly Victorian Grain Services Pty Limited) ³⁶	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	Ordinary	Australia	100%	100%
Containerlink Pty Limited ³⁶	Ordinary	Australia	100%	100%
Grainco Australia Limited	Ordinary	Australia	100%	100%
GrainCorp AG Finance Limited ³⁶	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 ³⁶	Ordinary	Australia	100%	100%
GrainCorp Oils Holdings Pty Ltd	Ordinary	Australia	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%
Integro Foods Australia Pty Ltd	Ordinary	Australia	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%
Integro Foods NZ Limited	Ordinary	NZ	100%	-
GrainCorp Operations Asia Pte. Ltd	Ordinary	Singapore	100%	-
Brewers Select Limited	Ordinary	UK	100%	-
GrainCorp Europe (UK) Ltd	Ordinary	UK	100%	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%
Norton Organic Grain Limited	Ordinary	UK	100%	-
Ulgrave Limited	Ordinary	UK	100%	100%
Maltco 3 Limited	Ordinary	UK	100%	100%
Bairds Malt Limited	Ordinary	UK	100%	100%

³⁶ Subject to members' voluntary liquidation or deregistration.

33. Subsidiaries (Continued)

Name of entity	Class of shares	Country of incorporation	Equity holdings	
			2012	2011
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%
Canada Malting Co. Limited	Ordinary	Canada	100%	100%
Coastal Containers Limited	Ordinary	Canada	100%	100%
GrainCorp Canada Inc	Common	Canada	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%
GrainCorp Europe Management GmbH	Ordinary	Germany	100%	100%
GrainCorp Europe GmbH & Co. KG	-	Germany	100%	100%
Schill Malz GmbH & Co. KG	Ordinary	Germany	100%	-
Rhein-Ruhr-Maltz GmbH	-	Germany	100%	-
Thüringer Malz GmbH	-	Germany	100%	-
Schill Malz Verwaltungs GmbH	-	Germany	100%	-

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, Containerlink Pty Limited, GrainCorp AG Finance Limited, GrainCorp Oils Holding Pty Ltd, Integro Foods Australia Pty Ltd and GrainCorp NZ Pty Ltd are parties to a deed of cross guarantee 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'.

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 2012.

	2012 \$ M	2011 \$ M
Income statement		
Revenue from continuing operations	2,396.2	2,050.0
Other income	58.2	57.5
Goods purchased for resale	(1,617.3)	(1,426.9)
Raw materials and consumables used	(94.0)	(82.1)
Employee benefits expense	(217.3)	(210.9)
Depreciation and amortisation expense	(68.4)	(59.7)
Finance costs	(25.9)	(25.6)
Repairs and maintenance	(42.2)	(36.6)
Operating leases	(49.1)	(42.6)
Other expenses	(105.4)	(27.9)
Share of net profits of associates accounted for using the equity method	15.4	8.5
Profit / (loss) before income tax	250.2	203.7
Income tax (expense) / benefit	(79.7)	(60.8)
Profit from continuing operations	170.5	142.9
Profit for the year	170.5	142.9
Other comprehensive income:		
Changes in the fair value of cash flow hedges	2.4	(1.0)
Share of comprehensive income of associates	(0.1)	(0.6)
Actuarial (losses) on retirement benefit obligations	(0.1)	(0.7)
Income tax relating to components of other comprehensive income	(0.7)	0.7
Other comprehensive income for the year, net of tax	1.5	(1.6)
Total comprehensive income for the year	172.0	141.3
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	270.7	198.5
Profit after related income tax expense	170.5	142.9
Other comprehensive income recognised in retained earnings	-	(1.3)
Dividends provided for or paid	(129.0)	(69.4)
Retained earnings at the end of the financial year	312.3	270.7

34. Deed of cross guarantee (Continued)

Set out below is the consolidated statement of financial position as at 30 September 2012 of the Closed Group.

	2012	2011
	\$ M	\$ M
Statement of financial position		
Current assets		
Cash and cash equivalents	292.0	264.1
Trade and other receivables	262.6	230.7
Inventories	325.9	355.9
Derivative financial instruments	54.0	57.7
Total current assets	934.5	908.4
Non-current assets		
Receivables	176.8	221.2
Investment in Subsidiaries	290.8	228.8
Investments accounted for using the equity method	139.9	124.1
Other financial assets	1.0	1.0
Property, plant & equipment	607.5	591.8
Deferred tax assets	43.1	53.5
Intangible assets	110.9	117.9
Derivative financial instruments	0.2	4.2
Total non-current assets	1,370.2	1,342.5
Total assets	2,304.7	2,250.9
Current liabilities		
Trade and other payables	188.0	193.1
Borrowings	291.1	373.3
Derivative financial instruments	51.5	37.7
Other financial liabilities	0.2	0.2
Current tax liabilities	26.1	70.1
Provisions	45.9	43.7
Total current liabilities	602.8	718.1
Non-current liabilities		
Borrowings	133.6	121.8
Derivative financial instruments	4.6	0.9
Other financial liabilities	0.6	0.7
Deferred tax liabilities	55.4	34.2
Provisions	5.1	5.3
Retirement benefit obligations	1.8	21.3
Total non-current liabilities	201.1	184.2
Total liabilities	803.9	902.3
Net assets	1,500.8	1,348.6
Equity		
Contributed equity	1,168.8	1,064.5
Reserves	19.7	13.4
Retained earnings	312.3	270.7
Total equity	1,500.8	1,348.6

35. Investments in associates accounted for using the equity method

	2012 \$ M	2011 \$ M
Shares in associates	139.4	124.1

a) Carrying amounts

Company	Principal activity	Ownership interest		Carrying amount	
		2012	2011	2012 \$ M	2011 \$ M
Allied Mills Australia Pty Ltd ³⁷	Mixing & milling	60%	60%	137.7	123.1
National Grower Register Pty Ltd	Register management	50%	50%	1.7	1.0
Wheat Australia Pty Ltd	Wheat exportation	33.3%	33.3%	-	-
				139.4	124.1

Each of the above associates is incorporated in Australia.

b) Movements in carrying amounts

	2012 \$ M	2011 \$ M
Carrying amount at the beginning of the financial year	124.1	116.2
Share of operating profits after income tax	15.4	8.5
Share of other comprehensive income/(loss) after income tax	(0.1)	(0.6)
Carrying amount at the end of the financial year	139.4	124.1
Group's share of associate's expenditure commitments, other than for supply of inventories:		
Capital commitments	19.3	1.4
Lease commitments	2.5	3.1
Contingent liabilities	0.9	-

Summarised financial information of associates:

	Group's share of:			
	Assets \$ M	Liabilities \$ M	Revenues \$ M	Profit \$ M
2012	252.7	113.1	282.7	15.4
2011	258.7	134.0	269.3	8.5

³⁷ Equity interest in Allied Mills is 60%, however, voting rights are 50%.

36. Reconciliation of profit after income tax to net cash flow from operating activities

	2012 \$ M	2011 \$ M
Profit / (loss) for the year	204.9	171.6
Net (profit) / loss on sale of non-current assets	(0.2)	0.2
Non-cash employee benefits expense – share based payments	4.1	1.3
Share of (profit) / loss of associate not received as dividends	(15.3)	(8.5)
Depreciation / amortisation	91.2	78.5
	284.7	243.1
Changes in operating assets and liabilities (net of acquired entity):		
(Increase) / decrease in inventories	(76.2)	25.0
(Increase) / decrease in deferred tax asset	12.3	(13.7)
(Increase) / decrease in derivatives	2.9	(27.3)
(Increase) / decrease in receivables	(50.7)	(72.0)
Increase / (decrease) in trade payables	(7.5)	75.8
Increase / (decrease) in other liabilities	(4.2)	8.5
Increase / (decrease) in provision for income tax	(50.2)	54.8
Increase / (decrease) in provision for deferred tax liability	26.6	0.7
Increase / (decrease) in defined benefit pension plan liability	(7.1)	(1.8)
Increase / (decrease) in provisions	9.4	11.7
Net cash provided by operating activities	140.0	304.8

37. Earnings per share

	2012 Cents	2011 Cents
Basic earnings per share:		
From continuing operations attributable to owners of the Company	102.6	86.2
From discontinued operations	-	-
Total basic earnings per share attributable to owners of the Company	102.6	86.2
Diluted earnings per share:		
From continuing operations attributable to owners of the Company	102.0	85.9
From discontinued operations	-	-
Total diluted earnings per share attributable to owners of the Company	102.0	85.9
	Number of ordinary shares	
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share ³⁸	199,793,259	198,977,623
Adjustment for calculation of diluted earnings per share:		
Performance rights	1,115,079	889,684
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in the calculation of diluted earnings per share	200,908,338	199,867,307

³⁸ 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.

37. Earnings per share (Continued)

	2012 \$ M	2011 \$ M
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per ordinary share:		
From continuing operations	204.9	171.6
Earnings used in calculating basic and diluted earnings per ordinary share	204.9	171.6

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 ("LTI") Plan

The LTI plan was designed to provide longer term focus and alignment to business strategy through performance hurdles of Return on Equity ("ROE") and relative Total Shareholder Return ("TSR").

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. The vesting period is 3 years subject to meeting ROE and relative TSR performance hurdles. Full details of the LTI plan and link to performance can be found in the Remuneration Report starting on page 25.

The grant-date fair value of the rights granted through the LTI plan 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	16 February 2012
Fair value at grant date (TSR)	\$4.91	\$5.18	\$5.66
Fair value at grant date (ROE)	\$6.51	\$6.76	\$6.96
Estimated vesting date	30 September 2013	30 September 2013	30 September 2014
Share price at grant date	\$7.37	\$7.62	\$8.20
Volatility	35%	35%	30%
Risk free interest rate	5.00%	4.92%	3.50%
Dividend yield	4.5%	4.5%	5.9%

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
28 Feb 2011	30 Sep 2013	209,379	-	-	-	-	209,379	-
30 Mar 2011	30 Sep 2013	6,663	-	-	-	-	6,663	-
16 Feb 2012	30 Sep 2014	-	275,451	-	-	-	275,451	-
		216,042	275,451	-	-	-	491,493	-

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

38. Share based payments (Continued)

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 short term incentive. 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.

The inputs used in the measurement of the fair value at grant date for the grants made in the current financial year included the following:

Grant date	3 January 2012	3 January 2012
Fair value at grant date	\$7.49	\$7.07
Estimated vesting date	30 September 2012	30 September 2013
Share price at grant date	\$7.82	\$7.82
Dividend yield	5.9%	5.9%

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 the year	Balance at end of year	Exercisable at end of year
3 Jan 2012	30 Sep 12 & 30 Sep 13	-	482,154	(27,820)	-	454,334	227,167

c) Performance Share Rights Plan (legacy plan)

The Performance Share Rights Plan became operative on 1 October 2004 and provided selected eligible employees a grant of rights. Each right is converted into one share on the satisfaction of certain performance conditions. 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. Further detail on this plan can be found in the Remuneration Report starting on page 38.

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
1 Oct 2006	30 Sep 2011	15,832	-	(15,832)	-	-	-	-
1 Oct 2007	30 Sep 2012	142,964	-	-	(142,964)	-	-	-
		158,796	-	(15,832)	(142,964)	-	-	-

The performance rights issued on 1 October 2006 expired on 30 September 2011. The performance rights issued on 1 October 2007 underwent final testing at 30 September 2012, at which time no rights vested and the rights expired.

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 short term incentive 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	202,356	-	(129,387)	-	72,969	72,969
15 Dec 10	30 Sep 13	206,049	-	(22,230)	(21,778)	162,041	-
		408,405	-	(151,617)	(21,778)	235,010	72,969

38. Share based payments (Continued)

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:

	2012 \$ M	2011 \$ M
Share-based payments expense	4.1	1.3

39. Events occurring after the reporting period

Acquisition of Gardner Smith Group and Integro Foods

On 2 October 2012 the Group acquired 100% of Gardner Smith Group ("Gardner Smith"), a leading oilseed crusher and operator of bulk liquid port terminals and Integro Foods, a commercial oilseed business, to create GrainCorp Oils. The combined purchase consideration for the acquisitions was \$472 million.

Net assets acquired and resulting goodwill are subject to finalisation of completion accounts and acquisition accounting. The financial effects of this acquisition have not been brought to account at 30 September 2012: the operating results and asset and liabilities of the business will be consolidated from 2 October 2012. As permitted under *AASB3 Business Combinations*, acquisition accounting will be finalised within 12 months of the date of acquisition.

Share Capital

For the purposes of partially funding the acquisition of Gardner Smith and Integro Foods, the Company has issued the following shares:

- 11 September 2012: Institutional entitlement issue of 12,148,900 shares at \$8.80 per share
- 2 October 2012: Offer issue of 11,899,710 shares at \$9.79 per share to the shareholders of Gardner Smith
- 5 October 2012: Retail entitlement issue of 5,873,971 shares at \$8.80 per share

Borrowings

On 2 October 2012 the Company drew \$225.0 million under an acquisition facility to partially fund the acquisition of Gardner Smith and Integro Foods. This facility has a maturity date of October 2016.

Other than reported above, no other matter or circumstance has arisen since 30 September 2012 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 47 to 118 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 2012 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
15 November 2012

Independent Auditor's Report



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 2012, 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 2012 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 25 to 45 of the Directors' report for the year ended 30 September 2012. 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 2012, complies with section 300A of the Corporations Act 2001.



PricewaterhouseCoopers



Matthew Lunn

Partner

Sydney, 15 November 2012

Shareholder Information

Holdings distribution as at 9 October 2012

Range	Securities	%	No. Of Holders	%
100,001 and Over	186,415,863	81.67	64	0.41
50,001 to 100,000	3,232,900	1.42	46	0.29
10,001 to 50,000	12,796,609	5.61	707	4.52
5,001 to 10,000	9,329,783	4.09	1,333	8.52
1,001 to 5,000	13,407,029	5.87	5,815	37.17
1 to 1,000	3,059,297	1.34	7,678	49.09
Total	228,241,481	100.00	15,643	100.00
Unmarketable Parcels	7,419	0.00	696	4.45

Twenty largest shareholders as at 9 October 2012

Rank	Name	Shares held	Issued Capital
1	National Nominees Limited	46,124,963	20.21%
2	HSBC Custody Nominees (Australia) Limited	36,661,807	16.06%
3	J P Morgan Nominees Australia Limited	33,405,626	14.64%
4	Citicorp Nominees Pty Limited	11,728,460	5.14%
5	JP Morgan Nominees Australia Limited	8,958,751	3.93%
6	BNP Paribas Noms Pty Ltd	6,221,687	2.73%
7	AMP Life Limited	5,949,643	2.61%
8	D Seaton Pty Ltd	5,237,738	2.29%
9	Citicorp Nominees Pty Limited	5,005,930	2.19%
10	BNP Paribas Noms Pty Ltd	2,777,974	1.22%
11	Jaseroad Holdings Pty Limited	1,786,011	0.78%
12	HSBC Custody Nominees (Australia) Limited	1,449,235	0.63%
13	UBS Nominees Pty Ltd	1,347,272	0.59%
14	UBS Nominees Pty Ltd	1,248,529	0.55%
15	P & G Shearman Holdings Pty Limited	1,231,393	0.54%
16	QIC Limited	1,201,450	0.53%
17	BNP Paribas Noms Pty Ltd	1,193,058	0.52%
18	Donald Cameron Seaton	1,133,976	0.50%
19	BNP Paribas Noms Pty Ltd	1,034,000	0.45%
20	Share Direct Nominees Pty Ltd	985,329	0.43%
Total		174,682,832	76.53%
Balance of Register		53,558,649	23.47%
Grand Total		228,241,481	100.00%

Substantial shareholders

The following organisations disclosed a substantial shareholding notice in GrainCorp Limited by 9 October 2012.

Name	Notice Date	Shares held	Issued Capital
Ellerston Capital Limited	5 April 2012	14,558,439	7.340
AMP Limited	5 September 2012	10,973,094	5.530
National Australia Bank Limited	12 September 2012	10,731,437	5.411

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.

Corporate Directory

Board of Directors

Don C Taylor
(Chairman)

Alison M Watkins
(Managing Director & CEO)

Barbara J Gibson
(Non-executive Director)

Peter J Housden
(Non-executive Director)

Donald G McGauchie
(Non-executive Director)

Daniel J Mangelsdorf
(Non-executive Director)

David B Trebeck
(Non-executive Director)

Simon L Tregoning
(Non-executive Director)

Company Secretary

Andrew C Horne

Registered Office

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Company website
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Share Registry

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