GRAIN GROWERS ASSOCIATION LIMITED

2010 FULL FINANCIAL REPORT

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FULL FINANCIAL REPORT

Grain Growers Association Limited

(ABN 25 000 245 269)

and Controlled Entities

For the year ended 30 June 2010

Grain Growers Association Limited
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2010 Full Financial Report

This full financial report covers both Grain Growers Association Limited as an individual entity and the consolidated entity consisting of Grain Growers Association Limited and its subsidiaries. The financial report is presented in Australian dollars.

This financial report was authorised for issue by the directors on 8 October 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 Grain Growers Association Limited ("Grain Growers") and the entities it controlled at the end of, or during, the year ended 30 June 2010.

Directors

The following persons were directors of Grain Growers during the financial year and up to the date of this report:

J.W. Eastburn (Chairman)
S. Hargreaves (Deputy Chairman from 8 April 2010)
G.T. Lane (Deputy Chairman to 7 April 2010)
S.D.Andersen (appointed 1 July 2010)
A. Carberry
S.J. Millear
A.M.O'Donnell (appointed 1 July 2010)
B.A. Smith

Sandra Andersen and Anne O'Donnell were appointed Non-Grower Directors by the Board on the 1 July 2010 for a term of three years. They will both seek election by members at the General Meeting in November 2010, in accordance with the changes to the Constitution that were approved by members at the Grain Growers AGM in February 2010.

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

Principal activities

The nature and scope of the main activities undertaken by the Group during the year were the provision of services primarily to the grains industry including:

- Support and promotion of the grains industry and research;
- Investment in the grains industry;
- Investor and sponsor in education, research and development in the grains industry;
- Sponsors, promoters, providers and facilitators of conferences and education services;
- Provision of research, technical, analytical and training services to the grains and grain foods industries.
- Publishing, consulting and training services to Australian agribusiness
- Web delivered services that use satellite imagery and predictive intelligence to provide customers with rainfall forecasts, agricultural inputs demand predictions as well as crop commodity yield and production predictions.
- Software development

Dividends

In accordance with the Constitution of Grain Growers no dividends are payable by the Group to its members.

Review of operations

Grain Growers' activities during the financial year have resulted in a loss from ordinary activities of $1.0 million (2009: $2.9 million loss), with total revenue of $5.6 million (2009: $1.4 million).

The Group's activities during the financial year have resulted in a loss from ordinary activities after income tax of $2.3 million (2009: $2.7 million loss), with total revenue of $12.8 million (2009: $3.5 million).

The total comprehensive income for the company in 2010 reflects significant unrealised losses of $19.3 million in the value of our investment portfolio (2009: $46.3m unrealised gain in the value of the company's investment portfolio). A more detailed review of the operations during the financial period and the results of those operations appear elsewhere in the Annual Report.

Significant changes in state of affairs during the financial year

Purchase of Agrecon Operations Pty Limited

On 31 July 2009, Grain Growers acquired 100% of the equity of Agrecon Operations Pty Ltd, a holding company whose material asset is its 100% shareholding in Agricultural Reconnaissance Technologies Pty Ltd ("Agrecon"). Agrecon is a technology business specialising in the delivery of remotely sensed satellite image products, and advisory and consultancy services for a wide range of stakeholders involved in the Australian agricultural sector. Agrecon uses predictive intelligence to forecast rainfall prospects, demand for agricultural inputs as well as crop commodity yield and production outcomes. Consideration of $2.0m was paid between acquisition date and 1 October 2009, with a further $1.5m paid on 1 October 2010.

Merger of Kondinin Group Limited with Grain Growers

On 24 August 2009, Grain Growers entered into transactions with Kondinin Group Limited (KGL) and Kondinin Information Services Pty Ltd (KIS). These arrangements resulted in Grain Growers holding an economic interest of 70% of the issued capital in KIS which will dilute to 50% over time provided the joint venture partner meets certain financial obligations. Merger transaction conditions included the entering into commercial services contracts with KIS, provision of services to members of KGL, restructuring the shareholder rights in KIS, transfer of intellectual property rights and obligations to Grain Growers from KGL and ultimately the liquidation of KGL. Whilst the transaction was undertaken on a nil cash basis, the value acquired by Grain Growers is estimated at $0.4m. KIS is a leading research and information provider to the agricultural sector, primarily delivered through its flagship magazine Farming Ahead. KIS also provides publishing, consulting and training services to the agribusiness and related industries.

GrainCorp Limited Rights Issue

In October 2009, GrainCorp completed a 9 for 10 rights issue to assist financing its acquisition of United Malt Holdings. Grain Growers exercised its full entitlement of 7,941,632 GrainCorp Limited shares at $5.65 per share. This was funded by a $49m bank facility. The balance of the facility at 30 June 2010 was $47.4m. Unrealised gains/ losses on this investment are recorded by Grain Growers in the Available-for-Sale Reserves on the Balance Sheet.

The change in fair value of available-for-sale financial assets is based on the change in value as at 30 June 2009 compared to 30 June 2010. The major available-for-sale financial asset in the Grain Growers portfolio is the GrainCorp Limited shares. Grain Growers held 16.7m shares as at 30 June 2010. The market price of these shares at 30 June 2010 was $5.33 resulting in a reduction in Grain Growers fair value on the GrainCorp shares of $19.3m (2009: $46.3m unrealised gain in the value of GrainCorp shares).

As at 30 September 2010, the price of GrainCorp Ltd shares was $7.24. This represents a gain in fair value of $32.0m since 30 June 2010.

Matters subsequent to the end of the financial year

On 27 August 2010 the CEO, P. Flottmann, left Grain Growers. On 13 September 2010, M. Allison, the CEO of BRI Australia, was appointed CEO of Grain Growers.

Other than reported above, no other matter or circumstance has arisen since 30 June 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

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Group.

Environment

The directors are not aware of any significant environmental breaches during the financial year.

Information on directors

*J.W. (John) Eastburn (Chairman), GAICD**
John is a Grower Director from Baradine NSW, and is the Chairman of the Company's Nomination & Remuneration Committee and from July 2010 is a member of the Audit Committee. John was a member of the former Grain Grower's Committee of Advice and the former Grain Grower's Policy Group, including a period as Chairman of the Policy Group's R&D Committee. He has previously been a director of GrainCorp Ltd (including as a member of the Audit Committee), director and Chair of the Baradine Hospital Board as well as director and Chair of the Baradine Multi Purpose Health Service.

*S.R. (Steve) Hargreaves (Deputy Chairman), MAICD**
Steve is a Grower Director from Boree Creek NSW, and was a member of Grain Grower's Regional Committee and the former Committees of Advice as well as AWB's grower consultative committee. Steve is a member of the Nomination & Remuneration Committee from July 2010 and before that served as a member of the Finance & Investment Committee during the year.

*S.D. (Sam) Andersen, LLB, CPA, MAICD**
Sam was appointed by the Board of Grain Growers as a Non-Grower Director in July 2010 and is Chair of the Audit Committee. Sam is a Director and Chair of the Audit and Risk Committee for Rural Finance Corporation Limited and also a Director and Chair of the Audit Risk Committee for Victrack. Her previous directorships include Eyecare Partners Ltd, Superpartners Pty Ltd, Victorian Funds Management Corporation, Multi-Emedia.com Ltd and Youth at Risk Inc.

*A. (Andrew) Carberry, MAICD**
Andrew is a Grower Director from Narrabri, NSW. Prior to his election to the Board, Andrew was a member of the Regional Committee representing Region 2. Andrew served as a member of the Nomination & Remuneration Committee during the year.

*G.T.(Gerry) Lane, GAICD**
Gerry is a Grower Director from Milbrulong in Southern NSW, and is the Managing Director of Erin Vale Farming. Gerry was the Chairman of the Finance & Investment Committee during the year and continues as a member of the Investment Committee.

*S. J. (Spencer) Millear, GAICD**
Spencer is a Grower Director from Willaura Vic, and is a member of the Investment Committee. Spencer served as a member of the Nomination & Remuneration Committee until July 2010.

*A.M. (Anne) O'Donnell, FAICD**
Anne was appointed by the Board of Grain Growers as a Non- Grower Director in July 2010 and is Chair of the Investment Committee. Anne is an external member of the Compliance Committee of UBS Global Asset Management (Australia) Ltd. and a director of Community CPS Australia Ltd and Eastwoods Pty Ltd. Anne was the Managing Director of Australian Ethical Investment Ltd and her previous directorships include Investment and Financial Services Association Limited, The Centre for Australian Ethical Research Pty Ltd, Equity Trustees Limited and the ANZ Staff Superannuation Scheme.

*B. A. (Bruce) Smith B.Bus, GAICD**
Bruce is a Grower Director from Cootamundra, NSW and is also a local Shire Councillor, director of Australian Livestock Markets Association and director of the Cootamundra Development Corporation. . Bruce was a member of the Finance & Investment Committee during the year and from July 2010 is a member of the Audit Committee.

*See note following the table below on changes to Board Committees from 1 July 2010

Meetings of directors

The following table sets out the number of meetings held by the Grain Growers Board and Board Committees during the year ended 30 June 2010, and the number of meetings attended by each director.

Director	Full Board Meetings		Finance & Investment Committee		Nomination & Remuneration Committee		Total	
	A	B	A	B	A	B	A	B
J.W. Eastburn	16	16	-	-	4	4	20	20
S.R.Hargreaves	16	16	7	7	-	-	23	23
G. T.Lane	16	16	7	7	-	-	23	23
S.J. Millear	16	16	-	-	4	4	20	20
B.A. Smith	16	16	7	6	-	-	23	22
A. Carberry	16	16	-	-	4	4	20	20

A - Number of meetings held during period in office. B - Number of meetings attended during period in office. - Not a member of the relevant committee.

From the 1 July 2010, following the appointment of the two Non- Grower directors (Anne O'Donnell and Sandra Andersen) the Board Committee structure was changed. The Nomination & Remuneration Committee remains, but an Audit Committee has been formed and the Finance & Investment Committee is now an Investment Committee.

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 Group 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 21.

In accordance with the advice received 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 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 auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6 and forms part of this report.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 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, or in certain cases, to the nearest dollar.

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

J. W. Eastburn
Chairman

Sydney
8 October 2010

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Grain Growers Association Limited for the year ended 30 June 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 Grain Growers Association Limited and the entities it controlled during the period.

P J Carney
Partner
PricewaterhouseCoopers

Sydney
8 October 2010

	Note	Consolidated 2010	Consolidated 9 months ended 2009 $'000	Parent entity 2010	Parent entity 9 months ended 2009 $'000
Revenue from continuing operations	4	**12,761**	3,516	**5,647**	1,430
Other income	5	**1,758**	3,087	**1,675**	3,081
Employee benefits expense		**(6,703)**	(2,027)	**(1,281)**	(847)
Raw materials and consumables used		**(1,141)**	-	**-**	-
Depreciation and amortisation expense	6	**(1,534)**	(434)	**(66)**	(44)
Impairment loss on investments in subsidiaries	24	**-**	-	**(965)**	-
Net reversal of impairment loss on financial assets	6	**737**	(3,581)	**737**	(3,581)
Gain on investment		**420**	-	**-**	-
Membership activities		**(682)**	(695)	**(864)**	(695)
Consultancy costs		**(1,839)**	(577)	**(1,487)**	(577)
Grants and Sponsorship		**(307)**	(483)	**(307)**	(483)
Occupancy costs	6	**(878)**	(485)	**(88)**	(57)
Acquisition costs		**(275)**	(370)	**(275)**	(370)
Recruitment costs		**(130)**	-	**-**	-
Finance costs		**(1,725)**	-	**(1,725)**	-
Banking facility establishment costs		**(1,125)**	-	**(1,125)**	-
50th Anniversary		**-**	(227)	**-**	(227)
Other expenses		**(1,650)**	(941)	**(930)**	(612)
Share of net profit of associates accounted for using the equity method	27	**-**	527	**-**	-
Profit before income tax		**(2,313)**	(2,690)	**(1,054)**	(2,982)
Income tax benefit/ (expense)	7	**46**	(47)	**-**	-
Profit from continuing operations		**(2,267)**	(2,737)	**(1,054)**	(2,982)
Other Comprehensive Income					
Changes in fair value of available-for-sale financial assets		**(19,307)**	45,711	**(19,307)**	46,259
Other Comprehensive Income of the year, net of tax		**(19,307)**	45,711	**(19,307)**	46,259
Total Comprehensive Income for the year		**(21,574)**	42,974	**(20,361)**	43,277
Total Comprehensive Income for the year is attributable to:					
Owners of Grain Growers Association Ltd		**(21,513)**	42,974	**(20,361)**	43,277
Non-controlling interest		**(61)**	-		-

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

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	Parent entity 2010 $'000	Parent entity 2009 $'000
Current assets					
Cash and cash equivalents	8	**3,962**	3,627	**2,042**	3,416
Trade and other receivables	9	**4,222**	953	**4,579**	216
Inventories		**139**	-	**-**	-
Other assets		**2**	-	**-**	-
Total current assets		**8,325**	4,580	**6,621**	3,632
Non-current assets					
Other financial assets	10	**117,302**	93,862	**124,317**	98,231
Property, plant and equipment	11	**3,412**	3,928	**434**	496
Deferred tax assets	12	**283**	206	**-**	-
Intangible assets	13	**4,292**	1,005	**-**	-
Total non-current assets		**125,289**	99,001	**124,751**	98,727
Total assets		**133,614**	103,581	**131,372**	102,359
Current liabilities					
Trade and other payables	14	**3,070**	667	**2,113**	455
Borrowings	15	**47,720**	-	**47,720**	-
Deferred Income		**1,069**	603	**48**	79
Current tax liabilities		**-**	93	**-**	-
Provisions	16	**431**	620	**65**	51
Total current liabilities		**52,290**	1,983	**49,946**	585
Non-current liabilities					
Provisions	17	**665**	103	**34**	21
Total non-current liabilities		**665**	103	**34**	21
Total liabilities		**52,955**	2,086	**49,980**	606
Net assets		**80,659**	101,495	**81,392**	101,753
Equity					
Parent entity interest					
Contributed equity	18	**-**	**-**	**-**	**-**
Reserves	19	**26,800**	45,711	**26,952**	46,259
Retained earnings	19	**53,517**	55,784	**54,440**	55,494
Total GGA interest		**80,317**	101,495	**81,392**	101,753
Non-controlling interest		**342**	-	**-**	-
Total equity		**80,659**	101,495	**81,392**	101,753

The above balance sheets should be read in conjunction with the accompanying notes.

Consolidated

	Attributable to Grain Growers Association Limited					
	Capital Reserve	Retained Earnings	Available-for-sale reserve	Total	Non-controlling interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 October 2008	**-**	**99,463**		**99,463**		**99,463**
Comprehensive loss for the period	-	(2,737)		(2,737)		(2,737)
Attributable to change in investment of GrainCorp Ltd	-	(40,942)		(40,942)		(40,942)
Unrealised gain on available for sale investment	-	-	45,711	45,711		45,711
At 30 June 2009	**-**	**55,784**	**45,711**	**101,495**		**101,495**
Comprehensive loss for the period	-	(2,267)		(2,267)	(61)	(2,328)
Transactions with non-controlling interest	396			396	254	650
Non controlling interest on acquisition of subsidiary	-				149	149
Unrealised gain on available for sale investment	-		(19,307)	(19,307)		(19,307)
At 30 June 2010	**396**	**53,517**	**26,404**	**80,317**	**342**	**80,659**

Parent Entity

	Attributable to Grain Growers Association Limited		
	Retained earnings	Available for sale reserve	Total Equity
	$'000	$'000	$'000
At 1 October 2008	**58,476**	**-**	**58,476**
Loss for the period	(2,982)	-	(2,982)
Unrealised gain on available for sale investment	-	46,259	46,259
At 30 June 2009	**55,494**	**46,259**	**101,753**
Loss for the period	(1,054)	-	(1,054)
Unrealised gain on available for sale investment		(19,307)	(19,307)
At 30 June 2010	**54,440**	**26,952**	**81,392**

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

	Note	Consolidated 2010 $'000	Consolidated 9 months ended 2009 $'000	Parent entity 2010 $'000	Parent entity 9 months ended 2009 $'000
Cash flows from operating activities					
Receipts from customers		**7,541**	2,068	**2**	-
Payments to suppliers and employees		**(11,819)**	(5,506)	**(3,557)**	(3,414)
		(4,278)	(3,438)	**(3,555)**	(3,414)
Interest received from investments		**1,068**	696	**1,040**	693
Dividends received		**1,837**	-	**1,837**	-
Unit distributions received		**-**	634	**-**	634
Interest paid		**(1,725)**	-	**(1,725)**	-
Income taxes refunded / (paid)		**(93)**	3,011	**-**	3,077
Net inflow (outflow) from operating activities	28	**(3,191)**	903	**(2,403)**	990
Cash flows from investing activities					
Payments for property, plant and equipment	11	**(416)**	(75)	**(4)**	(52)
Proceeds from sale of investments		**3,465**	-	**3,465**	-
Payments for investment and business acquisitions		**(47,893)**	(4,751)	**(48,778)**	(5,072)
Proceeds from sale of property, plant and equipment		**-**	-	**-**	-
Loans repaid by related parties		**-**	-	**(1,374)**	-
Net inflow (outflow) from investing activities		**(44,844)**	(4,826)	**(46,691)**	(5,124)
Cash flows from financing activities					
Proceeds from borrowings		**47,720**	-	**47,720**	-
Transactions with non-controlling interests		**650**	-	**-**	-
Net inflow (outflow) from financing activities		**48,370**	-	**47,720**	-
Net increase (decrease) in cash and cash equivalents		**335**	(3,923)	**(1,374)**	(4,134)
Cash and cash equivalents at the beginning of the year		**3,627**	7,550	**3,416**	7,550
Cash attributable to discontinued operation		**-**	-	**-**	-
Cash and cash equivalents at the end of the year	8	**3,962**	3,627	**2,042**	3,416

The above cash flow statements 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 the years presented, unless otherwise stated. The financial statements includes separate financial statements for Grain Growers Association Limited as an individual entity and the consolidated entity consisting of Grain Growers Association 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 – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements
The consolidated financial statements of the Group comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB). .

Early adoption of standards
The group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2009:

- AASB 2009-5, *Further Amendments to Australian Accounting Standards arising from Annual Improvements Project*
- AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

This includes applying the revised pronouncement to the comparatives in accordance with AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*. As a result of the early adoption of AASB 2009-5, transaction costs associated with the business combination described in note 25 have been presented as operating rather than financing cash flow. The adoption of AASB 1053 and AASB 2010-2 allowed the entity to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and certain classes of property, plant and equipment.

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 3.

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 must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also 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 Grain Growers Association Limited (referred to as the Grain Growers, Company or parent entity) as at 30 June 2010 and the results of all subsidiaries for the year then ended. Grain Growers Association Limited and its subsidiaries together are referred to in this financial report as the consolidated entity or the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group 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 Group controls another entity.

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

The acquisition method of accounting is used to account for business combinations of the Group (refer to note 1 (g)).

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, statement of comprehensive income, statement of changes in equity and balance sheet 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 using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term 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. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(c) 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, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probably that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from major business activities of the Group include: revenue earned from the provision of services (including laboratory based analytical testing, research, technical services, training, software development and conference management), subscriptions (including for magazines and web based software applications), software sales, government grants (as co-funding for projects), property leasing and investments.

Revenue is recognised for the major business activities as follows:

(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) Other revenue
Other revenue includes rental income which is recognised on a straight-line basis over the lease term, interest income which is recognised on a time proportion basis using the effective interest rate method and dividends which are recognised when the right to receive payment is established.

(d) Government grants

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

(e) Income tax

As Grain Growers is exempt from income tax, all income tax matters within these financial statements relate to its subsidiaries. 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 and to unused tax losses.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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.

(f) Goods and services tax (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 balance sheet.

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.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values 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 any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

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
A revised AASB 3 *Business Combinations* became operative on 1 July 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 previous 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 July 2009 and affected the accounting for the acquisition of Agrecon Operations Pty Ltd/ Agricultural Reconnaissance Technologies Pty Ltd and Kondinin Group Limited disclosed in note 25.

Acquisition costs of $275,000 have been recognised in the profit or loss in respect of Agrecon and Kondinin. There were no other significant impacts as a result of the change in accounting policy.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, 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 balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement no more than 30 days from the date of recognition. The collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit and loss within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Non-current assets (or disposal groups) held for sale

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 the continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and the fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

(l) 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, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

(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. The Group does not have financial assets in this category.

(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 reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(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. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(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 the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial Assets Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assts for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in 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. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Details on how the fair value of financial instruments is determined are disclosed in note 1 (u).

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. 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 reclassified from equity and recognised in profit and loss as a reclassification adjustment. Impairment losses recognised in profit and loss on equity instruments classified as available-for-sale are not reversed through profit and loss.

(m) 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 and an appropriate proportion of fixed and variable overheads.

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 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
Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or in the case of leasehold improvements and certain leased plant and equipment, the shorter term lease as follows:

Grain Growers and its subsidiaries:
- Freehold buildings - 20 to 50 years;
- Plant and equipment - 2 to 10 years

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

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 (note 1 h).

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

(iii) Leased assets
A distinction is made between finance leases and operating leases:

A finance lease effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. 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.

An operating lease allows the lessor to retain substantially all the risks and benefits incidental to ownership. Lease payments are charged to the income statement on a straight-line basis over the lease term.

(n) Intangible assets

(i) Trademarks & Licences
Trademarks have an indefinite useful life and are not amortised. Instead, trademarks are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

(ii) Customer Relationships
Customer relationships acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives, which currently vary from 1 to 3 years.

(iii) Goodwill
Goodwill is measured as described in note 1 (h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Goodwill is, instead, tested for impairment annually, or more frequently, if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

iv) IT development and software
Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from 3 – 5 years.

(o) Repairs and maintenance

Property, plant and equipment is repaired and maintained on an ongoing basis through 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.

(p) 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.

(q) Borrowings

Borrowings are initially recognised at fair value, net of any 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 profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of the loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

(r) 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) *Long service leave*
The liability for long service leave is recognised in the provision 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) *Superannuation*
All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plans on retirement, disability or death. Contributions to employee superannuation funds 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.

(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.

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.

(s) 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 as incurred.

(t) Provisions

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

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

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

(u) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the balance 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.

The fair value of financial instruments that are not traded in an active market 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. 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 balance sheet date.

The nominal value less estimated credit adjustments of trade receivable 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.

(v) Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is Grain Growers' 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.

(w) Contributed equity

The Company has no share capital as it is limited by guarantee.

(x) 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. Amounts in the financial reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2. FINANCIAL RISK MANAGEMENT

Financing Arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2010 **$'000**	2009 $'000
Floating Rate		
- Expiry within one year (bank overdraft and bill facility)	**1,280**	-
- Expiry beyond one year (bank loans)	-	-
	1,280	-

In October 2009, Grain Growers entered into a $49m bank facility to fund the take up of rights under GrainCorp's 9 for 10 rights issue, of which $1.28m was undrawn at 30 June 2010. This balance may only be drawn to fund costs associated with the take up of these rights. The facility is due to expire at the end of December 2010. Grain Growers is intending to extend this funding facility and expects no issues in doing so with the current lender.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Impairment reviews are undertaken each year by evaluating the net present value of future cash flows. This requires significant judgements around estimates of those future cash flows, particularly some years into the future, and around estimates of the appropriate discount rate that adequately reflects the risk associated with those cash flows. Impairment reviews of intangible assets, in particular, requires significant judgements and estimates.

4. REVENUE

	Consolidated		Parent entity	
Sales Revenue	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Sales of goods	**-**	-	**-**	-
Services	**7,097**	2,083	**2**	-
	7,097	2,083	**2**	-
Dividends / unit distributions	**4,591**	377	**4,591**	377
Interest from funds under management	**1,018**	1,023	**993**	1,023
	5,609	1,400	**5,584**	1,400
Interest	**7**	3	**20**	-
Rental income	**48**	30	**41**	30
	5,664	1,433	**5,645**	1,430
Total revenue	**12,761**	3,516	**5,647**	1,430

5. OTHER INCOME

Net gain on disposal of property, plant and equipment	**-**	-	**-**	-
Net realised loss on disposal of investments	**(388)**	1	**(388)**	1
Net realised gain on investments	**1,852**	-	**1,852**	-
Other income	**294**	3,086	**211**	3,080
	1,758	3,087	**1,675**	3,081

6. EXPENSES

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Finance Costs				
- Interest	**1,725**	-	**1,725**	-
Total finance costs	**1,725**	-	**1,725**	-
Depreciation				
- Plant and equipment	**1,016**	311	**20**	9
- Buildings and improvements	**48**	35	**46**	35
Total depreciation	**1,064**	346	**66**	44
Amortisation				
- Intangible assets	**470**	88	**-**	-
Total amortisation	**470**	88	**-**	-
Rental Expenses relating to operating leases				
- Minimum lease payments	**878**	485	**88**	57
Total rental expenses relating to operating leases	**878**	485	**88**	57
Impairment loss on held-to-maturity assets	**885**	1,118	**885**	1,118
Net reversal of impairment loss on available-for-sale assets	**(1,622)**	2,463	**(1,622)**	2,463
Total unrealised loss/ (gain) on investments	**(737)**	3,581	**(737)**	3,581

7. INCOME TAX EXPENSE

	Consolidated		Parent entity	
	2009	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
(a) Income tax expense / (benefit)				
Current tax	**(80)**	46	**-**	-
Deferred tax	**5**	1	**-**	-
Under / (over) provision in prior years	**29**	-	**-**	-
	(46)	47	**-**	-
Deferred income tax (revenue) / expense included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets (note 12)	**-**	1	**-**	-
(Decrease) / increase in deferred tax liabilities	**-**	-	**-**	-
	-	1	**-**	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Operating profit / (loss) before income tax expense	**-**	(2,690)	**-**	-
Non-assessable loss	**-**	2,454	**-**	-
Assessable income	**(266)**	(236)	**-**	-
Income tax calculated at 30% (2009 – 30%)	**(80)**	(71)	**-**	-
- Unrecognised temporary differences	**-**	114	**-**	-
- Other Non-deductible expenses	**5**	4	**-**	-
	(75)	47	**-**	-
(Over) / under provision in prior years	**29**	-	**-**	-
Income tax expense / (benefit)	**(46)**	47	**-**	-

8. CASH AND CASH EQUIVALENTS (current)

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**1,128**	577	**362**	**366**
Deposits at call	**2,834**	3,050	**1,680**	**3,050**
	3,962	3,627	**2,042**	3,416

Cash at bank and on hand is non-interest bearing.

Deposits at call and deposits held for investment are at cost plus accrued interest. Interest rates are between 4.5% - 6.0%.

9. TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Trade receivables	**1,146**	709	**92**	-
Provision for impairment of trade receivables	**(10)**	(11)	**-**	-
	1,136	698	**92**	-
Other receivables	**169**	73	**169**	92
Interest receivable	**6**	44	**6**	44
Dividends Receivable	**2,812**	58	**2,812**	58
Prepayments	**99**	80	**17**	22
Related party debtors	**-**	-	**1,483**	-
	4,222	953	**4,579**	216

(a) Provision for impairment of trade receivables
The Group has recognised a reversal of $1k expense (2009: expense of $11k) in respect of impaired trade receivables during the year ended 30 June 2010. The expense is included in other expenses in the income statement.

(b) Fair values
All amounts in respect of current receivables approximate fair value.

10. OTHER FINANCIAL ASSETS (non-current)

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Shares in subsidiaries – at cost (note 26)	**-**	-	**7,041**	4,369
Funds under management – at market value	**27,941**	30,064	**27,915**	30,064
Listed Equity Securities – at market value	**89,361**	63,798	**89,361**	63,798
	117,302	93,862	**124,317**	98,231

Listed Equity Securities represent 16,765,667 ordinary shares in GrainCorp Limited, valued at market value ($5.33) as at 30 June 2010.

Funds under management are classified as either, available for sale or held to maturity financial assets. The table below shows the split between these categories

Funds under management consist of				
Held to maturity financial assets:				
Listed Interest rate securities	**2,210**	2,504	**2,210**	2,504
Unlisted Interest rate securities	**5,464**	7,053	**5,438**	7,053
Sub-total	**7,674**	9,557	**7,648**	9,557
Available for sale financial assets:				
Units in unlisted Australian managed funds	**11,963**	12,574	**11,963**	12,574
Units in unlisted International managed funds	**6,941**	6,245	**6,941**	6,245
Units in unlisted Australian Infrastructure fund	**1,363**	1,688	**1,363**	1,688
Sub-total	**20,267**	20,507	**20,267**	20,507
Funds under management at market value	**27,941**	30,064	**27,915**	30,064

10. OTHER FINANCIAL ASSETS (non-current) (continued)

Listed interest rate securities are valued at market prices as quoted on the Australian Stock Exchange.

Unlisted interest rate securities are valued at market price and where no market price is available they are based on Financial Industry accepted financial modelling.

As part of the investment portfolio, interest rate securities are likely to be held on a long term basis, with either a fixed or floating rate of interest attached thereto. Payments are either quarterly, six monthly or annual. Unlisted securities interest rates are renewed each interest payment date. Security interest rates varied from 6.5% - 11.9%.

Unlisted managed funds are valued at the redemption prices quoted by the respective investment fund managers.

As part of the investment portfolio, units in managed funds are likely to be held on a long term basis. Distributions are either quarterly, six monthly or annual. Unit distribution rates vary from 0.5% - 13.7% market growth or loss dependent on market trends in the period.

Unlisted Infrastructure funds are valued at cost plus the accrued distribution amount based on projected distribution rates. As part of the investment portfolio, unlisted Infrastructure funds are likely to be held on a long term basis, at a projected return of 9.8%, with distributions paid quarterly.

The change in fair value of available-for-sale financial assets is based on the change in value as at 30 June 2009 compared to 30 June 2010. The major available-for-sale financial asset in the portfolio is the GrainCorp Limited shares. Grain Growers held 8.8m shares as at 30 June 2009 (share price $7.23) and acquired a further 7.9m shares in November 2009 as part of the GrainCorp 9 for 10 rights issue (at a price of $5.65). The market price of these shares at 30 June 2010 was $5.33 resulting in a reduction in fair value on GrainCorp shares of $19.3m (2009: $46.3m unrealised gain in the value of the GrainCorp shareholding).

As at 30 September 2010, the price of GrainCorp Ltd shares was $7.24. This represents a gain in fair value of $32.0m since 30 June 2010.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings & structures	Plant & equipment	Total
Consolidated	**$'000**	**$'000**	**$'000**
At 1 July 2009			
Cost	927	3,959	4,886
Accumulated depreciation	(487)	(471)	(958)
Net book value	**440**	**3,488**	**3,928**
Year ended 30 June 2010			
Opening net book value	440	3,488	3,928
Acquisition of Subsidiary	-	158	158
Additions	17	399	416
Disposals	-	(26)	(26)
Depreciation	(48)	(1,016)	(1,064)
Closing net book value	**409**	**3,003**	**3,412**
At 30 June 2010			
Cost	944	4,490	5,434
Accumulated depreciation	(535)	(1,487)	(2,022)
Net book value	**409**	**3,003**	**3,412**

	Buildings & structures	Plant & equipment	Total
Parent	**$'000**	**$'000**	**$'000**
At 1 July 2009			
Cost	927	220	1,147
Accumulated depreciation	(487)	(164)	(651)
Net book value	**440**	**56**	**496**
Year ended 30 June 2010			
Opening net book value	440	56	496
Additions	-	4	4
Disposals	-	-	-
Depreciation	(46)	(20)	(66)
Closing net book value	**394**	**40**	**434**
At 30 June 2010			
Cost	927	224	1,151
Accumulated depreciation	(533)	(184)	(717)
Net book value	**394**	**40**	**434**

12. DEFERRED TAX ASSETS (non-current)

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
The balance comprises temporary differences attributable to:				
Provision for doubtful debts	**3**	(17)	**-**	-
Corporate Restructure Costs	**15**	18	**-**	-
Provisions and accruals	**7**	10	**-**	-
Employee Benefits	**182**	195	**-**	-
Tax losses recognised	**76**	-	**-**	-
Prepayments	**(3)**	-	**-**	-
Other receivables	**3**	-	**-**	-
Net deferred tax assets	**283**	206	**-**	**-**
Deferred tax assets to be recovered within 12 months	**283**	206	**-**	-
Deferred tax assets to be recovered after more than 12 months	**-**	-	**-**	-
Net deferred tax assets	**283**	206	**-**	-

13. INTANGIBLE ASSETS (non-current)

Consolidated	Customer Relationships $'000	Trademark $'000	Software/ Data $'000	Goodwill $'000	Total $'000
At 1 July 2009					
Cost	525	228	-	340	1,093
Accumulated amortisation	(88)	-	-	-	(88)
Net book amount	**437**	**228**	**-**	**340**	**1,005**
Year ended 30 June 2010					
Balance at 1 July 2009	437	228	-	340	1,005
Acquisition of Subsidiary	-	-	1,608	2,149	3,757
Amortisation charge[1]	(175)	-	(295)	-	(470)
Closing net book amount	**262**	**228**	**1,313**	**2,489**	**4,292**
At 30 June 2010					
Cost	525	228	1,608	2,489	4,850
Accumulated amortisation	(263)	-	(295)	-	(558)
Net book amount	**262**	**228**	**1,313**	**2,489**	**4,292**

[1] Amortisation is included in depreciation and amortisation expense in the income statement.

There were no intangible assets held by the Parent entity at 30 June 2010.

14. TRADE AND OTHER PAYABLES (current)

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Trade payables	**490**	141	**196**	98
Other payables	**2,580**	526	**1,917**	357
	3,070	667	**2,113**	455

15. BORROWINGS

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Secured				
Bank Overdraft	**2,720**	-	**2,720**	-
Bill Facilities	**45,000**	-	**45,000**	-
Total secured borrowings	**47,720**	-	**47,720**	-

In October 2009, Grain Growers entered into a $49m bank facility to fund the take up of rights under GrainCorp's 9 for 10 rights issue, of which $1.28m was undrawn at 30 June 2010. This balance may only be drawn to fund costs associated with the take up of these rights. The facility is due to expire at the end of December 2010. Grain Growers is intending to extend this funding facility and expects no issues in doing so with the current lender.

16. PROVISIONS (current)

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Employee benefits	**431**	620	**65**	51

17. PROVISIONS (non-current)

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Employee benefits	**665**	103	**34**	21

18. CONTRIBUTED EQUITY

The company has no share capital as it is limited by guarantee. The liability of each member upon liquidation limited to $100.

19. RESERVES AND RETAINED PROFITS

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Available for Sale Reserve				
Balance 1 July	**45,711**	-	**46,259**	-
Unrealised gain on available for sale investment	**(19,307)**	45,711	**(19,307)**	46,259
Balance 30 June	**26,404**	45,711	**26,952**	46,259
Capital Reserve				
Balance 1 July	**-**	-	**-**	-
Transactions with non-controlling interest	**396**	-	**-**	-
Balance 30 June	**396**	-	**-**	-
Retained Earnings				
Balance 1 July	**55,784**	99,463	**55,494**	58,476
Comprehensive loss attributable to members of Grain Growers	**(2,267)**	(2,737)	**(1,054)**	(2,982)
Attributable to change in investment in GrainCorp Ltd	**-**	(40,942)	**-**	-
Closing Balance	**53,517**	55,784	**54,440**	55,494
Total	**80,317**	101,495	**81,392**	101,753

20. DIVIDENDS

In accordance with the constitution of Grain Growers no dividends are payable to its members.

21. REMUNERATION OF AUDITORS

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:

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$	$	**$**	$
Assurance Services				
(i) Audit services				
Fees paid or payable to PricewaterhouseCoopers Australian firm				
Audit and review of financial reports and other work under the *Corporations Act 2001*	**133,400**	73,000	**50,400**	48,000
	133,400	73,000	**50,400**	48,000
(ii) Other Assurance				
Fees paid or payable to PricewaterhouseCoopers Australian firm				
Other assurance services	**19,622**	6,500	**19,622**	6,500
Financial statements	**22,000**	50,500	**22,000**	50,500
Due diligence fees	**-**	65,200	**-**	65,200
	41,622	122,200	**41,622**	122,200
Total	**175,022**	195,200	**92,022**	170,200

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

22. COMMITMENTS

	Consolidated		Parent entity	
	2010 $'000	2009 $'000	**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	**-**	218	**-**	-
- Later than one year but not later than five years	**-**	-	**-**	-
	-	218	**-**	-
Lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
- Not later than one year	**1,135**	857	**72**	70
- Later than one year and not later than five years	**912**	901	**16**	98
- Later than five years	**-**	-	**-**	-
	2,047	1,758	**88**	168
Representing:				
Cancellable operating leases	**44**	42	**44**	42
Non-cancellable operating leases	**2,003**	1,716	**44**	126
	2,047	1,758	**88**	168
Operating leases (non-cancellable)				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
- Not later than one year	**1,091**	849	**44**	62
- Later than one year but not later than five years	**912**	867	**-**	64
- Later than five years	**-**	-	**-**	-
	2,003	1,716	**44**	126

23. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS

(1) Key management personnel disclosures

(a) Directors

The following persons were directors of Grain Growers during the financial period:

J.W. Eastburn (Chairman)
S. Hargreaves (Deputy)
G.T. Lane
S.J. Millear
B.A. Smith
A. Carberry

(b) Other key management personnel

P.J. Flottmann had authority and responsibility for planning, directing and controlling the activities of Grain Growers, for the duration of the financial period.

(c) Key management personnel compensation

The total remuneration received by key management personnel is as follows.

	Consolidated		Parent entity	
	2010 $	2009 $	**2010 $**	2009 $
Remuneration				
Directors and Key Management Personnel				
Short-term employee benefits	**557,330**	545,646	**557,330**	545,646
	557,330	545,646	**557,330**	545,646

(d) Other transactions with key management personnel

There have been no other transactions with key management personnel.
No directors transacted business with the Group during the period ended 30 June 2010.

(2) Related party transactions

(a) Transactions with related parties	Consolidated		Parent	
	2010 $	2009 $	**2010 $**	2009 $
Aggregate amounts included in the determination of profit from ordinary activities before income tax:				
Payment for services provided by Kondinin Group Limited	**-**	112,996	**-**	112,996
Payment for services provided by Kondinin Information Services	**-**	-	**212,316**	-
Payment for services provided to BRI	**-**	-	**-**	-
Payment for services provided by BRI	**-**	-	**808,924**	-
Payment for services provided to Agrecon	**-**	-	**-**	-
Payment for services provided by Agrecon	**-**	-	**214,503**	-
Repayment of borrowings and interest by Agrecon	**-**	-	**17,994**	-

23. KEY MANAGEMENT PERSONNEL DISCLOSURES AND RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances in relation to transactions with related parties

Aggregate amounts receivable from and payable to other related parties at balance sheet date were as follows:

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	**$**	$
Loans to subsidiaries	**-**	-	**1,374**	**-**
Other receivables	**-**	-	**135**	-
Other payables	**-**	-	**175**	-

(c) Terms and conditions

Transactions between Grain Growers and related parties during the year ended 30 June 2010 consisted of:

(a) loans repaid within the consolidated entity;
(b) sale of goods;
(c) property rental; and
(d) reimbursement of expenses;
(e) sub-contracted market research;
(f) software development.

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.

24. BRI IMPAIRMENT

On 31 December 2008, Grain Growers acquired 100% of the issued capital of BRI Australia Limited ("BRI") for a cash consideration of $4.369m (additional acquisition costs of $0.37m were expensed in 2009). The BRI business is carried in the parent entity's financial statements as an investment with a value of $4.369. The carrying value of the investment was tested for impairment as at 30 June 2010 using the discounted cash flow methodology. This involves estimating expected future cash flows and discounting those cash flows at a rate reflecting the risk in the business. The assumptions for growth in the revenues of the business are 4.0% per year from end 2011. Costs have been forecast to reduce for the next 2 years reflecting the implementation of integration initiatives and then increase at 4.0% per year. The discount rate applied to the forecast cash flows is 15.2%.

The valuation for the BRI business was assessed at $3.404m. Consequently, the Directors have taken an impairment charge of $0.965m against the carrying value of the investment in BRI in the parent entity's accounts. This impairment is recognised as an expense in the statement of comprehensive income.

On consolidation the valuation of the business has been compared to the carrying value of the assets of the business. The Directors do not consider an impairment adjustment in the carrying value in the consolidated accounts is necessary.

25. BUSINESS COMBINATIONS

During the financial year, the Group acquired Agrecon on 31 July 2009 and Kondinin on 24 August 2009.

Agrecon Acquisition

On 31 July 2009, Grain Growers acquired 100% of the equity of Agrecon Operations Pty Ltd, a holding company whose material asset is its 100% shareholding in Agricultural Reconnaissance Technologies Pty Ltd ("Agrecon"), for an initial cash consideration of $2.0m plus interest paid over a period from acquisition date to 1 October 2009. A second cash payment of $1.5m plus interest was paid on 1 October 2010.

The Agrecon business contributed revenues of $0.65m and a net loss before tax of $1.09m to the Group for the period 31 July 2009 to 30 June 2010.

Details of the fair value of the net assets acquired and goodwill for the Agrecon acquisition is as follows:

Agrecon	**$'000**
Total purchase consideration	**3,637**
Fair value of net identifiable assets acquired (refer below)	**1,488**
Goodwill	**2,149**

The goodwill is attributable to the workforce and the revenue synergies expected to be generated from acquisition.

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

	Fair Value $'000
Cash	-
Trade Receivables	53
Prepayments	-
Property ,Plant and Equipment	71
Intangible assets	1,608
Other assets	84
Trade and other payables	(154)
Provisions	(174)
Other liabilities	-
Net identifiable assets acquired	**1,488**

Cash consideration, net of cash acquired, resulted in a $3.6m outflow of cash. $2.0 million was paid on 1 October 2009. A further $1.6 million was paid on 1 October 2010.

Kondinin

On 24 August 2009, Grain Growers entered into transactions with Kondinin Group Limited (KGL) and Kondinin Information Services Pty Ltd (KIS). These arrangements resulted in Grain Growers increasing its economic interest from 20% to 70% of the issued capital in KIS. This will dilute to 50% over time provided the joint venture partner meets certain financial obligations. Merger transaction conditions included the entering into commercial services contracts with KIS, provision of services to members of KGL, restructuring the shareholder rights in KIS, transfer of intellectual property rights and obligations to Grain Growers from KGL and ultimately the liquidation of KGL. Whilst the transaction was undertaken on a nil cash basis, the value acquired by Grain Growers is estimated as below.

On consolidation date, the Group recognised net identifiable assets of KIS of $0.52m, which resulted in a gain on acquisition of $0.42m in the consolidated statement of comprehensive income at the ownership interest of 81% at consolidation date.

The Kondinin business contributed revenues of $3.14m and a net loss before tax of $0.25m to the Group in the period from 24 August 2009 to 30 June 2010.

Details of the fair value of the net assets acquired and goodwill for the Kondinin acquisition is as follows:

Kondinin	**$'000**
Purchase Consideration :	
Cash Paid	**Nil**
Total purchase consideration	**-**
Fair value of net identifiable assets acquired (refer below)	**518**
Gain on Acquisition	**420**

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

	Fair Value $'000
Cash	910
Trade Receivables	459
Property ,Plant and Equipment	85
Inventory	146
Intangible assets	-
Other assets	29
Payables	(125)
Provisions	(159)
Deferred income	(651)
Other liabilities	(176)
Net identifiable assets acquired	**518**

There was no cash consideration for this transaction. There was no contingent consideration associated with the transaction.
Prior to the transaction, Grain Growers held a 20% non-controlling interest in Kondinin.

26. SUBSIDIARIES

Name of entity	Class of shares	Equity holdings 2010	2009
Entities controlled by **Grain Growers Association Limited**:			
G.G.A Investments Pty Ltd	Ordinary	100%	100%
G.G.A Holdings Pty Ltd	Ordinary	100%	100%
BRI Australia Pty Ltd	Ordinary	100%	100%
Agrecon Operations Pty Ltd	Ordinary	100%	-
Agricultural Reconnaissance Technologies Pty Ltd	Ordinary	100%	-
Kondinin Information Services Pty Ltd	Ordinary	70%	20%

All of the above subsidiaries are incorporated in Australia

On the 31 December 2008, Grain Growers acquired BRI Australia Pty Ltd (formerly BRI Research Pty Ltd). On 31 July 2009, Grain Growers Association Limited purchased 100% of the shares in Agrecon Operation Pty Ltd (the parent of Agricultural Reconnaissance Technologies Pty Ltd) and on 24 August 2009 acquired, as part of a merger with Kondinin Group Limited, a 70% economic interest of Kondinin Information Services Pty Ltd. The consolidated financial statements incorporate the assets, liabilities and results for BRI Australia Pty Ltd for the full year, Agrecon Operations Pty Ltd and Agricultural Reconnaissance Technologies Pty Ltd from 31 July 2009 and Kondinin Information services from 24 August 2009 in accordance with the accounting policy described in note 1 (b).

27. INVESTMENTS IN ASSOCIATES

Carrying amounts

At June 2010, following the acquisition of additional issued capital in Kondinin Information Services Pty Ltd, Grain Growers no longer has investments in associates. Grain Grower's shares of associates operating profits after income tax at 30 June 2009 was $0.53m.

28. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent entity	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Comprehensive profit/ (loss) for the year	**(2,267)**	(2,737)	**(1,054)**	(2,982)
Net (profit) / loss on sale of non-current assets	**12**	-	**-**	-
Acquisition cost	**275**	370	**275**	370
Interest received	**11**	(19)	**11**	(19)
Gain on acquisition	**(420)**	-	**-**	-
Investment income	**-**	-	**-**	-
Investment loss / (gain) – unrealised	**(736)**	3,581	**(736)**	3,581
Net gain on sale of financial assets	**(554)**	-	**(554)**	-
Impairment losses on investment in subsidiary	**-**	-	**965**	-
Share of (profit) / loss of associate not received as dividends	**-**	(527)	**-**	-
Depreciation / amortisation	**1,534**	434	**66**	44
Changes in operating assets and liabilities:				
(Increase) / decrease in inventories	**7**	-	**-**	-
(Increase) / decrease in other assets	**-**	-	**-**	-
(Increase) / decrease in deferred tax asset	**(77)**	(20)	**-**	-
(Increase) / decrease in receivables	**(2,669)**	(476)	**(3,029)**	55
Increase / (decrease) in trade creditors	**2,106**	196	**1,658**	27
Increase / (decrease) in provision for income tax	**(93)**	27	**-**	-
Increase / (decrease) in provision for deferred income	**(185)**	-	**(31)**	-
Increase / (decrease) in provisions	**(135)**	74	**26**	21
Net cash provided by operating activities	**(3,191)**	903	**(2,403)**	990

29. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Other than reported above, no other matter or circumstance has arisen since 30 June 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.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 35 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 Company's and consolidated entity's financial position as at 30 June 2010 and of their 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.

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

J.W. Eastburn
Chairman

Sydney
8 October 2010

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Independent auditor's report to the members of Grain Growers Association Limited

Report on the financial report

We have audited the accompanying financial report of Grain Growers Association Limited (the company), which comprises the balance sheet as at 30 June 2010, the 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 Grain Growers Association Limited and the Grain Growers Group (the consolidated entity). The consolidated entity comprises Grain Growers Association Limited 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 – Reduced Disclosure Requirements 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.

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.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of
Grain Growers Association Limited (continued)

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.

Independence

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

Auditor's opinion

In our opinion: the financial report of Grain Growers Association Limited (company and consolidated) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure requirements and the *Corporations Regulations 2001*.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of Grain Growers Association Limited (the company and consolidated) for the year ended 30 June 2010 included on Grain Growers Association Limited web site. The company's directors are responsible for the integrity of the Grain Growers Association Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named 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 audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PJ Carney
Partner

Sydney
8 October 2010

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