

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

Interim financial report for the half-year ended 31 March 2007



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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2006 and any public announcements made by GrainCorp Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of GrainCorp Limited ("GrainCorp") and the entities it controlled at the end of, or during, the half-year ended 31 March 2007.

### **Directors**

The following persons were directors of GrainCorp during the whole of the half-year and up to the date of this report, unless otherwise stated:

D.C. Taylor (Chairman)  
D. Mangelsdorf (Deputy Chairman)  
T.B. Keene (Managing Director)  
G.D.W. Curlewis  
J.W. Eastburn  
R.R. Flanery  
R.G. Freeman  
D. Groves  
G.T.Lane (appointed 22 February 2007)  
S.J. Milliar (appointed 22 February 2007)  
D.B. Trebeck

L.M. Delahunty (resigned 22 February 2007)  
P.W. Grigg (resigned 22 February 2007)

### **Review of operations**

For the six months to 31 March 2007, total grain receivals were 2.2 million tonnes (2006: 10.4 million tonnes) with export shipping of 0.7 million tonnes (2006: 2.6 million tonnes). Receivals were significantly lower as a consequence of the widespread drought conditions across all Eastern states. Grain in storage at the beginning of the half-year was 4.9 million tonnes, up on the previous half-year (3.1 million tonnes).

Storage and Handling total revenue was down by 47% compared to the previous half-year. This was the main reason that earnings before interest, tax, depreciation and amortisation (EBITDA) reduced by 39%. Refer to Note 2 of the Interim Financial Report for more details of results by business segment.

Net profit after tax for the half-year ended 31 March 2007 was \$5.5 million, a significant decrease from \$19.4 million for the comparative period last year. The effect of the drought on the result for the half-year was partially offset by a strong equity profit of \$6.9 million from Allied Mills and the benefits of substantial cost management measures implemented in the last financial year.

Due to the drought and seasonality of GrainCorp's harvest period, the full-year after tax result is forecast to be a loss in the range of \$20 million to \$23 million (original guidance \$20 million to \$30 million).

GrainCorp has recently revised its dividend policy and accordingly an interim dividend of 10 cents per ordinary share (\$5.8 million) will be paid on 9 July 2007.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 3.

**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. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



D. C. Taylor  
*Chairman*

Sydney  
30 May 2007



**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

Darling Park Tower 2  
201 Sussex Street  
GPO BOX 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999

## **Auditor's Independence Declaration**

As lead auditor for the review of GrainCorp Limited for the half-year ended 31 March 2007, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in blue ink, appearing to read 'mgals'.

M. K. Graham

Partner  
PricewaterhouseCoopers

Sydney, 30 May 2007

**GrainCorp Limited****CONDENSED CONSOLIDATED INCOME STATEMENT**

For the half-year ended 31 March 2007

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	Half-year	
	2007 \$'000	2006 \$'000
Revenue from continuing operations	447,118	454,433
Other income	3,652	3,569
Goods purchased for resale	(331,056)	(265,773)
Raw materials and consumables used	(10,344)	(17,535)
Employee benefits expense	(53,481)	(76,515)
Depreciation and amortisation expense	(20,666)	(20,176)
Finance costs	(13,612)	(16,130)
Repairs and maintenance	(3,561)	(8,357)
Other expenses	(19,538)	(26,034)
Share of profits of associates accounted for using the equity method	6,890	1,382
<b>Profit before income tax</b>	<b>5,402</b>	<b>28,864</b>
Income tax benefit/ (expense)	149	(9,453)
<b>Profit from continuing operations for the half-year</b>	<b>5,551</b>	<b>19,411</b>
Profit attributable to minority interest	-	-
<b>Profit attributable to members of GrainCorp Limited</b>	<b>5,551</b>	<b>19,411</b>
	<b>Cents</b>	<b>Cents</b>
Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company		
Basic earnings per share	9.7	47.5
Diluted earnings per share	9.5	46.7

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

**GrainCorp Limited****CONDENSED CONSOLIDATED BALANCE SHEET**

As at 31 March 2007

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	31 March 2007 \$'000	30 September 2006 \$'000
<b>Current assets</b>		
Cash and cash equivalents	14,718	23,577
Receivables	288,760	206,262
Inventories	189,710	134,238
Derivative financial instruments	16,103	1,671
	509,291	365,748
Assets classified as held for sale	1,487	898
<b>Total current assets</b>	<b>510,778</b>	<b>366,646</b>
<b>Non-current assets</b>		
Receivables	29,622	29,283
Investments accounted for using the equity method	79,464	72,575
Other financial assets	2,539	2,539
Property, plant and equipment	453,153	461,458
Deferred tax assets	17,003	17,720
Intangible assets	18,633	17,887
<b>Total non-current assets</b>	<b>600,414</b>	<b>601,462</b>
<b>Total assets</b>	<b>1,111,192</b>	<b>968,108</b>
<b>Current liabilities</b>		
Payables	217,892	164,011
Borrowings	194,213	139,779
Derivative financial instruments	1,179	13,399
Other financial liabilities	409	409
Current tax liabilities	5,372	2,398
Provisions	26,972	27,839
<b>Total current liabilities</b>	<b>446,037</b>	<b>347,835</b>
<b>Non-current liabilities</b>		
Borrowings	223,613	188,945
Other financial liabilities	1,772	1,976
Deferred tax liabilities	21,286	17,801
Provisions	3,155	3,400
<b>Total non-current liabilities</b>	<b>249,826</b>	<b>212,122</b>
<b>Total liabilities</b>	<b>695,863</b>	<b>559,957</b>
<b>Net assets</b>	<b>415,329</b>	<b>408,151</b>
<b>Equity</b>		
Contributed equity	228,199	226,872
Reserves	10,110	9,810
Retained earnings	176,932	171,381
<b>Parent entity interest</b>	<b>415,241</b>	<b>408,063</b>
Minority interest	88	88
<b>Total equity</b>	<b>415,329</b>	<b>408,151</b>

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

**GrainCorp Limited****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half-year ended 31 March 2007

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Half-year								
	Attributable to equity holders of the parent					Total	Minority interest	Total equity
	Contributed equity	Reset preference shares	Retained earnings	Capital reserve	Share option reserve			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 October 2005</b>	<b>103,772</b>	<b>115,553</b>	<b>176,026</b>	<b>-</b>	<b>1,277</b>	<b>396,628</b>	<b>85</b>	<b>396,713</b>
Adjustment on adoption of AASB 132 and AASB 139, net of tax		(107,240)	(13,879)			(121,119)		(121,119)
	103,772	8,313	162,147	-	1,277	275,509	85	275,594
Profit for the half-year			19,411			19,411		19,411
Total income /expense for the half-year	-	-	19,411	-	-	19,411	-	19,411
Transactions with equity holders acting in their capacity as equity holders:								
Dividends provided for or paid			(2,045)			(2,045)		(2,045)
Share-based payments					550	550		550
<b>At 31 March 2006</b>	<b>103,772</b>	<b>8,313</b>	<b>179,513</b>	<b>-</b>	<b>1,827</b>	<b>293,425</b>	<b>85</b>	<b>293,510</b>
<b>At 1 October 2006</b>	<b>226,872</b>	<b>-</b>	<b>171,381</b>	<b>8,328</b>	<b>1,482</b>	<b>408,063</b>	<b>88</b>	<b>408,151</b>
Profit for the half-year			5,551			5,551	-	5,551
Total income /expense for the half-year			5,551			5,551	-	5,551
Transactions with equity holders acting in their capacity as equity holders:								
Dividend reinvestment plan	1,924					1,924		1,924
Share buy-back	(597)					(597)		(597)
Dividends provided for or paid			-			-		-
Share-based payments					300	300		300
<b>At 31 March 2007</b>	<b>228,199</b>	<b>-</b>	<b>176,932</b>	<b>8,328</b>	<b>1,782</b>	<b>415,241</b>	<b>88</b>	<b>415,329</b>

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

**GrainCorp Limited****CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the half-year ended 31 March 2007

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	Half-year	
	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	465,319	476,697
Payments to suppliers and employees	(454,062)	(441,231)
	11,257	35,466
Interest received	2,541	945
Interest paid (includes reset preference share dividends in 2006)	(13,880)	(16,199)
Income taxes refunded/ (paid)	7,324	(5,924)
<b>Net inflow from operating activities</b>	<b>7,242</b>	<b>14,288</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(11,687)	(18,081)
Payments for computer software	(1,366)	(2,547)
Payment for investment/business	(1,685)	-
Proceeds from sale of property, plant and equipment	1,069	1,118
Dividends received	99	-
Deposit bond for pools funding	(4,050)	-
Loans repaid by related parties	126	3,440
<b>Net outflow from investing activities</b>	<b>(17,494)</b>	<b>(16,070)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	113,000	101,000
Repayment of borrowings	(78,018)	(117,303)
Share buy back	(597)	-
(Repayment)/ issue of deposit notes (net)	(10,977)	20,549
Dividends paid – ordinary shares	(10,351)	(2,045)
<b>Net inflow from financing activities</b>	<b>13,057</b>	<b>2,201</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,805</b>	<b>419</b>
Cash and cash equivalents at the beginning of the half-year	2,058	11,506
<b>Cash and cash equivalents at the end of the half-year</b>	<b>4,863</b>	<b>11,925</b>

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

# GrainCorp Limited

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 March 2007

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### 1. Basis of preparation of half-year report

This general purpose financial report for the interim half year reporting period ended 31 March 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 September 2006 and any public announcements made by GrainCorp Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Stock Exchange.

The accounting policies adopted in the preparation of this financial report are consistent with those of the previous financial year and corresponding interim reporting period, except as stated below.

#### Change in accounting policy – Financial guarantee contracts

From 1 October 2006 the Group changed its accounting policy for financial guarantee contracts in accordance with the change to AASB 139 *Financial Instruments: Recognition and Measurement* made by AASB 2005-9 *Amendments to Australian Accounting Standards* in September 2005. These contracts are now recognised as a financial liability at the time the guarantee is issued. The liability is initially 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.

In previous reporting periods, a liability for financial guarantee contracts was only recognised if it was probable that a payment would be required under the contract. As a result of applying this policy for the first time there has been no impact on the consolidated financial statements of the Group for the current or comparative periods.

### 2. Segment information

#### Primary reporting format – business segments

##### Half-year 2007

	Storage & Handling	Marketing	Other	Inter-segment eliminations	Unallocated	Consolidation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	78,466	330,681	33,839	-	-	442,986
Inter-segment sales	11,769	-	6,011	(17,780)	-	-
Total sales revenue	90,235	330,681	39,850	(17,780)	-	442,986
Other revenue	1,489	-	-	-	2,643	4,132
Total segment revenue	91,724	330,681	39,850	(17,780)	2,643	447,118
Segment result	15,010	12,617	(3,398)	-	-	24,229
Interest expense						(13,612)
Corporate overheads						(12,105)
Share of profits of associates accounted for using the equity method						6,890
Profit from continuing operations before income tax						5,402

# GrainCorp Limited

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 March 2007

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### 2. Segment information (continued)

Half-year 2006						
	Storage & Handling	Marketing	Other	Inter-segment eliminations	Unallocated	Consolidation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	156,559	264,215	31,355	-	-	452,129
Inter-segment sales	16,726	-	3,232	(19,958)	-	-
Total sales revenue	173,285	264,215	34,587	(19,958)	-	452,129
Other revenue	387	-	-	-	1,917	2,304
Total segment revenue	173,672	264,215	34,587	(19,958)	1,917	454,433
Segment result	58,371	2,667	(3,131)	-	-	57,907
Interest expense						(16,130)
Corporate overheads						(14,295)
Share of profits of associates accounted for using the equity method						1,382
Profit from continuing operations before income tax						28,864

Notes to and forming part of the segment information:

- The above business segments derive revenue from the following operations and activities:
  - Storage and handling: includes fees for receipt, storage and testing of wheat, other grains and bulk commodities.
  - Marketing: marketing of grain and agricultural products and the operation of grain pools.
  - Other: sale of farm inputs, fees for transportation of commodities, and the provision of financial services to customers of the GrainCorp group.
- Inter-segment pricing is on an "arm's length" basis and is eliminated on consolidation.
- The consolidated entity operates predominantly in one geographical segment - Australia.

### 3. Dividends

	Half-year 2007		Half-year 2006	
	Cents per share	Total amount \$'000	Cents per share	Total amount \$'000
<b>Ordinary shares</b>				
Dividends provided for or paid during the half year	-	-	5	2,045

#### Dividend payments

The final fully franked dividend for the year ended 30 September 2006 of \$12.3 million was declared and provided in full prior to 30 September 2006. Of this amount, dividends totalling \$10.4 million were paid on 27 October 2006, and \$1.9 million was reinvested under the GrainCorp Limited Dividend Reinvestment Plan.

Since the end of the half-year the directors have recommended the payment of an interim dividend of 10 cents per fully paid ordinary share (\$5.8 million), fully franked based on tax paid at 30%, expected to be paid on 9 July 2007 out of retained profits at 31 March 2007, but not recognised as a liability at the end of the half-year.

**4. Debt and equity securities movements****Debt securities****Deposit notes**

During the period unsecured deposit notes with various terms have been progressively issued and repaid by GrainCorp's wholly owned subsidiary GrainCorp AG Finance Limited. Deposit notes to the value of \$13,206,969 were on issue as at 31 March 2007 (30 September 2006: \$24,184,000).

**Ordinary shares**

During the period the Company:

- Issued 250,997 fully paid ordinary shares under the GrainCorp Limited Dividend Reinvestment Plan for \$1,924,000. (2006: Nil); and
- Bought back 83,000 fully paid ordinary shares under the GrainCorp on-market buy back scheme for \$597,000. (2006: Nil)

**5. Events occurring after the balance sheet date****Share purchase plan**

On 1 March 2007, the company announced a share purchase plan (SPP) for registered holders of fully paid ordinary shares as at 28 February 2007. The SPP opened on 5 March 2007 and closed on 2 April 2007.

Applications amounting to \$6,565,962 were received. 668,192 fully paid ordinary shares were issued on 13 April 2007 at a price of \$9.82 per ordinary share.

# GrainCorp Limited

## DIRECTORS' DECLARATION

For the half-year ended 31 March 2007

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In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 10 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 31 March 2007 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that GrainCorp Limited will be able to pay its debts as and when they become due and payable.

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



D. C. Taylor  
Chairman

Sydney  
30 May 2007

**INDEPENDENT AUDITOR'S REVIEW REPORT****to the members of GrainCorp Limited****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of GrainCorp Limited, which comprises the balance sheet as at 31 March 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the GrainCorp Limited Group (the consolidated entity). The consolidated entity comprises both GrainCorp Limited (the company) and the entities it controlled during that half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of GrainCorp Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**Darling Park Tower 2  
201 Sussex Street  
GPO BOX 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999



For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

*Matters relating to the electronic presentation of the reviewed financial report*

This review report relates to the financial report of GrainCorp Limited (the Company) for the half-year ended 31 March 2007 included on GrainCorp Limited's web site. The company's directors are responsible for the integrity of the GrainCorp Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of GrainCorp Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers

A handwritten signature in blue ink that reads "MK Graham".

MK Graham  
Partner

Sydney  
30 May 2007