Company announcement

GrainCorp Limited ABN 60 057 186 035

Date: Thursday, 25 November 2010

To: The Manager
Announcements
Company announcements office

PUBLIC ANNOUNCEMENT

GRAINCORP FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2010

Appendix 4E and Full Financial Statements

Betty Ivanoff
General Counsel and Company Secretary

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25 November 2010

The Manager
Company Announcements
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

GrainCorp Limited – Preliminary Final Report (Appendix 4E) for the year ended 30 September 2010

The directors of GrainCorp Limited (the "Company") are pleased to announce the audited results of the company for the year ended 30 September 2010 as follows:

Results for Announcement to the Market				
				$ M
Revenue from ordinary activities	Up	19.9 %	to	1,995.6
Profit/(loss) from ordinary activities after tax attributable to members	Up	27.0 %	to	80.2
Net profit/(loss) for the period attributable to members	Up	27.0 %	to	80.2

Final dividend	Amount per security	Franked amount per security
Ordinary shares	10.0 cents	10.0 cents
Record date for determining entitlements to the final ordinary dividend		7 December 2010
Aggregate dividend amount		$19,832,000
Payment date for final dividend		21 December 2010

Special dividend	Amount per security	Franked amount per security
Ordinary shares	5.0 cents	5.0 cents
Record date for determining entitlements to the special dividend		7 December 2010
Aggregate dividend amount		$9,916,000
Payment date for special dividend		21 December 2010

Dividends for the year	Amount per security	Franked amount per security
Interim dividend - 2010 - ordinary shares	15.0 cents	15.0 cents
Final dividend - 2010 - ordinary shares	10.0 cents	10.0 cents
Special dividend - 2010 - ordinary shares	5.0 cents	5.0 cents

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the attached Annual Financial Report for the year ended 30 September 2010 and the additional information below.

Additional Information

Net Tangible Assets per share: $4.54 (2009: $6.79)

The information provided in this report is based on accounts which have been audited.

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

Yours faithfully,

Betty Ivanoff

Company Secretary

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

Annual Financial Report

30 September 2010

GrainCorp Limited
Contents
2010 Financial Report

	Page
Directors' report	1
Auditor's independence declaration	26
Income statement	27
Statement of comprehensive income	28
Statement of financial position	29
Statement of changes in equity	30
Statement of cash flows	32
Notes to the financial statements	
1. Summary of significant accounting policies	33
2. Critical accounting estimates and judgements	47
3. Financial risk management	48
4. Segment information	59
5. Revenue	63
6. Other income	63
7. Expenses	64
8. Income tax expense	65
9. Cash and cash equivalents	66
10. Trade and other receivables	66
11. Inventories	67
12. Derivative financial instruments	67
13. Assets classified as held for sale and discontinued operations	69
14. Investments accounted for using the equity method	71
15. Other financial assets	71
16. Deferred tax assets and liabilities	71
17. Property, plant and equipment	73
18. Intangible assets	75
19. Trade and other payables	76
20. Borrowings	77
21. Other financial liabilities	79
22. Provisions	79
23. Retirement benefit obligations	80
24. Contributed equity	83
25. Retained earnings and reserves	85
26. Dividends	85
27. Remuneration of auditor	86
28. Contingencies	87
29. Commitments	88
30. Key management personnel disclosures and related party transactions	89
31. Parent entity financial information	94
32. Business combinations	95
33. Subsidiaries	98
34. Deed of cross guarantee	99
35. Investments in associates	101
36. Reconciliation of profit after income tax to net cash flow from operating activities	102
37. Earnings per share	103
38. Share-based payments	104
39. Events occurring after the reporting period	106
Directors' declaration	107
Independent auditor's report	108

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

Level 26
175 Liverpool Street
SYDNEY NSW 2000

A description of the nature of the consolidated entity's principal activities and its operations is included in the directors' report on page 1.

The financial statements were authorised for issue by the directors on 25 November 2010. The Company has the power to amend and reissue the financial statements.

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 2010.

Directors

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

D C Taylor (Chairman)
A M Watkins (Managing Director and Chief Executive Officer) – appointed 30 July 2010
P J Housden
D J Mangelsdorf
D G McGauchie - appointed 23 December 2009
D B Trebeck
S L Tregoning
I Wilton (Interim Chief Executive Officer) - appointed 21 January 2010; resigned 31 August 2010 [1]
M D Irwin (Managing Director and Chief Executive Officer) – resigned 21 January 2010

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

[1] I Wilton resigned as a director of the Company on 31 August 2010, and remains with the Group as President and CEO of GrainCorp Malt.

Principal activities

The nature and scope of the main activities undertaken by the Group during the year were the provision of services to the grain, brewing and distilling industries including:

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

Dividends

The following dividends on issued ordinary shares of GrainCorp have been paid or approved for payment since the end of the 2009 financial year:

	2010 $M
Final 2010 dividend of 10 cents per share, fully franked, to be paid on 21 December 2010	19.8
Special 2010 dividend of 5 cents per share, fully franked, to be paid on 21 December 2010	9.9
Interim 2010 dividend of 15 cents per share, fully franked, paid on 5 July 2010	29.7
Final 2009 dividend of 7.27 cents per share, fully franked, paid on 16 December 2009	14.4

Review of operations

The acquisition of the Malt businesses of the United Malt Holdings Group in Australia, United Kingdom, United States and Canada was completed on 13 November 2009, and the full year results include a contribution from these businesses from that date.

Malt sales volumes for the period from acquisition to 30 September 2010 were 1.0 million tonnes, in line with expectations.

Total up-country grain receivals during the year were 7.4 million tonnes with 0.9 million tonnes received at our ports from non-GrainCorp sites. This compared to 9.6 million tonnes up-country and 1.1 million tonnes at our ports in the previous financial year. Grain in storage at the beginning of the year was 2.9 million tonnes, up on the previous year of 2.2 million tonnes. Grain exports by all grain exporters through GrainCorp ports exceeded 3.5 million tonnes during the year, which decreased from 5.2 million tonnes in the prior year. This was due to a combination of lower grain receivals and increased global grain inventories, reducing the export competitiveness of Australian grain.

The Group recorded a profit after tax of $80.2 million for the financial year compared to a profit after tax of $63.2 million for the previous year. Earnings before interest, tax, depreciation, and amortisation (EBITDA) from continuing operations increased from $181.7 million to $212.2 million reflecting the contribution of the acquired Malt businesses.

Significant changes in state of affairs during the financial year

Acquisition of United Malt Holdings Group
With the acquisition in November 2009 of the United Malt Holdings Group, GrainCorp became the world's fourth largest commercial malt producer. The acquisition provides diversification of earnings, larger infrastructure footprint, improved trading knowledge, and growth opportunities. The malt businesses can produce up to 1.1 million metric tonnes of malt per year. The capacity expansion project underway in Australia (due to complete in January 2011) will increase capacity by approximately 8% to 1.2 million metric tonnes per annum.

Closure of Merchandise business
The exit from the Merchandise business was announced in December 2009, and this process was completed by 31 July 2010.

Ordinary share issues
On 19 October 2009 39.1 million shares were issued by way of an institutional entitlement offer at $5.65 per share. A further 15.6 million shares were issued by way of an institutional bookbuild and institutional placement at $7.05 per share.

On 13 November 2009, 27.2 million shares were issued by way of a retail entitlement offer at $5.65 per share. A further 20.4 million shares were issued by way of a retail bookbuild at $6.50 per share.

These issues raised net proceeds of $575.4 million for the purpose of partially funding the acquisition of the United Malt Holdings Group.

Borrowings
The Group drew additional debt of US$200 million ($215 million) in November 2009 under a revolving acquisition debt facility to partially fund the acquisition of the United Malt Holdings Group. This facility has subsequently been renegotiated on three year terms.

Matters subsequent to the end of the financial year

Dividend declared
Since year end the directors have approved the payment of a fully franked final dividend totalling $19.8 million and a fully franked special dividend totalling $9.9 million. This represents the equivalent of a final dividend of 10.00 cents plus a special dividend of 5.00 cents per share on issue at the record date of 7 December 2010. The dividends will be paid on 21 December 2010.

Other than reported above, no other matter or circumstance has arisen since 30 September 2010 which has significantly affected or may significantly affect:

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

Likely developments and expected results of operations

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

Environment

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

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

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

The *National Greenhouse and Energy Reporting Act 2007* requires the Group to report its annual greenhouse gas emissions and energy use. The Group has registered with the Greenhouse and Energy Data Officer (GEDO) and has implemented systems and processes for the collection and calculation of the data required to enable it to prepare and submit reporting to the GEDO. The annual report was submitted on 1 November 2010.

Information on directors

Details of the current members of the Board of Directors, including their experience, qualifications, special responsibilities and term of office are set out below:

D C (Don) Taylor B.Com., CA, Grad.Cert.Rur.Sc., FAICD (Chairman and Non-Executive Director)
Don Taylor has been Chairman of the Board of Directors since December 2005. Mr Taylor is a member of the Human Resources Committee, member of the Business Risk Committee and also a member of the Corporate Governance Committee. Mr Taylor joined the Board in October 2003.
Mr Taylor was formerly Executive Chairman of Grainco Australia Limited, Director of Forest Enterprises Australia Limited and Chairman of Carrington Cotton Limited (formerly listed on ASX).

A M (Alison) Watkins B.Com., FCA, F Fin, FAICD (Managing Director and Chief Executive Officer)
Alison Watkins is an experienced Chief Executive Officer and ASX 20 company board director, with wide ranging and international experience in the agriculture, food processing, consumer, retail, financial and professional services sectors. Ms Watkins is a member of the Corporate Governance Committee. Ms Watkins joined the Board in July 2010.
Ms Watkins has held a number of executive roles, including Chief Executive Officer of Berri Limited, Executive Chair of Mrs Crocket's Kitchen Pty Ltd, and Chief Executive Officer of the Bennelong Group, and is a former partner of McKinsey & Company. She was formerly a non-executive Director of Just Group Limited and Woolworths Limited, and is currently a non-executive Director of Australia and New Zealand Banking Group Limited.

P J (Peter) Housden B.Com., FCPA, FAICD (Non-Executive Director)
Peter Housden is Chairman of the Board Audit Committee and member of the Corporate Governance Committee. Mr Housden joined the Board in October 2008.
Mr Housden is currently a Board member of Sparke Helmore Lawyers, and Director of Magenta Shores Golf and Country Club. Mr Housden is also a member of the Audit & Risk Committee for Housing NSW, a State Government agency and former Director of Sino Gold Mining Ltd.

D J (Dan) Mangelsdorf B.Ag.Ec.(Hons), FAICD (Non-Executive Director)
Dan Mangelsdorf is Chairman of the Business Risk Committee, and member of the Corporate Governance Committee. Mr Mangelsdorf joined the Board in February 2005.
Mr Mangelsdorf was formerly Chairman of Grain Growers Association Limited and is a member of the Federal Government Industry Expert Group.

D G (Donald) McGauchie, AO (Non-Executive Director)
Donald McGauchie is Chairman of the Human Resources Committee and a member of the Corporate Governance Committee. Mr McGauchie joined the Board in December 2009.
Mr McGauchie is currently a member of the Reserve Bank Board, Director of James Hardie NV, Chairman of Nufarm Limited, Chairman of Australian Agricultural Company Limited, and Chairman of the Australian Wool Testing Authority. 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 Rural Finance Corporation, a Victorian statutory corporation, and also President of the National Farmers Federation.
In 2001 Mr McGauchie was named the Rabobank Agribusiness Leader of the Year, was later 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.

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

S L (Simon) Tregoning B.Com.(Non-Executive Director)
Simon Tregoning is a member of the Board Audit Committee and member of the Corporate Governance Committee. Mr Tregoning joined the Board in December 2008.
Mr Tregoning is currently a director of St Luke's Care and Director of Capilano Honey Limited. Mr Tregoning was formerly a Director of Australian Co-operative Foods Limited (Dairy Farmers) and Capitol Chilled Foods (Australia) Pty Ltd, and was formerly Vice-President of Kimberley-Clark Corporation.

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

Company Secretary

B E (Betty) Ivanoff, LLB, Grad.Dip. Legal Practice
An experienced corporate lawyer, Betty Ivanoff was appointed General Counsel and Company Secretary in October 2008 for all Group entities and oversees corporate governance, compliance, insurance risk and the Company's energy efficiency reporting.

Meetings of directors

The following table sets out the number of meetings of GrainCorp's directors (including meetings of committees of directors) held during the twelve months to 30 September 2010, and the number of meetings attended by each director.

Director	Full Board meetings		Board committee meetings					
			Audit		Human Resources[1]		Business Risk[2]	
	A	B	A	B	A	B	A	B
D C Taylor	12	12	~	~	4	4	4	4
A M Watkins	3	3	1	1	1	1	1	1
P J Housden	12	12	4	4	~	~	~	~
D J Mangelsdorf	12	12	~	~	4	2	4	4
D G McGauchie	12	11	~	~	4	3	~	~
D B Trebeck	12	12	4	3	~	~	~	~
S L Tregoning	12	12	4	4	~	~	~	~
M D Irwin	4	4	1	1	1	1	1	1
I Wilton	6	6	2	2	2	2	2	2

A - Number held during period in office.
B - Number attended.
~ - Not a member of the relevant committee.
1 Formerly the Remuneration and Nominations Committee
2 Formerly the Trading Risk Management Committee

A message from the Board

Dear Shareholders,

The acquisition of the United Malt Holdings group of malt companies ("GrainCorp Malt") in November 2009, and concerns expressed by shareholders and representative groups at the February 2010 Annual General Meeting ("AGM") regarding our approach to executive remuneration, prompted a review of our approach to executive incentives. The aim of the review was to ensure that our approach was aligned with our evolving business strategy and recognised the concerns raised by shareholders and representative groups.

Since the February 2010 AGM, the Board undertook a considered review process. Ernst & Young was engaged as part of the process focusing on executive incentives and equity plan. The outcome of this review is a new framework that is being implemented for the 2010/2011 financial year. The first aspect of this framework is the new long-term incentive plan under which the first grants will be made to senior executives in January 2011 and for which approval will be sought at the AGM to make a grant to the Managing Director & CEO.

The Retention Share Plan, which attracted criticism last year, will be phased out over the coming financial year with the last grants being made in December 2010. These grants relate to performance which is based on the financial year from 1 October 2009 to 30 September 2010. Whilst recognising shareholder concerns, the Board did not consider it appropriate to retrospectively change the incentive arrangements when the performance period was already well underway.

We are confident that the new approach substantially addresses the concerns that were raised by shareholders and representative groups. We encourage you to read about the new approach and how it supports our business direction, incentivises our employees and focus on shareholder value.

Yours faithfully,

Don Taylor
Chairman

Donald McGauchie
Chair of the Human Resources Committee
(formerly the Remuneration and Nominations Committee)

25 November 2010

Remuneration Report – Introduction and contents

Contents

1. 2009/2010 in brief	8
2. Executive remuneration policy and framework Changes to remuneration for 2010/2011 2009/2010 remuneration framework	9
3. 2009/2010 remuneration outcomes and the link to performance	13
4. Executive contracts	18
5. Non-executive Director remuneration	21
6. Additional statutory disclosures	22

This report details the Group's remuneration policy and remuneration for Key Management Personnel. GrainCorp has defined Key Management Personnel to be the Directors, Managing Director & CEO and selected direct reports. For the year ended 30 September 2010, this also includes the five highest paid executives in the consolidated entity and the company. For the purposes of this report a distinction is made between Non-executive Directors and Executives including the Managing Director & CEO. The following individuals are disclosed in this report.

Name	Position
Non-executive directors	
D C Taylor	Chairman
P J Housden	Director
D J Mangelsdorf	Director
D G McGauchie	Director (appointed 23 December 2009)
D B Trebeck	Director
S L Tregoning	Director
Executive Directors	
A M Watkins	Managing Director & CEO (appointed 30 July 2010)
M D Irwin	Managing Director (ceased employment 21 January 2010)
Executives	
J Anderson	President and CEO GrainCorp Malt (ceased employment 1 March 2010)
B J Griffin	Group General Manager, Storage & Logistics (ceased employment 5 November 2010)
G J Haskew	Acting Chief Financial Officer (CFO) (appointed 21 January 2010 to 15 November 2010)
A N Johns	Chief Development Officer
R S Porcheron	General Manager, Human Resources (ceased employment 5 November 2010)
S J Tainsh	General Manager, Trading
I Wilton	President & CEO, GrainCorp Malt (appointed 30 July 2010) (Mr Wilton served as GrainCorp Ltd CFO until 21 January 2010 and as GrainCorp Ltd interim CEO from 21 January 2010 to 30 July 2010)

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

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

Remuneration Report – continued

1. 2009/2010 in brief

Highlights of the changes to the executive remuneration approach

As noted in the 'A Message from the Board', the Group undertook a review of the approach to executive incentives during the year. The detailed outcomes of the review are set out in section 2 of this report. Highlights are:

- A long-term incentive plan has been introduced for selected executives. The plan will focus on three-year performance measured by Return on Equity and relative Total Shareholder Return. The first grants are expected to be made in January 2011.
- The current Retention Share Plan will be discontinued following the final grants associated with the 2009/2010 performance period.
- Short-term incentives earned by executives have been restructured to include a component deferred into equity, which will be restricted for 1 year (50%) or 2 years (50%).

Changes to executive team

During the financial year, as the business evolved, changes were made to our executive team.

Ian Wilton served as CFO until 21 January 2010, when Mark Irwin Managing Director & CEO, left the company. Ian Wilton filled the role of interim CEO, until the appointment of Alison Watkins as Managing Director & CEO on 30 July 2010. Ian Wilton was appointed President & CEO, GrainCorp Malt on 30 July 2010.

When Mark Irwin departed the company on 21 January 2010, he received a separation package that included a cash component and a component of discretionary short-term incentive and accelerated vesting of a portion of his Retention Shares. Details of these payments were announced to the market in January 2010 and were discussed with shareholders at the February 2010 AGM. These payments amount to an aggregate value of $750,000 (equivalent to 12 months fixed remuneration) and are included in this remuneration report.

Remuneration outcomes for the year

For the financial year ended 30 September 2010, executive short-term incentive outcomes reflect a balanced scorecard assessment of the year's highlights, including the successful GrainCorp Malt acquisition, launch of GrainTransact, and financial results in line with expectations, offset by lowlights, in particular a fatality at our Corio bunker site in Victoria.

The outstanding Performance Share Rights Plan grants (October 2005, 2006 and 2007), continued to be re-tested in accordance with the plan rules. The targets for the 2005 grant were not achieved and the award lapsed. A further 11% of the Total Shareholder Return (TSR) component of the 2006 grant vested, resulting in a total of 79% vesting of the TSR component to date. The targets for the 2007 grant have not yet been achieved and no awards vested. The new long-term incentive plan (to be introduced for the 2010/2011 performance period) does not include retesting.

Remuneration Report – continued

2. Executive remuneration policy and framework

Role of the Human Resources Committee

In September 2010, the Board of Directors resolved to reconstitute the *Remuneration & Nominations Committee* as the *Human Resources Committee* ("HRC"). The scope of the HRC has been reconfigured to include all employee issues, policies and processes only, with director nominations skills, performance, succession planning and other related matters having been transferred to the newly formed Corporate Governance Committee (which comprises all the directors).

The HRC, chaired by Mr D McGauchie (appointed Chair in July 2010) is responsible for reviewing the remuneration, policies, processes, incentive schemes and performance of the Managing Director & CEO and all employees of the Group.

The HRC provides recommendations to the Board on the direction and strategies regarding remuneration and benefits, reward and recognition, succession planning and professional development. The HRC consists of three independent Non-Executive Directors. The names of Directors that serve on this committee, and their attendance history, are disclosed on page 5.

Changes to remuneration for 2010/2011

The review undertaken during the year aimed to align the incentive component of executive reward with the evolving business strategy and recognised the concerns raised by shareholders at the 2010 AGM. The outcome of this review is a framework summarised below:

Existing incentive framework

Element	Short-term incentive	+	Retention Share Plan
Award focus	Current year performance		Current year performance, future share price and retention
Award realised	Current year		3 years

Changes to framework and rationale for change

The Retention Share Plan will be discontinued and replaced with a long-term incentive plan and a deferred component of the short-term incentive.

1. **Long-term incentive plan:** The new long-term incentive plan is a performance rights plan where awards vest after three years subject to GrainCorp meeting Return on Equity ("ROE") and relative Total Shareholder Return ("TSR") performance targets. There is no retesting if targets are not met. Further detail regarding the design of the new plan will be provided in the Notice of Annual General Meeting to be sent to shareholders in January 2011. The features of this plan include:

    - Provides longer-term focus and alignment to business strategy through performance hurdles based on TSR and Return on Equity.
    - TSR will focus executives on delivering returns to shareholders relative to peer companies, while ROE (a key focus area for the company) will focus executives on generating earnings that efficiently use shareholder funds.
    - Is consistent with market practice whereby most large listed Australian organisations operate a long-term incentive plan.

    Remuneration arrangements for the Managing Director & CEO, Alison Watkins, were disclosed to the market upon her appointment. A commitment was made that she would participate in any new long-term incentive plan, and it is proposed to make a grant under the new plan in accordance with this commitment. A resolution seeking shareholder approval for this grant will be included in the Notice of Annual General Meeting to be released to the market and sent to shareholders in January 2011.

Remuneration Report – continued

2. **Deferred short-term incentive:** The structure of the short-term incentive will be changed to include a deferral component, whereby a significant portion (up to 50%) will be deferred into equity, and then restricted for 1 year (50%) and 2 years (50%). This approach:

- Supports the business by providing executives with deferred equity (based on achievement against annual targets).
- Encourages retention, whilst ensuring shareholder alignment.
- Is consistent with market practice whereby most large listed Australian organisations have a deferral component in short-term incentive plans.

Future incentive framework

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

The new framework is being implemented for the 2010/2011 financial year to include the new long-term incentive plan with the first grant of performance share rights to be made in January 2011. The grant of performance share rights to the Managing Director and CEO will be subject to shareholder approval at the 2011 AGM.

2009/2010 remuneration framework

Executive remuneration objectives, mix and approach to setting remuneration

The objective of the executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

The framework provides a mix of fixed and variable 'at-risk' pay, and a blend of short-term (cash) and longer-term incentives (equity). As executive responsibility increases, the balance of this mix shifts to a higher proportion of 'at risk' rewards.

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

Overview of executive remuneration components in 2009/2010

The following table summarises the remuneration elements and their purpose:

Remuneration Element	
Base package	Base package rewards the competent completion of day-to-day accountabilities.
Short-term incentive	The short-term incentive is performance-related; rewarding relative performance against the achievement of Board approved individual annual plans.
Retention Share Plan	The Retention Share Plan provides grants in the form of GrainCorp equity to participants based on prior year short-term incentive performance, i.e. short-term incentive awards are matched 100%. Vesting of the equity grants is deferred for 3 years so that the benefit to participants also depends on GrainCorp's share price performance over the three year vesting period. This plan will be discontinued following the final grant associated with the 2009/2010 short-term incentive.
Performance Share Rights Plan *(legacy plan)*	GrainCorp does not intend to make any future grants under this Plan.

Remuneration Report – continued

Short-term incentive

The short-term incentive plan is a cash-based award reflecting achievement of key performance indicators ("KPIs") for GrainCorp, the Business Unit (where applicable) and the individual. KPI targets and weightings are determined each year for each executive, having regard to the role, the annual business plan and the strategic plans.

The table below outlines the types of KPIs included:

Area of focus	Example measures
Financial	• Achieve NPAT budget.
Safety	• Improve all injury frequency rate by 10% on FY 2008/2009 year.
Customer	• Share of international sales of Australian wheat. • Share of domestic markets (human consumption and stock feed). • Delivery in full and on time and quality. • Receivals as a percentage of total crop.
People & Organisational Capability	• Implement GrainTransact system on budget pre-Harvest. • Implement Phase 1 of Leadership & Management Development Strategy.
Strategic	• Complete acquisition and integration of GrainCorp Malt. • Complete 2009 Strategic Plan and develop 2011 Strategic Plan.

Retention Share Plan

The Retention Share Plan was designed to focus participants on performance over the financial year; then provide a strong retention element over the medium to longer term, whilst directly aligning with shareholder value creation due to the deferral into shares. This plan will be discontinued following the final grant associated with the 2009/2010 short-term incentive.

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

Element	Description
Award	• Grant of restricted shares.
Quantum	• Grant quantum is 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 may determine. • Disposal restrictions apply to shares post-vesting. • Transitional arrangements apply to those executives who formerly participated in the Performance Share Rights Plan and were granted rights on 1 October 2007. The restriction period for their initial award (relating to the financial year ended 30 September 2009) was two years.
Performance measures	• Grant is determined by performance against short-term incentive KPIs (set annually). • If, in any financial year, GrainCorp does not make a net profit after tax, the opportunity under the plan is capped at the level of the target short-term incentive. • Once restricted shares have been granted, the vesting period must be served before the shares vest.
Treatment of dividends	• Dividends are not paid on shares held by the Trustee on behalf of participants in the plan during the restriction period.
Termination provisions	On leaving GrainCorp, restricted shares under the plan vest as follows: • Retirement: Awards vest pro-rata for time served. • Redundancy, disability or death: Awards vest in full, subject to Board discretion. • Resignation / termination with cause: Awards in full or in part may vest or be subject to forfeiture as the Board may determine in the circumstances.

Remuneration Report – continued

Performance Share Rights Plan (legacy plan)

No grants have been made under this plan since 1 October 2007. The Group does not intend to make any future grants under this plan.

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

The following outlines the features of the plan:

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

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.

Remuneration Report – continued

3. 2009/2010 remuneration outcomes and the link to performance

Group performance and link to remuneration

2010 has been a year of significant change for GrainCorp with the acquisition of GrainCorp Malt contributing to earnings growth. The Australian grains businesses were impacted by lower production and volumes. Overall financial performance was in line with market guidance. This performance is reflected in the remuneration outcomes that occurred in 2009/2010.

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

	2010	2009	2008	2007	2006
Share price at 30 September ($)	7.24	9.04	8.00	9.80	7.85
Total dividends paid per share (cents)	22.3	-	-	10.0	50.0
Basic earnings per share (cents)	39.6	34.1	(11.4)	(34.5)	77.6
Profit attributable to owners of GrainCorp Limited ($'000)	80,223	63,161	(19,943)	(19,786)	31,734

Remuneration Report – continued

Remuneration summary table

The following table sets out the remuneration for executives based on the accounting disclosure requirements. We note that the share-based payments are based on the accounting expense incurred by the company for the year and not the value received by the executive. Further total remuneration, is based on including the accounting value for the share-based payments.

		Short term benefits			Post employment benefits	Long term benefits	Termination benefits	Share based payments		Total
		Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation	Long service leave	Retirement/ redundancy	Share sacrifice	Share Rights[1]	
Name	Year	$	$	$	$	$	$	$	$	$
A M Watkins[2]	**2010**	**165,972**	**118,833**	**-**	**2,104**	**2,774**	**-**	**-**	**-**	**289,683**
M D Irwin[3]	**2010**	**286,009**	**150,000[4]**	**20,043**	**8,654**	**-**	**562,140**	**-**	**187,863**	**1,214,709**
	2009	702,699	422,786	53,629	37,881	13,424	-	-	-	1,230,419
J Anderson[5]	**2010**	**198,640**	**581,705**	**-**	**-**	**-**	**-**	**-**	**-**	**780,345**
B J Griffin[6]	**2010**	**336,817**	**156,760**	**16,013**	**14,631**	**6,310**	**-**	**-**	**20,331**	**550,862**
	2009	162,942	58,140	6,295	7,302	3,137	-	-	-	237,816
G J Haskew[7]	**2010**	**272,834**	**67,506**	**-**	**14,631**	**5,484**	**-**	**-**	**10,558**	**371,013**
A N Johns	**2010**	**301,734**	**221,679[8]**	**25,521**	**14,706**	**14,715**	**-**	**-**	**34,632**	**612,987**
	2009	314,628	99,040	23,032	13,984	13,228	-	577	195,204	659,693
R S Porcheron[9]	**2010**	**171,181**	**79,860**	**18,810**	**22,568**	**3,648**	**-**	**-**	**15,511**	**311,578**
	2009	136,114	44,358	16,735	44,231	3,371	-	577	50,487	295,873
S J Tainsh	**2010**	**300,887**	**193,307**	**-**	**25,170**	**5,526**	**-**	**-**	**56,885**	**581,775**
	2009	291,834	203,700	-	23,458	5,399	-	-	195,204	719,595
I Wilton	**2010**	**508,505**	**359,538[10]**	**5,370**	**50,170**	**11,811**	**-**	**-**	**-**	**935,394**
	2009	86,905	-	1,293	11,803	1,872	-	-	-	101,873
TOTAL	**2010**	**2,542,579**	**1,929,188**	**85,757**	**152,634**	**50,268**	**562,140**	**-**	**325,780**	**5,648,346**
TOTAL	2009	1,695,122	828,024	100,984	138,659	40,431	-	1,154	440,895	3,245,269

1. The value of equity grants represents the accounting value, rather than the cash value to participants. The only individual with shares vesting in the year was M D Irwin with shares of a face value of $187,863 vesting.
2. Appointed 30 July 2010.
3. Ceased employment 21 January 2010.
4. $150,000 relates to a one-off discretionary bonus for contribution to the GrainCorp Malt acquisition.
5. Payment of contractual bonus obligation resulting from UMH purchase agreement. Ceased employment 1 March 2010.
6. Ceased employment 5 November 2010.
7. Acting role from 21 January 2010 to 15 November 2010.
8. $100,000 relates to a one-off discretionary bonus for contribution to the GrainCorp Malt acquisition.
9. Ceased employment 5 November 2010.
10. $100,000 relates to a one-off discretionary bonus for contribution to the GrainCorp Malt acquisition.

Remuneration Report – continued

Detail regarding short-term incentive plan outcomes

For each short-term incentive cash bonus included in the table on page 14, the percentage of the available incentive that was paid in the financial year, and the percentage that was forfeited because the person did not meet the performance criteria are set out below. No part of the cash bonus is payable in future years.

	Short-term incentive cash bonus	
Name	Paid %	Forfeited %
Executive Director		
A M Watkins[1]	71%	29%
M D Irwin	25%	75%
Executives		
J Anderson	0%	100%
B J Griffin	28%	72%
G J Haskew	45%	55%
A N Johns	62%	38%
R S Porcheron	61%	39%
S J Tainsh	81%	19%
I Wilton	49%	51%

1. Alison Watkins joined on 30 July 2010 and received an agreed pro-rata STI payment for the remaining two months of the 2009/2010 financial year.

Short-term incentive payments reflect the achievement of (KPIs) for GrainCorp, the Business Unit (where applicable) and the individual. Key GrainCorp outcomes for the current financial year included:

- Whilst overall safety results (measured by the All Injury Frequency rate) improved significantly, the year was marred by 2 major incidents, including a fatality at our Corio bunker site in Victoria.
- The acquisition and integration of the Malt businesses transformed GrainCorp, doubling the size of the company and adding a more stable and international earnings stream.
- Trading grew its international customer business, while continuing a conservative approach to risk.
- Significant steps were taken to address important market gaps, including domestic stockfeed and container exports.
- Approximately $600 million in capital was raised during the year, partially funding the Malt acquisition through a conservative balance sheet approach.
- Financial results were in line with previously announced forecasts, with the contribution from Malt on par with the acquisition business case and a reduction in earnings from the Australian grains businesses resulting from a reduced crop size.

Remuneration Report – continued

Detail regarding equity plan outcomes

The table below summarises the performance and vesting implications for grants under the legacy Performance Share Rights Plan and the Retention Share Plan.

Plan	Grant Date	Performance Hurdle	Status at commencement of the financial year	Summary of Performance	Implications for Vesting
Legacy Performance Share Rights Plan	1 October 2005	TSR and EPS	• EPS component had vested in full (30 September 2009). • TSR component had not vested and was due to be retested at 30 September 2010.	• TSR hurdle not met.	• The unvested portion of the award lapsed.
	1 October 2006	TSR and EPS	• EPS component had not vested and was due to be retested at 30 September 2010. • TSR component had partially vested and was due to be retested at 30 September 2010.	• EPS hurdle not met and will be retested at 30 September 2011. • TSR ranked at the 69th percentile against the peer group and will be retested at 30 September 2011.	• A further 11% of the TSR component vested, resulting in a total of 79% vesting of the TSR component to date.
	1 October 2007	EPS	• Not yet tested.	• EPS hurdle not met and will be retested at 30 September 2011 and 30 September 2012.	• No vesting
Retention Share Plan	1 October 2009	100% matching of short-term incentive	• Granted based on 2008/2009 short-term incentive performance	• N/A	• Shares will be fully vested on 30 September 2012. • Transitional arrangements apply to those executives who formerly participated in the Performance Share Rights Plan and were granted rights on 1 October 2007. The restriction period for their initial award (relating to the financial year ended 30 September 2009) was two years.

Remuneration Report – continued

Details of equity grants made during the year

The following table summarises the grants of shares made during the year under the Retention Share Plan. These relate to the short-term incentive performance achieved in 2008/2009:

	Number of rights granted during the year		Number of rights vested during the year		Number ordinary share issued on exercise of rights during the year	
	2010	2009	2010	2009	2010	**2009**
Executive Directors						
A M Watkins	-	-	-	-	-	-
M D Irwin	59,296[1]	-	32,004	-	32,004	-
Executives			-	-	-	-
J Anderson	-	-	-	-	-	-
B J Griffin	8,154	-	-	-	-	-
G J Haskew	4,040	-	-	-	-	-
A N Johns	13,890	-	-	-	-	-
R S Porcheron	6,221	-	-	-	-	-
S J Tainsh	19,046	-	1,506	-	1,506	-
I Wilton[2]	-	-	-	-	-	-

1. Number of Rights lapsed totalled 20,292.
2. As Mr Wilton was appointed on 22 June 2009, no rights were granted for short-term performance relating to 2008/2009.

Shares will be awarded under the Retention Share Plan for 2009/2010 performance and will be held on behalf of each executive by the Plan Trustee until the expiration of the three-year restriction period.

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

Remuneration Report – continued

4. Executive contracts

Managing Director & CEO – Alison Watkins and former Managing Director & CEO – Mark Irwin

The following table sets out the service agreement of the Managing Director & CEO (Alison Watkins) and former Managing Director & CEO (Mark Irwin):

	Managing Director & CEO – Alison Watkins	Former Managing Director & CEO – Mark Irwin
(i) Term of Contract	Contract commenced on 30 July 2010 and will continue until terminated by either party in accordance with the relevant termination provisions.	Contract commenced on 31 March 2008 with provision to continue until terminated by either party in accordance with the relevant termination provisions.
(ii) Remuneration	The remuneration package is made up as follows: ▪ Commencing total fixed remuneration of $950,000 reviewed annually and benchmarked against an agreed relevant peer group. ▪ Short-term incentive. The maximum available quantum is 105% of total fixed remuneration, with a target of 75%. ▪ A Retention Share Plan offer based on short-term incentive performance for the period 30 July to 30 September 2010, vesting on 1 October 2013. ▪ Participation in the new Long Term Incentive Plan to be introduced for the financial year commencing 1 October 2010 for the executive team, including the Managing Director & CEO. As per discussion earlier in the remuneration report and to be detailed in the Notice of Meeting, changes will be made to the Managing Director & CEO's remuneration package to accommodate the new executive remuneration framework.	The remuneration package was made up as follows: ▪ Total fixed remuneration, reviewed annually and benchmarked against an agreed relevant peer group. ▪ Short-term incentive. The maximum available quantum is 70% of total fixed remuneration, with a target of 35%. ▪ A one-time pro-rata grant of share rights in 2008 under the now legacy Performance Share Rights Plan. ▪ Retention Share Plan awards are matched at 100% of the short-term incentive award.
(iii) Termination Managing Director & CEO initiated termination without cause	▪ Six months' notice required. The Company may pay total fixed remuneration in lieu of notice. ▪ Pro-rata target short-term incentive for the year and Retention Share Plan to date, at the discretion of the Board having regard to its assessment of performance to the date of termination.	▪ Six months' notice required. The Company may pay total fixed remuneration in lieu of notice. ▪ Pro-rata target short-term incentive for the year and Retention Share Plan to date, at the discretion of the Board having regard to its assessment of performance to the date of termination.

Remuneration Report – continued

	Managing Director & CEO – Alison Watkins	Former Managing Director & CEO – Mark Irwin
Company initiated termination without cause	▪ Six months' notice required. The Company may pay total fixed remuneration in lieu of notice. ▪ Pro-rata short-term incentive for the year and Retention Share Plan to date, at the discretion of the Board having regard to its assessment of performance to the date of termination.	▪ Six months' notice required. The Company may pay total fixed remuneration in lieu of notice. ▪ Pro-rata short-term incentive for the year and Retention Share Plan to date, at the discretion of the Board having regard to its assessment of performance to the date of termination.
Termination on grounds of redundancy or termination by Managing Director & CEO due to material adverse change in role.	▪ Provision or payment of six months' notice. ▪ Payment of additional three months' severance pay. ▪ Pro-rata short-term incentive for the year and Retention Share Plan granted to date, at the discretion of the Board.	▪ Not specified in contract.
Termination upon failure to perform duties for an extended period due to injury, illness or other cause.	▪ Total fixed remuneration paid up to and including the termination date. ▪ Pro-rata short-term incentive for the year and Retention Share Plan granted to date, at the discretion of the Board. ▪ At the Board's absolute discretion, an additional ex-gratia payment for past services, less any amount paid to the Managing Director & CEO under any salary continuance policy howsoever affected.	▪ Not specified in contract.
Company initiated termination with cause	▪ No notice required. ▪ Receive statutory entitlements up to date of termination. Not entitled to short-term incentive payment for year in which termination occurs, or vesting of any share rights.	▪ Six months notice required. The Company may pay total fixed remuneration in lieu of notice. ▪ Pro-rata short-term incentive for the year in which the termination occurs, having regard to the Board's assessment of performance to the date of termination.

Former President & CEO, GrainCorp Malt – Jim Anderson

The Former President & CEO, GrainCorp Malt, Jim Anderson was employed under a fixed common law employment contract due to expire on 31 December 2010. The contract automatically renewed for an additional 12 months from the date of expiry if notice was not given within 30 days of the expiry date by either party.

The Group was able to terminate the employment contract at any time prior to the end of the fixed term. In the event that the contract was not renewed with 30 days notice, or the contract was terminated for reason other than cause, the former President & CEO GrainCorp Malt was eligible for payment of 52 weeks base package, an amount equal to any target bonuses that would have been received in the year following termination, and continued medical and health benefits.

The former President & CEO GrainCorp Malt, exercised his rights to terminate his employment contract by providing the Group with 30 days written notice. In this instance the former President & CEO GrainCorp Malt, was not eligible for additional payments.

Remuneration Report – continued

All other Executives

All other executives are employed under common law employment contracts.

The Group may terminate an employment contract in the event of redundancy by providing four (or five weeks' notice depending on the age of the executive), with a redundancy benefit of three weeks' base package for each completed year of service up to a maximum of 52 weeks' base package.

The Group may terminate an employment contract at any time without being required to have any reason or cause by providing four (or five weeks' notice depending on the age of the executive), with a severance payment of three weeks' base package for each completed year of service with a minimum of 16 weeks' base package and a maximum of 52 weeks' base package.

In addition, the executive may be eligible for a pro-rata short-term incentive cash bonus subject to the 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 eight weeks' notice.

In the instance of serious misconduct the Group can terminate employment at any time. Termination payments are generally not payable on resignation or dismissal for serious misconduct.

The following table shows how the other executives' equity is treated on termination.

Plan	Treatment
Retention Share Plan	▪ *Retirement:* Awards vest pro-rata for time served during the vesting period. ▪ *Redundancy, disability and death:* Awards vest in full, subject to Board discretion. ▪ *Resignation / termination with cause:* All shares are forfeited.
Performance Share Rights Plan (legacy plan)	▪ *Death, disability, retirement, retrenchment, company initiated terminations for other than cause and change-in-control:* Pro-rata for time and performance over the performance period, subject to Board discretion. ▪ *Takeover:* 50% of awards vest, 50% of awards subject to Board discretion. ▪ *Other circumstances:* Awards forfeited.

Leadership changes

The former Managing Director & CEO, Mark Irwin, ceased employment on 21 January 2010. As disclosed to the market at that time, Mark Irwin received a separation package that included a cash component, a component of discretionary short-term incentive and accelerated vesting of a portion of his Retention Shares. These amounted to an aggregate value of $750,000, which did not exceed the amount of 12 months' fixed remuneration.

Jim Anderson, former President & CEO, GrainCorp Malt, ceased employment on 1 March 2010. No severance payment was made.

Subsequent to the financial year end, further leadership changes were made. Robyn Porcheron and Bruce Griffin ceased employment on 5 November 2010. As announced on 3 November 2010, Nigel Hart was appointed as Group General Manager Storage and Logistics, effective 8 November 2010. On 8 November 2010 it was announced that Alistair Bell was appointed as CFO effective 16 November 2010 and Heather Miles was appointed General Manager Corporate Services, effective 8 November 2010.

Remuneration Report – continued

5. Non-Executive Director Remuneration

Approach to setting Non-executive director fees

The Human Resources Committee or its predecessor periodically reviews the Non-executive Directors' remuneration arrangements. Recommendations are then submitted to the Board for its review and approval. Non-executive Directors' annual fees are established based on independent advice with consideration given to Australian listed companies of a similar market capitalisation and within sectoral peer companies. This responsibility of reviewing Non-executive Directors' fees will now be carried out by the newly constituted Corporate Governance Committee.

The table below outlines the base and committee fees payable to Non-executive Directors as at 30 September 2010. The Chairman does not receive additional committee fees. Other than the Chair of the Corporate Governance Committee, the remaining members of the Corporate Governance Committee do not receive an additional fee.

Position	Base Fees $	Committee Fees $			
		Audit Committee Chair	Business Risk Committee Chair[1]	Human Resources[2] & Corporate Governance Committee Chair[3]	Committee Member
Non-executive Chairman	206,000	None paid			
Non-executive Directors	63,860	25,750	15,450	10,300	10,300

1. Business Risk Committee (this committee was previously the Trading Risk Management Committee).
2. Human Resources Committee (this committee was previously the Remuneration and Nominations Committee).
3. The Corporate Governance Committee was formed on 30 September 2010.

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 or participate in the executive incentive plans. However, periodically amounts are paid for additional work performed on special projects as determined by the Board.

Maximum aggregate fee pool

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

Share-based compensation

A salary sacrifice plan (the Non-executive Director Deferred Share Plan) was formerly operated and disclosed in previous annual reports. Under the plan, Non-executive Directors could acquire ordinary shares through on market purchases in lieu of fees. Due to changes to the Australian taxation rules that govern share schemes, this plan was discontinued effective 13 May 2009.

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.

Remuneration Report – continued

Fees paid in 2009/2010 (and comparatives)

		Short term benefits			Post employment benefits	Long term benefits	Termination benefits	Share based payments	Total
Name	Year	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Long service Leave	Retirement / redundancy	Share sacrifice	
		$	$	$	$	$	$	$	$
D C Taylor	**2010**	**154,674**	**-**	**-**	**51,142**	**-**	**-**	**-**	**205,816**
	2009	146,045	-	-	50,599	-	-	2,885	199,529
P J Housden	**2010**	**89,353**[1]	**-**	**-**	**8,040**	**-**	**-**	**-**	**97,393**
	2009	72,085	-	-	6,491	-	-	-	78,576
D J Mangelsdorf	**2010**	**84,499**	**-**	**-**	**7,588**	**-**	**-**	**-**	**92,087**
	2009	68,513	-	-	7,976	-	-	20,000	96,489
D G McGauchie[2]	**2010**	**57,565**	**-**	**-**	**5,181**	**-**	**-**	**-**	**62,746**
D B Trebeck	**2010**	**79,820**	**-**	**-**	**28,982**	**-**	**-**	**-**	**108,802**
	2009	61,799	-	-	21,706	-	-	14,423	97,928
S L Tregoning	**2010**	**42,154**		**-**	**55,239**[3]	**-**	**-**	**-**	**97,393**
	2009	64,454	-	-	5,822	-	-	-	70,276
TOTAL	**2010**	**508,065**	**-**	**-**	**156,171**	**-**	**-**	**-**	**664,236**
TOTAL	2009	412,896	-	-	92,594	-	-	37,308	542,798

1. Includes a payment of $10,000 for additional services provided for the United Malt Holdings due diligence committee.
2. Appointed 23 December 2009.
3. Includes a payment of $10,000 for additional services provided for the United Malt Holdings due diligence committee.

6. Additional statutory disclosures

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

Remuneration Report – continued

Additional detail regarding Performance Rights

For prior year unvested grants of performance rights, the percentage of the available 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.

Name	Year granted	Vested %	Forfeited %	Earliest financial year in which rights may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Executive Directors						
M D Irwin	2009	-	-	30/09/2011	-	-
	2008	-	100%	30/09/2010	-	-
Executives						
B J Griffin	2009	-	-	30/09/2011	-	60,992
G J Haskew	2009	-	-	30/09/2011	-	30,219
A N Johns	2009	-	-	30/09/2011	-	103,897
	2008	-	-	30/09/2010	-	178,489
	2007	39%	-	30/09/2009	-	104,864
	2006	50%	50%	30/09/2008	-	-
R S Porcheron	2009	-	-	30/09/2011	-	46,533
	2008	-	-	30/09/2010	-	63,570
	2007	39%	-	30/09/2009	-	27,728
	2006	50%	50%	30/09/2008	-	-
S J Tainsh	2009	-	-	30/09/2011	-	142,464
	2008	-	-	30/09/2010	-	178,489
	2007	39%	-	30/09/2009	-	104,864
	2006	50%	50%	30/09/2008	-	-

The performance rights first vest after three years, provided the vesting conditions are met. 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.

Movement in shareholdings during the year

The number of rights over ordinary shares in the Company held by the Managing Director & CEO and executives, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the period	Other changes during the year	Expired	Balance at the end of the year	Vested and exercisable at the end of the year
Executive Directors							
A M Watkins	-	-	-	-	-	-	
M D Irwin	47,098	59,296	(32,004)	(74,390)	-	-	-
Executives							
J Anderson	-	-	-	-	-	-	-
B J Griffin	-	8,154	-	-	-	8,154	-
G J Haskew	-	4,040	-	-	-	4,040	-
A N Johns	62,090	13,890	(8,001)	-	(8,001)	59,978	9,895
R S Porcheron	18,226	6,221	(2,057)	-	(2,057)	20,333	2,617
S J Tainsh	62,090	19,046	(9,507)	-	(8,001)	63,628	9,895
I Wilton	-	-	-	-	-	-	-

Remuneration Report – continued

Additional detail regarding at-risk remuneration for 2009/2010

The relative proportions of target remuneration for the 2009/2010 performance period that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk – target short-term incentive	At risk – target equity [1]
Executive Directors			
A M Watkins	40%	30%	30%
M D Irwin	58.8%	20.6%	20.6%
Executives			
J Anderson	50%	25%	25%
B J Griffin	66.6%	16.7%	16.7%
G J Haskew	71.4%	14.3%	14.3%
A N Johns	71.4%	14.3%	14.3%
R S Porcheron	71.4%	14.3%	14.3%
S J Tainsh	61.5%	23.1%	15.4%
I Wilton	71.4%	14.3%	14.3%

1. Refers to the Retention Share Plan.

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 auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 27.

In accordance with the advice received from the Board Audit Committee, 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:

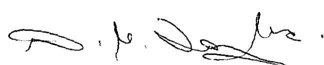
- All non-audit services have been reviewed by the Board Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics of Professional Accountants*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26 and forms part of this report.

Rounding of amounts to nearest thousand dollars

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 not to round off amounts in the financial reports and directors' report to the nearest one hundred thousand dollars as permitted by that Class Order. The financial reports and directors' report have instead been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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



D C Taylor
Chairman

Sydney,
25 November 2010

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Auditor's Independence Declaration

As lead auditor for the audit of GrainCorp Limited for the year ended 30 September 2010, 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.

M K Graham
Partner
PricewaterhouseCoopers

Sydney, 25 November 2010

Liability limited by a scheme approved under Professional Standards Legislation

	Note	2010 $'000	2009 $'000
Revenue from continuing operations	5	1,995,578	1,664,793
Other income	6	35,304	51,805
Goods purchased for resale		(1,105,927)	(1,275,549)
Raw materials and consumables used		(361,161)	(29,648)
Employee benefits expense		(188,042)	(136,866)
Depreciation and amortisation expense	7	(71,511)	(42,300)
Impairment expense		(3,425)	(68)
Finance costs	7	(26,371)	(36,295)
Repairs and maintenance		(26,856)	(24,161)
Operating leases		(42,483)	(21,333)
Other expenses		(94,506)	(52,801)
Share of net profits of associates accounted for using the equity method	35	9,412	9,787
Profit before income tax		120,012	107,364
Income tax benefit / (expense)	8	(39,117)	(28,582)
Profit from continuing operations		80,895	78,782
Loss from discontinued operation	13	(672)	(15,621)
Profit attributable to owners of GrainCorp Limited		80,223	63,161
		Cents	Cents
Earnings per share for profit from continuing operations attributable to owners of the Company			
Basic earnings per share	37	39.9	42.5
Diluted earnings per share	37	39.8	42.4
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share	37	39.6	34.1
Diluted earnings per share	37	39.4	34.0

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

	2010 $'000	2009 $'000
Profit for the year	80,223	63,161
Other comprehensive income		
Foreign currency translation of controlled entities	(19,031)	-
Changes in the fair value of cash flow hedges	2,543	1,094
Share of comprehensive income of associates	74	(24)
Actuarial losses on retirement benefit obligations	(10,848)	-
Income tax relating to components of other comprehensive income	2,743	480
Other comprehensive income for the year, net of tax	(24,519)	1,550
Total comprehensive income for the year	55,704	64,711

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

	Note	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	9	91,915	161,423
Trade and other receivables	10	253,848	158,533
Inventories	11	348,140	96,808
Derivative financial instruments	12	81,785	51,935
		775,688	468,699
Non current assets classified as held for sale	13	705	880
Total current assets		776,393	469,579
Non-current assets			
Receivables	10	20,109	19,109
Investments accounted for using the equity method	14	116,101	106,636
Other financial assets	15	1,030	3,030
Deferred tax assets	16	57,054	37,080
Property, plant and equipment	17	753,785	414,485
Intangible assets	18	402,750	33,834
Derivative financial instruments	12	2,977	-
Total non-current assets		1,353,806	614,174
Total assets		2,130,199	1,083,753
Current liabilities			
Trade and other payables	19	233,729	110,458
Borrowings	20	56,189	88,719
Derivative financial instruments	12	84,509	24,867
Other financial liabilities	21	203	203
Current tax liabilities		11,370	-
Provisions	22	38,280	26,438
Total current liabilities		424,280	250,685
Non-current liabilities			
Borrowings	20	274,905	104,644
Derivative financial instruments	12	19,630	1,276
Other financial liabilities	21	964	1,166
Deferred tax liabilities	16	78,346	29,696
Provisions	22	3,195	2,548
Retirement benefit obligations	23	46,240	-
Total non-current liabilities		423,280	139,330
Total liabilities		847,560	390,015
Net assets		1,282,639	693,738
Equity			
Contributed equity	24	1,063,264	487,962
Reserves		(2,615)	12,545
Retained earnings	25	221,990	193,231
Total equity		1,282,639	693,738

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

	Hedging reserve $'000	Capital reserve $'000	Share option reserve $'000	Translation reserve $'000	Total reserves $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 October 2009	**(1,102)**	**8,328**	**5,319**	**-**	**12,545**	**487,962**	**193,231**	**693,738**	**-**	**693,738**
Profit for the year	-	-	-	-		-	80,223	80,223	-	80,223
Other comprehensive income:										
Exchange difference on translation of foreign operations	-	-	-	(19,031)	(19,031)	-	-	(19,031)	-	(19,031)
Gain / (loss) on cash flow hedges	2,086	-	-	-	2,086	-	-	2,086	-	2,086
Transfer to net profit	457	-	-	-	457	-	-	457	-	457
Defined benefit plan actuarial gains and losses	-	-	-	-	-	-	(10,848)	(10,848)	-	(10,848)
Share of other comprehensive income of associates	-	-	-	-	-	-	74	74	-	74
Deferred tax credit	(733)	-	-	-	(733)	-	3,476	2,743	-	2,743
Total other comprehensive income	1,810	-	-	(19,031)	(17,221)	-	(7,298)	(24,519)		(24,519)
Total comprehensive income	1,810	-	-	(19,031)	(17,221)	-	72,925	55,704	-	55,704
Transactions with owners:										
Dividends paid	-	-	-	-	-	-	(44,166)	(44,166)	-	(44,166)
Share issues (net of transaction costs)	-	-	-	-		575,577	-	575,577	-	575,577
Share-based payments	-	-	2,061	-	2,061	-	-	2,061	-	2,061
Deferred tax credit	-	-	-	-	-	1,950	-	1,950	-	1,950
Less: Treasury shares	-	-	-	-	-	(2,225)	-	(2,225)	-	(2,225)
Total transactions with owners	-	-	2,061	-	2,061	575,302	(44,166)	533,197	-	533,197
At 30 September 2010	**708**	**8,328**	**7,380**	**(19,031)**	**(2,615)**	**1,063,264**	**221,990**	**1,282,639**	**-**	**1,282,639**

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

	Hedging reserve $'000	Capital reserve $'000	Share option reserve $'000	Translation reserve $'000	Total reserves $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 October 2008	**(2,669)**	**8,328**	**3,718**	**-**	**9,377**	**296,581**	**130,087**	**436,045**	**100**	**436,145**
Profit for the year	-	-	-	-		-	63,161	63,161	-	63,161
Other comprehensive income:										
Gain / (loss) on cash flow hedges	(2,617)	-	-	-	(2,617)	-	-	(2,617)	-	(2,617)
Transfer to net profit	3,711	-	-	-	3,711	-	-	3,711	-	3,711
Share of other comprehensive income of associates	-	-	-	-	-	-	(24)	(24)	-	(24)
Deferred tax credit	473	-	-	-	473	-	7	480	-	480
Total other comprehensive income	1,567	-	-	-	1,567	-	(17)	1,550		1,550
Total comprehensive income	1,567	-	-	-	1,567	-	63,144	64,711	-	64,711
Transactions with owners:										
Disposal of Group entity that had non-controlling interests	-	-	-	-	-	-	-	-	(100)	(100)
Share issues (net of transaction costs)	-	-	-	-	-	192,692	-	192,692	-	192,692
Share-based payments	-	-	1,601	-	1,601	35	-	1,636	-	1,636
Deferred tax credit	-	-	-	-	-	1,722	-	1,722	-	1,722
Less: Treasury shares	-	-	-	-	-	(3,068)	-	(3,068)	-	(3,068)
Total transactions with owners	-	-	1,601	-	1,601	191,381	-	192,982	(100)	192,882
At 30 September 2009	**(1,102)**	**8,328**	**5,319**	**-**	**12,545**	**487,962**	**193,231**	**693,738**	**-**	**693,738**

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

	Note	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers		2,291,078	1,974,221
Payments to suppliers and employees		(2,087,246)	(1,692,259)
		203,832	281,962
Transaction costs of business combinations		(9,275)	-
Proceeds/(repayments) of secured bank loan – commodity inventory funding		(53,322)	(33,733)
Interest received		4,837	4,478
Interest paid		(25,000)	(37,488)
Income taxes refunded / (paid)		(11,748)	(2,491)
Net inflow (outflow) from operating activities	36	109,324	212,728
Cash flows from investing activities			
Payments for property, plant and equipment		(118,726)	(27,841)
Payments for computer software	18	(6,531)	(3,534)
Proceeds from sale of property, plant and equipment		2,824	800
Proceeds from sale of investments/business		-	4,338
Payments for investment/business (net of cash)	32	(573,664)	-
Dividends received		188	200
Deposit bond for pools funding (net)		-	2,133
Loans repaid by related parties		-	358
Net inflow (outflow) from investing activities		(695,909)	(23,546)
Cash flows from financing activities			
Proceeds from borrowings		436,572	399,182
Repayment of borrowings		(448,681)	(625,500)
Proceeds from share issue		617,338	198,384
Dividend paid	26	(44,166)	-
Share issue transaction costs		(41,761)	(5,692)
Treasury shares purchased		(2,225)	(3,068)
Net inflow (outflow) from financing activities		517,077	(36,694)
Net increase (decrease) in cash and cash equivalents		(69,508)	152,488
Cash and cash equivalents at the beginning of the year		161,423	8,935
Effects of exchange rate changes on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	9	91,915	161,423

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

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of GrainCorp Limited and its subsidiaries, referred to hereafter as the Group.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the GrainCorp Limited Group also comply with IFRS as issued by the International Accounting Standards Board (IASB).

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.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity are presented in the statement of comprehensive income. This has resulted in a change to the presentation of the financial statements. Comparative information has been re-presented in conformity with the revised standard.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of GrainCorp Limited (the Company) as at 30 September 2010 and the results of all subsidiaries for the year then ended. GrainCorp Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all those 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.

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 equity of subsidiaries are shown separately in the consolidated income statement and statement of financial position respectively.

(ii) Associates

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

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.

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

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

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

Change in accounting policy
The Group has adopted AASB 8 *Operating Segments* from 1 October 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. There has been no significant change in the reportable segments presented, or to the allocation of goodwill to groups of cash-generating assets on a segment level, other than from the inclusion of an additional segment arising from a business acquisition. Comparatives for 2009 have been restated.

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

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

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

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

(iv) Interest income
Interest income is recognised using the effective interest method.

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

Change in accounting policy
The Group has changed its accounting policy for dividends paid out of pre-acquisition profits from 1 October 2009 when the revised AASB 127 *Consolidated and Separate Financial Statements* became operative for the Group. Previously, dividends paid out of pre-acquisition profits were deducted from the cost of the investment. In accordance with the transitional provisions, the new accounting policy is applied prospectively. It was therefore not necessary to make any adjustments to any amounts previously recognised in the financial statements.

1. Summary of significant accounting policies (continued)

(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.

(f) Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income 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.

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, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

(g) Goods and services and other value-added taxes (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the taxation authority, in which case it is recognised as part of the cost of acquisition of an asset or as part of the expense.

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

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

1. Summary of significant accounting policies (continued)

(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 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.

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.

Change in accounting policy

The revised AASB 3 *Business Combinations* became operative for the Group on 1 October 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 October 2009 and affected the accounting for the acquisition of the United Malt Holdings Group and acquisition of the Brewcraft business disclosed in note 32. Acquisition-related costs were recognised in the income statement in other expenses.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement no more than 30 days from the date of recognition.

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.

1. Summary of significant accounting policies (continued)

(j) Inventories

(i) Consumable Stores

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

(ii) Raw materials

Raw materials held for own use in malting processes are valued at the lower of cost and net realisable value.

(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. Cost also includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to the purchases of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(iv) Trading inventory

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

(v) Commodities inventory

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

(k) Grain pools

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

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

Although this funding is non-recourse to the Group it has resulted, consistent with prior years, in the recognition in the statement of financial position of the pool advance facility liability to Rabobank and equivalent amount in net pool assets. Any interest on the pool advance is borne by the pools and not by the Group.

GCPL also requires the Group to provide a deposit bond of up to 5% of the final value of the estimated pool which is shown as a receivable in the statement of financial position. In the event of a significant shortfall in pool funds, the Group's exposure is limited to the forfeiture of this bond (until reimbursed by pool participants), together with its management fee income.

(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.

1. Summary of significant accounting policies (continued)

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

(m) Investments and other financial assets

Classification

The Group classifies its investments 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 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 periods 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.

Recognition and derecognition

Regular purchases and sales of investments 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.

Subsequent measurement

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 securities 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.

1. Summary of significant accounting policies (continued)

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists 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 recognised in the income statement on equity instruments are not reversed through the income statement.

(n) Property, plant and equipment
(i) Cost of asset
Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. For acquired assets, cost includes the purchase price, costs that are directly attributable to bringing the asset to the necessary location and condition and an initial estimate of any dismantling, removal and restoration costs that have been recognised as provisions. For self constructed assets, cost includes the cost of all materials used in construction, direct labour, 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 their cost over their estimated useful lives as follows:

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

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

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

(o) Intangible assets

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

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

(ii) Goodwill
Where an entity or operation is acquired, the identifiable net assets acquired are initially measured at fair value. Contingent liabilities assumed and intangible assets acquired are separately identified on acquisition where their fair values can be reliably determined. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including contingent liabilities assumed and intangibles acquired, is brought to account as goodwill.

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

Where the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the excess is recognised immediately as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(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.

(p) Impairment of Assets

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

(q) Repairs and maintenance

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

(r) Trade and other payables

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

1. Summary of significant accounting policies (continued)

(s) Borrowings

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

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

(t) Employee benefits

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

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

(ii) *Long service leave*

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities 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 schemes are funded through payments to trustee-administered funds determined by periodic actuarial calculations. 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 into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. 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 compensation.

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

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

For defined contribution plans, the Group pays contributions to 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.

Life Assurance and health insurance

Some Group entities provide life assurance and health insurance. The Group makes fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the related benefits. The contributions are recognised as employee benefit expense when they are due.

(iv) Termination benefits

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

1. Summary of significant accounting policies (continued)

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

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

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

(u) Share-based payments
Share-based compensation benefits are provided to employees via the Employee Acquisition Share Plan, the Performance Share Rights Plan, and the Retention Share Plan.

(i) Employee Acquisition Share Plan
The fair value of shares issued under the Employee Acquisition Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured and expensed at grant date.

(ii) Performance Share Rights Plan
The fair value of rights issued under the Performance Share Rights Plan is recognised as an employee benefit expense with a corresponding increase in the share option reserve included in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options/rights.

The fair value at grant date of the Performance Share Rights Plan is independently determined using either a valuation method based on share price, less three years of expected dividends, and adjusted for imputation credits, or Monte Carlo simulation stock pricing techniques that take into account the exercise price, the term of the option or right, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the option or right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option or right. The terms of the rights plan determine which method is used for the valuation.

The fair value of the options and rights granted excludes the impact of any non-market vesting conditions (for example, profitability and share price targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimate of the number of options and rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(iii) Retention Share Plan
The fair value of restricted shares granted under the Retention Share Plan is measured at grant date and recognised as an employee benefit expense over the period during which the employees become unconditionally entitled to the restricted shares.

Non-market vesting conditions are included in assumptions about the number of shares that are expected to ultimately vest. At the end of each reporting period, the entity revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

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

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

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

1. Summary of significant accounting policies (continued)

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 a finance cost.

(x) Workers' Compensation

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

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

(y) Derivatives

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

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 fair values or 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 a current asset or liability.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. 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. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.
When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other income or other expense.

(ii) Derivatives that do not qualify for hedge accounting

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

(z) Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

1. Summary of significant accounting policies (continued)

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

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

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

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

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

(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 not included in the cost of the acquisition as part of the purchase consideration.

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

(ae) Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. The Group has elected not to round off amounts in the financial reports and directors' report to the nearest one hundred thousand dollars as permitted by that Class Order. The financial reports and directors' report have instead been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(af) Parent entity financial information

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

(i) Investments in subsidiaries and associates

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

(ii) Tax consolidation legislation

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

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

The members of the tax-consolidated group have entered into a tax funding agreement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Under the terms of the agreement the wholly-owned entities fully compensate GrainCorp Limited for any current tax payable assumed and are compensated by GrainCorp Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to GrainCorp Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' accounts.

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

(iii) Financial guarantees

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

(ag) New accounting standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations have been identified as those that may impact the Group in the period of initial application. They are available for early adoption at 30 September 2010, but have not been applied in preparing this financial report:

AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2]*
(effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify whether the group share-based payment arrangement is measured as an equity- or cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing 1 October 2010. There will be no impact on the Group's financial statements.

1. Summary of significant accounting policies (continued)

AASB 2009-10 ***Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]*** (effective from 1 February 2010).
In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The Group will apply the amended standard from 1 October 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

AASB 9 ***Financial Instruments*** **and AASB 2009-11** ***Amendments to Australian Accounting Standards arising from AASB 9*** (effective from 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it will not result in significant change. The Group has not yet decided when to adopt AASB 9.

Revised AASB 124 ***Related Party Disclosures*** **and AASB 2009-12** ***Amendments to Australian Accounting Standards*** (effective from 1 January 2011)
AASB 124 *Related Party Disclosures* is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The Group will apply the amended standard from 1 October 2011. When the amendments are applied, the Group will be required to disclose any transactions between its subsidiaries and its associates. However, it has yet to put systems into place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.

AASB Interpretation 19 ***Extinguishing financial liabilities with equity instruments*** **and AASB 2009-13** ***Amendments to Australian Accounting Standards arising from Interpretation 19*** (effective from 1 July 2010)
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the debtor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 October 2010. It is not expected to have any impact on the Group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 October 2009) and the Group has not entered into any debt for equity swaps since that date.

AASB 2009-14 ***Amendments to Australian Accounting Standards – Prepayments of a Minimum Funding Requirement*** (effective from 1 January 2011)
AASB 2009-14 permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements in a defined benefits scheme. The amendment is not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 1 October 2011.

AASB 2010-3 ***Amendments to Australian Accounting Standards arising from the annual improvements project and*** **AASB 2010-4** ***Further amendments to Australian Accounting Standards arising from the annual improvements project***
The AASB has made a number of amendments to the Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 October 2010. The Group has not yet completed its assessment of the amendments.

2. Critical accounting estimates and judgements

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

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

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

(ii) Treatment of inactive sites
From time to time, the Group decides to close and/or suspend operations at certain sites based on expected receivals 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 2010 amounts to $17,297,000 (2009: $19,163,000).

Based on historical experience, such sites have consistently achieved sales proceeds in excess of their carrying value. Based on this and other relevant factors, no impairment has been recorded in the current year. (2009: $nil).

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

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

(b) Critical judgements in applying the entity's accounting policies
(i) Fair value where there is no organised market
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Physical positions comprising stocks, forward sales and forward purchases do not have quoted market prices available. Other techniques, such as obtaining bid values from a variety of commodity brokers and trade marketers, are used to determine fair value for these financial instruments. The fair value of interest-rate swap contracts is determined by reference to market values for similar instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

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

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

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

2. Critical accounting estimates and judgements (continued)

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 and its experience in resolving claims and disputes.

3. Financial risk management

Overview

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

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

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

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

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

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

Price risk

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

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

3. Financial risk management (continued)

Commodity price risk – commodity trading (continued)

Commodity trading assets and liabilities subject to commodity price risk as at 30 September 2010:

	2010 $'000	2009 $'000
Commodity contracts (forward purchase and sales) at fair value:		
Assets	18,324	43,549
Liabilities	(32,027)	(22,764)
Commodity futures and options at fair value:		
Assets	37,499	6,522
Liabilities	(41,110)	(1,429)
Commodities inventory at fair value less costs to sell	187,846	85,132
	170,532	111,010

At 30 September 2010, had the price of traded commodities moved, as illustrated in the table below, with all other variables held constant, profit after tax would have been affected as follows:

	2010 Impact on profit (loss) after tax $'000	2009 Impact on profit (loss) after tax $'000
20% increase		
Wheat	(19,366)	(4,218)
Coarse grains	(5,020)	(4,597)
Canola	988	(187)
Soybean meal	(2,195)	(5,143)
Other	(1,305)	(508)
	(26,898)	(14,653)
Commodity inventory	27,060	13,191
Net effect of 20% increase	162	(1,462)
20% decrease		
Wheat	19,366	4,218
Coarse grains	5,020	4,597
Canola	(988)	187
Soybean meal	2,195	5,143
Other	1,305	508
	26,898	14,653
Commodity inventory	(27,060)	(13,191)
Net effect of 20% decrease	(162)	1,462

Movements in commodity prices expose the Group's commodity trading activities to risks associated with changes in the value of financial instruments (e.g. forward contracts, derivatives etc) and in the value of its commodities inventory. As a result, the Group takes into account a "total portfolio view", including financial instruments and commodities inventory, when managing price risk. On this basis the total price risk associated with commodities inventory has also been included in the table above to provide a holistic view of the impact of price risk on the Group.

3. Financial risk management (continued)

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

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

Assets and liabilities subject to utility price risk as at 30 September 2010:

	2010 $'000	2009 $'000
Gas and electricity swap contracts at fair value:		
Liabilities	(18,676)	-
	(18,676)	-

At 30 September 2010, had the price of gas and electricity swap contracts moved, as illustrated in the table below, with all other variables held constant, profit after tax would have been affected as follows:

	2010 Impact on profit (loss) after tax $'000	2009 Impact on profit (loss) after tax $'000
20% increase		
Gas	2,548	-
Electricity	17	-
Net effect of 20% increase	**2,565**	-
20% decrease		
Gas	(2,548)	-
Electricity	(17)	-
Net effect of 20% decrease	**(2,565)**	-

Movement in utility prices are offset by an equal and opposite movement in the underlying usage resulting in an insignificant amount of price risk.

Equity securities price risk
The Group has no exposure to equity securities price risk (2009: $nil).

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

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

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

3. Financial risk management (continued)

Foreign currency risk (continued)

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

At 30 September 2010, the Group had the following exposure to foreign currencies expressed in Australian dollars:

	2010						
	USD $'000	NZD $'000	EUR $'000	CAD $'000	YEN $'000	Other [1] $'000	Total $'000
Cash	6,386	5	1,487	320	-	5	8,202
Trade receivables	6,853	-	4,562	97	714	30	12,256
Borrowings	(9,764)	-	-	-	-	-	(9,764)
Trade payables	(11,296)	-	(552)	(1,221)	-	-	(13,071)
Other payables	(704)	-	-	-	-	-	(704)
Notional values of derivatives:							
Forward exchange contracts - buy	46,760	-	19,068	24,823	-	-	90,652
Forward exchange contracts - sell	(550,327)	-	(16,925)	(37,971)	(23,921)	-	(629,144)
Commodity futures and options	(104)	(3,782)	15,784	-	-	-	11,898
Commodity contracts - forward purchases	(19,902)	-	-	-	-	-	(19,902)
Commodity contracts - forward sales	480,559	139	-	23,931	-	-	504,629
Embedded sales contracts	40,493	-	-	-	-	-	40,493

	2009						
	USD $'000	NZD $'000	EUR $'000	CAD $'000	YEN $'000	Other [1] $'000	Total $'000
Cash	10,768	775	10	11	-	-	11,564
Trade receivables	6,214	1,038	-	-	-	-	7,252
Borrowings	(13,279)	-	-	-	-	-	(13,279)
Trade payables	(3,132)	(2)	-	-	-	-	(3,134)
Notional values of derivatives:					-		
Forward exchange contracts - buy	2,222	(29)	172	-	-	5,872	8,237
Forward exchange contracts - sell	(843)	-	(40)	(14)	-	(5,717)	(6,614)
Commodity futures and options	676	-	(29)	271	-	-	918
Commodity contracts - forward purchases	4,813	494	-	-	-	-	5,307
Commodity contracts - forward sales	(3,389)	-	-	-	-	-	(3,389)

[1] relates to forward exchange contracts where both the buy and sell contacts are in currencies other than the Australian dollar.

3. Financial risk management (continued)

Foreign currency risk (continued)

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

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

	2010 Impact on profit after tax $'000	2009 Impact on profit after tax $'000
10% increase		
AUD/USD	3,053	49
AUD/NZD	-	(2)
AUD/EUR	(254)	2
AUD/CAD	(117)	(40)
AUD/YEN	(2)	-
10% decrease		
AUD/USD	(3,731)	(60)
AUD/NZD	-	3
AUD/EUR	311	(3)
AUD/CAD	142	49
AUD/YEN	3	-

Credit risk

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

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

	2010 $'000	2009 $'000
Trade receivables	**183,891**	108,982
Other receivables	**31,388**	13,358
	215,279	122,340
Derivative contracts at fair value	**84,762**	51,935
Amounts receivable from associates	**20,486**	20,349
Derivative contracts margin deposits	**25,344**	1,588
Bank balances and call deposits	**91,915**	161,423
Pool advance	**2,926**	28,641
	440,712	386,276

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 credit bureau), supplier references, financial position, past trading experience and industry reputation. Credit limits are determined for each individual customer based on the credit assessment. These limits are approved under the financial delegation policy which is approved by the Board.

3. Financial risk management (continued)

Credit risk (continued)

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

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

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

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

The ageing of trade receivables at the reporting date was:

	2010		2009	
	Gross $'000	**Impairment $'000**	Gross $'000	Impairment $'000
Not past due	**146,855**	**(251)**	80,307	(35)
Past due up to 30 days	**25,529**	**(111)**	16,548	(21)
Past due 31 to 60 days	**4,772**	**(51)**	1,340	-
Past due 61 to 90 days	**861**	**(17)**	2,102	(38)
Past due over 90 days	**5,874**	**(1,431)**	8,685	(2,099)
	183,891	**(1,861)**	108,982	(2,193)

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

	2010 $'000	2009 $'000
Balance at 1 October	**(2,193)**	(4,433)
Acquisitions through business combinations	**(794)**	-
Provisions made during the year	**(616)**	(493)
Impairment loss recognised	**1,325**	1,928
Provisions reversed during the year	**406**	805
Exchange difference	**11**	-
Balance at 30 September	**(1,861)**	(2,193)

None of the Group's other receivables and other financial assets are past due (2009: $nil).

Amounts receivable from associates – Group
A provision for impairment of advances to associated entities of $1,000,000 has been reversed in relation to the amount owing by National Grower Register Pty Ltd (2009: $1,000,000 impaired), as the likelihood of receiving this amount from the associate is now considered probable.

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 2010, after taking into account the effect of interest rate swaps and a natural hedge from a subordinated loan, approximately 76% of the Group's long term borrowings are at a fixed rate of interest (2009: 64%).

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:

	2010 $'000	2009 $'000
Fixed rate instruments		
Financial assets	**20,109**	19,109
Financial liabilities[1]	**(216,363)**	(74,704)
	(196,254)	(55,595)
Variable rate instruments		
Financial assets	**91,915**	161,423
Financial liabilities	**(114,731)**	(118,658)
	(22,816)	42,765

[1] Fixed rate non-current financial liabilities: $215,045,000 (2009: $54,691,000)

3. Financial risk management (continued)

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

	30 September 2010		30 September 2009	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Group				
Current:				
Term facilities	-	-	-	-
Short term facilities	5.2%	(54,964)	2.7%	(34,493)
Commodity inventory funding facility	-	-	4.3%	(53,322)
		(54,964)		(87,815)
Non-current:				
Term facilities	2.5%	(260,442)	4.2%	(99,936)
Subordinated loan	4.9%	19,092	4.4%	19,092
Interest rate swaps (notional principal amount)	2.1%	181,583	7.6%	50,000
		(59,767)		(30,844)
Net exposure to cash flow interest rate risk		(114,731)		(118,659)

Sensitivity analysis.
At 30 September 2010, 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:

	2010 $'000	2009 $'000
Profit / (loss)		
+ 100 basis points	(2,201)	(128)
- 100 basis points	2,201	128
Increase / (decrease) in equity		
+ 100 basis points	1,816	372
- 100 basis points	(1,816)	(372)

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 $325 million of unused credit facilities available for its immediate use. For further details refer note 20.

3. Financial risk management (continued)

Maturity analysis of financial liabilities

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

At 30 September 2010	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives:					
Bank borrowings	(62,102)	(6,594)	(265,937)	-	(334,633)
Trade payables	(193,866)	-	-	-	(193,866)
Pool advance facility	(2,926)	-	-	-	(2,926)
Other payables	(14,136)	-	-	-	(14,136)
Finance leases	(1,816)	(1,897)	(4,053)	(18,961)	(26,727)
Derivatives:					
Interest rate swap contracts	(186)	(838)	-	-	(1,024)
Forward foreign exchange contracts - held for trading:					
- outflow	(47,093)	(9,903)	(195)	-	(57,191)
- inflow	21,741	1,188	-	-	22,929
Commodity futures and options:					
- outflow	(25,731)	(5,530)	-	-	(31,261)
- inflow	27,067	280	-	-	27,347
Commodity contracts (forward purchases and sales):					
- outflow	(16,565)	(863)	-	-	(17,428)
- inflow	42,811	10,801	-	-	53,612
Utility contracts (utility swaps)					
- outflow	(9,198)	(7,690)	(1,788)	-	(18,676)
Embedded foreign exchange contracts:					
- outflow	(765)	(429)	(134)	-	(1,328)
- inflow	148	65	-	-	213

3. Financial risk management (continued)

Liquidity risk (continued)

At 30 September 2009	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives:					
Bank borrowings	(92,823)	(100,286)	-	-	(193,109)
Trade payables	(58,820)	-	-	-	(58,820)
Pool advance facility	(28,641)	-	-	-	(28,641)
Other payables	(21,793)	-	-	-	(21,793)
Finance leases	(904)	(918)	(2,262)	(1,528)	(5,612)
Derivatives:					
Interest rate swap contracts	(299)	(1,276)	-	-	(1,575)
Forward foreign exchange contracts - held for trading:					
- outflow	(74,510)	-	-	-	(74,510)
- inflow	76,488	-	-	-	76,488
Commodity futures and options:					
- outflow	(2,187)	-	-	-	(2,187)
- inflow	4,540	2,806	-	-	7,346
Commodity contracts (forward purchases and sales):					
- outflow	(98,323)	-	-	-	(98,323)
- inflow	222,829	5,028	-	-	227,857

Fair value measurement and hierarchy

Financial instruments carried at fair value are classified by valuation method based on the following hierarchy:
Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (use of unobservable inputs).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 September 2010. Comparative information has not been provided as permitted by the transitional provisions in the amended AASB 7 *Financial Instruments: Disclosures.*

30 September 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss				
Trading derivatives	65,104	937	-	66,041
Commodity contracts	-	-	18,324	18,324
Derivatives used for hedging	-	397	-	397
Total assets	65,104	1,334	18,324	84,762
Liabilities				
Financial assets at fair value through profit or loss				
Trading derivatives	(48,933)	(3,479)	-	(52,412)
Commodity contracts	-	-	(32,027)	(32,027)
Derivatives used for hedging	(18,676)	(1,024)	-	(19,700)
Total liabilities	(67,609)	(4,503)	(32,027)	(104,139)

3. Financial risk management (continued)

Fair value estimation

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

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

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

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

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

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

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

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

4. Segment information

For management purposes, the Group is organised into four business units based on their products and services, forming the four reportable segments reviewed by the Chief Executive Officer (CEO) in making strategic decisions and as described below.

Storage & Logistics – receival, transport, testing, and storage of grains and other bulk commodities;
Ports – storage and export/import of grain and other bulk commodities;
Trading – marketing of grain, meal, and agricultural products, and the operation of grain pools; and
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. Malt is a new segment from 13 November 2009; on acquisition of the United Malt Holdings Group. (Refer note 32 for further information).

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

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

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

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

There have been no changes in the basis of segmentation or the measurement basis for segment profit or loss since 1 October 2009, other than the acquisition of the United Malt Holdings Group, noted above, and the discontinuance of the merchandising operations announced in December 2009. Information about this discontinued operation is provided in note 13.

4. Segment information (continued)

2010	Storage & logistics	Ports	Trading	Malt	Reportable segments	Corporate/ unallocated	Eliminations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Reportable segment revenue								
External revenues	229,098	79,489	902,527	778,608	1,989,722	-	-	1,989,722
Inter-segment revenue	110,999	24,803	21,249	17,869	174,920	-	(174,920)	-
Total reportable segment revenue	**340,097**	**104,292**	**923,776**	**796,477**	**2,164,642**	**-**	**(174,920)**	**1,989,722**
Reconciliation:								
Dividends						186	-	186
Total revenue from continuing operations								**1,989,908**
Reportable segment profit (loss)	**34,093**	**51,414**	**31,914**	**118,688**	**236,109**	**(33,297)**	**-**	**202,812**
Share of profit of associates						9,412		9,412
Profit before net interest, depreciation, amortisation and income tax								212,224
Reconciliation:								
Net Interest	-	3	(11,833)	527	(11,303)	(9,398)	-	(20,701)
Depreciation and amortisation	(24,093)	(13,247)	(308)	(29,662)	(67,310)	(4,201)	-	(71,511)
Profit before income tax from continuing operations	10,000	38,170	19,773	89,553	157,496	(37,484)	-	120,012
Other segment information								
Reportable segment assets	256,159	193,160	358,872	890,657	1,698,848	431,351	-	2,130,199
Capital expenditure	27,350	15,250	-	54,200	96,800	9,100	-	105,900
Material non-cash items	11,478	-	11,130	(2,899)	19,709	-	-	19,709

4. Segment information (continued)

2009	Storage & logistics $'000	Ports $'000	Trading $'000	Malt $'000	Reportable segments $'000	Corporate/ unallocated $'000	Eliminations $'000	Total $'000
Reportable segment revenue								
External revenues	288,104	130,341	1,241,584	-	1,660,029	288	-	1,660,317
Inter-segment revenue	121,138	-	104,400	-	225,538	-	(225,538)	-
Total reportable segment revenue	**409,242**	**130,341**	**1,345,984**	**-**	**1,885,567**	**288**	**(225,538)**	**1,660,317**
Reconciliation:								
Dividends						200		200
Total revenue from continuing operations								**1,660,517**
Reportable segment profit (loss)	**91,039**	**78,106**	**39,228**	**-**	**208,373**	**(36,477)**	**-**	**171,896**
Share of profit of associates						9,787		**9,787**
Profit before net interest, depreciation, amortisation and income tax								**181,683**
Reconciliation:								
Net Interest	102	-	(13,254)	-	(13,152)	(18,867)	-	(32,019)
Depreciation and amortisation	(22,100)	(13,608)	(414)	-	(36,122)	(6,178)		(42,300)
Profit before income tax from continuing operations	69,041	64,498	25,560	-	159,099	(51,735)		**107,364**
Other segment information								
Reportable segment assets	301,185	207,720	189,652	-	698,557	385,196	-	1,083,753
Capital expenditure	19,946	4,316	-	-	24,262	7,668	-	31,930
Material non-cash items	3,225	-	12,373	-	15,598	-	-	15,598

4. Segment information (continued)

Geographical information	2010 $'000	2009 $'000
Sales Revenue from external customers based on the location of the customer:		
Australia	880,685	1,338,167
North America	370,310	61,753
Europe	244,159	54,155
Asia	138,504	106,276
Middle East	119,983	54,861
Other	228,185	38,320
	1,981,826	1,653,532
Non-current assets based on geographical location of assets: [1]		
Australia	899,915	577,094
North America	264,956	-
Europe	128,904	-
	1,293,775	577,094

1. Excludes derivative financial instruments and deferred tax assets

5. Revenue

From continuing operations	2010 $'000	2009 $'000
Sales revenue		
Sale of goods	1,708,567	1,332,637
Services	273,259	320,895
	1,981,826	1,653,532
Other revenue		
Dividends	186	200
Interest	5,670	4,276
Rental income	7,896	6,785
	13,752	11,261
Total revenue from continuing operations	1,995,578	1,664,793

From discontinued operations (note 13)		
Sale of goods	12,956	64,943
Interest	48	51
Total revenue from discontinued operations	13,004	64,994

6. Other income

	2010 $'000	2009 $'000
Net gain on sale of investments	-	3,303
Net gain / (loss) on derivative/commodity trading:		
Net realised gain on foreign currency	5,510	8,464
Net realised gain / (loss) on financial derivatives	(3,275)	20,197
Net unrealised gain/ (loss) on foreign currency derivatives	6,245	20,033
Net unrealised gain/ (loss) on financial derivatives	(5,511)	266
Net unrealised gain/ (loss) on commodity contracts	(34,867)	6,759
Net unrealised gain/ (loss) on commodity inventories at fair value less costs to sell	42,364	(14,685)
Net gain / (loss) on derivative/commodity trading	10,466	41,034
Compensation for impairment of assets received from third party	8,892	-
Break fee arising from unsuccessful merger with AWB Ltd	8,600	-
Sundry income	7,346	7,468
	35,304	51,805

7. Expenses

	2010 $'000	2009 $'000
Finance costs:		
- interest charges	25,914	32,584
- loss on interest swaps cash flow hedges – transfer from equity	457	3,711
Total finance costs	26,371	36,295
Depreciation		
- plant and equipment	43,248	29,020
- buildings and improvements	12,150	10,867
Total depreciation	55,398	39,887
Amortisation		
- intangible assets	16,113	2,413
Total amortisation	16,113	2,413
Total depreciation and amortisation	71,511	42,300
Rental expenses relating to operating leases		
- minimum lease payments	42,483	21,333
Total rental expenses relating to operating leases	42,483	21,333
Defined contribution superannuation expense	10,686	10,768
Research and development costs	1,050	164
Acquisition transaction costs – United Malt Holdings Group	6,667	-
Transaction costs – proposed merger with AWB	3,206	-
Provision for claims and disputes	8,878	3,225

8. Income tax expense

	2010 $'000	2009 $'000
(a) Income tax expense / (benefit)		
Current tax	4,519	414
Deferred tax	35,473	22,642
Under / (over) provision in prior years	(1,112)	(375)
	38,880	22,681
Income tax expense attributable to:		
Profit from continuing operations	39,117	28,582
Profit / (loss) from discontinued operations	(237)	(5,901)
	38,880	22,681
Deferred income tax (revenue) / expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets (note 16)	21,436	18,097
(Decrease) / increase in deferred tax liabilities (note 16)	14,037	4,545
	35,473	22,642
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	120,012	107,364
Profit / (loss) from discontinuing operations before income tax expense	(999)	(21,522)
Operating profit / (loss) before income tax expense	119,103	85,842
Income tax calculated at 30% (2009 – 30%)	35,731	25,753
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Share-based payments	24	13
- Other non-deductible items	-	311
- Impairment expense	-	300
- Intangible amortisation	1,637	-
- Interest expense	(1,614)	-
- Acquisition expenses	2,437	-
- Tax loss cancellation	4,243	-
- Change in future tax rates	603	-
- Building depreciation	1,270	-
- R&D credit	(771)	-
- Share of net (profit) / loss of associates	(2,824)	(2,937)
- Investment allowances	(876)	(324)
- Other non-assessable items	(894)	(60)
	38,966	23,056
Over provision in prior years	(1,112)	(375)
Difference in overseas tax rates	1,026	-
Income tax expense / (benefit)	38,880	22,681
(c) Amounts recognised directly in equity		
Deferred tax: Transaction costs recognised directly in equity	(1,950)	(1,722)

8. Income tax expense (continued)

	2010 $'000	2009 $'000
(d) Tax expense (income) relating to items of other comprehensive income		
Change in fair value of cash flow hedges	(733)	473
Actuarial gains / (losses) on retirement benefit obligations	3,498	-
Share of other comprehensive income of associates	(22)	7
(e) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	-	3,824
(f) Unrecognised temporary differences		
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities / (assets) have not been recognised	13,381	10,677

9. Cash and cash equivalents

	2010 $'000	2009 $'000
Cash at bank and on hand	60,551	3,484
Deposits at call	31,364	157,939
	91,915	161,423

10. Trade and other receivables

	2010 $'000	2009 $'000
Current		
Trade receivables	183,891	108,982
Provision for impairment of trade receivables	(1,861)	(2,193)
	182,030	106,789
Other receivables	31,388	13,358
Prepayments	11,781	7,917
Margin deposits on commodity futures contracts	25,344	1,588
Pool advance (note 1(k) & note 19)	2,926	28,641
Amounts receivable from associates (note 30)	377	240
	253,846	158,533
Non-current		
Loans to associates (note 30)	20,109	20,109
Less: provision for impairment of loans to associates	-	(1,000)
	20,109	19,109

(a) Fair values

Current: Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.
Non-current: All amounts in respect of non-current receivables approximate fair value.

(b) Risk exposure

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

11. Inventories

	2010 $'000	2009 $'000
Consumable stores at cost	5,747	2,292
Raw materials	90,919	-
Work in progress	8,442	-
Finished goods	43,055	-
Trading stock at net realisable value	12,131	9,384
Commodities inventory at fair value less costs to sell	187,846	85,132
	348,140	96,808

(a) Inventory expense

Inventories recognised as an expense during the year ended 30 September 2010 amounted to $1,038,897,000 (2009: $1,183,726,000). Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 September 2010 amounted to $47,000 (2009: $11,267,000). The expense is included in other expenses in the income statement.

(b) Secured inventory

The value of inventory secured against bank loans is $nil (2009: $53,322,000). Refer to note 20.

12. Derivative financial instruments

Current assets	2010 $'000	2009 $'000
Commodity futures and options	36,703	6,522
Commodity contracts (forward purchases and sales)	18,232	43,549
Foreign exchange contracts	26,850	1,864
Total current derivative financial instrument assets	81,785	51,935
Non-current assets		
Commodity futures and options	796	-
Commodity contracts (forward purchases and sales)	92	-
Foreign exchange contracts	1,692	-
Interest rate swaps contracts – cash flow hedges	397	-
	2,977	-

12. Derivative financial instruments (continued)

	2010 $'000	2009 $'000
Current liabilities		
Commodity futures and options	35,121	1,429
Commodity contracts (forward purchases and sales)	31,148	22,764
Foreign exchange contracts	8,856	375
Utility swap contracts	9,198	-
Interest rate swaps contracts – cash flow hedges	186	299
Total current derivative financial instrument liabilities	84,509	24,867
Non-current liabilities		
Commodity futures and options	5,989	-
Commodity contracts (forward purchases and sales)	879	-
Foreign exchange contracts	2,446	-
Utility swap contracts	9,478	-
Interest rate swaps contracts – cash flow hedges	838	1,276
Total non-current derivative financial instrument liabilities	19,630	1,276

(a) Instruments used by the Group

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

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

The gain or loss from remeasuring the interest rate swap contracts at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. In the year ended 30 September 2010, $457,000 was reclassified into profit and loss and included in finance costs (2009: $3,711,000). There was no hedge ineffectiveness in the current or prior year.

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

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

(iii) Commodity futures and option contracts
To manage exposure to commodity price risk, the Group enters into grain commodity futures contracts and grain commodity options contracts.

12. Derivative financial instruments (continued)

(iv) Gas and electricity swap contracts
The Group manages exposure to utility price risk in malt production, the Group enters into gas and electricity swap contracts. Gains and losses on these contracts are recognised immediately through the income statement.

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

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

(b) Risk exposures

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

13. Assets classified as held for sale and discontinued operations

(a) Assets classified as held for sale

	2010 $'000	2009 $'000
Land	**108**	108
Buildings and structures	**31**	31
Plant and equipment	**566**	741
	705	880

From time to time, the directors of GrainCorp Limited determine to sell certain sites which have been closed to operations based on their historic and expected receivals. As at 30 September 2010, seven sites were being actively marketed for sale (2009: seven sites). There are several interested parties and the sales are expected to be completed within the next twelve months. The assets are presented within total assets of the storage and logistics segment in note 4.

(b) Discontinued operations

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

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

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

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

	2010 $'000	2009 $'000
(ii) Financial performance of discontinued operations		
Revenue	13,004	64,994
Other income	40	57
Expenses	(13,995)	(86,573)
(Loss) before income tax from discontinued operations	(951)	(21,522)
Income tax (expense) credit	250	5,901
Operating (Loss) from discontinued operation	(701)	(15,621)
Gain on sale of discontinued operation assets	42	-
Income tax on gain on sale of discontinued operation assets	(13)	-
Gain on sale of discontinued operations	29	-
Loss from discontinued operation	(672)	(15,621)
Profit attributable to owners of the parent entity relates to:		
Profit from continuing operations	80,895	78,782
Profit from discontinued operations	(672)	(15,621)
	80,223	63,161
(iii) Cash flow information - discontinued operations		
Net cash inflow from operating activities	4,206	16,692
Net cash inflow/ (outflow) from investing activities	1,421	(789)
Net cash outflow from financing activities	(5,469)	(15,784)
Net increase in cash generated by discontinued operation	158	119
(iv) Details of sale of assets – discontinued operations		
Total cash consideration received	1,421	-
Carrying amount of net assets sold	1,379	-
Gain on sale before income tax	42	-
Income tax expense	(13)	-
Gain on sale after income tax	29	-

14. Investments accounted for using the equity method

	2010 $'000	2009 $'000
Shares in associates	116,101	106,636

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

15. Other financial assets

	2010 $'000	2009 $'000
Investments in other entities – at cost	1,030	3,030

A provision for impairment of investments in other entities of $2,000,000 has been recognised and disclosed as a separate line item in the income statement (2009: NIL).

16. Deferred tax assets and liabilities

Deferred tax assets	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Unrealised losses on derivative contracts	9,267	-
Inventories	629	596
Share capital costs	4,626	2,208
Cash flow hedges	216	473
Creditors and other payables	9,784	3,386
Asset impairment	900	641
Pension deficit	7,641	-
Provisions and accruals	22,523	14,350
Tax losses recognised	1,468	15,426
Net deferred tax assets	57,054	37,080
Movements:		
Opening balance at 1 October	37,080	52,982
Take on balance through acquisition (note 32)	37,967	-
Credited/(charged) to the income statement (note 8)	(21,436)	(18,097)
Credited/(charged) to equity	1,950	1,722
Credited/(charged) to other comprehensive income	3,230	473
Exchange differences	(1,737)	-
Closing balance at 30 September	57,054	37,080

Deferred tax assets recoverable within 12 months: $39,145,000 (2009: $31,661,000).

16. Deferred tax assets and liabilities (continued)

Deferred tax liabilities	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Prepayments	1,088	340
Consumables	859	1,064
Creditors and other payables	3,718	369
Property, plant and equipment	50,571	25,948
Pension assets	853	-
Intangible assets	15,183	-
Unrealised gains on derivative contracts	6,074	1,975
Net deferred tax liabilities	78,346	29,696
Movements:		
Opening balance 1 October	29,696	25,151
Take on balance through acquisition (note 32)	34,148	-
Credited/(charged) to other comprehensive income	465	-
Charged/(credited) to the income statement (note 8)	14,037	4,545
Closing balance 30 September	78,346	29,696

Deferred tax liabilities recoverable within 12 months: $11,386,000 (2009: $3,747,000).

17. Property, plant and equipment

2010	Land	Buildings & structures	Leasehold improve-ments	Leased plant & equip-ment	Plant & equip-ment	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 October 2009							
Cost	18,740	149,368	14,843	5,213	635,676	9,589	833,429
Accumulated depreciation and impairment	-	(82,678)	(3,958)	(4,362)	(327,946)	-	(418,944)
Net book value	**18,740**	**66,690**	**10,885**	**851**	**307,730**	**9,589**	**414,485**
Year ended 30 September 2010							
Opening net book value	18,740	66,690	10,885	851	307,730	9,589	414,485
Transfer (to) / from assets held for sale	-	(39)	-	-	67	-	28
Transfer between asset categories (note 18)	235	6,805	852	-	42,313	(53,283)	(3,078)
Additions	44	10,985	1,414	11,012	19,849	75,354	118,658
Acquisitions through business combinations	38,425	32,335	2,768	-	143,096	80,349	296,973
Disposals	(256)	(207)	(115)	-	(1,822)	(213)	(2,613)
Depreciation [1]	-	(14,989)	(1,087)	(87)	(39,714)	-	(55,877)
Impairment charge	-	-	-	-	(1,000)	-	(1,000)
Exchange difference	(1,557)	(909)	(1,114)	-	(7,409)	(2,802)	(13,791)
Closing net book value	**55,631**	**100,671**	**13,603**	**11,776**	**463,110**	**108,994**	**753,785**
At 30 September 2010							
Cost or fair value	**55,631**	**198,212**	**18,618**	**16,225**	**831,338**	**108,994**	**1,229,018**
Accumulated depreciation and impairment	**-**	**(97,540)**	**(5,015)**	**(4,449)**	**(368,228)**	**-**	**(475,233)**
Net book value	**55,631**	**100,671**	**13,603**	**11,776**	**463,110**	**108,994**	**753,785**

[1] Depreciation: Continuing operations $55,398; Discontinued operations $489

17. Property, plant and equipment (continued)

2009	Land	Buildings & structures	Leasehold improve-ments	Leased plant & equip-ment	Plant & equip-ment	Capital works in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 October 2008							
Cost	18,743	142,281	14,547	4,348	634,058	11,443	825,420
Accumulated depreciation	-	(74,335)	(3,327)	(4,110)	(310,586)	-	(392,358)
Net book value	18,743	67,946	11,220	238	323,472	11,443	433,062
Year ended 30 September 2009							
Opening net book value	18,743	67,946	11,220	238	323,472	11,443	433,062
Transfer between asset categories (note 18)	-	-	-	-	-	(1,837)	(1,837)
Additions	55	9,571	400	865	17,313	194	28,398
Disposals	(58)	(207)	(82)	-	(1,584)	(211)	(2,142)
Depreciation	-	(10,307)	(653)	(252)	(29,466)	-	(40,678)
Impairment charge [1]	-	(313)	-	-	(2,005)	-	(2,318)
Closing net book value	**18,740**	**66,690**	**10,885**	**851**	**307,730**	**9,589**	**414,485**
At 30 September 2009							
Cost or fair value	18,740	149,368	14,843	5,213	635,676	9,589	833,429
Accumulated depreciation and impairment	-	(82,678)	(3,958)	(4,362)	(327,946)	-	(418,944)
Net book value	**18,740**	**66,690**	**10,885**	**851**	**307,730**	**9,589**	**414,485**

[1] The carrying amount of assets totalling $2.25 million allocated to the merchandise service centres CGU has been written off as impaired. This loss is included in impairment expenses disclosed as a separate line item in the income statement.

On 29 May 2009 the NSW State Government transferred to the Group, at no cost, eighteen 48 class locomotives and 180 wagons to enable the Group to provide branch line grain services. Both the assets and the grant were recognised at nominal value.

18. Intangible assets

2010					
	Computer software $'000	Trade name $'000	Customer relationship $'000	Goodwill $'000	Total $'000
At 1 October 2009					
Cost or fair value	30,843	458	346	17,660	49,307
Accumulated amortisation and impairment	(14,102)	(280)	(91)	(1,000)	(15,473)
Net book value	**16,741**	**178**	**255**	**16,660**	**33,834**
Year ended 30 September 2010					
Opening net book amount	16,741	178	255	16,660	33,834
Additions	6,531	-	-	-	6,531
Acquisitions through business combinations	671	1,291	114,518	262,254	378,734
Transfer between asset categories	3,079	-	-	-	3,079
Amortisation charge [1]	(3,386)	(178)	(12,627)	-	(16,191)
Exchange difference	(82)	(150)	(3,000)	(5)	(3,237)
Closing net book value	**23,554**	**1,141**	**99,146**	**278,909**	**402,750**
At 30 September 2010					
Cost or fair value	41,021	1,596	111,437	278,909	432,963
Accumulated amortisation and impairment	(17,467)	(455)	(12,291)	-	(30,213)
Net book value	**23,554**	**1,141**	**99,146**	**278,909**	**402,750**

[1] Amortisation: Continuing operations $16,113; Discontinued operations $78

2009					
	Computer software $'000	Trade name $'000	Customer relationship $'000	Goodwill $'000	Total $'000
At 1 October 2008					
Cost	26,268	458	346	17,660	44,732
Accumulated amortisation	(12,685)	(127)	(41)	-	(12,853)
Net book value	**13,583**	**331**	**305**	**17,660**	**31,879**
Year ended 30 September 2009					
Opening net book amount	13,583	331	305	17,660	31,879
Additions	3,534	-	-	-	3,534
Transfer between asset categories (note 17)	1,837	-	-	-	1,837
Amortisation charge [1]	(2,213)	(153)	(50)	-	(2,416)
Impairment charge [2]	-	-	-	(1,000)	(1,000)
Closing net book value	**16,741**	**178**	**255**	**16,660**	**33,834**
At 30 September 2009					
Cost or fair value	30,843	458	346	17,660	49,307
Accumulated amortisation and impairment	(14,102)	(280)	(91)	(1,000)	(15,473)
Net book value	**16,741**	**178**	**255**	**16,660**	**33,834**

[1] Amortisation is included in depreciation and amortisation expense in the income statement.
[2] The carrying amount of goodwill of $1.0 million allocated to the merchandise service centres CGU has been written off as impaired. This loss is included in impairment expenses disclosed as a separate line item in the income statement.

18. Intangible assets (continued)

(a) Impairment tests for goodwill

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

	2010 $'000	2009 $'000
Storage and Logistics	10,600	10,600
Trading	6,060	6,060
Malt	262,254	-
	278,914	16,660

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

Refer note 32 for details of goodwill acquired on acquisition of the United Malt Holdings Group and the Brewcraft business in the year ended 30 September 2010.

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

Growth rates of 3.1% - 3.5% have been applied to extrapolate cash flows for a five year period. The growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate.

If the growth rate applied to the cashflow projections were 0.9% to 1.4% instead of 3.1% to 3.5% the recoverable amount of the goodwill would equal its carrying amount.

Post-tax discount rates of 7.9% to 10.4% (pre-tax discount rate 11.4% to 14.9%) have been applied to discount the forecast future attributable post tax cash flows. These post-tax discount rates reflect specific risks relating to the relevant segment and its country of operation.

If the post-tax discount rates applied to the cash flow projections were 8.7% to 11.2% instead of 7.9% to 10.4% (pre-tax discount rate 12.7% to 16.1% instead of 11.4% to 14.9%) (2009: post-tax: 12.0% instead of 8.9%; pre-tax: 14.0% instead of 9.6%), the recoverable amount of the goodwill would equal its carrying amount.

The exchange rates used represent the spot rate at 30 September 2010.

19. Trade and other payables

Current	2010 $'000	2009 $'000
Trade payables	193,866	58,820
Other payables	14,136	21,793
Income received in advance	22,801	1,204
Pool advance facility (notes 1(k) & 10)	2,926	28,641
	233,729	110,458

20. Borrowings

Current	2010 $'000	2009 $'000
Unsecured		
Short term facilities	54,964	34,493
Total unsecured current borrowings	54,964	34,493
Secured		
Commodity inventory funding facility (note 11)	-	53,322
Leases	1,225	904
Total secured current borrowings	1,225	54,226
Total current borrowings	56,189	88,719

Non-current		
Unsecured		
Term funding facilities	260,442	99,936
Total unsecured non-current borrowings	260,442	99,936
Secured		
Leases	14,463	4,708
Total secured non-current borrowings	14,463	4,708
Total non-current borrowings	274,905	104,644

(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 4.5% - 5.9% (2009: 3.6% - 8.3%)

(c) Term funding facilities

Interest was payable for the term drawn in the range 4.6% - 6.2% (2009: 3.9% - 8.9%).

(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:

	2010 $'000	2009 $'000
Lease liabilities	15,688	5,612
Commodity inventory funding facility	-	53,322
	15,688	58,934

20. Borrowings (continued)

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

	2010 $'000	2009 $'000
Leased assets (note 17)	**11,776**	851
Commodity inventory (note 11)	**-**	53,322
	11,776	54,173

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:

2010	Maturity date[2]	Principal facility amount[2] $'000	Amount utilised[1] $'000
Term debt	July 2013	390,441	260,441
Commodity inventory funding	November 2011	400,000	-
Working capital	November 2011	150,000	54,964
		940,441	315,405

2009	Maturity date	Principal facility amount $'000	Amount utilised $'000
Term debt	November 2011	100,000	99,936
Commodity inventory funding	December 2009	82,500	53,322
Working capital	November 2009	126,000	34,493
Working capital	December 2009	315,000	-
		623,500	187,751

1 As at 30 September 2010
2 As at 25 November 2010. Since year end, the commodity inventory funding facility has increased from $100 million in line with the seasonal requirements of the group.

(f) Risk exposures

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

(g) Fair value

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

21. Other financial liabilities

	2010 $'000	2009 $'000
Current		
Lease incentives	203	203
Non-current		
Lease incentives	964	1,166
Total	1,167	1,369

(a) Financial guarantees

Financial guarantees are provided by Group entities as follows:

i. GrainCorp Operations Limited was a self-insurer for workers' compensation in NSW up to 29 June 2006. As required by the NSW workers' compensation self-insurance licensing requirements a Bank Guarantee in favour of the WorkCover Authority NSW for $2,550,000 is in place, representing an actuarial assessment of the contingent liability arising from past self-insurance for periods prior to 29 June 2006.

ii. In the normal course of business the Group enters into guarantees. At 30 September 2010 they amounted to $2,674,000 (2009: $4,056,000). The directors do not believe any claims will arise in respect of these guarantees.

iii. 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 2010.

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

22. Provisions

Current	2010 $'000	2009 $'000
Claims and disputes	12,557	8,905
Workers' compensation	230	228
Restoration	860	217
Onerous contracts	5,013	640
Employee benefits	19,620	16,448
	38,280	26,438
Non-current		
Workers' compensation	1,310	1,290
Restoration	940	368
Employee benefits	945	890
	3,195	2,548

(a) Claims and disputes

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

22. Provisions (continued)

(b) Workers' compensation

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

(c) Restoration

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

(d) Onerous contracts

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

(e) Movements in provisions

2010	Claims & disputes	Workers' compensation	Restoration	Onerous contracts
	$'000	$'000	$'000	$'000
Carrying amount at beginning of year	8,905	1,518	585	640
Additional provisions recognised	8,878	96	23	-
Acquisitions through business combinations	776	-	1,464	5,013
Amounts used	(5,880)	(74)	(49)	(640)
Unused amounts reversed	(118)	-	(217)	-
Exchange difference	(4)	-	(6)	-
Carrying amount at end of year	12,557	1,540	1,800	5,013

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

The Group's current provision for employee benefits includes $17,777,000 (2009: $16,448,000) in respect of long service leave, where employees have completed the required period of service and, as the Group does not have an unconditional right to defer settlement, the entire obligation is categorised as a current liability. Based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

Group long service leave obligations expected to be settled within the next 12 months amount to $421,000 (2009: $350,000).

23. Retirement benefit obligations

(a) Retirement benefit plans

Defined contribution superannuation plans

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

Defined benefit plans

As a result of the acquisition of the United Malt Holdings Group in November 2009, the Group provides funded defined benefit plans for employees of its US, Canadian, UK and Australian Malt entities. These plans provide lump sum benefits based on years of service and final average salary. The following sets out details of the defined benefit plans.

23. Retirement benefit obligations (continued)

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

2010	North America $'000	UK $'000	Australia $'000	Total $'000
Present value of the defined benefit obligations	(45,257)	(82,283)	(17,217)	(144,757)
Fair value of defined benefit plans assets	43,035	55,482	-	98,517
	(2,222)	(26,801)	(17,217)	(46,240)
Unrecognised past service plan assets	-	-	-	-
Net liability	(2,222)	(26,801)	(17,217)	(46,240)
Presented in statement of financial position:				
Defined benefit asset	-	-	-	-
Retirement benefit obligations (liabilities)	(2,222)	(26,801)	(17,217)	(46,240)

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

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

(c) Categories of plan assets

	North America $'000	UK $'000	Australia $'000
The major categories of plan assets are as follows:			
Cash	2%	1%	-
Equity instruments	62%	44%	-
Debt instruments	36%	52%	-
Other assets	-	3%	-
	100%	100%	-

(d) Reconciliations

2010	North America $'000	UK $'000	Australia $'000	Total $'000
Reconciliation of the present value of the defined benefit obligations:				
Acquired in business combinations	40,108	81,026	14,303	135,437
Current service cost	840	471	-	1,311
Interest cost	2,188	3,981	703	6,872
Scheme participants contributions	67	129	-	196
Actuarial (gains)/ losses	5,762	6,147	2,211	14,120
Curtailments	-	(544)	-	(544)
Benefits paid	(2,572)	(1,802)	-	(4,374)
Past service cost	-	-	-	-
Exchange difference	(1,136)	(7,125)	-	(8,261)
	45,257	82,283	17,217	144,757

23. Retirement benefit obligations (continued)

2010	North America $'000	UK $'000	Australia $'000	Total $'000
Reconciliation of fair value of plan assets:				
Acquired in business combinations	41,002	51,518	-	92,520
Expected return on plan assets	2,496	2,878	-	5,374
Actuarial gains/ (losses)	533	3,070	-	3,603
Contributions by Group companies	2,724	4,383	-	7,107
Scheme participants contributions	67	130	-	197
Actual plan administrative expenses	(287)	-	-	(287)
Benefits paid	(2,572)	(1,802)	-	(4,374)
Exchange difference	(928)	(4,695)	-	(5,623)
	43,035	55,482	-	98,517

(e) Amounts recognised in the income statement

	North America	UK	Australia	Total
The amounts recognised in the income statement are as follows:				
Current service cost	1,132	471	-	1,603
Interest cost	2,187	3,981	703	6,871
Expected return on plan assets	(2,506)	(2,878)	-	(5,384)
Effect of curtailments	-	(544)	-	(544)
Past service cost	-	-	-	-
Total included in employee benefits expense	813	1,030	703	2,546
Actual return on plan assets	533	5,948	-	6,481

(f) Amounts recognised in other comprehensive income

	North America	UK	Australia	Total
Actuarial (loss)/ gain recognised in the year	(5,234)	(3,077)	(2,537)	(10,848)

(g) Principal actuarial assumptions

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

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes in the plans as well as the expected and actual allocation of plan assets to each of these major categories. This resulted in the selection of a 6.2% - 7.5% rate of return gross of tax (and net of expenses) and a 4.3% - 4.7% rate of return net of tax (and expenses).

23. Retirement benefit obligations (continued)

(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 2011 are $4.7 million.

(i) Historic summary

	2010 $'000	2009 $'000
Defined benefit plan obligation	**(144,757)**	(130,102)
Plan assets	**98,516**	92,520
Surplus/ (deficit)	**(46,241)**	(37,582)
Experience adjustments arising on plan liabilities	**(2,968)**	
Experience adjustments arising on plan assets	**690**	

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

24. Contributed equity

	Consolidated and Company			
	2010		2009	
	Number	$'000	Number	$'000
Fully paid ordinary shares				
Total contributed equity – Company	**198,318,900**	**1,068,557**	96,089,995	491,030
Treasury shares	**(717,249)**	**(5,293)**	(435,784)	(3,068)
Total consolidated contributed equity		**1,063,264**		487,962

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

	Details	Total number of shares	Ordinary share capital $'000
1 October 2008	Balance brought forward	64,343,846	296,581
	Share placement issues	9,651,577	60,322
	Employee share acquisition plan issues [1]	4,725	35
	Share purchase plan issues	22,089,847	138,062
	Less: Transaction costs arising on share issues		(5,692)
	Deferred tax credit recognised directly in equity		1,722
30 September 2009	Sub-total	**96,089,995**	**491,030**
	Share issue – institutional tranche	54,681,410	331,377
	Share issue – retail tranche	47,547,495	285,961
	Less: Transaction costs arising on share issues		(24,213)
	Less: Premium on retail offer paid to non-participating eligible shareholders		(17,548)
	Deferred tax credit recognised directly in equity		1,950
30 September 2010	**Total contributed equity - Company**	**198,318,900**	**1,068,557**
	Less: Treasury shares		(5,293)
30 September 2010	**Total consolidated contributed equity**		**1,063,264**

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

24. Contributed equity (continued)

Ordinary shares

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

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

Employee equity schemes

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

Treasury shares

Treasury shares are shares in GrainCorp Limited that are held by the GrainCorp Employee Share Ownership Plan Trust for purposes of issuing shares under employee share plans including: GrainCorp Exempt Share Plan, GrainCorp Deferred Share Plan, and GrainCorp Retention Share Plan (see note 38 for further information). During the year 391,726 shares were acquired on market at a cost of $2,800,000. (2009: 417,884 shares). 110,261 shares were granted or issued under the employee share plans during the year. (2009: nil).

Capital risk management

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

The capital structure of the Group consists of debt and equity and the mix of debt and equity is measured by reference to the Group's gearing ratio (long term debt net of cash and cash equivalents to total equity). The Group's objective is to maintain this gearing ratio at 50% or less. At 30 September 2009, the long term gearing ratio was not applicable as cash and cash equivalents were in excess of total long term borrowings.

The long term gearing ratios were as follows:

	2010 $'000	2009 $'000
Long term borrowings	**274,905**	104,644
Cash and cash equivalents	**(91,915)**	(161,423)
Net debt	**182,990**	(56,779)
Total equity	**1,282,639**	693,738
Gearing ratio	**14.3%**	N/A

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

	2010 $'000	2009 $'000
Retained earnings		
Retained earnings at the beginning of the financial year	193,231	130,087
Net profit for the year	80,223	63,161
Items of other comprehensive income recognised directly in retained earnings:		
Actuarial (losses)/gains on retirement benefit obligations, net of tax	(7,350)	-
Share of other comprehensive income of equity accounted associates, net of tax	52	(17)
Dividends provided for or paid (note 26)	(44,166)	-
Closing balance	221,990	193,231

Nature and purpose of reserves

The reserves disclosed in the Statement of Changes in Equity (pages 30 and 31) include the following:

I. The hedging reserve is used to record gains and losses on hedging instruments in a cash flow hedge that are recognised directly in equity, as described in note 1(y) and note 3. Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

II. The capital reserve represents the residual equity component of reset preference shares of the Company, on their reclassification to an interest-bearing liability as at 1 October 2005. The reset preference shares were converted to ordinary shares on 30 September 2006.

III. The share option reserve is used to recognise the fair value of share rights accounted for as share-based payments issued but not exercised.

IV. The translation reserve is used to recognise exchange differences arising on the translation of the financial statements of foreign operations.

26. Dividends

	2010 $'000	2009 $'000
Dividends paid in the year:		
Final fully franked dividend for the year ended 30 September 2009 of 7.27 cents (2009: nil)	14,418	-
Interim fully franked dividend for the year ended 30 September 2010 of 15 cents (2009: nil)	29,748	-
Closing balance	44,166	-

Dividends not recognised at year end

Since year end the directors have approved the payment of the following dividends, expected to be paid on 21 December 2010:	
Final fully franked dividend for the year ended 30 September 2010 of 10 cents (2009: 7.27 cents)	19,832
Special fully franked dividend for the year ended 30 September 2010 of 5 cents (2009: nil)	9,916
Closing balance	29,748

These dividends are to be paid out of retained profits at 30 September 2010, but are not recognised as a liability at year end.

26. Dividends (continued)

Franking credits available

	2010 $'000	2009 $'000
Franking credits available for the subsequent financial year	23,854	29,380

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

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

The impact on the franking account of the dividend approved by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $12,749,000 (2009: $6,177,000).

27. Remuneration of auditor

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2010 $	2009 $
PricewaterhouseCoopers Australia		
Audit and other assurance services		
(i) Audit services		
Audit and review of financial reports and other work under the *Corporations Act 2001*	1,249,350	546,000
	1,249,350	546,000
(ii) Other Assurance Services		
Other audit services	217,669	55,000
Review of other financial information	392,111	160,000
	609,780	215,000
Taxation services		
Tax due diligence fees	-	-
Tax compliance and advice	3,818	6,358
	3,818	6,358
Total remuneration of PricewaterhouseCoopers Australia	1,862,948	767,358
Related practices of PricewaterhouseCoopers Australia		
Audit and other assurance services		
(i) Audit services		
Audit and review of financial reports and other work under the *Corporations Act 2001*	581,334	-
Total remuneration of related practices of PricewaterhouseCoopers Australia	581,334	-
Total auditors' remuneration	2,444,282	767,358

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

28. Contingencies

(i) The Group may from time to time receive notices of possible claims for losses or damages. A provision of $12.6 million (30 September 2009: $8.9 million), primarily for customer claims, has been recognised to cover any liabilities which may arise out of such claims. Based on information currently available, the directors believe that no further provision is required at this time. A contingent liability exists for any amounts that ultimately become payable over and above current provisioning levels.

(ii) During the 2007 financial year, the NSW Roads and Traffic Authority (RTA) initiated proceedings against GrainCorp Operations Limited (GCOP) for alleged "chain of responsibility" breaches of the NSW road transport laws regarding overloaded third party vehicles. The RTA sought to impose maximum fines of $18.2 million against GCOP. GCOP defended the fines and judgment was made in favour of GCOP by the Local Court. This judgement was appealed by the RTA, and the Supreme Court (NSW) upheld the Local Court's decision in favour of GCOP. RTA further appealed to the Full Court of Appeal, in the NSW Supreme Court and the appeal was heard on 22 September 2010. Judgment has yet to be handed down, and is expected late 2010/ or early 2011. A contingent liability exists for any amounts that ultimately become payable over and above management's current provisioning levels.

(iii) In April 2010, GCOP was indicted to proceed to trial on charges alleged by the WorkSafe Victoria with respect to the death of an employee in December 2007. The charges allege that GCOP breached the Victorian Occupational Health and Safety Act and each charge carries a maximum penalty of approximately $1.0 million. The trial is set down for four weeks and is listed in the circuit sitting at Warrnambool County Court commencing 21st February 2011. A contingent liability exists for any amounts that ultimately become payable over and above management's current provisioning levels.

(iv) In February 2010 an administrative subpoena was issued by the US Office of Foreign Assets Control seeking information from Great Western Malting Co (GWM) relating to transactions that were disclosed by the vendor and that took place prior to the acquisition of GWM on 13 November 2009. The maximum penalty for each breach of the Cuban Assets Control Regulations is approximately $1.1 million. A contingent liability exists for any amounts that ultimately become payable over and above current provisioning levels.

(v) In August 2010, WorkSafe Victoria commenced an investigation following the death of a GCOP employee at a Victorian site in August in 2010. WorkSafe Victoria has yet to finalise its investigation, however maximum penalties for breach of the Victorian Occupational Health and Safety Act are approximately $1.0 million per charge. An improvement notice issued by Worksafe Victoria will be reviewed by the Victorian Civil and Administrative Tribunal. A contingent liability exists for any amounts that ultimately become payable over and above current provisioning levels.

29. Commitments

	2010 $'000	2009 $'000
Capital expenditure commitments		
Total capital expenditure contracted for at the reporting date but not provided for in payables:		
- Not later than one year	48,354	18,683
- Later than one year but not later than five years	-	-
	48,354	18,683
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
- Not later than one year	43,132	25,435
- Later than one year and not later than five years	93,794	71,236
- Later than five years	84,343	59,871
	221,269	156,542
Representing:		
Cancellable operating leases	1,503	179
Non-cancellable operating leases	219,766	156,363
	221,269	156,542
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- Not later than one year	42,839	25,425
- Later than one year but not later than five years	92,826	71,067
- Later than five years	84,101	59,871
	219,766	156,363
Finance leases		
Commitments in relation to finance leases are payable as follows:		
- Not later than one year	1,824	904
- Later than one year but not later than five years	6,236	3,180
- Later than five years	18,667	1,528
Minimum lease payments	26,727	5,612
Future finance charges	(11,039)	-
Total lease liabilities	15,688	5,612
Representing lease liabilities:		
Current (note 20)	1,225	904
Non-current (note 20)	14,463	4,708
	15,688	5,612

30. Key management personnel disclosures and related party transactions

(1) Key Management Personnel (KMP) disclosures

(a) Directors

The following persons were directors of GrainCorp Limited during the financial year:

(i) Chairman - non-executive
D C Taylor

(ii) Executive directors
A M Watkins (Managing Director and CEO) – appointed 30 July 2010
I Wilton (Interim CEO) - appointed 21 January 2010; resigned as a Director 31 August 2010
M D Irwin (Managing Director and CEO) – resigned 21 January 2010

(iii) Non-executive directors
P J Housden
D J Mangelsdorf
D G McGauchie - appointed 23 December 2009
D B Trebeck
S L Tregoning

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year and also for the year ended 30 September 2010, except where indicated:

Name	Position
J Anderson	President and CEO, GrainCorp Malt (appointed 13 November 2009, resigned 1 March 2010)
B J Griffin	Group General Manager, Storage & Logistics
G J Haskew	Acting Chief Financial Officer – (appointed 21 January 2010 to 15 November 2010)
A N Johns	Chief Development Officer
R S Porcheron	General Manager, Human Resources
S J Tainsh	General Manager, Trading
I Wilton	President and CEO, GrainCorp Malt (Mr Wilton also served as GrainCorp's CFO and interim CEO during the year)

30. Key management personnel disclosures and related party transactions (continued)

(c) Key Management Personnel compensation

	2010 $	2009 $
Short-term employee benefits	**5,065,589**	4,959,938
Post-employment benefits	**308,806**	385,706
Long-term benefits	**50,267**	75,847
Share-based payments	**325,781**	983,235
Termination payments	**562,140**	118,000
	6,312,583	6,522,726

Detailed remuneration disclosures are provided in sections 1-6 of the remuneration report on pages 7 to 24.

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Share Rights provided as remuneration and shares issued on exercise of such rights
Details of rights provided as remuneration and shares issued on the exercise of such rights, together with terms and conditions of the rights, can be found in the remuneration report on pages 7 to 24.

(ii) Share Rights holdings
The numbers of share rights in the Company held during the financial year by each director of GrainCorp Limited and other Key Management Personnel of the Group, including their personally related entities, are set out below.

2010					
Name	Balance at the start of the year	Granted during the year as compensation	Other changes 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	-	-	-	-	-
M D Irwin	47,098	59,296	(106,394)	-	-
Other Key Management Personnel of the Group					
J Anderson	-	-	-	-	-
B J Griffin	-	8,154	-	8,154	-
G J Haskew	-	4,040	-	4,040	-
A N Johns	62,090	13,890	(16,002)	59,978	9,895
R S Porcheron	18,226	6,221	(4,114)	20,333	2,617
S J Tainsh	62,090	19,046	(16,002)	65,135	9,895
I Wilton	-	-	-	-	-

30. Key management personnel disclosures and related party transactions (continued)

The numbers of share rights in the Company held during the 2009 financial year by each director of GrainCorp Limited and other Key Management Personnel of the Group, including their personally related entities, are set out below.

2009					
Name	Balance at the start of the year	Granted during the year as compensation	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of GrainCorp Limited					
M D Irwin	47,098	-	-	47,098	-
Other Key Management Personnel of the Group					
B J Griffin	-	-	-	-	-
A N Johns	103,186	-	(41,096)	62,090	8,000
R S Porcheron	28,793	-	(10,567)	18,226	2,057
S J Tainsh	103,186	-	(41,096)	62,090	8,000
I Wilton	-	-	-	-	-

(iii) Share holdings

The numbers of shares in the Company and subsidiaries held during the financial year by each director of GrainCorp Limited and other Key Management Personnel of the Group, including their personally related entities, are set out in the following table:

2010					
Name	Balance at the start of the year	Movements arising from changes in Board/KMP status	Granted during the year as compensation	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	10,348	-	-	6,818	17,166
A M Watkins	-	55,000	-	-	55,000
P J Housden	3,900	-	-	3,510	7,410
D J Mangelsdorf	11,388	-	-	2,847	14,235
D G McGauchie	-	81,544	-	-	81,544
D B Trebeck	34,080	-	-	30,672	64,752
S L Tregoning	5,400	-	-	7,860	13,260
M D Irwin	8,730	(51,591)-	-	42,861	-
Other Key Management Personnel of the Group					
Ordinary shares - held in the parent company, GrainCorp Limited					
J Anderson	-	-	-	-	-
B J Griffin	3,050	-	-	2,745	5,795
G J Haskew	-	1,302	-	-	1,302
A N Johns	1,307	-	-	7,195	8,502
R S Porcheron	621	-	-	2,412	3,033
S J Tainsh	2,633	-	-	10,370	13,003
I Wilton	6,900	-	-	12,491	19,391

30. Key management personnel disclosures and related party transactions (continued)

(iii) Share holdings (continued)

2009					
Name	Balance at the start of the year	Movements arising from changes in Board/KMP status	Granted during the year as compensation	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	7,453	-	-	2,895	10,348
M D Irwin	-	-	-	8,730	8,730
P J Housden	-	-	-	3,900	3,900
D J Mangelsdorf	7,006	-	-	4,382	11,388
D B Trebeck	29,203	-	-	4,877	34,080
S L Tregoning	-	-	-	5,400	5,400
Other Key Management Personnel of the Group					
Ordinary shares - held in the parent company, GrainCorp Limited					
B J Griffin	-	-	-	3,050	3,050
A N Johns	1,208	-	-	99	1,307
R S Porcheron	522	-	-	99	621
S J Tainsh	2,633	-	-	-	2,633
I Wilton	-	-	-	6,900	6,900

(e) Other transactions with Key Management Personnel

Transactions for storage, handling, transport, testing, seed sales and purchase of grain, fertiliser and other agricultural products from directors or director-related entities took place during both financial years covered by this report and occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers. Below are aggregate amounts due, from and to directors, any other Key Management Personnel and their director-related and KMP-related entities at balance date. These balances are the result of transactions conducted under normal trading terms and conditions.

Directors and other Key Management Personnel who transacted business with the Group were D J Mangelsdorf, D G McGauchie, A N Johns, A M Watkins and I Wilton. (2009: M D Irwin, D J Mangelsdorf, D B Trebeck and A N Johns).

	Consolidated	
	2010 $	2009 $
Current receivables		
- Director-related and KMP-related entities	**7,319,423**	3,718,064
Current payables		
- Director-related and KMP-related entities	**314,495**	-

2010:
Current receivables include $7,009,115 relating to Allied Mills Australia Pty Ltd of which A N Johns, A M Watkins and I Wilton were directors, $147,141 receivable from D J Mangelsdorf, and $163,167 receivable from an entity related to D G McGauchie.

Current payables include $256,000 relating to Allied Mills Australia Pty Ltd of which A N Johns, A M Watkins and I Wilton were directors, and $58,495 payable to D J Mangelsdorf.

2009:
Current receivables include $3,298,719 relating to Allied Mills Australia Pty Ltd of which M D Irwin and A N Johns were directors, $140,174 receivable from D J Mangelsdorf, and $279,171 receivable from entities related to D B Trebeck.

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	
	2010 $	2009 $
Fee for liabilities guarantee	689,852	3,603,996
Interest expense payable to subsidiaries	194,344	13,324
Interest revenue from subsidiaries	12,648,407	4,794,363

(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	
	2010 $	2009 $	2010 $	2009 $
Freight income from Allied Mills Australia Pty Ltd ("Allied Mills")	27,437,859	31,274,512	-	-
Rental charge from Allied Mills	11,550	44,174	-	-
Sales income from Allied Mills	71,625,316	119,396,985	-	-
Purchases from Allied Mills	6,009,556	9,554,642	-	-
Interest received from Allied Mills	1,198,806	1,179,282	1,198,806	1,179,282
Storage income from Allied Mills	11,022,956	13,165,396	-	-
Membership fees to National Grower Register Pty Ltd ("NGR")	254,547	260,422	-	-
Rental income from NGR	8,602	5,080	-	-
Interest income from NGR	60,377	108,966	-	-

(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	
	2010 $	2009 $	2010 $	2009 $
Subsidiaries				
Current borrowings (note 20)	-	-	-	-
Non-current receivables (note 10)	-	-	752,478,986	142,292,501
Associates				
Loan to NGR (note 10)	1,000,000	1,000,000	-	-
Loan to Wheat Australia (note 10)	17,000	17,000	-	-
Loan to Allied Mills (note 10)	19,092,000	19,092,000	19,092,000	19,092,000
Current receivable (note 10) loan interest Allied Mills	376,664	239,879	376,664	239,879

30. Key management personnel disclosures and related party transactions (continued)

(2) Related party transactions (continued)

A provision for impairment of advances to associated entities of $1,000,000 has been reversed in relation to the amount owing by NGR (2009: $1,000,000 impaired). The impairment reversal is included in other expenses in the income statement.

(d) Terms and conditions

Transactions between GrainCorp and related parties in the Group during the years ended 30 September 2010 and 2009 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:

	2010 $'000	2009 $'000
Statement of financial position		
Current assets	7,069	6,421
Total assets	1,132,391	534,087
Current liabilities	2,950	74
Total liabilities	3,217	300
Shareholders' equity		
Contributed equity	1,068,556	491,030
Share option reserve	7,379	5,319
Capital reserve	8,328	8,328
Retained profits	44,911	29,110
	1,129,174	533,787
Profit for the year	59,967	6,563
Total comprehensive income	59,967	6,563

(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 2010.

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 2010 or 30 September 2009.

(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 2010 or 30 September 2009.

32. Business combinations

(a) Acquisitions in the year ended 30 September 2010

(i) Acquisition of the United Malt Holdings Group

On 13 November 2009, the Group acquired 100% of the United Malt Holdings Group (Canada Malting Company (Canada), Great Western Malting (USA), Bairds Malt (UK), and Barrett Burston Malting (Australia)) for the purchase consideration of $773.5 million.

The acquired business contributed revenues of $777 million and net profit before tax of $85 million to the Group for the period from 13 November 2009 to 30 September 2010. If the acquisition had occurred on 1 October 2009, and results had been consolidated from that date, contributed revenues and contributed net profit before tax for the year ended 30 September 2010 would have been $890 million and $109 million respectively. Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration:	
Cash consideration paid	515,841
Repayment of acquired liabilities	54,565
Total cash consideration	570,306
Repayment of debt acquired	203,163
Total cash outflow	773,469
Accrued consideration	704
Total purchase consideration	774,172
Fair value of net identifiable assets acquired (refer page 96)	512,171
Goodwill	262,001

32. Business combinations (continued)

(i) Acquisition of United Malt Holdings Group (continued)

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

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	1,419	1,419
Property, plant and equipment	197,004	296,855
Identifiable intangible assets	14,160	115,187
Inventories	188,763	175,225
Receivables	117,963	115,651
Net deferred tax	26,003	4,656
Net derivative financial instruments	(8,418)	(9,649)
Payables	(144,395)	(131,189)
Provisions	(4,835)	(7,253)
Net other non-current liabilities	(14,556)	(42,836)
Borrowings	(1,311)	-
Tax liabilities	(6,905)	(5,895)
Net identifiable assets acquired	**364,892**	**512,171**

Goodwill has arisen on the acquisition primarily because of the assembled workforces, site locations, superior quality processes, and the capacity of the business to generate future recurring revenue streams.

(ii) Acquisition of Brewcraft

On 2 July 2010, the Group acquired 100% of the Brewcraft business, a retailer of home brewing and other products in the USA, for a purchase consideration of $4.8 million.

The acquired business contributed revenues of $1,864,000 and net loss before tax of $115,000 to the Group for the period from 2 July 2010 to 30 September 2010. Disclosure of the results if the acquisition had occurred on 1 October 2009, and results had been consolidated from that date, is impracticable as the business acquired was a private entity not preparing accounts in accordance with IFRS. Details of net assets acquired and goodwill are as follows:

	$'000
Purchase consideration:	
Cash consideration paid	4,780
Total purchase consideration	4,780
Provisional fair value of net identifiable assets acquired (refer page 97)	4,527
Provisional Goodwill	253
Cash outflow:	
Cash consideration	4,780
Less: cash balances acquired	(3)
	4,777

32. Business combinations (continued)

(ii) Acquisition of Brewcraft (continued)

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

	Acquiree's carrying amount $'000	Provisional Fair value $'000
Cash and cash equivalents	3	3
Property, plant and equipment	120	118
Identifiable intangible assets	-	1,291
Inventories	2,088	2,561
Receivables	603	617
Payables	(63)	(63)
Net identifiable assets acquired	**2,751**	**4,527**

The initial accounting for the acquisition of the Brewcraft business has been provisionally determined based upon the best information available as at the reporting date. Goodwill has arisen on the acquisition primarily because of the capacity of the business to generate future recurring revenue streams. As permitted under AASB 3 *Business Combinations*, acquisition accounting will be finalised within 12 months of date of acquisition.

(b) There were no acquisitions in the year ended 30 September 2009

33. Subsidiaries

Name of entity	Class of shares	Country of incorporation	Equity holdings 2010	Equity holdings 2009
GrainCorp Services Limited	Ordinary	Australia	100%	100%
Grainco Australia Pty Limited	Ordinary	Australia	100%	100%
GrainCorp Warehouse Cashflow Pty Ltd	Ordinary	Australia	100%	100%
GrainCorp AG Finance Limited	Ordinary	Australia	100%	100%
GrainCorp Operations Limited	Ordinary	Australia	100%	100%
Vicgrain Pty Limited	Ordinary	Australia	100%	100%
Agricultural Risk Management Services Pty Ltd	Ordinary	Australia	100%	100%
ABN 99 059 347 349 Pty Ltd (formerly: Victorian Grain Services Limited)[1]	Ordinary	Australia	100%	100%
ABN 36 073 105 656 Pty Ltd (formerly: Globex International Pty Ltd) [1]	Ordinary	Australia	100%	100%
ABN 18 052 348 973 Pty Ltd (formerly: Ausfarmers Pty Limited) [1]	Ordinary	Australia	100%	100%
ABN 25 069 096 582 Pty Ltd (formerly: GrainCorp Victoria Pty Limited) [1]	Ordinary	Australia	100%	100%
Hunter Grain Pty Ltd	Ordinary	Australia	100%	100%
Hunter Grain Transport Pty Limited	Ordinary	Australia	100%	100%
GrainCorp NZ Pty Ltd	Ordinary	Australia	100%	100%
Vicgrain (Assets) Pty Ltd	Ordinary	Australia	100%	100%
ContainerLink Pty Ltd	Ordinary	Australia	100%	100%
GrainCorp Holdings Australia Pty Ltd	Ordinary	Australia	100%	-
GrainCorp Australia Pty Ltd	Ordinary	Australia	100%	-
Australia Malt Holdco Pty Ltd	Ordinary	Australia	100%	-
Australia Malt Finco Pty Ltd	Ordinary	Australia	100%	-
Malt Real Property Pty Ltd	Ordinary	Australia	100%	-
Barrett Burston Malting Co Pty Limited	Ordinary	Australia	100%	-
Security Superannuation Fund Pty Ltd	Ordinary	Australia	100%	-
GrainCorp (Canada) Holdings UK Limited	Ordinary	UK	100%	-
GrainCorp UK Limited	Ordinary	UK	100%	-
Malt UK Holdco Limited	Ordinary	UK	100%	-
Ulgrave Limited	Ordinary	UK	100%	-
Maltco 3 Limited	Ordinary	UK	100%	-
Bairds Malt Limited	Ordinary	UK	100%	-
Bairds Malt (Pension Trustees) Limited	Ordinary	UK	100%	-
Scotgrain Agriculture Limited	Ordinary	UK	100%	-
Mark Lawrence (Grain) Limited	Ordinary	UK	100%	-
Saxon Agriculture Limited	Ordinary	UK	100%	-
Moray Firth Maltings Limited	Ordinary	UK	100%	-
GrainCorp Holdings USA	-	USA	100%	-
GrainCorp USA Inc	Ordinary	USA	100%	-
Malt US Holdco Inc	Ordinary	USA	100%	-
Great Western Malting Co	Ordinary	USA	100%	-
BC Holdings LLC	Ordinary	USA	100%	-
Canada Malting Co Limited	Ordinary	Canada	100%	-
Coastal Containers Limited	Ordinary	Canada	100%	-

[1] Subject to members' voluntary liquidation or deregistration.

34. Deed of cross guarantee

GrainCorp and its wholly-owned Australian incorporated entities listed in note 33, with the exception of Agricultural Risk Management Services Pty Ltd, ABN 18 052 348 973 Pty Ltd, ABN 36 073 105 656 Pty Ltd, ABN 25 069 096 582 Pty Ltd, ABN 99 059 347 349 Pty Ltd, and GrainCorp NZ Pty Ltd, are parties to a deed of cross guarantee dated 24 March 2010 under which each of the companies guarantees the debts of the other and are thus relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investment Commission.

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

ABN 18 052 348 973 Pty Ltd, ABN 36 073 105 656 Pty Ltd, ABN 25 069 096 582 Pty Ltd, and ABN 99 059 347 349 Pty Ltd were parties to the previous deed of cross guarantee current as at 30 September 2009.

Set out below is the consolidated income statement, a consolidated statement of comprehensive income and a summary of consolidated retained earnings for the Closed Group for the year ended 30 September 2010.

Income statement	2010 $'000	2009 $'000
Revenue from continuing operations	1,331,686	1,663,986
Other income	32,392	51,805
Goods purchased for resale	(870,873)	(1,275,549)
Raw materials and consumables used	(84,560)	(29,648)
Employee benefits expense	(136,706)	(136,866)
Depreciation and amortisation expense	(51,952)	(42,300)
Impairment expense	(3,425)	(68)
Finance costs	(19,721)	(36,295)
Repairs and maintenance	(22,241)	(24,161)
Operating leases	(36,885)	(21,333)
Other expenses	(71,497)	(52,670)
Share of net profits of associates accounted for using the equity method	9,412	9,787
Profit / (loss) before income tax	75,630	106,688
Income tax (expense) / benefit	(22,326)	(28,379)
Profit from continuing operations	53,304	78,309
Discontinued operations	(672)	(15,621)
Profit for the year	52,632	62,688
Other comprehensive income:		
Changes in the fair value of cash flow hedges	1,641	1,094
Share of comprehensive income of associates	74	(24)
Actuarial (losses) on retirement benefit obligations	(2,539)	-
Income tax relating to components of other comprehensive income	248	480
Other comprehensive income for the year, net of tax	(576)	1,550
Total comprehensive income for the year	52,056	64,238
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	191,728	129,978
Entity disposals and inclusion in Closed Group	-	(921)
Profit after related income tax expense	52,632	62,688
Other comprehensive income recognised in retained earnings	(1,725)	(17)
Dividends provided for or paid	(44,166)	-
Retained earnings at the end of the financial year	198,469	191,728

34. Deed of cross guarantee (continued)

Set out below is the consolidated statement of financial position as at 30 September 2010 of the Closed Group.

Statement of financial position	2010 $'000	2009 $'000
Current assets		
Cash and cash equivalents	30,617	160,273
Trade and other receivables	173,523	161,601
Inventories	212,657	96,808
Derivative financial instruments	72,362	51,935
Non-current assets classified as held for sale	669	880
Total current assets	489,828	471,497
Non-current assets		
Receivables	228,852	19,109
Investments accounted for using the equity method	116,101	106,636
Other financial assets	227,946	3,580
Property, plant & equipment	549,664	414,485
Deferred tax assets	37,552	37,080
Intangible assets	120,637	33,834
Derivative financial instruments	1,388	-
Total non-current assets	1,282,140	614,724
Total assets	1,771,968	1,086,221
Current liabilities		
Trade and other payables	139,227	111,564
Borrowings	55,936	88,719
Derivative financial instruments	69,280	24,867
Other financial liabilities	203	203
Current tax liabilities	9,066	-
Provisions	36,811	26,438
Total current liabilities	310,523	251,791
Non-current liabilities		
Borrowings	114,214	104,644
Derivative financial instruments	7,784	1,276
Other financial liabilities	964	1,166
Deferred tax liabilities	35,291	29,493
Provisions	3,195	2,548
Retirement benefit obligations	17,217	-
Total non-current liabilities	178,665	139,127
Total liabilities	489,188	390,918
Net assets	1,282,780	695,303
Equity		
Contributed equity	1,068,556	491,030
Reserves	15,755	12,545
Retained earnings	198,469	191,728
Total equity	1,282,780	695,303

35. Investments in associates

(a) Carrying amounts

Company	Principal activity	Ownership interest		Carrying amount	
		2010	2009	2010 $'000	2009 $'000
Allied Mills Australia Pty Ltd [1]	Mixing & milling	**60%**	60%	**115,558**	106,492
National Grower Register Pty Ltd	Register management	**50%**	50%	**528**	129
Wheat Australia Pty Ltd	Wheat exportation	**33.3%**	33.3%	**15**	15
				116,101	106,636

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

Each of the above associates is incorporated in Australia.

(b) Movements in carrying amounts

	2010 $'000	2009 $'000
Carrying amount at the beginning of the financial year	**106,636**	96,866
Share of operating profits after income tax	**9,412**	9,787
Share of other comprehensive income after income tax	**53**	(17)
Carrying amount at the end of the financial year	**116,101**	106,636
Group's share of associate's expenditure commitments, other than for supply of inventories:		
Capital commitments	**626**	1,084
Lease commitments	**2,809**	1,485
Contingent liabilities	**-**	-

Summarised financial information of associates:

	Group's share of:			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2010	217,499	82,025	266,345	9,412

	Group's share of:			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
2009	250,987	124,872	321,155	9,787

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

	2010 $'000	2009 $'000
Profit / (loss) for the year	80,223	63,161
Net (profit) / loss on sale of non-current assets	-	(2,172)
Dividends received	(186)	(200)
Non-cash employee benefits expense – share based payments	2,061	1,636
Share of (profit) / loss of associate not received as dividends	(9,412)	(9,787)
Depreciation / amortisation	71,511	43,094
Impairment expense	3,000	3,318
Assets written off	-	211
	148,197	99,261
Changes in operating assets and liabilities (net of acquired entity):		
(Increase) / decrease in inventories	(73,546)	101,223
(Increase) / decrease in deferred tax asset	(13,368)	18,097
(Increase) / decrease in derivatives	45,987	(18,963)
(Increase) / decrease in receivables	22,862	41,079
Increase / (decrease) in trade payables	(6,790)	5,733
Increase / (decrease) in other liabilities	(53,319)	(33,735)
Increase / (decrease) in provision for income tax	5,712	(2,492)
Increase / (decrease) in provision for deferred tax liability	48,650	4,545
Increase/(decrease) in defined benefit pension plan liability	(18,292)	-
Increase / (decrease) in provisions	4,236	(2,021)
Net cash provided by operating activities	109,324	212,728

37. Earnings per share

	2010 Cents	2009 Cents
Basic earnings per share:		
From continuing operations attributable to owners of the Company	39.9	42.5
From discontinued operations	(0.3)	(8.4)
Total basic earnings per share attributable to owners of the Company	39.6	34.1
Diluted earnings per share;		
From continuing operations attributable to owners of the Company	39.8	42.4
From discontinued operations	(0.4)	(8.4)
Total diluted earnings per share attributable to owners of the Company	39.4	34.0

	Number of ordinary shares	
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	202,855,084	185,383,738
Adjustment for calculation of diluted earnings per share:		
Performance rights	650,476	466,709
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in the calculation of diluted earnings per share	203,505,560	185,850,447

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.

	2010 $'000	2009 $'000
Reconciliation of earnings used in calculating earnings per share		
Basic and diluted earnings per ordinary share:		
From continuing operations	80,895	78,782
From discontinued operations	(672)	(15,621)
Earnings used in calculating basic and diluted earnings per ordinary share	80,223	63,161

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) Performance rights share plan (legacy plan)

The performance rights share plan became operative on 1 October 2004, to provide permanent full time employees of the Group (including executive directors) the opportunity to participate in competitive performance based remuneration incentives. No grants were made under the plan in the financial year, and the Company does not intend to make any future grants under this plan.

Under the plan, employees may be granted a number of rights, each right may be converted into one share on the satisfaction of certain performance conditions. The number of rights available to be granted, other than the initial grant, is determined by the following process:

(a) Base salary multiplied by standard grant LTI value %;
(b) Divided by the Volume Weighted Average Share Price for the period 1 September – 30 September.

The initial grant of rights was made on 1 October 2004 and further grants have been made on 1 October 2005, 1 October 2006 and 1 October 2007. The Company does not intend to make future grants under this plan.

There is no amount payable for the grant of a right and there is no exercise price payable on the exercise of a right. Rights may be exercised on the exercise date (being the date on which performance conditions are satisfied). Rights expire (lapse) on the fifth anniversary of the date they are granted. Rights are forfeited if the employee ceases to be employed in the Group.

Rights vest only if certain performance conditions based on growth in the Group's earnings per share and total shareholder return are fulfilled, and the employee continues to be employed in the Group.

The measurement period for the purposes of the performance conditions is in blocks of three financial years, commencing on each grant date. If vesting of the grant of rights is not achieved at the end of the measurement period, re-testing takes place at the end of the 4th and 5th years, and improved performance over the four or five year measurement periods will produce additional vesting.

Set out below is a summary of the number of rights granted under the plan.

Grant date	Expiry date	Balance at start of year	Granted during year	Exercised during the year	Forfeited during year	Expired during year	Balance at end of year	Exercisable at end of year
2010								
1 Oct 2005	30 Sept 2010	108,791	-	(54,395)	(2,195)	(52,201)	-	-
1 Oct 2006	30 Sept 2011	174,807	-	-	(6,634)	-	168,173	66,260
1 Oct 2007	30 Sept 2012	183,111	-	-	(23,483)	-	159,628	-
		466,709	-	(54,395)	(32,312)	(52,201)	327,801	66,260

The first measurement period for the performance rights issued on 1 October 2005 was the three year period to 30 September 2008. No rights vested as at 30 September 2008 as the performance conditions were not fulfilled for this three year period. Re-testing occurred as at 30 September 2009, at which time 50% of the rights vested as performance conditions were fulfilled. Re-testing of the remaining 50% occurred at 30 September 2010 and no rights vested. These rights expired on 30 September 2010 after the final testing.

The first measurement period for the performance rights issued on 1 October 2006 was the three year period to 30 September 2009. No rights vested as at 30 September 2009 as the performance conditions were not fulfilled for this three year period. Re-testing occurred as at 30 September 2010, at which time 40% of the rights vested. Re-testing will occur at the end of the 5th year.

The first measurement period for the performance rights issued on 1 October 2007 was the three year period to 30 September 2010, at which time no rights vested. Re-testing will occur in the 4th and 5th years.

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38. Share based payments (continued)

(b) Employee share acquisition plan

Under the plan, eligible employees (permanent employees with at least 12 months' service and satisfactory performance), may be offered fully-paid ordinary shares in GrainCorp Limited annually for no cash consideration. The market value of shares issued under the scheme, measured at the weighted average market price on the day of issue of the shares, is recognised in the statement of financial position as contributed equity and as part of employee benefit costs in the period the shares are granted.

Shares vest once granted but employees cannot dispose of the shares until their employment ceases or 3 years after the grant whichever is earlier. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

This plan was suspended on 1 October 2009.

Number of shares	2010	2009
Shares issued under the plan to participating employees	-	4,725

No shares were issued under the scheme during the reporting period (2009: shares issued 22 June 2009, based on market price of $7.40).

(c) Employee exempt share plan, deferred employee share plan and non-executive directors' deferred share plan

These salary sacrifice plans enable eligible employees and directors of the Company to acquire shares in the Company as part of their remuneration. Shares are purchased on market and held in the plans by the plan trustee for the benefit of participating employees subject to holding locks under the plan rules.

Under the employee exempt share plan, the plan trustee purchases as close as possible to (but no more than) $1,000 worth of shares (as calculated under the tax rules) in December each year. The employee's future cash salary or wages are reduced by $1,000 spread evenly over a one-year period.

Under the employee and non-executive directors' deferred share plans, employees and non-executive directors may elect to salary sacrifice a minimum of $1,000 and up to a maximum of 50% of their pre-tax base wage or salary to acquire shares in the Company in the course of a year. The plan trustee purchases shares each month, at the prevailing market price over a period of up to 5 days, commencing on the 23rd day of each month (or on the next business day).

(d) Retention share 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.

The first and only grant to date of restricted shares under the retention share plan was made on 19 December 2009.

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
19 December 2010	19 December 2012	-	379,112	(54,585)	(572)	-	323,955	-

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:

	2010 $'000	2009 $'000
Rights issued under performance rights plan	-	1,601
Shares issued under employee share acquisition plan	-	35
Rights issued under retention share plan	2,061	-
	2,061	1,636

39. Events occurring after the reporting period

No matter or circumstance has arisen since 30 September 2010 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.

In the directors' opinion:

(a) the financial statements and notes set out on pages 27 to 106 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 2010 and of its performance for the financial year ended on that date; and

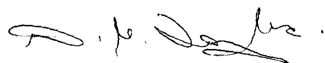
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(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
25 November 2010

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Independent auditor's report to the members of GrainCorp Limited

Report on the financial report

We have audited the accompanying financial report of GrainCorp Limited (the company), which comprises the balance sheet as at 30 September 2010, and the income statement, statement of comprehensive income, statement of changes in equity and 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 both GrainCorp Limited and 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Liability limited by a scheme approved under Professional Standards Legislation

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

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 company's and consolidated entity's financial position as at 30 September 2010 and of their 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 consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 24 of the directors' report for the year ended 30 September 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

M K Graham
Partner

Sydney
25 November 2010