

GRAINCORP LIMITED

ABN 60 057 186 035

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Remuneration Report

Director and executive disclosures

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

Directors

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

Specified Executives (other than directors)

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

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

¹ Appointed on 28 June 2004.

Remuneration and Nominations Committee

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

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

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

Other advisors to the Committee are set out below.

Advisor	Services provided to the Remuneration Committee
Godfrey Remuneration Group	<ul style="list-style-type: none"> ▪ remuneration strategy advice ▪ job evaluation ▪ remuneration data ▪ long-term incentive plan advice
KPMG	<ul style="list-style-type: none"> ▪ valuation of option plans ▪ payroll tax advice
Mercer Human Resource Consulting	<ul style="list-style-type: none"> ▪ job evaluation ▪ position descriptions
Computershare	<ul style="list-style-type: none"> ▪ share plan administration and management

Managing Director and Senior Executives

Remuneration Strategy and Structure

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

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

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

Alignment to shareholders' interests is based on the following strategy:

- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program interests is based on the following strategy:

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

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

Policy

1. This policy applies to the Managing Director, the executive team and senior managers. It does not apply to non-executive directors.
2. Executive remuneration is composed of three main elements:
 - a. Base package,
 - b. Short term incentive (STI) – cash bonus, and
 - c. Long term incentive (LTI).
3. The base package is a fixed component of remuneration in that once it is determined the amount does not vary with performance. However, individual performance is taken into account when reviewing the quantum of base packages and determining the amount of increase, if any, to be provided. There are no guaranteed base pay increases fixed in any senior executives' contracts. Base packages are composed of the cost to the Company of salary, benefits, fringe benefits

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

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

² Appointed on 19 February 2004.

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

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

⁵ T.B. Keene is the managing director of the GrainCorp group and the only executive director on the Board.

Remuneration of Specified Executives

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

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

² Appointed on 28 June 2004.

Service Agreements

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

Agreement with Managing Director	
(i) Term of Contract	The term of the contract will be three years from the commencement date with an option for the Company to renew for a further two years. The contract commenced on 27 August 2003 and will expire on 27 August 2006 unless the option is exercised.

<p>(ii) Remuneration</p>	<p>The remuneration package is made up as follows:</p> <ul style="list-style-type: none"> • Base package of \$651,000 reviewed annually and benchmarked against an agreed relevant peer group. • Short Term Incentive (STI). Target opportunity for achievement of agreed objectives 40% of base package. • Long Term Incentive (LTI). 250,000 options based on EPS and TSR hurdles as approved by shareholders in February 2002 and disclosed in the Annual Report.
<p>(iii) Termination Managing Director initiated termination</p> <p>Company initiated terminations without cause i.e. other than above</p>	<p>12 months' notice required and the MD would receive pro-rata Base Package up to the date of termination. Pro rata STI for the year in which the termination occurs. Any severance payment would be at the discretion of the Board. Company may pay Base Package in lieu of notice.</p> <p>Current contract provides for 12 months' notice. In addition the MD would receive:</p> <ul style="list-style-type: none"> • pro-rata Base Package up to the date of termination, • a pro-rata STI having regard to the Board's assessment of performance to the date of termination, and • a severance payment of one times the total of the annual rate of Base Package and the target STI payout, at the date of termination e.g. Mergers and Acquisitions – consistent with company policy of 12 months plus application of redundancy policy (5 weeks plus 3 weeks for every year of service up to 52 weeks)

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

Executive Option Plan

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

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

Hurdle 1

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

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

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

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

Hurdle 2

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

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

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

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

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

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

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

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

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

Share holdings, Options and Convertible Notes

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

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of GrainCorp Limited				
Ordinary shares				
R.L. Greentree	792,992	-	(37,000)	755,992
A.D. McCallum	126,615	-	-	126,615
T.B. Keene	231,207	-	1,465	232,672
W.G. Barron	154,746	-	(60,156)	94,590

N. Burton Taylor	1,520,038	-	(131,220)	1,388,818
R.R. Flanery	223,372	-	2	223,374
R.G. Freeman	136,192	-	-	136,192
D. Groves	1,644,719	-	91,192	1,735,911
R.J. Hards	37,650	-	-	37,650
D.C. Taylor	-	-	14	14
D.B. Trebeck	13,860	-	4,833	18,693
Non-cumulative reset preference shares				
T.B. Keene	-	-	600	600
R Flanery	-	-	5,400	5,400
D. Groves	-	-	10,550	10,550
D.C. Taylor	-	-	333	333
Grainco convertible notes				
D. Groves	792,049	-	(297,018)	495,031
<i>Specified executives of the consolidated entity</i>				
Ordinary shares and options				
J. Di Leo				
<i>Employee Options</i>	100,000	-	-	100,000
<i>Employee Share Acquisition Plan</i>	-	-	-	-
<i>Ordinary shares</i>	103,634	-	-	103,634
<i>Reset Preference Shares</i>	-	-	150	150
S.G.B. Bird				
<i>Employee Options</i>	50,000	-	-	50,000
<i>Employee Share Acquisition Plan</i>	-	-	400	400
<i>Ordinary shares</i>	-	-	-	-
<i>Reset Preference Shares</i>	-	-	-	-

Director and executive disclosures (continued)

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
A.N. Johns				
<i>Employee Options</i>	50,000	-	-	50,000
<i>Employee Share Acquisition Plan</i>	-	-	-	-
<i>Ordinary shares</i>	5,739	-	(4,934)	805
<i>Reset Preference Shares</i>	-	-	-	-
K.J. Lloyd				
<i>Employee Options</i>	50,000	-	-	50,000
<i>Employee Share Acquisition Plan</i>	-	-	-	-
<i>Ordinary shares</i>	13,688	-	-	13,688
<i>Reset Preference Shares</i>	-	-	-	-
N.P. Hart				
<i>Employee Options</i>	50,000	-	-	50,000
<i>Employee Share Acquisition Plan</i>	-	-	400	400
<i>Ordinary shares</i>	-	-	-	-
<i>Reset Preference Shares</i>	-	-	-	-
S. Tainsh				
<i>Employee Options</i>	50,000	-	-	50,000
<i>Employee Share Acquisition Plan</i>	-	-	400	400
<i>Ordinary shares</i>	-	-	-	-
<i>Reset Preference Shares</i>	-	-	-	-
A. Single				
<i>Employee Options</i>	50,000	-	-	50,000
<i>Employee Share Acquisition Plan</i>	-	-	-	-
<i>Ordinary shares</i>	2,218	-	-	2,218
<i>Reset Preference Shares</i>	-	-	100	100

Non-Executive Directors

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

Policy

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

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

Directors' fees

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

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

Retirement Benefits

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

Share based compensation

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

Other transactions with directors and specified executives

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

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

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

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