

ANNUAL REPORT 08

LINKING GROWERS TO CUSTOMERS





Contents

About the CBH Group	2
Chief Executive Officer's Report	4
Chairman's Report	6
Network	8
Accumulation	12
Marketing	14
Processing	18
Our People	20
Sustainability	22
Board of Directors	26
Senior Management Team	28
Corporate Governance	30
Director's Report	35
Auditor's Independence Declaration	37
Discussion and Analysis of Financial Statements	38
Financial Report	39



Performance Highlights 2008

- Implemented a simpler logistics system called Grain Express.
- Accredited to export wheat in bulk under new legislation.
- Posted a Group Net Profit Before Tax of \$57.3 million.
- Flour mills provided a Profit Before Tax for the CBH Group of \$9.6 million.
- Shipped over 1 million tonnes of wheat to its mills.
- Secured \$2 billion in funding during the global financial crisis.
- Received 8.488 million tonnes.
- Completed a \$70 million capital works program.
- Opened offices in Queensland, Hong Kong and Japan.
- Trained nearly 700 growers under Better Farm IQ program.
- Won NAB Agribusiness Employer of Choice award.
- Celebrated CBH Group's 75th anniversary with a concert by the West Australian Symphony Orchestra at York.

About the CBH Group

The CBH Group is an innovative, grain-based co-operative controlled by around 4,800 grower members across the Western Australian grainbelt.

The strength of the CBH Group has been built on its long-standing commitment to the grain growers of Western Australia. The 2008 year marked our 75th anniversary and a celebration of our partnership with growers.

About our business

Today, the CBH Group manages the most sophisticated grain storage and handling network in the world and receives on average 11 million tonnes of grain during an annual harvest.

The CBH Group markets and ships a range of grains from Australia including wheat, barley, lupins and canola.

The CBH Group's vision is to be the stand out choice in grain for the world. Our purpose is to link our growers to our customers in a uniquely valuable way.

Strategic investments in international flour milling assets, as well as shipping and container transportation are enabling the company to create value along the grain value chain and connect its grower members with its customers.





Chief Executive Officer's Report

Reflecting on our great history, it becomes clear just how exciting the future can be for our grower shareholders and the staff of the CBH Group.

As my time as Chief Executive Officer comes to an end and we celebrate our 75th anniversary, it is timely to consider where the industry would be and who would be focussed on the interests of growers in Western Australia if the CBH Group had not engaged in high level strategic planning on behalf of the industry.

There have been so many achievements over the last 75 years that have defined the CBH Group as an industry leader.

It is our strategic thinking and planning capabilities that have allowed us to reach these milestones and makes us competitive with the leading businesses in the nation.

We have come a long way since 1933, when we received 42,578 tons at five country sites.



Today we receive an average 11 million tonnes and market around 4 million tonnes of grain to more than 20 countries each year. Our determination **to better link growers to customers** extends to major investments in flour milling, a shipping joint venture, the progressive implementation of certified quality assurance and food safety systems across thousands of Western Australian farms and the entire receival, storage, handling and marketing chain.

The merger of Co-operative Bulk Handling and the Grain Pool of Western Australia in 2002 was one of the defining moments for the CBH Group, beginning our transformation into an integrated business.

In 2004 the CBH Group's strategic investment in flour milling in South East Asia allowed us to derive value for growers from activities further along the supply chain, by securing demand in some of Asia's largest and fastest growing flour markets.

Though controversial at the time, our move into grain processing through the investment in Interflour is now delivering valuable, tangible results to Western Australian growers. We have achieved one of the original core ambitions of the investment - to secure valuable markets for Western Australian wheat growers. Our results this year also confirm that significant direct financial rewards are now flowing back to the CBH Group and to growers.

During 2008, just two years after we first gained a special licence to export wheat, the CBH Group celebrated the export of our millionth tonne of wheat from Western Australia.

In the last year the Australian Federal Government passed new wheat marketing legislation, opening the trade to multiple licensed exporters. Grain Pool was one of the first to receive a licence from Wheat Export Australia under the new regime.

We would have been derelict in our duty to growers if we had not prepared for a changed grain marketing environment. As a result, we were well placed as soon as change was introduced to provide security and value to you through the relationships we had already forged between producers and their customers.

This year we have also moved rapidly with our industry to develop and implement Grain Express, a ground breaking initiative to simplify Western Australia's grain logistics system to cope with the sudden increase in acquirers wanting to access grain from our network.

With the ability to export wheat in bulk and the benefits of Grain Express, grain growers of Western Australia have a business well positioned for the future.

But it is paramount that the CBH Group is able to continue to innovate to enable it to achieve its vision **to be the stand out choice in grain for the world.**

Financial Performance

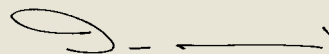
This is my final report as Chief Executive Officer and it is my great pleasure to report the strong financial performance of the CBH Group over the past 12 months.

The CBH Group returned a net profit before tax of \$57.3 million for the year ending 31 October 2008. This is an excellent result and due to the strong performance from all of our business units.

It is testimony to those strategic decisions made by the CBH Group for the benefit of our grower shareholders.

I cherish my time spent working within this magnificent organisation and alongside its staff. I praise all the current and past staff members of the CBH Group. Without such a dedicated group of people the CBH Group would not have been able to achieve what it has so far and what it plans to achieve in the future.

I wish every grain grower in Western Australia the very best for the future.



Imre Mencshelyi
Chief Executive Officer

Acknowledgements

Finally, I acknowledge the outstanding commitment and ability of the Leadership Group, the Directors and the five Chairmen I have worked with over my time at the CBH Group – The Hon Mick Gayfer, Allan Watson, Robert Sewell, Tony Critch and Neil Wandel. These gentlemen have all given outstanding service and contributed uniquely to this great co-operative.

An organisation without strong leadership is destined to fail. I believe the CBH Group is destined to succeed with the strength of its leadership team, its people and the determination of its Board of Directors.



Chairman's Report

With a new vision and purpose clearly defined for the business, the CBH Group is set to become the stand out choice in grain for the world.

It is a privilege for me to present my first Chairman's report to you after what has been a year of great challenge and change for the grains industry and the CBH Group.

In this environment, it is even more important to make sure that the CBH Group, from the Board to the newest employee, is unified on the broad direction we want to take to make sure we remain a strong, growing, relevant business for you, our grower shareholders.

For that reason, your Board in conjunction with the management team undertook a comprehensive strategic planning process during 2008 to better clarify our future direction and clearly define our purpose and vision.

That process confirmed that we believe our future lies in the CBH Group being at the centre of an integrated grain value chain connecting you with the world.

We have defined our purpose as linking our growers to our customers in a uniquely valuable way by achieving scale, supply chain efficiency and securing demand.

Our vision is to be the stand out choice in grain for the world

Without vision, the CBH Group would not have become the company it is today, with assets of around \$1.7 billion and revenue this year of more than \$1.1 billion. And without vision, it certainly will not achieve the heights that our grower shareholders expect us to achieve in the future.

Over the past 75 years we have been building these connections and over the next few years we will strengthen the relationships and value created from the farm gates of Western Australian growers to our customers.

The past year has been an outstanding one for the grains industry and for the CBH Group. Opportunities have arisen from the changes to grain marketing legislation and the CBH Group has been well placed to create additional value for its members.

Investing in the network

The CBH Group prides itself on driving efficiencies and reducing costs in the system to benefit growers. The introduction of the Grain Express logistics system is a prime example of this type of initiative.

Supply chain costs in Western Australia are the lowest in the nation and we remain committed to ensuring that this continues. But we are under increasing cost pressures and maintaining the balance between investing in the network and maintaining low costs for growers is a challenge facing the CBH Group into the future.

During the year fuel costs increased significantly. Labour costs, which represent a third of the company's operating expenses, climbed by 25.8 percent. Energy costs doubled.

With this said it is the responsibility of your Board of Directors to ensure that the company adequately invests in and maintains what is one of the most advanced and sophisticated grower storage and handling systems in the world.

The Board is committed to maintaining and enhancing the network and this year, despite only receiving 8.5 million tonnes, \$70 million was spent on capital expenditure within the network. This year we decided that an additional \$60 million would be spent on upgrading a number of sites and essential capital works throughout the network in 2008/09.

Increased cost pressures put our future funding mechanisms and structure under even more focus. The Board remains committed to restructuring the CBH Group to ensure we can both maintain the assets of our aging network and reward shareholders for their loyalty in a much more competitive environment.

In late 2008 CBH received formal advice from the Australian Tax Office that CBH will no longer be exempt from taxation with effect from the 1 November 2008. The Board is appealing this adverse ruling in the Federal Court.

Financial strength

The CBH Group secured funding facilities of \$2 billion for the 2008/09 harvest, providing the ability to market and fund almost the entire Western Australian crop.

Securing the funding amid the global credit crisis was a major achievement and a reflection of the CBH Group's financial strength and credibility.

Board Update

The CBH Group lost the services of two of its longest standing Directors, Tony Critch and Robert Sewell, who both also held the position of Chairman during the past four years. Both of these gentlemen provided tremendous leadership and left the grains industry a legacy of change and innovation.

Immediate past Chairman Tony Critch decided not to stand for re-election in 2008 and was succeeded by Clancy Michael as Director for the Geraldton Zone. Vern Dempster was elected as Director for the Kwinana Zone, replacing Robert Sewell.

Tony Critch was a Director of CBH since 1990 and served as Chairman of the CBH Group from November 2005 to April 2008. Robert Sewell joined the CBH Board in November 2002 having been a Director of The Grain Pool of WA from 1978 and Chairman from 1992 to 2002. He served as CBH Group Chairman from 2004 to November 2005.

The Board extends its greatest appreciation to Tony Critch and Robert Sewell for their valued service to the CBH Group and the Western Australian grains industry.

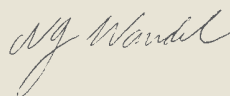
Farewell to our Chief Executive Officer

Imre Mencshelyi will step down from the CBH Group in April 2009, leaving the company after 42 years, 15 of which were served as Chief Executive Officer.

He has been a leader through significant industry change and can leave knowing he has made a remarkable difference.

Today the company is well-recognised as one of the leading grain businesses in the world. Under his leadership, it has been innovative and most importantly, maintained its close link with Western Australian grain growers.

On behalf of the Board of Directors and the growers of Western Australia, I sincerely thank Imre for his commitment, leadership and passion for the CBH Group and the Western Australian grains industry and wish him well for the future.



Neil Wandel
Chairman



Network

Delivering value to growers by developing greater efficiencies in grain storage, handling and logistics as well as engineering and construction projects.

Key Achievements

- CBH Grain Operations received 8.488 million tonnes.
- Implemented a simpler logistics system called Grain Express for harvest 2008/09.
- Completed a \$70 million capital works program.
- State wide storage capacity in excess of 20 million tonnes.
- Installed unmanned weighbridges at five sites.
- Loaded a record number of containers at Metro Grain Centre (MGC).
- \$4.5 million of external engineering and construction work generated.

Grain Receive Operations

CBH Grain Operations received 8.488 million tonnes during the 2007/08 harvest. Despite drought conditions, this was a higher than expected result and a consequence of good finishing rains received throughout the state in October.

Although several receival sites operated with a shortage of experienced labour, the receivals period functioned well and was one of the fastest on record, completing harvest receivals within five weeks. The pace of harvest was due to considerable investment in on-farm machinery.

Beaumont, Moora, Avon, York, Brookton, Narrakine, Cranbrook and Kojonup received record daily tonnages and broke previous receival records.

Grain Receivals for Harvest 2007/08

Zone	Total Tonnage
ALBANY	2,228,702
ESPERANCE	1,682,777
GERALDTON	530,203
KWINANA	4,047,021
TOTAL	8,488,703



Brookton Unattended Weighbridge Trial

CBH Grain Operations successfully trialled an unattended tare weighbridge at the Brookton receival site during 2007/08.

The 2008/09 harvest will see the initiative rolled out to an additional four receival sites. These are Mingenew, Dowerin, Merredin and Borden. Process and technology modifications have been made to improve the functionality and respond to suggestions received by growers and truck drivers.

Logistics Operations

During the 2007/08 season, 6.5 million tonnes was shipped via vessels loaded at CBH Kwinana, Albany, Esperance and Geraldton grain port terminals.

Grain Express

The deregulation of the grains industry has had a dramatic impact on the way CBH Grain Operations stores and handles grain within its system.

The storage and handling system was developed in a highly regulated marketing environment with only two marketers accessing bulk grain stocks for export. Under deregulation multiple marketers require access to smaller stocks for export.

Dramatic increases in the number of cargo accumulations from multiple sites up-country coupled with the uncertainty in freight control would have resulted in the supply chain becoming inefficient.

During 2008 CBH Grain Operations introduced a simpler logistics system called Grain Express as a solution to these issues. Grain Express ensures improved transport utilisation and continued

investment in the transport network, streamlines grower receivals and provides full marketing options to all growers.

Grain Express streamlines the receival process by allowing growers to deliver grain to any receival point without committing to a buyer. Transactions to buyers are now made through the CBH Group's online portal LoadNet or by calling the Grower Service Centre.

Growers have the option of 'virtually' selling their grain to a range of buyers at destination sites within their zone. This gives growers maximum access to buyers regardless of their physical delivery point.

Transport, storage and handling services are now managed by CBH Grain Operations. The company now negotiates rail and road agreements on behalf of the industry and charges growers directly for freight between physical delivery sites and chosen destination sites.

Any excess freight collections will be held in reserve in a Freight Pool to protect against shortfalls or years of drought. It should be noted that there has been a freight shortfall due to low crop production in four of the last 10 harvests. The Freight Pool will be audited and communicated to growers as part of the year-end reporting. CBH will not profit from the Freight Pool.

Due to the company assuming the freight task, the Grain Express initiative needed the approval of the Australian Competition and Consumer Commission (ACCC). This approval was granted in September 2008.

As part of the ACCC approval process, the CBH Group introduced the Information Segregation Policy to prevent any anti-competitive flow of confidential information between CBH Grain Operations and grain marketing entities.



Network CONTINUED

Containerisation

Demand for containers soared during the first part of the period before falling bulk freight rates and uncertainty in the market resulted in a slow down in containerisation in the latter period.

The Metro Grain Centre (MGC) loaded a record number of containers during 2007/08 reaching 100,000 containers. Significant investment was made in the construction of the container park to meet the large numbers of movements.

However, the future outlook for containerisation is not as positive given the global financial crisis and an enormous fall in bulk shipping freight rates in late 2008.

Capital Works

The CBH Group's wholly owned engineering and construction subsidiary, Bulkwest Engineering, completed a \$70 million capital works program during 2008. Construction of additional storage takes total storage capacity state wide to more than 20 million tonnes.

Capital works projects included:

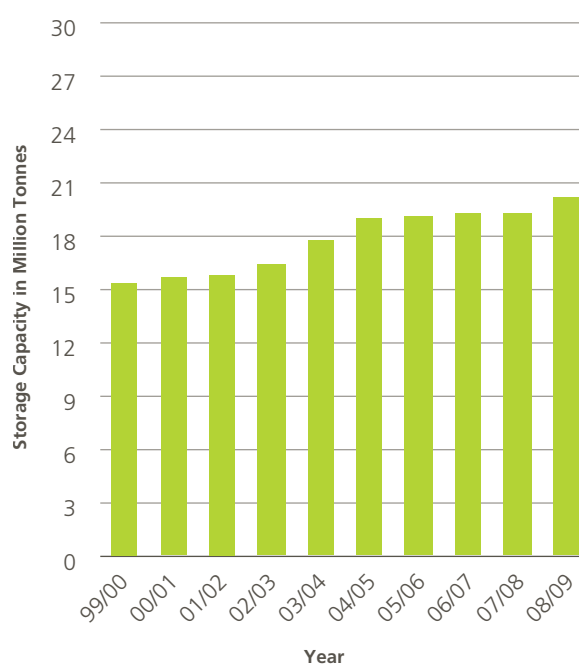
- Brookton – three new bulkheads, three new road discharge grids and one relocated road discharge grid, all complete with associated 500 tonnes per hour (tph) conveying equipment including six new trippers.
- Dowerin – new site development, four new bulkheads, three road discharge grids complete with associated 500tph conveying equipment including four new trippers, two 160 tonne weighbridges and type 10 sampling platform and a marshalling area.
- Chadwick – three new 20,000 tonne CS2000 cells.
- Moora – adjoining existing site, four new bulkheads, three road discharge grids complete with associated 500tph conveying equipment including four new trippers, a 160 tonne weighbridge and type 10 sampling platform and a marshalling area.
- York – new 96,000 tonne innovative horizontal storage is currently under construction to be completed in 2009.
- Installation of eight weighbridges at various sites including five unmanned weighbridges at Borden, Brookton, Dowerin, Merredin and Mingenew.
- Fabrication and supply of four Drive Over Grids, 22 Stackers, five Sample Platform Upgrades and three J Pit Upgrades.
- Equipment upgrades at Dumbleyung, Gairdner, Kojonup, Lake Grace and Cranbrook.

2008 Harvest Program

There were a number of emergency storages constructed during 2008 in preparation for an estimated higher than average harvest. These included:

- Cranbrook – two new open bulkheads.
- Dumbleyung – one new open bulkhead.
- Narrakine – three new open bulkheads and road discharge grid complete with associated 500tph conveying equipment. Installation of new type 10 sampling platform.
- Regans Ford – one new open bulkhead and associated equipment.
- Nyabing – one new open bulkhead.
- Pingrup – existing open bulkhead extension.
- Broomehill – two temporary open bulkheads.
- Lake Grace – machinery upgrade.
- Newdegate – construction of 55,000 tonne temporary storage on the Newdegate field day site.
- Kojaneerup – one temporary open bulkhead.

Summary of Storage Capacity



The CBH Group's network storage capacity has grown to 20,192,343 tonnes in 2008.

Maintenance

Bulkwest Engineering continued many major maintenance projects during 2008 including the Kwinana grain jetty, various pavement and road reconstructions and preliminary works associated with the upgrade of the control system at Metro Grain Centre to be undertaken in 2009.

The Geraldton concrete cells constructed in 1961 are undergoing major restoration work involving a trial repair on three cells using post tensioned, prestressed bands. A new emergency escape ladder is also being installed.

5-year Maintenance Strategy

Bulkwest Engineering and CBH Grain Operations have undertaken a detailed maintenance and condition review of the storage network in order to identify and prioritise work that will maximise the life of the CBH Group asset.

Sealed Storage Program

The expenditure on the 2008 Sealed Storage Program was unprecedented with \$5 million being invested to seal selected facilities at Albany, Avon, Binu, Bulyee, Kojaneerup, Marchagee, Miling, Southern Cross, Wongoondy and Yuna. A further 17 storages have been prioritised for urgent sealing maintenance in the 2009 program.

The program was particularly successful as unusually fine mid winter weather provided a significant benefit to the application of water based sealing materials on exposed structures. In addition to the application of sealing membranes, the scope of work also included skylight replacements, height safety installation, bottom wall sheet replacements, minor structural repairs, and minor repairs to floor surfacing.

Engineering & Construction External Work

Bulkwest Engineering completed external work to the value of \$4,580,713 during 2008. The company is now focused on the Chinese market, investigating both direct delivery of products to Bulkwest Engineering, to reduce the net costs of infrastructure to the CBH Group, as well as being able to adapt and develop engineering expertise from China to expand the company's capabilities in down stream grain processing and value add supply chain operations.

Accumulation

Delivering value to growers by offering traditional pooling services as well as a range of innovative grain marketing products for wheat, barley, canola and lupins.

Key Achievements

- Grain Pool acquired more than 1.1 million tonnes of wheat in Western Australia and fulfilled the 500,000 tonne wheat export licence.
- Grain Pool secured \$2 billion in funding during the global financial crisis.
- Grain Pool expanded its operations with a new office in Queensland.

In the 2007/08 season, Grain Pool marketed over 2.2 million metric tonnes of barley, canola and lupins to customers around the world. In addition, Grain Pool's trading agent, AgraCorp, accumulated over 1.1 million tonnes of wheat in Western Australia.

This result was achieved through overwhelming support for its wheat pools, following a second consecutive successful application for a bulk wheat export licence.

Grain Pool's malting barley, feed barley, lupin and canola pools continued to perform strongly against cash prices, providing solid returns to participating growers.


Focus on growers

Grain Pool remained focussed on providing grain growers across Australia with a high level of support for their marketing needs throughout the year.

In 2008, Grain Pool expanded its network of Regional Managers to eight, providing additional support and service to growers in rural Western Australia. This network of experienced professionals provides grain marketing information and local support for grain growers.

Grain Pool first entered the South Australian and Victorian markets in October 2005, trading under the name CBH Grain. In 2008, Grain Pool extended its operations nationally with the opening of a new CBH Grain office in Queensland. The Queensland office primarily focuses on the acquisition and trade of Prime Hard wheats which are utilised in the CBH Group's Interflour milling assets.





Changing environment

With an increasingly complex and competitive marketing environment, as a result of deregulation, Grain Pool focused on providing growers with simple, secure marketing options for their grain and introduced a number of new products in 2008 to assist growers.

An early contract bonus was made available for Grain Pool's traditional Harvest Pools for wheat, canola and barley, providing growers with an additional \$10-\$15 per tonne for contracting early and securing their place in the respective No. 1 pools.

In response to early pool closures during the 2007/08 harvest, Grain Pool also introduced Guaranteed Access Contracts with each of its No. 1 Harvest Pools for wheat, barley, canola and lupins in 2008.

The early closure of pools during harvest, combined with the removal of guaranteed access dates for pools, places growers in a difficult position, particularly if they have not yet completed their harvesting program or marketed their grain prior to a pool closing.

Guaranteed Access Contracts were introduced to alleviate this concern by allowing growers to secure their position in the No.1 Harvest Pool for wheat, barley, canola or lupins prior to physical delivery or transfer of the grain.

Financial strength

The impact of the global financial crisis late in 2008 gave cause for concern for Western Australian grain growers. However, Grain Pool was able to successfully secure funding facilities totalling around \$2 billion, giving it the capacity to market and fund virtually the entire Western Australian grain harvest and providing growers with security of payment for all grain delivered to Grain Pool in the 2008/09 season.

Marketing

Delivering value to customers by supplying quality grain that meets their requirements and international food safety standards.

Key Achievements:

- Revenue for Grain Pool was \$883 million up from \$451.8 million in 2007.
- Grain Pool was one of the first companies in Australia to be accredited to export wheat in bulk under the nation's new wheat marketing system.
- Grain Pool opened offices in Hong Kong, China and Japan.
- Almost 700 growers, representing 398 businesses, became quality assured under the Better Farm IQ program.
- 21 CBH Grain Operations receival sites became quality assured under the five-year strategy to have 100 percent of the grain supply chain quality assured.

Focus on Customers

Throughout 2008, Grain Pool regularly showcased Western Australia's grain growing region to international customer delegations and hosted 72 customers at the CBH Group's 75th anniversary celebrations.

In the Asian market, Grain Pool has further linked growers with customers through the establishment of a third regional office. Grain Pool has recently opened the CBH Grain Japan office in Tokyo, in addition to its office in Beijing (as part of the Grain Australia marketing alliance with ABB) and the CBH Grain Asia office in Hong Kong.

These offices will continue to strengthen links to both new and existing barley, canola, oats and lupin customers throughout the region. They also provide a link for new and existing customers to Australian wheat growers in the new wheat marketing environment.

Grain Pool believes these offices will not only facilitate long term marketing relationships and strategies into the region, they will also provide growers with clear market signals and long term competitive end users.

In the Middle East region, Grain Pool has worked hard to establish itself as a key Australian grain supplier. During 2008, the company signed an exclusive agency agreement for the sales and marketing of Australian bulk wheat and barley supplied by Grain Pool.

The agency agreement will strengthen Grain Pool's presence in a diverse region with a growing demand for quality Australian grain. The move into the Middle East provides growers with an increased international marketing service for their grain.

The company's established customers within the region have also warmly received the news of Grain Pool's bulk wheat export accreditation by providing new crop purchasing support for bulk wheat. The Middle East region will be a very active part of the Grain Pool's marketing plan during the 2009/10 season.





Wheat marketing

Grain Pool completed its first shipment from Australia under its historic wheat licence, which was granted in December 2006. The first shipment of 25,000 tonnes of wheat was loaded at the CBH Group's Esperance Terminal and went to the Makassar Port in Indonesia. The shipment represented a significant milestone for Western Australian grain growers and allowed them direct access to their own flour milling investment in Asia.

With the export licence and a number of additional container, domestic and east coast sales throughout the year, Grain Pool was able to deliver greater value to participating Western Australian growers.

In September 2007, the CBH Group again secured an export licence to supply its flour mills from the 2007/08 season's crop. Grain Pool received overwhelming support for its wheat pool, receiving tonnages in excess of those required to fulfil the wheat export licence and existing container and domestic sales demands for the season.

In August 2008, Grain Pool was one of the first companies in Australia to be accredited to export wheat in bulk, under the country's new wheat marketing system.

Focus on Quality

The CBH Group is addressing its customers' quality needs and proving its food safety credentials through a range of initiatives involving the company's three quality assurance programs – Better Farm IQ, CBH IQ and Grain Pool IQ.

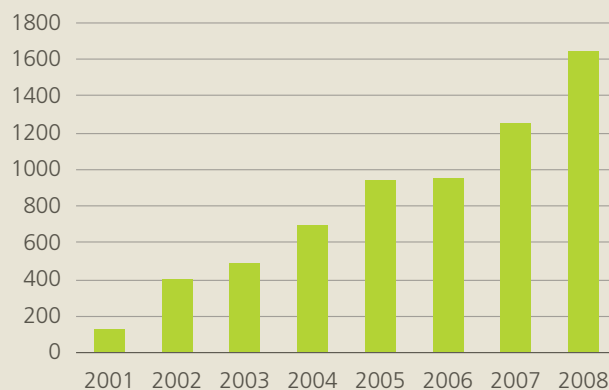
This culminated in the CBH Group delivering its first quality assured shipment of grain during 2008.

BFIQ

In 2007, the CBH Group introduced a five-year strategy aiming to have 100 percent of the grain supply chain quality assured by 2013, allowing total traceability of grain through the chain if a food safety hazard was to arise. During the year, 21 of the CBH Group's grain receival sites became quality assured.

The strategy is being managed through Better Farm IQ, the CBH Group's on-farm quality assurance program, and during 2008 it trained almost 700 growers representing 398 businesses.

Better Farm IQ Grower Numbers to 2008



Over 1,600 growers, or approximately 30%, are now quality assured under the CBH Group's Better Farm IQ program.

Marketing CONTINUED

CBH IQ

The CBH Group's internal quality control is managed by CBH Integrated Quality (CBH IQ). In 2008, the company successfully retained its ISO 9001:2000, HACCP and SQF 2000 quality and food safety certifications.

The CBH Group also sustains high standards and a Code of Practice for road transporters, and successfully maintained its Heavy Vehicle Accreditation and Good Management Practice B2 (GMP+).

GP IQ

Grain Pool's commitment to providing its customers with quality grain that meets their requirements and international food safety standards continued during 2008 with the GP IQ Grain program.

The program was first introduced in 2007 and provides customers with access to an exclusive quality assured system, the first of its kind in Australia. Since its introduction, Grain Pool has supplied GP IQ grain, covering wheat, canola, barley and oats to markets throughout Asia.

Grain Pool expects demand for this product will continue to increase in coming years as the international focus on food safety becomes more prevalent.

Grain Pool Technical Team

Grain Pool recognises the importance of consistently delivering high quality grain to customers. To ensure this quality is met, Grain Pool has established a highly experienced in-house technical team to deliver quality grain to customers, as well as provide post sales support to customers.

Applied Technology

The CBH Group launched a distributor partnership with FOSS, the manufacturers of the infrared analyser called Infratec 1241. The CBH Group has worked on the research and development of a mobile grain analyser for growers' on-farm use with FOSS and this year became the sole WA distributor of the Infratec-Sofia (Small On-farm Infrared Analyser).

The partnership allows the CBH Group to monitor the calibrations and servicing of each instrument, maintaining a high level of service to growers and in turn ensuring the highest quality grain for customers from the paddock.





Shipping & Chartering

Grain Pool continued to work closely with its flour milling partners in South East Asia this year to deliver logistical and freight savings to both parties.

Container volumes continued to grow, driven by high bulk freight rates and deregulation of wheat container exports. Payment was received in full for all shipments during the season.

Adding Value

Grain Pool and Hudson Shipping Lines formed the shipping joint venture United Bulk Carriers Pty Ltd (UBC) in 2005 to administer a freight agreement between the two companies.

During 2007 UBC commenced a two-year time charter on the newly launched 56,000 tonne bulk-freight carrier MV African Kookaburra.

UBC is now the largest carrier of dry-bulk cargo from Western Australia to Europe, shipping a majority share of available parcel cargo from Western Australia. Despite a drought year, the partnership operated very successfully in the past year. During the year UBC shipped 1,000,000 metric tonnes of non-grain cargo from both Western Australia and other global destinations.

The partnership, and its charter on MV African Kookaburra, ensures Grain Pool cargoes are shipped at the best market rates whilst also offering the Group a share in profits generated through parcelling non-grain cargoes.

Processing

Delivering value through its Asian flour milling investments, the CBH Group is the centre of a unique and integrated supply chain that secures demand for Western Australian wheat.

Key Achievements:

- Flour milling operations recorded Profit Before Tax of \$20.9 million.
- Over one million tonnes of wheat exported predominantly to its mills in South East Asia.
- Interflour launched new bio-technology production plant in Malaysia.

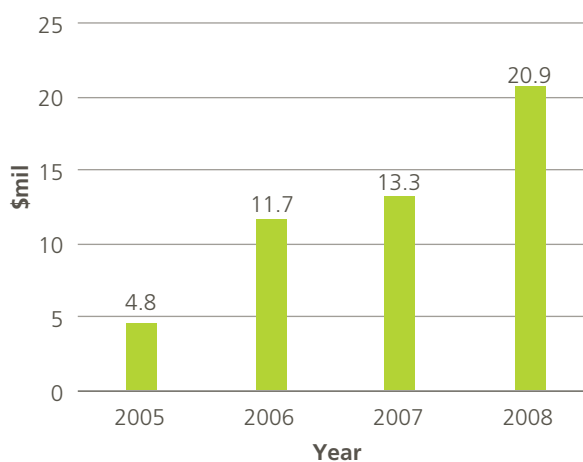
The CBH Group has investments in six flour mills located across South East Asia.

The investments have secured valuable markets for Western Australian wheat growers. More than one million tonnes of wheat have been shipped by the CBH Group since it first gained a licence to export wheat in 2006/07. Most of that was supplied to its mills in South East Asia.

Investment in the flour mills has provided the CBH Group, and the growers of Western Australia, with more than market access and financial benefit through profit share arrangements.

Through its partnerships, the CBH Group is able to convey clear market signals and unique feedback from its international customers direct to growers. At the same time the CBH Group is able to influence the proportion of Australian wheat consumed by the mills.

Operating Net Profit Before Tax



The flour mills made a \$20.9 million profit in 2008, up 300 percent since 2005.



Flour Mills

The flour mills have performed strongly during 2008, experiencing improved financial results during a period of record wheat prices and significant foreign currency volatility.

The flour mills reported a Profit Before Tax of \$20.9 million, with \$9.6 million attributable to the CBH Group. This is 300 percent higher than the \$4.8 million recorded for the 10 month period 1 January 2005 to 31 October 2005, the first financial period after the CBH Group obtained a share in the flour mills.

The strong financial position today is the result of implementing several key initiatives since the CBH Group's initial investment in 2004.

Continuous efforts to reduce costs including improving operational efficiencies, processes and gristing, enhanced sales force effectiveness, delivering innovative customer solutions, value chain initiatives, and enhanced risk management and governance have contributed to the mills' positive financial performance. The CBH Group is confident the mills now have a unique operating model that will ensure long term viability in these important growth markets.

The mills will continue to make cost savings and enhance their established financial and market position through adding strategic investments. Through increased scale, the mills plan to further leverage procurement and logistic initiatives.

The business is therefore well positioned for future growth but the outlook for the immediate future is challenging with falling commodity prices and highly competitive conditions as a result of the depressed global economy.

Research, Development and Biotechnology

The UiTM Research and Development Commercialisation Centre in Malaysia was created to provide a platform for collaborative research and development work with key customers and international agencies.

The Centre has been fundamental in conducting product development and research work on the natural starter dough concentrate Panatura Instant, which is used for the production of yeast-raised products.

During the year Interflour opened a bio-technology plant in Malaysia at the company's Prestasi Flour Mill near Kuala Lumpur, where the new product is now produced in commercial volumes.

The new plant is the first in the world to use bio-technology in the development of ingredients that can be used in the manufacture of bread and bakery products.

One of the key benefits for customers is that the use of the Panatura product eliminates the need for them to use more expensive, man-made chemical additives in their bread production.

As well as the Panatura product, the new plant will use extrusion technology to develop other flour products including flour fortified with iron and folic acid, to assist in the prevention of spina bifida, and flour products developed from lupins.

Our People

Delivering value to over 2,500 staff and 4,800 grower members through people development programs and a focus on customer service.

Key Achievements:

- Won NAB Agribusiness Employer of Choice award.
- Grower Service Centre restructured to provide additional support to growers.
- The combined Workshop, Sealing and Projects Teams at Bulkwest Engineering achieved one year injury free.
- Reduction in the time lost to workplace injuries.
- Implementation of the Next Crop talent development program.

Our Staff

Safety and Health

The CBH Group aims to achieve an injury free work environment through a strong focus on continuous improvement of the company's safety practices. The CBH Group takes a holistic view of occupational safety and health, recognising the importance of general health and well-being in the workplace.

The CBH Group has implemented numerous initiatives to increase the health and safety of its employees including providing medical insurance to all country located staff and their families, Healthy Heart Checks for all staff and health assessments.

The CBH Group aims to raise awareness of safety issues amongst staff and growers. The Targeting Zero Injuries campaign was officially launched in May 2008 with safety initiatives rolled out in country areas.

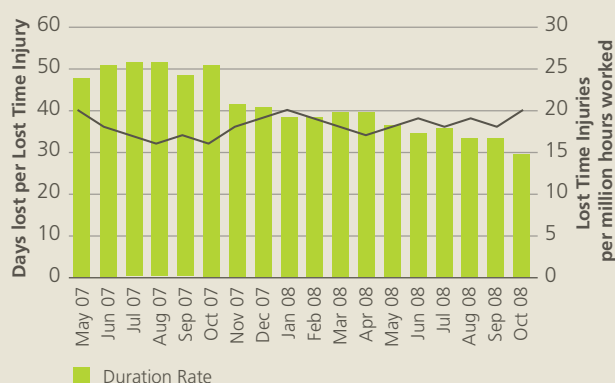
The company introduced a monthly internal newsletter highlighting health and safety issues as well as comprehensive communication with growers relating to harvest safety issues with an aim of reducing workplace injuries to zero.

Due to the strong safety push, employees became more aware of safety hazards and their responsibilities within the workplace and this resulted in a reduction of the duration in the time lost to workplace injuries.



This increased level of awareness was also reinforced by the results of an employee engagement survey with 90 percent of respondents agreeing that "safety is my responsibility".

The combined Workshop, Sealing and Projects Teams at Bulkwest Engineering in Bibra Lake achieved one year injury free, which resulted in the successful achievement of a zero LTIFR (Lost Time Injury Frequency Rate) in September 2008. This is a significant result within the engineering and construction industry.



Lost Time Injury Frequency Rate (LTIFR) is an industry standard to measure the number of injuries per million man hours worked while the duration rate is the time taken away from work due to injury. The CBH Group saw a reduction in duration rate during 2008, as a result of various safety initiatives.

People Development

The CBH Group recognises that in an increasingly competitive environment, its people become its competitive edge. The company has a strong commitment to the growth and development of its people and was named the Agribusiness Employer of Choice at the NAB Agribusiness Awards in 2008.

The award recognises excellent corporate leadership; a focus on personal growth and development of employees; recognition and reward of performance and a concern for the physical and mental well-being of employees.

Initiatives such as talent identification, an emphasis on mentoring, succession planning, a focus on front line management and financial assistance for study purposes support the CBH Group's aim to be the standout employer for the best people in the grain industry and connect the right people to the right roles.

The annual performance and development process ensures all staff have access to development opportunities that build skills for their current role as well as their own career and professional development goals.

The company provides a broad range of opportunities to employees through both on-the-job and off-the-job development.

In addition to senior managers and front line supervisor strategies the CBH Group is piloting a development framework for emerging leaders. The Next Crop is an innovative talent development program aiming to challenge talented individuals and prepare them for future roles; recognise staff for their skills, capability and talents; introduce an employee-driven approach to development; provide opportunities to develop professional networks with other parts of the business; and encourage greater interaction with senior management.

The CBH Group has a Total Reward Program which is designed to motivate and reward superior performance; provide competitive salaries and benefits to attract and retain staff; and ensure alignment of effort to deliver on the company's overall business strategies.

Strengthening the employment brand

The CBH Group recognises that a strong employment brand is necessary to attract and retain the people needed to deliver quality products and services to growers and customers.

As part of a longer term initiative to strengthen the CBH Group employment brand, the company has introduced a number of changes to recruitment practices including the implementation of a new online recruitment system.

In response to tight labour market conditions, the CBH Group also launched creative harvest recruitment campaigns using radio advertising and targeting new workforce segments such as the 'grey nomads'.

Our Grain Growers

Grower Service Centre

The CBH Group restructured its Grower Service Centre this year to provide additional support for Western Australian growers under the new Grain Express arrangements.

The Grower Service Centre operates from West Perth and provides assistance for all CBH Group general enquiries, provides Grain Pool information and prices and conducts load nominations for growers not using LoadNet.

To assist with the anticipated increase in calls due to the movement of grain marketing selections to LoadNet, the Grower Service Centre increased its casual staff numbers and implemented a comprehensive training program throughout September and October 2008.

The Grower Service Centre is staffed throughout the year by six full-time employees and an additional 17 casual employees during harvest.

To assist the Grower Service Centre Operators to efficiently deal with enquiries and to comply with the Information Segregation requirements of Grain Express, a simple three option menu system was introduced this year.

The CBH Group remains committed to ensuring growers contacting the Grower Service Centre can speak with an Operator as soon as possible.

Sustainability

Delivering value to all our stakeholders by protecting, sustaining and enhancing the human and natural resources needed for the future.

Key Achievements:

- Around 3000 shareholders, community members, customers and staff enjoyed a rare musical performance in York to celebrate the CBH Group's 75th anniversary.
- Over 2 million litres of water saved during 2008.
- Over 15 tonnes of plastics based waste collected and returned for recycling.
- Implemented local native vegetation rehabilitation and planting programs to off-set native vegetation cleared during site expansions.

Sustainable Planet

The CBH Group regards the protection of the environment and the conservation of natural resources as an essential element of the company's operations and crucial to the long term sustainability of agriculture in Western Australia.

A key corporate objective is to ensure we better understand, and continually reduce, our overall environmental footprint.

A number of initiatives and actions ensured we continued our progression towards this goal.

Environmental Management Systems

During the last year the CBH Group maintained certification to the International Standards Organisation ISO14001 Environmental Management Standard at all port terminals, with no major corrective actions or non compliance issues raised. The company increased its formal environmental audit and monitoring programs from 22 to 40.

Water Saving

A widening of water saving initiatives across the business saw over 2 million litres, or two Olympic size swimming pools, of potable water saved in the last year at the CBH Group.

In addition, the CBH Group continues to install a range of water capture facilities at operational sites, where storm water is collected for internal use or use by local communities and local emergency services.

CBH Sustainable Fleet Initiative

The CBH Group implemented the Sustainable Fleet Initiative which resulted in over 15 percent of its passenger fleet transitioning to vehicles that have smaller engine capacities, better environmental emission ratings and higher vehicle safety ratings.



Energy Reduction

The CBH Group continued to maximise the energy efficiency of its operations and reduce energy usage across the company. It conducted a Harvest Energy Management program including an award for the most energy efficient site.

In 2008 the Data Capacity Project was introduced and resulted in a reduction in the energy consumption of the CBH Group's data centre while still ensuring a three fold increase in computing and data storage capacities.

Waste Management

While a focus was maintained on minimising the overall amount of waste generated by CBH Group activities, other initiatives centred on achieving the goal of sustainable waste management programs for all CBH Group waste streams.

During 2008 the company introduced co-mingled recycling at Head Office in West Perth and over 15 tonnes of plastics based waste was collected for recycling. The existing recycling programs for waste streams such as paper, oil, and scrap metal, continued to lower the CBH Group's burden on land fill sites around the state.

Sustainable Progress

Ensuring sustainable development principles are integrated and adapted into all CBH Group plans and activities continued to be a key objective for the CBH Group.

In the last year, the company commenced the expansion of Chadwick receival site which borders the internationally protected Lake Warden RAMSAR wetlands.

Through the implementation of environmental management plans the CBH Group was able to ensure no adverse ecological impacts during construction or operations of the site, and ensured the company continued to meet all Commonwealth and State environmental requirements.

The CBH Group implemented local native vegetation rehabilitation and planting programs to off-set native vegetation cleared during site expansions, and continued its tree retention program at relevant sites.

A CBH Group Sustainable Procurement Policy was implemented, giving consideration to environmental performance and opportunities to 'buy local' in the procurement of materials, products and services.

Sustainability CONTINUED

Sustainable Communities

The CBH Group continues to strive to be involved in building strong and sustainable communities both within the industry and the rural environments we operate in.

Major Partnerships

West Australian Symphony Orchestra

The CBH Group in partnership with the West Australian Symphony Orchestra proudly celebrated its 75th anniversary with a free concert for over 3,000 shareholders, community members and customers.

The CBH Group continued its partnership with the West Australian Symphony Orchestra for a third consecutive year to take the Education Chamber Orchestra (EChO) to towns in the West Australian grainbelt.

Over the past three years, the partnership has allowed more than 8,500 young people from almost 60 schools across regional Western Australia to experience a unique cultural and musical experience. EChO will tour Esperance in 2009.

WA Country Football League

The CBH Group continued its sponsorship of the West Australian Country Football League. This year saw the five year partnership proudly host a WAFL game in Geraldton, with over 2,000 community members attending the CBH Cup between East Fremantle and Perth Football Clubs.

The National Breast Cancer Foundation

The CBH Group took part in the Global Illumination project supporting the work of the National Breast Cancer Foundation. CBH Grain Terminals in Albany, Esperance, Geraldton and the MGC were highlighted pink as part of a worldwide campaign to raise funds for the prevention and cure of breast cancer.

Donations

The company launched a partnership with Foodbank during 2008 to facilitate a grain donation program. The CBH Group also proudly made donations to many charities including the Royal Flying Doctor Service, Australian Red Cross and St Vincent De Pauls.

Education

The CBH Group values providing educational opportunities for growers, industry leaders of the future and rural children.

During 2008 the company proudly sponsored the Nuffield Scholarship, the Women in Leadership program, the Muresk Dux Agribusiness award, the Little Learners Program in Kellerberrin and Muresk Institute of Agriculture Grain Marketing course.

Seed Donation Program

The CBH Group coordinated a Seed Donation Program in conjunction with Department of Agriculture and Food and the Morawa Dry Season Focus Group. The program received an overwhelming response from WA growers to assist their fellow producers who were in need. Growers responded generously by donating 1,500 tonnes of seed to 80 growers requesting a seed donation.

Local & Industry Sponsorship

The CBH Group supports local communities through sponsorship of events, development projects and community and industry organisations. In 2008 these included:

- Bike to Ballidu
- Go Narembeen Interactive Centre
- Wheatbelt Women's Day in Bruce Rock
- The Young and the Restless – Rural Youth Group Dowerin
- Three Springs Play Group
- Avondale Harvest Festival
- Wongan Hills Art Society
- Wheatbelt Individual & Family Support Association
- West Australian Federation of Rural Youth
- Wickepin Centenary Celebrations



- Morawa Farm Improvement Group
- Liebe Group
- Mingenew Irwin Group
- SEPWA
- Facey Group
- Pastoralist & Graziers Association
- Western Australian Farmers Federation
- WA No Till Farming Association
- Tennis West
- Hockey WA

Staff Community Involvement

The CBH Group actively supported its employees to participate in numerous corporate events, community activities and fun runs. These attracted large numbers of keen employees to achieve personal goals, raise funds for charity or just to have fun.

The CBH Group was proud to support corporate teams during MoVember in raising money for, and awareness of, men's prostate cancer and depression, and for charity sporting events held on behalf of the Activ Foundation, Heart Foundation, Asthma Foundation, Hope for Children, and the St John of God Foundation's Horizon House Project.

The company continued its support of the Office of Road Safety's 'White Ribbons Campaign' and helped to communicate road safety messages at a number of CBH Group community events during the year.

Board of Directors



Neil Wandel MAICD Chairman

Neil Wandel was elected as a Director of CBH in 2002 and was appointed as Deputy Chairman of the CBH Group Board in May 2005, before becoming the Chairman in April 2008. He is the Chairman of the Board's Remuneration and Nomination Committee; a member of the Investment Committee and a Director of the Trustee of the CBH Superannuation Fund. Mr Wandel produces grain and cattle on his property at Scadden, near Esperance, in the State's South East. Mr Wandel was an inaugural member and Chairman of the Pulse Association of the South East (PASE) until 2002. Mr Wandel is a Member of the Australian Institute of Company Directors.

Walter Newman MAICD Deputy Chairman

Walter Newman has been a member of the CBH Board since August 2000. He is the Chairman of the Board's Communication Committee and a member of the Remuneration and Nomination Committee. Mr Newman is a Member of the Australian Institute of Company Directors and operates a grain and sheep property at Newdegate.

Trevor Badger MAICD

Trevor Badger was elected as a Director of the CBH Group in April 2007. He is a member of the Board's Audit and Risk Management Committee and Communication Committee. Mr Badger produces grain and sheep on his properties in Pingrup, Mindarabin and Lake Cairlocup in Western Australia's South West. He has held executive positions on various grower representative bodies in Western Australia and is currently Chairman of the Pingrup CBH Water Harvesting Project and the Lake Chinocup Catchment Resource Management Committee. Mr Badger is a Member of the Australian Institute of Company Directors.

Vern Dempster GAICD

Vern Dempster was elected as Director in April 2008 and is a member of the Board's Communication Committee. Mr Dempster is an experienced grain and sheep farmer from Northam, located in Western Australia's central wheatbelt. In addition to upholding various positions with the Western Australian Farmers Federation (WAFF), Mr Dempster was a Director of United Farmers Co-operative, from 2000 to 2003. Mr Dempster is a Graduate of the Australian Institute of Company Directors.

Kevin Fuchsbichler MAICD

Kevin Fuchsbichler was elected to the CBH Group Board in April 2007. He is a member of the Board's Communication Committee. Mr Fuchsbichler is a grain producer from Bruce Rock, with over 30 years experience in the industry. He is a past State President of the International Agricultural Exchange Association, an inaugural Board member of the International Rural Exchange and a Director of the Bruce Rock Bendigo Community Bank. He is also a Member of the Australian Institute of Company Directors.

Rodney Madden FAICD

Rodney Madden was elected as a Director of CBH in April 2006. Mr Madden is a member of the Board's Audit and Risk Management Committee. In recognition of his contribution to agriculture, Mr Madden was awarded the Sir John Monash Gold Medal Award for Agribusiness Co-operative Directors in 2002. He is a Fellow of the Australian Institute of Company Directors. Mr Madden produces grain and sheep on his farm in Morawa.

Clancy Michael MAICD

Clancy Michael was elected as Director to the CBH Board in April 2008. Mr Michael has over 30 years of mixed farming experience in the Midwest and currently farms in Mingenew. He was the inaugural Vice Chairman of the Mingenew Irwin Group (MIG) between 1997 and 2007. Mr Michael was also a founding member, and is the current Chairman of the Reference Group of the Grower Group Alliance, an organisation set up to develop effective information channels between farmer grower groups and research organisations. Mr Michael is a member of the CBH Group Board Remuneration and Nomination Committee. He is also a Member of the Australian Institute of Company Directors.

Mick McGinniss Dip.Ag. MAICD

Mick McGinniss was elected to the CBH Board in November 2002. Mr McGinniss is a member of the Audit and Risk Management Committee and of the Investment Committee. He has been a Director of the Grains Research and Development Corporation and he is a Member of the Australian Institute of Company Directors. Mr McGinniss is a grain grower in the Merredin area.



Steven Tilbrook FAICD JP

Steven Tilbrook was a Director of the Grain Pool from 2001 to 2002 and was elected to the CBH Board in November 2002. He is a member of the Remuneration and Nomination Committee and a Fellow of the Australian Institute of Company Directors. Mr Tilbrook is the Chairman, and CBH Group representative, of the Western Region Barley Council. He has been a grain grower at Mount Madden for 45 years.

Directors With Special Skills

Lloyd Guthrey FCPA SFFin FAICD

Lloyd Guthrey was appointed to the CBH Board in November 2002, having been a Grain Pool Director since 1995. He is Chairman of the Audit and Risk Management Committee and a member of the Investment Committee.

Mr Guthrey has extensive board experience in a wide range of organisations in the private and government sectors. These include previous positions as Chairman of Keystart Loans Ltd; Chairman and Audit Committee Member of the State Housing Commission; and member of the Audit Committee for the Department of Housing and Works. His current appointments include Deputy Chairman – Finance of the Winston Churchill Memorial Trust.

He held the position of Chief Executive's Representative and State Manager Retail Banking at the ANZ Banking Group; Deputy Chairman of Town and Country Bank Ltd; and the General Manager, Personal Banking India for ANZ Grindlays Bank.

Mr Guthrey is a Fellow of the Australian Institute of Company Directors and the Australian Society of Certified Practising Accountants, and a Senior Fellow of the Financial Services Institute of Australasia.

Ken Palmer CPA FAICD IMIA

Ken Palmer was appointed to the CBH Board in November 2002 having been a Grain Pool Director from 1993 to 2002. He has extensive international marketing, business and accounting experience and is a member of the Audit and Risk Management Committee, Investment Committee and Chairman of the CBH Group's shipping joint venture company, United Bulk Carriers Pty Ltd.

Mr Palmer previously held the position of Managing Director, Executive Director and Non Executive Chairman at the MG Kailis Group and Managing Director of WA Seafood Exporters Pty Ltd as well as Executive Director of his own international marketing and business consultancy. He is currently a Director of the Nulsen Haven Association (Inc) which is a not-for-profit charitable organisation.

Mr Palmer is a Fellow of the Australian Institute of Company Directors and a Certified Practising Accountant.

Denis Thompson MAICD FAIM

Denis Thompson was appointed to the CBH Board in November 2002. Mr Thompson is the Chairman of the Board's Investment Committee and a member of the Remuneration and Nomination Committee and Communication Committee.

Mr Thompson previously held the Managing Director position with the Sunday Times, Herald and Weekly Times and most recently West Australian Newspapers. He has been a Board member of the Australian Institute of Management (WA), WA Chamber of Commerce and Scitech as well as sitting on the advisory board of financial planning group Affiniti Financial. In 2001 he was chosen as one of the top six best Chief Executive Officers in a Bulletin Magazine Poll.

Mr Thompson's previous commercial directorships include Mirror Newspapers Ltd, Chairman Wespre Holdings Ltd (Sunday Times), Director of Ansett W.A., Director Herald & Weekly Times Ltd., Chairman Community Newspapers Ltd and a Director of West Australian Newspapers Holdings Ltd. He is currently a Member of the Australian Institute of Company Directors.

Company Secretary

David Woolfe LLB (Hons), B.Juris (Hons), GAICD, ACIS

David Woolfe commenced as the Company Secretary and General Manager of the Legal Division of the CBH Group in October 2003. Prior to joining the CBH Group, Mr Woolfe was a partner of national law firm Freehills for seven years. In addition to his legal qualifications, Mr Woolfe is a qualified Chartered Secretary. He is a Graduate of the Australian Institute of Company Directors and an Associate of the Institute of Chartered Secretaries and Administrators.

Senior Management Team



Imre Mencshelyi - Chief Executive Officer

Imre Mencshelyi was appointed Chief Executive Officer in 1996.

Imre is a Fellow of the Australian Institute of Company Directors and has undertaken a number of management courses including the Executive Development Course at the Australian Management College and INSEAD.

Imre is the current Chairman of Interflour Holdings Ltd, a Commissioner of PT Eastern Pearl Flour Mill, a Director of Pacific Agrifoods Limited, Pacific Agrifoods Investments Pty Ltd and the CBH Superannuation Fund, and the immediate past president of the Australian Grains Institute after 14 years.

Allyn Wasley - Chief Financial Officer

Allyn Wasley was appointed Chief Financial Officer in 2002 and is responsible for the financial management of the CBH Group.

Allyn holds a Bachelor of Business in Accounting and a Post Graduate Diploma in Management from Curtin University. He is a Graduate of the Australian Institute of Company Directors.

Allyn is a Director of Pacific Agrifoods Investments Pty Ltd, Pacific Agrifoods Ltd, Interflour Holdings Ltd and Westgrains Insurance. He is also a Commissioner of PT Eastern Pearl Flour Mill.

Dr Andrew Crane – General Manager Strategy and Business Development

Andrew Crane was appointed General Manager Strategy and Business Development in 2008 after holding the position of General Manager Grain Pool Pty Ltd since 2003, following the merger with Co-operative Bulk Handling Ltd.

Andrew holds a BSc (Hons) in Environmental Studies, a PhD in Agriculture and is a Graduate of the Australian Institute of Company Directors. Andrew is also a Director of Interflour Holdings Ltd, United Bulk Carriers Pty Ltd and Australasian Lupin Processing. He is the Chairman of the Australian Grains Institute.

Brian Mumme – General Manager Grain Pool

Brian Mumme was appointed to the position of General Manager, Grain Pool Pty Ltd in 2008. He oversees the operation of Grain Pool, including the acquisition and export of wheat, barley, canola and lupins as well as grain trading through the Grain Pool's agent, AgraCorp Pty Ltd.

He previously held the position of Head of Manufacturing – International Supply and Trading (IST), Oil Europe and Finance with BP (London). During his career at BP, Brian gained extensive experience in international supply chains, specifically in the areas of marketing, shipping, trading and operations. He holds a Bachelor of Chemical Engineering degree with Honours.

Colin Barry – General Manager Bulkwest Engineering

Colin Barry was appointed General Manager Bulkwest Engineering, a wholly-owned subsidiary of CBH Ltd, in 2003. Colin is responsible for all business activities of the company; including the CBH Group annual capital works programme and management of the Group's storage and handling assets.

He holds a Diploma in Business Management and is a Graduate of the Australian Institute of Company Directors.

Colin Tutt - General Manager of Operations

Colin Tutt was appointed CBH General Manager Operations in 1995. Colin is responsible for overseeing the storage and handling operations including grain receivals, logistics and quality.

He holds a Diploma in Business Management from the Mt Eliza Management College and is a Graduate of the Australian Institute of Company Directors.

David Woolfe - General Manager Secretarial and Legal

David Woolfe commenced as the General Manager, Secretarial and Legal in October 2003. He is responsible for the company secretarial and corporate governance functions of the CBH Group.

David is a qualified lawyer and Chartered Secretary. He is a Graduate of the Australian Institute of Company Directors and an Associate of the Institute of Chartered Secretaries and Administrators.



Doug Fairall – Chief Information Officer

Doug Fairall was appointed Chief Information Officer in January 2008 and is responsible for all aspects of information technology and systems. He has held numerous positions within the CBH Group ICT division since 2002.

Doug has worked in both the UK and Zimbabwe at various organisations including software suppliers, banks and data centres. He holds a Bachelor of Commerce (Business Information Systems & Economics) from Rhodes University, South Africa with international industry accreditations including ITIL Managers Certificate, PRINCE2 Practitioner and various technical certifications.

Jomay Verrier – General Manager People and Performance

Jomay Verrier was appointed General Manager People and Performance in 2003 and left the Company in January 2009. She was responsible throughout the 2007/08 financial year for the human resources, organisational development, safety and health portfolios within the CBH Group.

Jomay holds a Bachelor of Business degree and is a Graduate of the Australian Institute of Company Directors.

Karlie Mucjanko – General Manager Corporate Affairs and Grower Services

Karlie Mucjanko joined the CBH Group in 2005 as a Marketing and Communications Advisor before taking on the role of Manager Corporate Affairs in November 2005 until May 2008. She is currently the General Manager Corporate Affairs and Grower Services.

Prior to joining the CBH Group, Karlie was the Public Relations Manager for Kondinin Group and the Communications Officer for the WA Farmers Federation. Karlie holds a MBA (Executive) from the University of WA and a Bachelor of Arts (Communications and English & Comparative Literature) from Murdoch University.

Rob Maurich – Chief Risk Officer

Rob Maurich was appointed Chief Risk Officer in 2004. He previously held the position of Manager Risk & Treasury for Grain Pool Pty Ltd. He is responsible for risk management, internal audit, compliance and insurances for the CBH Group.

Rob is a Chartered Accountant, a Fellow of Financial Services Institute of Australasia, a Fellow of the Finance & Treasury Association and a Graduate of the Australian Institute of Company Directors. He has a Bachelor of Commerce (Honours) and a Master of Accounting from the University of Western Australia. He is also a Director of Westgrains Insurance Pte Ltd.

Richard Codling - Group General Counsel

Richard Codling joined the CBH Group in 2005 as a Legal Counsel before being promoted to Group General Counsel in 2008. Richard is responsible for ensuring that the CBH Group's legal requirements are met.

Prior to joining the CBH Group, Richard worked for two prominent Australian law firms and a significant energy utility in the United Kingdom. Richard is currently the company secretary of Wheat Australia Pty Ltd. Richard holds a Bachelor of Laws and a Bachelor of Science (Pharmacology) from the University of Western Australia and is admitted to practice law in the Supreme Court of Western Australia and the Federal and High Courts of Australia.

Tim Collins – Executive Manager Logistics

Tim Collins was appointed Executive Manager Logistics in 2007. He previously held the position of Executive Manager Australian Grains Centre and Executive Manager Business Development following the sale of Bulkwest Logistics in 2005 of which he was General Manager.

Tim holds a Bachelor of Business in Transport Economics and Logistics from the Royal Melbourne Institute of Technology, a Master of Management from the Macquarie Graduate School of Management and a Masters of Business Administration from the Southern Cross University in NSW. Tim is a Member of the Chartered Institute of Logistics and Transport and a Graduate of the Australian Rural Leadership Program and the Australian Institute of Company Directors.

Corporate Governance

This Statement outlines the main corporate governance practices of the CBH Group's system of governance for the year ended 31 October 2008.

The CBH Group of Companies has in place a Corporate Governance Charter setting out the role, responsibilities and powers of Directors and documenting the way the Board functions. Throughout the year, the Board updated a number of policies to reflect changes in law and best practice and adopted new policies in areas previously not covered to ensure that appropriate corporate governance processes are in place within the CBH Group.

The CBH website (www.cbh.com.au) contains copies or summaries of key corporate governance policy documents.

The Roles of the Board and Management

The Board of Directors is responsible to shareholders for the performance of CBH and its controlled entities. The Board of each Company within the CBH Group is responsible for all matters relating to the running of that Company.

The Charter identifies the relationship between the Board and Management. The Board's role is to govern, rather than manage, the organisation. In governing the Company, the Directors must act in the interests of the Company as a whole. It is the role of senior management to manage the organisation in accordance with Board policies and the direction determined by the Board.

The CBH Board is responsible for and has the authority to determine all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary in order to achieve the Company's objectives. The Board has the final responsibility for the successful operations of the Company. Without limiting this general role of the Board, the specific or principal functions and responsibilities include:

- providing the overall strategic direction and approving corporate strategy of the Company;
- setting the goals of the CBH Group, including short, medium and long-term objectives;
- appointing and approving the terms and conditions of employment of the Chief Executive Officer and the Company Secretary;
- reviewing and approving the annual and long-term operating budgets;
- reviewing and approving capital expenditure, including the annual capital and miscellaneous budgets;
- monitoring the effectiveness of risk management policies and practices;
- monitoring the operational and financial performance of the Company; and
- monitoring compliance with legislative, occupational health, safety and environmental and ethical standards.

The Board carries out its activities through the Chief Executive Officer, to whom specific powers and responsibilities have been delegated.

Board Structure

The CBH Articles of Association provide for the following 12 member Board structure:

- the election of Directors from four districts comprised of Albany, Esperance, Geraldton and Kwinana. These Directors must have their main grain growing interests in the district for which they are elected. There are two Directors from each district except Kwinana, from which there are three Directors in recognition that Kwinana is the largest district in terms of shareholders, production and geographic area; plus
- the appointment by the Board of up to three Directors with special skills as the Directors consider appropriate to provide expertise or skills in certain fields that will broaden the overall experience of the Board of Directors.

The Board appoints a returning officer to conduct the election of district-elected Directors in accordance with the Articles.

Prior to the appointment or reappointment of a Director with special skills, the Remuneration and Nomination Committee identifies and considers a number of potential candidates. The Committee then makes a recommendation to the Board with regard to a preferred candidate and the Board makes a final decision as to the Director to be appointed.

The term of office for a district-elected Director expires at the third ordinary general meeting after election. The term of office for Directors appointed for their special skills is up to three years with their appointment to be ratified by members at the next general meeting following their appointment or re-appointment.

There is no maximum age limit for a Director or an age after which a Director must be re-appointed on an annual basis.

The names of Directors in office at the date of this report, the commencement date of their current term and the expiry of their current term is set out in the table below.

Name of Director	Current Term Commenced	Current Term Expires Annual Ordinary General Meeting
T N Badger	4 April 2007	April 2010
V A Dempster	2 April 2008	April 2011
K J Fuchsbichler	4 April 2007	April 2010
*L F Guthrey	2 April 2008	April 2011
R G Madden	5 April 2006	April 2009
M E McGinniss	5 April 2006	April 2009
M C Michael	2 April 2008	April 2011
W A Newman, Deputy Chairman	2 April 2008	April 2011
*K G Palmer	4 April 2007	April 2010
*D W Thompson	5 April 2006	April 2009
S J Tilbrook	4 April 2007	April 2010
N J Wandel, Chairman	5 April 2006	April 2009

*denotes Director with special skills

All current Directors are non-executive Directors and in addition to their role as a Director of CBH, each Director is also a Director of each of the wholly owned operating subsidiaries of the CBH Group. All Directors have formal letters of appointment.

In accordance with CBH's Articles of Association the CBH Directors elect the Chairman and Deputy Chairman. Mr N J Wandel is the elected Chairman and Mr W A Newman is the elected Deputy Chairman.

The roles of Chairperson and Chief Executive Officer are not exercised by the same person.

Details of the background, experience and skills of each of the Directors is contained in pages 26 and 27 of this report.

Induction of New Directors

New Directors are provided with a formal letter of appointment which sets out the key terms and conditions of their appointment, including their duties, rights and responsibilities, the time commitment envisaged in the role and the Board's expectations in respect of involvement with Board Committees.

In addition, new Directors receive a comprehensive Induction manual and complete a Director Induction programme which includes meeting with the Chairman, CEO, Audit and Risk Committee Chairman and key executives. The programme also includes site visits to key CBH Group operations and CBH related computer training.

Role of Individual Directors and Conflicts of Interest

The charter outlines the policy and process to be followed in respect of Conflicts of Interests and Related Party Transactions. All Directors have given other Directors standing notice of the nature and extent of their interest in matters that relate to the affairs of companies within the CBH Group. A Director who has a conflict of interest must immediately disclose that interest to the Board and must not be present when the matter is being considered or vote on the matter, unless the Board have passed a resolution to enable the Director to do so.

Meetings of Directors

The Board meets formally at least 10 times a year, with additional meetings being held as required. On the invitation of the Board, members of senior management attend and make presentations at Board meetings. The Board also holds an annual strategic planning session and, in addition, spends significant time at board meetings discussing key strategic issues.

The number of meetings of the Company's Board of Directors and of each standing Board Committee held during the financial year ended 31 October 2008 and the number of meetings attended by each Director are set out in the Directors' Report.

Board Access to Information and Independent Professional Advice

The Board has an Information Protocol which enables them to have access to required information to support their board decision making process. In addition, any Director can request approval from the Chairman or Deputy Chairman, which will not be withheld unreasonably, to seek independent professional advice at the Company's expense to support a Director in fulfilling his duties.

Directors and Officers Insurance and Deeds of Indemnity and Access

In conformity with market practice, the Company provides Directors' and Officers' Insurance and Deeds of Indemnity Insurance and Access to the maximum extent permitted by law.

Knowledge, Skills and Experience

To assist Directors to maintain an appropriate level of knowledge, skill and experience in the operations of the CBH Group, Directors undertake site visits and attend grower meetings, industry meetings and relevant conferences. Directors also receive papers, presentations and briefings on Group businesses and on matters which may affect the CBH Group.

Director Education

To support Directors in their appreciation of their role and responsibilities, the CBH Board has adopted a policy that all Directors attend the Australian Institute of Company Directors (AICD) – Company Directors course. In 2008, there was an appointment of two new Directors, one who attended this course shortly after his appointment and the other who had previously attended the course.

Directors are encouraged to continue professional development through attendance at various seminars, courses and conferences. Subject to prior approval, the reasonable cost of these development activities is met by the Company.

In addition, Directors and Executive Management attended an in-house two day Co-operative Identity Program training session, presented by staff from the Co-operative College, UK during the year.

Review of Board and Director Performance

The CBH Board has in place a formal appraisal system for the performance of the Board as a whole, committees of the Board and individual Directors.

Approximately every two years a comprehensive review is undertaken with assistance from external advisers in order to provide an objective and independent insight into the overall effectiveness of the Board and the individual performance of Directors. This process was undertaken in 2008 and included an assessment of the Board, the Board committees and a self and peer assessment of each individual Director.

The outcomes from the review were presented to the Board of Directors and discussed in detail with a range of initiatives being endorsed for implementation in order to address potential areas of improvement as identified and to further improve the effectiveness of the Board.

Corporate Governance

Committees of the Board

Two standing Board committees assist the CBH Board on the discharge of its responsibilities and are governed by their respective charters, as approved by the Board. These are:

- the Audit and Risk Management Committee; and
- the Remuneration and Nomination Committee.

There are also two informal committees of the Board which meet on an as needs basis and which are also governed by their own charters.

The Investment Committee meets to review significant investment opportunities on behalf of the Group and assists Management by giving guidance in respect of key negotiation points, reviewing documentation and providing general advice in connection with proposed investments.

The Communication Committee oversees the CBH Group's shareholder communication program with the overall aim of providing guidance and advice on the Company's communication approach to ensure consistency in communicating the Board's direction and objectives.

All of the above committees review matters on behalf of the Board and make recommendations for consideration by the entire Board.

It is customary for the CBH Board to review the composition of its committees annually at the first Board meeting following the Annual Ordinary General Meeting.

Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to provide assistance to the CBH Board in fulfilling its corporate governance and oversight responsibilities in relation to the CBH Group's financial reporting, internal control structure, compliance with laws, regulations, internal policies and industry standards, risk management systems, code of conduct and internal and external audit functions. In doing so it is the responsibility of the Audit and Risk Management Committee to maintain free and open communications between the committee, external auditors, internal auditors and management of the CBH Group.

The Committee reviews CBH Group financial statements, accounting policies and matters raised as a result of internal and external audit findings.

In addition, the Committee reviews Risk Management Policies and the Risk Management Framework.

The members of the Audit and Risk Management Committee during the 12 months ended 31 October 2008 were as follows:

Mr Lloyd Guthrey (Chairman)
Mr Trevor Badger
Mr Rodney Madden
Mr Mick McGinniss
Mr Ken Palmer

The Chairperson of the Committee is not the Chairperson of the Board.

The Chief Executive Officer, the Chief Financial Officer, the Company Secretary, the Chief Risk Officer, internal and external auditors and other persons considered appropriate attend meetings by invitation.

The Committee also meets with the external auditors in the absence of management at the conclusion of each Committee meeting.

The Committee met six times during the financial year ended 31 October 2008.

The Audit and Risk Management Committee charter is posted on the corporate governance section of the Company's website.

Audit Governance and Independence

As part of its commitment to safeguarding integrity in financial reporting, the CBH Group has implemented procedures and policies to monitor the independence and competence of the CBH Group's external auditors.

The Company's current external auditors are Ernst & Young, who were appointed at the 2004 Annual Ordinary General Meeting. The appointment and remuneration of the external auditors and their effectiveness, performance and independence is reviewed annually by the Audit and Risk Management Committee.

The Audit and Risk Management Committee considers the appropriateness of engaging the external auditor to provide any non-audit services to ensure that the auditor's independence is not compromised and has adopted an external audit policy in this regard.

Ernst & Young have provided a declaration to the Audit and Risk Management Committee for the financial year ended 31 October 2008 that Ernst & Young have maintained their independence in accordance with CLERP 9 amendments and the rules of the professional accounting bodies.

Risk Identification and Management

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. These include:

- Risk and Internal Audit – the Chief Risk Officer reports directly to the Chief Executive Officer and the Chairman of the Audit and Risk Management Committee and is responsible for monitoring, investigating and reporting on internal control systems;
- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly;
- Insurance – there is a comprehensive annual insurance programme including external risk surveys;
- Financial Risk Management – there are policies and procedures for the management of market, financial risk and treasury operations including exposures to foreign currencies, interest rates and commodity risks;
- Compliance – there are systems and processes in place to ensure compliance with laws, regulations, internal policies and industry standards;
- Due Diligence – there are comprehensive due diligence procedures for acquisitions and divestments;
- Crisis Management – there are crisis management systems for all key businesses in the Group; and

- Executive Risk Management Committee – there is a disciplined approach to the identification and management of risk with an Executive Risk Management Committee comprising the Chief Risk Officer, the Chief Executive Officer and various other senior executives, meeting on a fortnightly basis or as required.

The CBH Group has implemented an enterprise wide risk management approach to the identification, management and reporting of its risks. This entails risk reviews by each of the Company's divisions which encompass operational, financial, strategic and compliance risk assessment and quantification.

The internal audit function is independent of the external audit function. The Chief Risk Officer monitors the internal control framework of the Group and provides reports to the Audit and Risk Management Committee. The Audit and Risk Management Committee endorses the audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to business risks. The Audit and Risk Management Committee also reviews internal audit reports and monitors progress with recommendations made in these reports to ensure ongoing improvement in the internal control environment of the Company.

Information Segregation

During 2008, the CBH Group strengthened the information segregation between Grain Operations and Grain Pool. Policies and procedures have been introduced and updated to ensure that decisions made by Grain Operations are made in a consistent manner that does not unfairly or unreasonably discriminate between the acquirers of its services. These policies and procedures are in accordance with representations made to the ACCC in relation to Grain Express and are subject to an independent external audit each year, which is reviewed by the Audit and Risk Management Committee.

Remuneration and Nomination Committee

The primary functions of the Remuneration and Nomination Committee are to:

- make specific recommendations to the Board on remuneration of Directors and key executives, with external advice being sought as appropriate;
- recommend the terms and conditions of employment for the CEO;
- undertake a review of the CEO's performance, at least annually, including setting with the CEO goals for the coming year and reviewing progress in achieving those goals;
- undertake a review of the performance of the Executive of the Company, at least annually, including setting with them goals for the coming year and reviewing progress in achieving those goals;
- consider and report to the Board on the remuneration recommendations of staff reporting directly to the Chief Executive Officer;
- develop and facilitate a process for Board and Director evaluation;
- assess the necessary and desirable competencies of Board members;

- review Board succession plans; and
- recommend the appointment of Directors with special skills.

The members of the Remuneration and Nomination Committee during the 12 months ended 31 October 2008 were as follows:

Mr Neil Wandel joined 7 May 2008
 Mr Tony Critch retired 2 April 2008
 Mr Clancy Michael joined 7 May 2008
 Mr Wally Newman
 Mr Robert Sewell retired 2 April 2008
 Mr Denis Thompson
 Mr Steven Tilbrook

With regard to the level of fees payable to Directors, at the Company's 2008 Annual General Meeting, shareholders approved an aggregate amount of \$900,000 to be divided amongst Directors in such manner as they determine, with Directors being entitled to receive, in addition to this amount, statutory superannuation entitlements and reimbursement for reasonable travel and other expenses incurred by them in the performance of their duties. The Company does not have a formal scheme for retirement benefits for Directors other than statutory superannuation.

The Chief Executive Officer and key executives are employed under employment agreements, which include formal position descriptions.

The remuneration package of the Chief Executive Officer is recommended to the Board by the Remuneration and Nomination Committee having regard to his performance and the performance of the Company as measured against agreed targets. The targets are set annually by the Remuneration and Nomination Committee.

The remuneration packages of key executives are set by the Remuneration and Nomination Committee in consultation with the Chief Executive Officer and recommended to the Board.

The Remuneration and Nomination Committee met five times during the financial year ended 31 October 2008.

A summary of the Committee's role, rights, responsibilities and membership requirements has been posted on the corporate governance section of the Company's website.

Corporate Governance

Communication with Shareholders

The CBH Group places significant importance on achieving effective communication with its grower shareholders. A range of communication mediums are used including regular updates to all shareholders in respect of the activities of the CBH Group and the grain industry in general.

The Annual Report is forwarded to shareholders with an invitation to attend the CBH Annual Ordinary General Meeting where shareholders are given a reasonable opportunity to address issues with the Board. The auditors to the Company are available at the Annual Ordinary General Meeting to address specific financial issues raised by shareholders if required.

Throughout the year the CBH Group holds many local and regional meetings with growers to advise on Company and industry issues, which this year included almost 60 Grain Express grower meetings. Other meetings include pre and post harvest meetings, proposed capital works meetings, market "Outlook" meetings and grower focus groups where growers are given the opportunity of expressing their views on relevant issues.

The CBH Group conducts regular grower surveys, including its annual corporate tracking survey, to assess shareholder attitudes to a range of CBH Group related issues including its grower communication strategy. During 2009 the CBH Group will be conducting a census of growers to ensure the company holds the most up-to-date information on its shareholders and to facilitate better communication with growers.

The Company reviews and updates the contents of its website on a regular basis.

In addition, the Board Communication Committee and the Growers Advisory Council each assist in the effective communication between the Company and its grower shareholders.

Code of Ethics and Conduct

The Board has adopted a Code of Conduct based on the Australian Institute of Company Directors (AICD) model as an appropriate standard of conduct that is to be followed by all CBH Directors.

In addition, a CBH Group Code of Ethics and Conduct has been prepared for the guidance and benefit of all people employed by, contracted by, or acting on behalf of the CBH Group. The Code of Ethics and Conduct sets out the values and standards of the CBH Group including conducting its business ethically, operating with integrity and honesty, encouraging community initiatives, considering the environment and ensuring a safe, equal and supportive working environment.

The Code encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Code and protects those that report breaches in good faith.

Growers Advisory Council

The Growers Advisory Council (GAC), comprises growers from various districts throughout the state and is considered by the CBH Board as an important forum in which local, industry and CBH Group specific issues are discussed for the benefit of the Company and local regions.

The GAC plays a critical role in providing grower feedback to the CBH Board and management.

Members of the Growers Advisory Council are:

Mr Andrew Duncan (Chairman)	Esperance Zone
Mr Andrew Crook (Deputy Chairman)	Kwinana Zone
Mr Rodney Messina	Geraldton Zone
Mr Michael O'Callaghan	Geraldton Zone
Mr Norm Jenzen	Kwinana Zone
Mr Sean Powell	Kwinana Zone
Mr Ashley Wiese	Kwinana Zone
Mrs Ruth Young	Kwinana Zone
Mr Ray Harrington	Albany Zone
Mrs Donna Lynch	Albany Zone
Mr Donald Wallace	Albany Zone
Mr Mick Curnow	Esperance Zone
Mr Rod Birch	Geraldton Zone
Mr Rory Graham	Esperance Zone

Director's Report

The Board of Directors of Co-operative Bulk Handling Limited has pleasure in submitting its report in respect of the financial year ended 31 October 2008.

Directors

The following persons were Directors of Co-operative Bulk Handling Limited during or since the end of the financial year:

N J Wandel (Chairman)
 T N Badger
 A J Critch retired 2 April 2008
 V A Dempster joined 2 April 2008
 K J Fuchsichler
 L F Guthrey
 R G Madden
 M E McGinniss
 M C Michael joined 2 April 2008
 W A Newman (Deputy Chairman)
 K G Palmer
 R I S Sewell retired 2 April 2008
 D W Thompson
 S J Tilbrook

The previous Chairman of the Board, Mr Critch, chose not to stand for re-election in the Geraldton zone and following close of the nominations for this zone, Mr Michael was declared unopposed as a Director. Following an election for the position of Director in the Kwinana zone, Mr Dempster replaced Mr Sewell as a Director in the Kwinana zone. These changes were effective as of 2 April 2008. All other Directors held their position as a Director throughout the entire financial year and up to the date of this report.

Mr Critch was Chairman and Mr Wandel Deputy Chairman from 1 November 2007 to 2 April 2008. Following the retirement of Mr Critch from the Board of Directors as of 2 April 2008, Mr Wandel was appointed Chairman effective on 2 April 2008 following the CBH Annual Ordinary General Meeting and Mr Newman was appointed Deputy Chairman effective 7 May 2008.

A summary of the qualifications, experience and special responsibilities of each of the Directors together with a summary of the qualifications and experience of the Company Secretary is set out on pages 26 and 27 of this Annual Report.

Principal Activities

The principal activities undertaken by the consolidated entity during the financial year comprised grain storage, handling and marketing and engineering related to grain storage and handling. In addition the entity has an investment in flour processing facilities.

Review of Operations

From total revenue of \$1,108,388,000 (2007 - \$639,174,000) the consolidated entity achieved a profit attributable to members of the parent entity for the financial year of \$40,143,000 (2007 - \$27,684,000). Income tax expense from continuing operations of the consolidated entity was \$17,122,000 (2007 - \$12,204,000).

The CBH Group received 8.488 million tonnes of grain into its storage facilities during the year.

A more detailed review of the operations of the consolidated entity during the financial year and the results of those

operations appear elsewhere in the Annual Report and in the accompanying financial statements.

Significant Changes in State of Affairs

Particulars of significant changes in the state of affairs of the consolidated entity during the financial year are as follows:

- The profit attributable to members of the parent entity for the financial year increased by 45% to \$40,143,000.
- Revenue from continuing operations and other income increased by 73.4% to \$1,108,388,000.
- Total assets increased by 26.9% to \$1,698,683,000.
- Equity increased by 2.9% to \$976,651,000.
- Interest bearing debt decreased by 19% to \$173,468,000.

Significant Events After Year End

On 25 November 2008, the Australian Taxation Office (ATO) issued a ruling stating that Co-operative Bulk Handling Limited is no longer entitled to claim tax exempt status, with effect from 1 November 2008. At the date of signing, the company is actively defending its claim to tax exemption status.

On 10 December 2008, Co-operative Bulk Handling extended its funding facility by an additional \$35 million increasing the facility to \$135 million to fund working capital requirements. The total facility is repayable on 30 April 2009.

Subsequent to year end, Grain Pool Pty Ltd negotiated additional inventory financing facilities of \$750 million with various banks on terms and conditions similar to existing facilities.

The current global economic crisis has significantly reduced commodity prices, which in addition to the devaluation of all currencies against the United States Dollar will affect the value of grain stocks in the flour milling investment. This, combined with the short term reduction in consumptive demand for flour in the South East Asian region, will result in reduced profitability for this investment in 2009.

No other matter or circumstance has arisen since 31 October 2008 that 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

Likely developments in, and expected results of, the operations of the consolidated entity in subsequent years are referred to elsewhere in this Annual Report.

Environmental Regulation and Performance

The operations of the Company are subject to various Commonwealth and State environmental legislation and regulation.

The Company aims to control the impact of its activities on the environment to the greatest extent possible and to ensure that its operations are conducted in accordance with legislative requirements.

The Company had no reports of environmental breaches during the financial year.

Director's Report

Board and Committee Meetings

The table below sets out the number of CBH Directors' meetings (including meetings of the standing board committees) held during the year ended 31 October 2008 and the number of meetings attended by each Director.

Director	SCHEDULED BOARD MEETINGS		UNSCHEDULED BOARD MEETINGS		AUDIT & RISK MANAGEMENT COMMITTEE		REMUNERATION & NOMINATION COMMITTEE	
	Eligible to Attend	Attended**	Eligible to Attend*	Attended**	Eligible to Attend	Attended	Eligible to Attend	Attended
T N Badger	10	10	4	4	6	6		
V A Dempster	5	5	3	2				
A J Critch	5	5	1	1			2	2
K J Fuchsbichler	10	10	4	4				
L F Guthrey	10	10	4	4	6	6		
R G Madden	10	10	4	4	6	6		
M E McGinniss	10	10	4	4	6	6		
M C Michael	5	5	3	3			2	2
W A Newman	10	10	4	4			5	5
K G Palmer	10	10	4	4	6	6		
R I S Sewell	5	5	1	1			2	2
D W Thompson	10	10	4	4			5	5
S J Tilbrook	10	10	4	2			5	5
N J Wandel	10	10	4	3			2	2

* The unscheduled Board meetings were held by teleconference

** In all cases where a Director was unable to attend a Board meeting, leave of absence was granted by the Chairman, who endeavoured to canvass the views of the Director on key matters prior to the meeting, in order to represent the Director's views at the meeting.

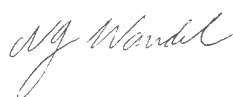
Indemnification and Insurance

The Company, through Deeds of Indemnity, Insurance and Access has indemnified all Directors for any liabilities incurred as a Director, other than liabilities to the Company or a related body corporate, or liabilities arising out of conduct involving lack of good faith.

In addition, the Articles of Association of the Company provides an indemnity to each Director, Secretary and Officer against any liability arising by reason of his or her Directorship or office of the Company. This indemnity does not, however, cover conduct involving a lack of good faith.

A Directors' and Officers' insurance policy is maintained but the terms of the contract prohibit disclosure of the amount of the premium.

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



Neil Wandel
Chairman

Perth
4 February 2009

Auditors Independence Declaration

to the Directors of Co-operative Bulk Handling Limited



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In relation to our audit of the financial report of Co-operative Bulk Handling Limited for the financial year ended 31 October 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

Ernst & Young

Gavin A. Buckingham
Partner
Perth

4 February 2009

Discussion and Analysis

Of the Financial Statements for the year ended 31 October 2008

Financial Statements

Co-operative Bulk Handling Limited (CBH) and its controlled entities recorded a Net Profit After Tax result of \$40.1 million compared to \$27.7 million achieved in the previous year. This result was achieved through an improvement in operational performance across all the major business segments, being storage and handling, grain trading and marketing, flour milling and engineering services. These results were assisted through an increased harvest size from 6.41 million tonnes in the previous year to 8.49 million tonnes, however, the current global economic crisis has had a material impact, the full effect of which will be realised in the 2009 financial year.

Net Assets of the Group increased by \$27.9 million to \$977 million and Total Assets increased by \$360 million to \$1.699 billion.

Operating cash inflow for the Group remained stable with an increase of \$1.1 million to \$75.7 million, with the increased grain trading activities largely responsible for a \$19.6 million increase in interest and other costs of finance.

The Group's debt to equity ratio was 17.8% compared to 22.6 % in the previous year. This decrease is largely due to the delay in funding required as a result of the slow start to harvest.

Income tax expenses for the CBH Group increased from \$12.2 million to \$17.1 million. CBH maintained its tax exempt status throughout the year. In 2007, the Australian Taxation Office advised that they believe CBH is no longer entitled to claim this exemption. Subsequent to year end, CBH received a formal ruling from the ATO advising that the company is no longer exempt from income tax, effective from 1 November 2008. CBH is actively appealing this ruling. During the appeal process, the company will be required to pay income tax on all earnings until the appeal has been determined.

The value of all business units and investments was assessed in accordance with the accounting standards. During this process it was identified that the Group's investment in shares in Futuris was impaired. This impairment occurred largely as a result of the economic downturn and the devaluation of listed securities throughout the world. The impact on the Group result was an impairment of \$8.750 million.

Grain Storage and Handling - CBH

The CBH grain storage and handling business delivered Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) of \$76.6 million, which resulted in a profit for the year of \$10 million. In the previous year the business delivered EBITDA of \$65.7 million and a loss of \$0.047 million.

Employee costs for the year were \$87.1 million which was 25.8% higher than that of the previous year. The number of employees required to service the larger harvest was the main contributor to this increase, however rising wage costs associated with attracting and retaining staff in a tight labour market also contributed.

Depreciation and amortisation expenses increased by \$1.1 million due to the continued investment in capital items.

Debentures to the value of \$11.2 million, primarily held by current and past shareholders, were paid on 31 October 2008. The value of the outstanding debentures is \$11.6 million.

The Group has a working capital surplus of \$104.7 million, compared to \$139.7 million in the previous year, however CBH itself has a working capital deficiency of \$82.4 million at year end, which is a decline of \$47 million from the previous year. This deficiency is only temporary, returning to a surplus during the year with inflows from the 2008/09 harvest. This increase in working capital deficiency is largely as a result of a \$61.98 million increase in payments during the year for property, plant and equipment associated with the CBH storage network. CBH has no non-current interest bearing debt and is able to secure short term funding as required.

Grain Trading and Marketing – Grain Pool

The Grain Pool grain trading and marketing activities resulted in an After Tax Profit of \$35.2 million. Revenue increased by \$431.5 million or 95.5% from that of the previous year as a result of the larger harvest, increased commodity prices and through the accumulation of more than 1.1 million tonnes of wheat.

This result was achieved during a period of significant economic and market instability which has materially affected world commodity prices and product demand, all of which are recognised through the fair valuation of all trade stock and receivables.

Total Equity of Grain Pool increased by 19.7% from \$178.5 million to \$213.6 million.

Overseas Flour Mills Investment

The combined Profit Before Tax result of the flour mills in Indonesia, Malaysia and Vietnam, attributable to the CBH Group was \$9.6 million. This represents an increase of 45% or \$3 million from that of the previous year, excluding the profit on the part sale of the Vietnam operations in 2007.

The flour milling investment has continued to focus on a range of operational and strategic initiatives to improve profitability. However, the current global economic crisis has significantly reduced commodity prices, which in addition to the devaluation of all currencies against the US dollar, will affect the value of grain stocks in the flour milling investment. This, combined with the short term reduction in consumptive demand for flour in the South East Asian region, will result in reduced profitability for this investment in 2009.

The contingent liability noted in the 2007 Annual Report relating to unpaid VAT on imports was resolved during the year in favour of the Eastern Pearl Flour Mill in Indonesia.

Total costs associated with the holding companies of this investment were \$2.6 million, supported by CBH providing interest free loans to the holding companies, as disclosed in Note 28. There was a notional depreciation (non cash) charge of \$1.9 million, which arose from a fair value increase of \$16 million when the investment was made, and an unrealised foreign exchange gain of \$1.8 million. The net contribution to the Group after tax and holding costs was \$3.7 million compared to \$0.6 million in the previous year. Note 29 to the financial statements provides a full breakdown of the results for the Overseas Flour Mills Investment.

Financial Report

For the year ended 31 October 2008 ABN 29 256 604 947

Income Statement	40
Balance Sheet	41
Cash Flow Statement	42
Statement of Recognised Income and Expense	43
Note 1. Corporate information	44
Note 2. Summary of significant accounting policies	44
Note 3. Revenues and expenses	57
Note 4. Income tax	58
Note 5. Trade and other receivables	60
Note 6. Other financial assets	62
Note 7. Inventories	63
Note 8. Other assets	63
Note 9. Investments in associates	63
Note 10. Property, plant and equipment	64
Note 11. Intangible assets	66
Note 12. Trade and other payables	68
Note 13. Interest bearing loans and borrowings	68
Note 14. Provisions	70
Note 15. Other liabilities	71
Note 16. Contributed equity and reserves	71
Note 17. Cash and cash equivalents	73
Note 18. Financial risk management objectives and policies	74
Note 19. Derivative financial instruments	82
Note 20. Commitments	86
Note 21. Contingent liabilities	88
Note 22. Contingent assets	89
Note 23. Auditors' remuneration	89
Note 24. Compensation of key management personnel	89
Note 25. Employee benefits	89
Note 26. Investment in controlled entities	93
Note 27. Investment in associates	93
Note 28. Related parties	96
Note 29. Business Unit Results	98
Note 30. Events subsequent to balance date	99
Directors Declaration	100
Certification by Chief Financial Officer	101
Independent Audit Report to Members of Co-operative Bulk Handling Limited	102

Income Statement

For the year ended 31 October 2008

	Notes	CONSOLIDATED		PARENT ENTITY	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Continuing operations					
Revenue from continuing operations	3(a)	1,102,914	581,458	261,762	216,679
Other Income	3(b)	5,474	57,716	29,560	17,194
Changes in inventories		7,236	4,106	378	(87)
Raw materials, traded grains and consumables used	3(c)	(679,011)	(315,679)	-	-
Employee benefits expense	3(f)	(87,943)	(70,054)	(87,142)	(69,245)
Depreciation and amortisation expense	3(e)	(63,278)	(62,467)	(63,674)	(62,572)
Storage and handling expenses		(89,782)	(65,964)	(89,782)	(65,964)
Marketing and trading expenses		(52,237)	(28,121)	-	-
Insurance		(5,558)	(6,444)	(5,683)	(6,444)
Rent expense		(4,891)	(4,099)	(4,635)	(3,168)
Other expenses		(27,246)	(25,424)	(20,488)	(23,305)
Impairment and write off of investments		(94)	-	(7,332)	-
Finance costs	3(d)	(41,554)	(28,528)	(2,919)	(3,135)
Share of profit/(loss) of associates accounted for using the equity method	28	(6,765)	3,388	-	-
Profit/(loss) from continuing operations before income tax		57,265	39,888	10,045	(47)
Income tax expense from continuing operations	4	(17,122)	(12,204)	-	-
Profit/(loss) from continuing operations after income tax expense		40,143	27,684	10,045	(47)
Profit/(loss) attributable to members of the parent entity	18	40,143	27,684	10,045	(47)

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

Balance Sheet

As at 31 October 2008

		CONSOLIDATED		PARENT ENTITY	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
ASSETS					
Current assets					
Cash and bank balances	17	137,679	229,463	10,667	5,511
Trade and other receivables	5	103,136	113,138	32,421	27,133
Other financial assets	6	82,781	2,259	-	-
Derivative financial instruments	19	412,337	105,964	-	-
Inventories	7	69,656	52,918	1,832	1,454
Other assets	8	8,839	2,889	5,651	2,860
Total current assets		814,428	506,631	50,571	36,958
Non-current assets					
Trade and other receivables	5	3,810	19	48,228	29,968
Investments in associates	9	102,994	86,472	37,495	33,693
Derivative financial instruments	19	6,648	1,773	-	-
Other financial assets	6	1	95	108,510	107,304
Property, plant and equipment	10	723,731	697,502	733,092	702,969
Intangible assets	11	11,784	11,492	11,773	11,475
Other assets	8	22,355	34,857	22,355	34,857
Deferred tax assets	4	12,932	-	-	-
Total non-current assets		884,255	832,210	961,453	920,266
Total assets		1,698,683	1,338,841	1,012,024	957,224
LIABILITIES					
Current liabilities					
Trade and other payables	12	70,731	59,704	50,043	32,351
Interest bearing loans and borrowings	13	173,468	214,279	70,000	30,000
Derivative financial instruments	19	431,699	77,448	-	-
Income tax payable	4	14,498	2,933	-	-
Provisions	14	14,368	10,829	11,992	9,009
Other liabilities	15	4,496	1,719	966	1,066
Total current liabilities		709,260	366,912	133,001	72,426
Non-current liabilities					
Trade and other payables	12	5,113	9,128	4,925	8,940
Derivative financial instruments	19	3,929	608	-	-
Deferred tax liabilities	4	-	8,144	-	-
Provisions	14	3,820	5,422	3,279	4,689
Total non-current liabilities		12,862	23,302	8,204	13,629
Total liabilities		722,122	390,214	141,205	86,055
Net assets		976,561	948,627	870,819	871,169
EQUITY					
Contributed equity	16	9	10	9	10
Reserves	16	862,173	864,336	870,810	871,159
Retained earnings	16	114,379	84,281	-	-
Total equity		976,561	948,627	870,819	871,169

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

Cash Flow Statement

For the year ended 31 October 2008

		CONSOLIDATED		PARENT ENTITY	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts from customers		1,148,106	670,194	295,408	236,752
Payments to suppliers and employees		(1,036,789)	(576,474)	(211,566)	(187,696)
		111,317	93,720	83,842	49,056
Interest received		36,921	19,467	834	1,546
Interest and other costs of finance paid		(45,988)	(26,362)	(1,467)	(969)
Income taxes paid		(26,555)	(12,243)	-	-
Net operating cash flows	17	75,695	74,582	83,209	49,633
Cash flows from investing activities					
Payments for property, plant and equipment		(90,703)	(30,861)	(94,604)	(32,467)
Payments for investments in subsidiaries		-	-	(1,100)	-
Payments for investments in subsidiaries by way of loan		-	-	(6,461)	(26,304)
Payments for investments in associates by way of loan		(7,877)	(4,551)	(5,897)	(3,246)
Borrowings to other parties		(196,069)	(133,904)	-	-
Repayment of borrowings from other parties		182,983	101,904	-	-
Borrowings to controlled entities		-	-	-	(187)
Proceeds from sale of property, plant and equipment		940	600	475	599
Repayment of loan to associated entities		2,460	6,364	732	6,364
Net investing cash flows		(108,266)	(60,448)	(106,853)	(55,241)
Cash flows from financing activities					
Borrowings from other parties		883,800	573,050	113,800	70,000
Repayment of borrowings to other parties		(960,792)	(479,742)	(73,800)	(60,018)
Borrowings from controlled entities		-	-	47	-
Debentures repaid		(11,250)	(8,696)	(11,250)	(8,696)
Net financing cash flows		(88,242)	84,612	28,797	1,286
Net (decrease) / increase in cash and cash equivalents held		(120,813)	98,746	5,153	(4,322)
Cash and cash equivalents at the beginning of the financial year		229,463	130,720	5,511	9,836
Effect of exchange rates on cash holdings in foreign currencies		2	(3)	3	(3)
Cash and cash equivalents at the end of the financial year	17	108,652	229,463	10,667	5,511

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

Statement of Recognised Income and Expense

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Share of associates gain on available for sale investments	27	901	-	-
Foreign currency translation loss	(1,842)	(6,375)	-	-
Actuarial gain/(loss) on defined benefit plan	(10,394)	4,723	(10,394)	4,723
Adjustment for limitation on net assets of the defined benefit plan	-	5,938	-	5,938
Net income recognised directly in equity	(12,209)	5,187	(10,394)	10,661
Profit/(loss) for the period	40,143	27,684	10,045	(47)
Total recognised income and expense for the period	27,934	32,871	(349)	10,614
Attributable to:				
Equity holders of the parent	27,934	32,871	(349)	10,614

Notes to the Financial Statements

For the year ended 31 October 2008

Note 1. Corporate information

The financial report of Co-operative Bulk Handling Limited for the year ended 31 October 2008 was authorised for issue in accordance with a resolution of the directors on 4th February 2009.

Co-operative Bulk Handling Limited is a co-operative company limited by shares held by grain growers-deliverers.

The nature of the operations and principal activities of the Group include grain storage and handling services, grain trading and marketing, engineering and construction and investment in flour milling.

Note 2. Summary of significant accounting policies

a) Basis of preparation

This general purpose financial report has been prepared in accordance with the requirements of the Companies (Co-operative) Act (1943 as amended) and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for grain inventory which has been measured at fair value less costs to sell and debentures, derivative financial instruments, investments in Grain Pool pools and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

c) New accounting standards and interpretations

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 October 2008. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 123 (Revised) and AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Requires capitalisation of borrowing costs on qualifying assets therefore removing the option to exercise.	1-Jan-09	No impact as the Group's current policy is in line with this standard.	1-Nov-09
AASB 101 (Revised) and AASB 2007-8	Revised AASB 101: <i>Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards</i>	New standard prescribing a complete set of financials and how to report owner's changes in equity, reclassification adjustments and dividend presentations.	1-Jan-09	No impact on Group policy. Only expected to affect the presentation of the Group's financial report. The Group has not yet decided whether to present a single statement of comprehensive income or two separate statements.	1-Nov-09
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.	Aims how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1-Jan-08	No impact as the Group has no longer has a limitation on defined benefit asset.	1-Nov-08

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (Revised)	Business Combinations	Introduces a number of changes to the accounting for business combinations. An entity can now choose for each business combination entered into – to measure a non controlling interest in the acquiree either at its proportionate interest in the acquiree net assets.	1-July-09	The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1-Nov-09
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1-July-09	See AASB 3 above.	1-Nov-09
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under this revision a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1-July-09	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or loss in the Group's Income Statement.	1-Nov-09
AASB Int. 15	Agreements for the Construction of Real Estate	When the real estate developer is providing construction services to the buyer specifications then the revenue can only be recorded as construction progresses. Otherwise it is all to be recognised on completion of the relevant real estate unit.	1-Jan-09	Not applicable as the Group does not provide Construction services.	1-Nov-09
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	Proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and that of the parent entity. Also applies to foreign operations in the form of joint ventures, associates or branches.	1-Jan-09	Not applicable as the Group does not hedge its Net Investment in a Foreign Operation.	1-Nov-09
AASB Int. 17	Distributions of Non-cash Assets to Owners	Provides guidance on how an entity should measure distributions of assets other than cash assets when it pays dividends to its owners.	1-Jul-09	Not applicable as the Group does not provide distributions to owners.	1-Nov-09

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]	This amendment includes requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments requires that all assets and liabilities of such a subsidiary to be classified as held for sale and to clarify the disclosure required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.	1-July-09	Not expected to have any impact on the Group's financial report as the Group does not expect to be disposing of any subsidiaries.	1-Nov-09
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, 118, 121, 127 & 136]	Amends AASB 1 for first time adopter to have the choice for determining the cost of an investment. Removes from AASB 118 the requirement to deduct dividends declared from pre acquisition profits from the cost of the investment. Amends AASB 127 to require the establishment of a new parent entity for a group reorganisation to measure the cost of the investment. Amends AASB 136 to include the payment of the dividends to trigger an impairment review.	1-Jan-09	Not applicable for AASB 1. All dividends to be treated as income from Subsidiary, Jointly Controlled Entity or Associate. The group has not yet determined the extent of the impact of the amendments, if any.	1-Nov-09
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139]	The amendments clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations.	1-July-09	Not applicable as the Group does not apply Hedge Accounting.	1-Nov-09
AASB 2008-10	Amendments to Australian Accounting Standards – Reclassification of Financial Assets [AASB 7 & AASB 139]	Amendments to AASB 139 allow under certain circumstances an entity to reclassify non-derivative financial assets out of fair value through the profit or loss when the asset is no longer held for the purpose of selling or repurchasing in the future.	1-July-08	The Group has not yet determined the extent of the impact of the amendments, if any.	1-Nov-08

Adoption of new accounting standard

The Group has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 November 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

d) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by Co-operative Bulk Handling Limited ("company" or "parent entity") as at 31 October 2008 and the results of all subsidiaries for the year then ended. Co-operative Bulk Handling Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all those 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Investments in subsidiaries are accounted for at cost in the individual financial statements of Co-operative Bulk Handling Limited.

Associates

Associates are those entities over which the consolidated entity has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The consolidated entity's share of associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in an associate, including any other unsecured long term receivables, the consolidated entity does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and transactions between the consolidated entity and its associates are eliminated to the extent of the consolidated entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are consistent with the policies adopted by the consolidated entity.

The Group has loans to associates. These loans have been reclassified as part of the investments in associates at cost as they are considered in substance to form part of our net investment in associates.

Grain Pool Pools

The consolidated entity operates grain pools on behalf of growers and has legal title over the pool stocks, however the majority of the risks and benefits associated with the pools, principally price risk and benefit, together with credit risk, are attributable to growers. As a result, pool stocks and other related balances held by the consolidated entity on behalf of growers are not recognised in the consolidated entity's financial statements. Separate financial records are maintained for Grain Pool pools.

e) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price at the date of exchange unless other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurements of the net assets acquired.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

f) Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Doubtful debt provision

Included in accounts receivable at 31 October 2008 is a provision for doubtful debts from services provided to various debtors of \$4,174,000. Measures are being undertaken to facilitate recovery of the full value of this provision, including taking charge over the assets of debtors in default and/or taking legal action.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic, environmental and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

Grain stock inventory

The Group measures the cost of grain stock inventory by reference to the fair value of grain stock as at 31 October less costs to sell. The fair value has been determined by reference to international and domestic grain prices as at 31 October 2008.

Derivative assets and liabilities

Fair value where there is no organised market

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at 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, therefore 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 forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

Investments in pools

The Group has investments in the AWB National Wheat Pool and the Grain Pool Pools which have been measured at 31 October 2008 with reference to the estimated pool equities published by the respective pool managers.

Debentures

The Group measures the value of its non-interest bearing debentures at the net present value of future payments discounted at the market corporate lending rate on 31 October.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount of goodwill are:

- i) *Cash Generating Units: Flour mill level as decisions are made and reports are prepared at this level.*
- ii) *Carrying amount of Goodwill allocated to each cash generating unit is:*

	CARRYING AMOUNT			
	2008 AUD'000	2007 AUD'000	2008 USD'000	2007 USD'000
Cash Generating Units				
Flour Mills	11,724	11,724	9,154	9,154

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

f) Significant accounting judgements, estimates and assumptions (continued)

iii) Key Assumptions used in value in use calculations for Cash Generating Units.

The calculation of value in use for the cash generating units is most sensitive to the following assumptions:

- Discount rate
- Growth rate used to extrapolate cash flows beyond the budget period
- Raw material price fluctuations
- Market share during the period

Discount rates – reflect management's estimate of the time value of money and the risks to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the Mills. A rate of 10% (2007: 10%) was applied to the forecast cash flows.

Growth rate estimates – are based on industry research and cross checked to published growth rates forecast for the regions. Management then applies these growth rates conservatively past the 1 year budget. A factor of 4.5% (2007: 8%) per annum was applied from years 2-5 and stable growth for years 6-10.

Raw material price fluctuations – estimates are obtained from published indices from the countries from which the materials are sourced together with the use of past actual raw material price movements as an indicator of future price movements.

Market share during the period – management assesses how the unit's relative position to its competitors might change over the budget period. Management expects the unit's market share to remain stable or to slightly increase over the budget period.

iv) Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. Further support for this is that the recoverable amount significantly exceeds the carrying value of the units.

Defined benefit plan

Various actuarial assumptions are required when determining the Group's pension benefit obligations. These assumptions and related carrying amounts are discussed in Note 25.

Long service leave entitlements

The Group measures the value of long service leave liabilities at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit cost method. The expected future payments are discounted using market yields at the reporting date on notional government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Bank guarantee liability

The fair value of financial contracts discussed in Notes 2(ab) and 21 has been assessed using the present value approach. In order to estimate the fair value under this approach, the company used the differential between the interest rate with the guarantee (7.74%-3.2%) and what the interest rate would potentially have been without the guarantee (9.24%-4.1%). This was then discounted at 6%.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as allowable taxation depreciation rates (for plant and equipment), lease term (for leased equipment) and turnover policies (for motor vehicles). Adjustments to useful life are made when considered necessary. Depreciation charges are included in Note 10.

g) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amounts of goods and services tax payable to the Australian Taxation Office (ATO). The following specific recognition criteria must also be met before revenue is recognised:

i) Grain handling revenue

Revenue earned is from the receipt, storage and handling of grain. Revenue recognition of receipts and handling occurs when the task is completed and for storage, according to the percentage completed.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

g) Revenue recognition (continued)

ii) Grain trading revenue

The majority of revenue is generated from the sale of grain domestically, interstate and overseas and other grain related services. Overseas sales are sold on the basis of Free on Board (FOB), Cost and Freight (CFR) or Cost Insurance and Freight (CIF). In the case of sale of goods, revenue is recognised when the significant risk and rewards of ownership have passed from the Group to an external party.

iii) Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected useful life of the financial instrument) to the net carrying amount of the financial asset.

iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

v) Management fees

Management fee revenue is recognised according to when the costs of providing the services are incurred.

vi) Underwriting fees

The underwriting fee charged on loan products is a fee for the service of providing a non-recourse loan. Underwriting fee revenue is recognised on a basis consistent with the pattern of the incidence of risk covered by the service provided.

h) Construction contracts

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. For fixed price contracts, the stage of completion are measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Construction work-in progress

Work in progress is valued at cost plus profit recognised to date based on the value of work completed, less provision for foreseeable losses. Any material losses on contracts are brought to account when identified.

Costs include both variable and fixed costs directly related to specific contracts. Those costs which are expected to be incurred under penalty clauses and warranty provisions are also included.

i) Trade and receivables

Trade receivables, which generally have 14-30 day terms, and other receivables, including amounts owing from growers in relation to pool arrangements and amounts owing from related parties are initially recognised at fair value and subsequently measured at amortised cost.

An allowance for doubtful debts is made when there is objective evidence that the consolidated entity will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. Bad debts are written off when identified.

j) Inventories

i) Consumables and stores

Consumables and stores, except for grain held for trading, are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs for completion and the estimated costs necessary to make the sale. Costs are assigned to individual items of stock on the basis of weighted average costs.

ii) Grain stock

Grain purchased with the purpose of selling in the near future and generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less costs to sell, with changes in fair value recognised in the income statement.

k) Other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through the profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through the profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

k) Other financial assets (continued)

i) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the consolidated entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

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. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designed as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

iv) Financial assets at fair value through the profit and loss

The company at the discretion of the Board offers cash-outs to growers. These are referred to as 'Equities in Grain Pool Pools'. Growers accepting cash-outs are paid out their remaining equity discounted for administration charges and carrying interest. The equity purchased by the company is valued at mark-to-market.

l) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses (refer note 2(m)). All such assets, except freehold land, are depreciated over their estimated useful lives on a straight line basis commencing from the time the asset is held ready for use. The expected useful lives are as follows:

Buildings	10-50 years
Plant and equipment	5-20 years
Motor vehicles	7-15 years
Office furniture and equipment	5-20 years

m) Impairment of non-financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indicator exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

m) Impairment of non-financial assets other than goodwill (continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

n) Repairs and maintenance

Plant of the consolidated entity is required to be overhauled on a regular basis. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a major component of an asset, in which case the costs are capitalised and depreciated in accordance with Note 2(l). Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

o) Leasehold properties

The cost of leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the property to the consolidated entity, whichever is the shorter. Leasehold properties held at the reporting date are being amortised over a period not greater than 99 years.

p) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units), is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

q) Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development cost, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at a cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether an indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

q) Intangible assets (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

i) Computer Software

An intangible asset arising from the purchase or development of computer software is recognised only when the consolidated entity can demonstrate the technical feasibility of completing the development project, its intention to complete and its ability to use the asset to generate future economic benefits. Following the initial recognition of the purchase or development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure capitalised is amortised over an estimated useful life of two and a half years.

ii) Research and Development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over an estimated useful life of two and a half years. At 31 October 2008, the Group does not have any development assets.

iii) Patents

Patents and trademarks are recognised at cost of acquisition. Patents have a finite life and are carried at cost less accumulated amortisation and any impairment losses. Patents are amortised over twenty years.

r) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangements and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

s) Trade and other payables

Trade payables and other payables are carried at amortised costs representing liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and non-interest bearing and are usually paid within 30 days of recognition.

t) Non-interest bearing liabilities

In accordance with the Bulk Handling Act (1967), tolls were previously deducted from the proceeds of every tonne of grain delivered by a shareholder. Debentures are subsequently issued for tolls accrued during the previous 10 years. The collection of tolls ceased during the financial year ended 31 October 2000. There is no interest applicable and repayments to debenture holders are made annually in the year sequence in which tolls were credited. The value of the debentures is measured at the net present value of future payments discounted at an appropriate 10 year bond interest rate at inception.

u) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

v) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects 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 borrowing cost.

w) Foreign currency translation

The consolidated financial statements are presented in Australian dollars (\$A) which is Co-operative Bulk Handling Limited's functional and presentation currency.

Foreign currency transactions are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and all differences are recognised in the income statement.

The functional currency of overseas subsidiaries is American Dollars (USD).

As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of the consolidated entity at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

x) Employee benefits

i) Wages and salaries and annual leave

Liabilities for wages and salaries, annual leave and related on costs, are recognised and are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled.

ii) Long service leave and sick leave

A liability for long service leave and sick leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave and vesting sick leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are 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 cash outflows.

iii) Terminations

Liabilities for termination benefits are recognised when a detailed plan for terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled.

iv) Superannuation

The Group offers employees a choice in certain superannuation matters. As such superannuation contributions are made to a number of funds, including the CBH Superannuation Fund (Note 25) which includes a defined benefit component within the plan.

Defined benefit members receive pension benefits on retirement, death and disablement, with an option to convert their benefits to a lump sum. On resignation, defined benefit members receive a lump sum benefit. The defined benefit section of the Fund is closed to new members. All new members receive accumulation only benefits.

The Group uses the Direct to Equity Approach under AASB 119. Under this approach, a liability or asset in respect of the defined benefit component of the superannuation plan is recognised in the statement of recognised income and expense. They are immediately recognised in retained profits. They are not taken to profit and loss in future periods.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

x) Employee benefits (continued)

It is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date. Any asset resulting from this calculation is limited to past service cost, plus the present value of any economic benefits available in the form of refunds from the plan and reductions in future contributions to the plan. The defined benefit obligation includes actuarial estimates of future variables such as employee turnover and the plan's rate of return. Gains and losses arising from changes in actuarial estimates are recognised immediately through retained earnings in the year in which they occur.

y) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unusual tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- when the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The parent entity is exempt from income tax by virtue of Section 50-40 of the Income Tax Assessment Act (1997). The parent entity's right to claim this exemption in future years has subsequently been revoked by the Australian Taxation Office and is effective from 1 November 2008 (refer to Note 4 for further details).

z) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amounts of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the balance sheet.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 2. Summary of significant accounting policies (continued)

z) Other taxes (continued)

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

aa) Borrowing costs

Borrowing costs incurred for the construction of any qualified asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use. No borrowing costs were capitalised during the current year.

Other borrowing costs are recognised as an expense when incurred.

ab) Bank guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The parent entity has undertaken guarantees relating to loan facilities with certain subsidiary and associated entities.

Financial guarantee contracts are initially measured at fair value and recorded as a guarantee liability and an increase in investment on the balance sheet. In future years financial guarantee contracts are recognised and measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised less, where appropriate, cumulative amortisation.

ac) Derivative financial instruments

The Group uses derivative financial instruments such as futures and options contracts, interest rate swap agreements and foreign exchange contracts which are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedge instrument. The Group's commodity futures and options contracts, interest rate swap agreements and foreign exchange contracts are used to manage financial risk and exposure of commodity inventories but do not currently qualify for hedge accounting.

Where derivative instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the income statement. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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 publicly traded derivatives, and trading and available-for-sale securities) is based on the 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 (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. 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 swaps 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 for contracts with similar maturity profiles.

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

ad) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

ae) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received.

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 3. Revenues and expenses

Revenues and Expenses from Continuing Operations

a) Revenue

Grain handling services	175,395	156,152	222,588	190,623
Grain trading and marketing services	847,504	380,949	-	-
Construction contract revenue	5,974	3,265	-	-
Logistic services revenue	15,549	12,136	20,400	13,389
Management fees	21,571	9,489	17,940	11,121
Interest	36,921	19,467	834	1,546
	1,102,914	581,458	261,762	216,679

b) Other income

Net gain/(loss) on disposal of property, plant and equipment	36	(121)	33	(119)
Unrealised gain on foreign currency transactions	11,799	-	15,222	-
Net realised gain on foreign exchange	8,263	33,118	-	-
Realised fair value (loss)/gain on derivatives	(33,148)	(17,431)	-	-
Unrealised fair value gains/(losses) on derivatives	(16,644)	29,680	-	-
Net unrealised gain on foreign exchange on non derivatives	9,596	(4,807)	-	-
Amortisation of bank guarantee liability	1,259	1,028	3,106	4,529
Revenue on sale of logistics operation	-	525	-	-
Other	24,313	15,724	11,199	12,784
	5,474	57,716	29,560	17,194

c) Raw materials, traded grains and consumables

Fair value change on traded inventory	1,773	(7,208)	-	-
Costs of goods sold	677,238	322,679	-	-
	679,011	315,679	-	-

d) Finance costs

Bank loans and overdrafts	34,887	20,217	1,467	969
Payments to Grain Pool Pools	5,215	6,145	-	-
Effective interest on debentures	1,452	2,166	1,452	2,166
Total finance costs	41,554	28,528	2,919	3,135

e) Depreciation and amortisation

Depreciation:

Land and buildings	27,550	26,957	27,450	26,888
Plant and equipment	23,746	24,727	24,345	25,061
Office furniture and equipment	2,052	2,768	2,009	2,725
Motor vehicles	2,413	2,479	2,371	2,438

Amortisation:

Leasehold properties	172	177	172	177
Computer software	7,327	5,283	7,327	5,283
Patents	7	7	-	-
Other	11	69	-	-

Total depreciation and amortisation

63,278	62,467	63,674	62,572
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Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 3. Revenues and expenses (continued)

f) Employee benefits expense

Wages and salaries	77,515	63,584	77,113	62,775
Defined contribution accumulation superannuation expense	3,708	2,792	3,708	2,792
Defined benefit superannuation expense	1,905	-	1,905	-
Other employee benefits expense	4,815	3,678	4,416	3,678
	87,943	70,054	87,142	69,245

g) Unrealised gain/(loss)

Net unrealised gain/(loss) on inventory at fair value, less cost to sell	(1,773)	7,967	-	-
Net unrealised gain/(loss) on derivatives at fair value	(16,644)	29,680	-	-
Net unrealised gain/(loss) on investments at fair value	8,067	(184)	-	-
	(10,350)	37,463	-	-

(Gain)/loss on foreign currency translation (Note 2(w))	(11,462)	6	(15,222)	4,386
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h) Other expenses

Other provisions				
Employee benefits	2,179	656	1,816	834
Bad debts written off to profit and loss	986	7	33	7
Doubtful debts	216	3,306	(63)	128
Warranties	-	-	-	-
Stock obsolescence	-	-	-	-
Rental expense relating to operating leases	4,891	4,099	4,635	3,168
Research and development costs charged directly to the income statement	-	5	-	-

Note 4. Income tax

Major components of income tax expense for the years ended 31 October 2007 and 2008 are:

Income statement

Current income tax

Current income tax charge	38,463	11,016	-	-
Adjustment in respect of current income tax of previous years	(263)	(551)	-	-

Deferred income tax

Relating to origination and reversal of temporary differences	(21,078)	1,739	-	-
Current tax of prior years relating to subsidiaries	-	-	-	-
Other	-	-	-	-
Less: discontinued operations tax	-	-	-	-
Income tax expense reported in the income statement	17,122	12,204	-	-

Notes to the Financial Statements

For the year ended 31 October 2008

	BALANCE SHEET		INCOME STATEMENT	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Note 4. Income tax (continued)				
Deferred income tax				
CONSOLIDATED				
<i>Deferred income tax liabilities</i>				
Financial assets	(124,935)	(27,945)	96,991	(12,829)
Plant and equipment	6	(24)	(30)	13
Inventories	(710)	(2,390)	(1,680)	(2,079)
Accrued income	(105)	(83)	22	7,924
Prepayments	(4,059)	(8)	4,051	(5)
Other	-	(678)	(678)	(678)
Gross deferred income tax liabilities	(129,803)	(31,128)		
<i>Deferred income tax assets</i>				
Cash at bank	2,024	-	(2,024)	-
Financial assets	129,756	19,041	(110,715)	3,508
Accruals	2,208	2,041	(167)	127
Provisions	4,025	505	(3,520)	888
Other	4,722	1,395	(3,328)	1,392
Gross deferred income tax assets	142,735	22,982		
Net deferred tax asset/(liability)	12,932	(8,144)		
Deferred income tax charge	-	-	(21,078)	(1,739)
PARENT				
<i>Deferred income tax liabilities</i>				
Fixed assets	-	-	-	-
Inventories	-	-	-	-
Gross deferred income tax liabilities	-	-	-	-
<i>Deferred income tax assets</i>				
Accruals	-	-	-	-
Gross deferred income tax assets	-	-	-	-
Net deferred tax liability	-	-	-	-
Deferred income tax charge	-	-	-	-

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 4. Income tax (continued)

A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit/(loss) before tax from continuing operations	57,265	39,888	10,045	(47)
Less: Parent entity (profit)/loss before income tax expense (net non-assessable) (Note 2(y))	(10,045)	47	(10,045)	47
Accounting profit before income tax	47,220	39,935	-	-
At the Group's statutory income tax rate of 30%	14,166	11,981	-	-
Sundry non-deductible (deductible) expenses				
- Non-assessable income	2,333	(102)	-	-
- Non-deductible expenses	624	20	-	-
Over provision of tax in prior year	(2)	(138)	-	-
Adjustment to temporary differences of prior years	-	517	-	-
Other	1	(74)	-	-
Income tax expense	17,122	12,204	-	-

At 31 October 2008, there is no recognised or unrecognised deferred income tax liability (2007: \$nil) for taxes that would be payable on the unremitted earnings of the certain Group's subsidiaries, associates or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

During the financial year, the parent entity claimed an exemption from income tax by virtue of Section 50-40 of the Income Tax Assessment Act. During the last financial year, the Australian Taxation Office (ATO) advised that they believe CBH is no longer entitled to claim this exemption. This prompted the company to seek a Private Binding Ruling from the ATO stating that CBH was tax exempt. On 25 November 2008, the ATO issued its ruling stating that CBH is no longer entitled to claim tax exempt status and is required to pay income tax from 1 November 2008. At the date of signing, the company is actively defending the tax exemption status.

Note 5. Trade and other receivables

CURRENT

Trade receivables (i)	82,271	48,518	27,443	22,941
Loans to Growers (ii)	33	60,831	-	-
Less: Allowance for doubtful debts (iii)	(4,174)	(4,358)	(394)	(490)
	78,130	104,990	27,049	22,451
Other receivables (v)	24,776	7,926	4,857	4,271
Related party receivables: (iv)				
Controlled entities	-	-	340	236
Associated entities	230	221	175	175
	103,136	113,138	32,421	27,133

NON-CURRENT

Trade receivables (i)	3,686	-	-	-
Other debtors	124	19	-	-
Related party receivables: (iv)				
Controlled entities	-	-	48,228	29,968
	3,810	19	48,228	29,968

Notes to the Financial Statements

For the year ended 31 October 2008

Note 5. Trade and other receivables (continued)

(i) Trade receivables

Trade receivables are non-interest bearing and are generally 14-30 day terms. In respect of grower washout invoices, terms are generally 30 days however extensions of up to 90 days have been granted upon application. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

Non current trade receivables comprise a deferred payment plan entered into with certain overseas customers. The amount is payable over 36 months in weekly instalments including interest. Interest is charged at LIBOR plus a margin on commercial terms.

At 31 October, the ageing analysis of trade receivables is as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current	46,035	12,684	14,527	20,436
< 30 days overdue	29,780	20,675	11,421	1,655
30 – 60 days overdue	5,548	11,423	358	113
60 – 90 days overdue	1,201	1,337	743	247
> 90 days overdue	3,393	2,399	394	490
	85,957	48,518	27,443	22,941

(ii) Loans to Growers

Loans receivable are interest bearing and represent funds advanced to growers based on tonnes delivered to the Company, primarily for delivery into the AgraCorp Wheat Pool. This receivable was secured by and settled by distributions receivable from the Wheat Pool. At 31 October 2007, the interest rate charged to growers was 8.00%.

At 31 October, the ageing analysis of Loans to Growers is as follows:

Current	33	60,831	-	-
	33	60,831	-	-

(iii) Allowance for doubtful debts

An allowance for doubtful debts is recognised when there is objective evidence that the Group will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. Bad debts are written off when an individual trade receivable or Loans to Grower is impaired. An impairment loss of \$1.2 million (2007: \$3.306 million) has been recognised by the Group and gain of \$0.063 million (2007: \$0.128 million) by the company in the current year. These amounts have been included in the other expense item.

Movements in the provision for doubtful debts were as follows:

At 1 November 2007	4,358	369	490	369
Charge for the year	216	3,997	(63)	128
Amounts written off (included in other expenses)	(400)	(8)	(33)	(7)
At 31 October 2008	4,174	4,358	394	490

Trade receivables past due but not considered impaired are Group \$21.05 million (2007: \$39.7 million); company \$12.9 million (2007: \$2.5 million). Each entity has been in contact with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(iv) Related party receivables

For terms and conditions relating to related party receivables refer Note 28.

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 5. Trade and other receivables (continued)

(v) Other receivables

Other receivables consist of GST receivables, and accrued income receivable within 12 months.

Accrued income receivable within 12 months	11,817	3,242	2,905	3,221
GST receivable	12,685	4,270	1,952	1,050
Other	274	414	-	-
	24,776	7,926	4,857	4,271

Included in the "Other" category are loans to other persons. These are interest free loans provided to country shires for the provision of aged care and similar community related facilities. Loans are generally repayable over 5 years.

(vi) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amounts are estimated to represent their fair values.

The maximum exposure to credit risk is the fair value of receivables. The Group will, where it is deemed appropriate, require collateral to be provided by third parties. It is not the Group's policy to transfer (on-sell) receivables to special purpose entities.

(vii) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure is disclosed in Note 18.

Note 6. Other financial assets

CURRENT

Equities in Grain Pool Pools at fair value (Note 2 (k)(iv))	4,978	-	-	-
Equities in the AWB National Wheat Pool at fair value (i)	12,611	2,259	-	-
Loan to Grain Pool Pools at fair value (ii)	65,192	-	-	-
	82,781	2,259	-	-

NON-CURRENT

Unlisted investments at cost				
- Shares in controlled entities	-	-	108,510	107,209
- Shares in other corporations	1	95	-	95
	1	95	108,510	107,304

(i) Equities in the AWB National Wheat Pool

Amount represents equity in the current National Wheat Pool managed by AWB International Limited. All amounts receivable are not considered past due or impaired.

(ii) Loan to Grain Pool Pools

Loan to Grain Pool Pools have interest charged at the bank bill rate plus a commercial margin. The loan reflects amounts advanced to growers on behalf of Grain Pool Pools.

(iii) Fair value and credit risk

The maximum exposure to credit risk is the fair value of the Equity in Grain Pool Pools and the AWB National Wheat Pool. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(iv) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure is disclosed in Note 18.

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 7. Inventories

Traded grain – at fair value	65,219	50,413	-	-
Lower of cost and net realisable value:				
Raw materials and stores (at cost)	1,894	1,596	1,817	1,453
Work-in-progress (at cost) (i)	2,557	926	15	1
Less: Provision for obsolescence	(14)	(17)	-	-
Total inventories at the lower of cost and net realisable value	4,437	2,505	1,832	1,454
Total inventory	69,656	52,918	1,832	1,454
(i) Construction work-in-progress	5,941	2,358	-	-
Construction costs incurred and recognised	(3,384)	(1,432)	-	-
Profits less recognised losses	2,557	926	-	-

Note 8. Other assets

CURRENT

Prepayments	2,953	2,889	5,651	2,860
Deferred borrowing costs	5,886	-	-	-
	8,839	2,889	5,651	2,860

NON-CURRENT

Defined benefit superannuation plan surplus	21,153	33,452	21,153	33,452
Prepayments	1,202	1,405	1,202	1,405
	22,355	34,857	22,355	34,857

Note 9. Investments in associates

Investments in associates at cost	-	-	25,226	33,693
Investments in associates at recoverable amount	13,978	-	12,269	-
Investments accounted for using the equity method	89,016	86,472	-	-
	102,994	86,472	37,495	33,693

Investments in associates at recoverable amount include Pacific Agrifoods Investments Pty Ltd. This company holds the Group's investments in Futuris Corporation Limited. During the year, as a result of the economic crisis, these available-for-sale investments became impaired. Therefore it was necessary to impair the investment in Pacific Agrifoods Investments Pty Ltd. As a consequence, the value of the investment held by the company was reduced to the equity accounted value and an impairment of \$7.238 million was recognised in the income statement.

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Note 10. Property, plant and equipment				
Land and buildings				
Freehold land and buildings				
At cost	792,775	740,589	790,894	738,708
Less: Accumulated depreciation	(366,156)	(340,248)	(365,891)	(340,083)
	426,619	400,341	425,003	398,625
Leasehold property				
At cost	8,257	8,256	8,257	8,256
Less: Accumulated amortisation	(955)	(782)	(955)	(782)
	7,302	7,474	7,302	7,474
Office furniture, fittings and equipment				
At cost	36,337	34,537	35,509	33,789
Less: Accumulated depreciation	(29,511)	(28,349)	(28,831)	(27,712)
	6,826	6,188	6,678	6,077
Plant and equipment				
At cost	644,721	628,516	655,791	635,380
Less: Accumulated depreciation	(403,011)	(380,073)	(404,306)	(380,696)
	241,710	248,443	251,485	254,684
Plant and equipment - leased				
At cost	1,249	1,249	1,249	1,249
Less: Accumulated amortisation	(1,249)	(1,249)	(1,249)	(1,249)
	-	-	-	-
Motor vehicles				
At cost	31,041	29,689	30,571	29,348
Less: Accumulated depreciation	(18,828)	(18,514)	(18,665)	(18,372)
	12,213	11,175	11,906	10,976
Capital works in progress				
	29,061	23,881	30,718	25,133
Total property, plant and equipment	723,731	697,502	733,092	702,969

Notes to the Financial Statements

For the year ended 31 October 2008

Note 10. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

	Land and buildings	Lease- hold proper- ties	Office furniture, fittings and equip- ment	Plant and equip- ment	Motor vehicles	Plant and equip- ment leased	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED – 2008								
Carrying amount at start of year	400,341	7,474	6,188	248,443	11,175	-	23,881	697,502
Additions	41,945	-	2,292	10,149	4,008	-	30,009	88,403
Disposals	(33)	-	(207)	(90)	(574)	-	-	(904)
Transfer from capital works-in-progress	11,916	-	605	6,954	17	-	-	19,492
Transfer to property, plant and equipment	-	-	-	-	-	-	(24,829)	(24,829)
Depreciation/ Amortisation expense (Note 3(e), 2(l))	(27,550)	(172)	(2,052)	(23,746)	(2,413)	-	-	(55,933)
Carrying amount at end of year	426,619	7,302	6,826	241,710	12,213	-	29,061	723,731
CONSOLIDATED – 2007								
Carrying amount at start of year	407,173	7,651	6,939	257,363	12,358	-	40,309	731,793
Additions	5,686	-	1,442	1,820	1,741	-	17,620	28,309
Disposals	(9)	-	(62)	(129)	(521)	-	-	(721)
Transfer from capital works-in-progress	14,448	-	637	14,116	76	-	-	29,277
Transfer to property, plant and equipment	-	-	-	-	-	-	(34,048)	(34,048)
Depreciation/ Amortisation expense (Note 3(e), 2(l))	(26,957)	(177)	(2,768)	(24,727)	(2,479)	-	-	(57,108)
Carrying amount at end of year	400,341	7,474	6,188	248,443	11,175	-	23,881	697,502

Notes to the Financial Statements

For the year ended 31 October 2008

Note 10. Property, plant and equipment (continued)

	Land and buildings	Lease- hold proper- ties	Office furniture, fittings and equip- ment	Plant and equip- ment	Motor vehicles	Plant and equip- ment leased	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PARENT ENTITY – 2008								
Carrying amount at start of year	398,625	7,474	6,077	254,684	10,976	-	25,133	702,969
Additions	41,945	-	2,212	14,234	3,859	-	30,414	92,664
Disposals	(33)	-	(207)	(42)	(575)	-	-	(857)
Transfer from capital works-in-progress	11,916	-	605	6,954	17	-	-	19,492
Transfer to property, plant and equipment	-	-	-	-	-	-	(24,829)	(24,829)
Depreciation/Amortisation expense (Note 3(e), 2(l))	(27,450)	(172)	(2,009)	(24,345)	(2,371)	-	-	(56,347)
Carrying amount at end of year	425,003	7,302	6,678	251,485	11,906	-	30,718	733,092

PARENT ENTITY – 2007

Carrying amount at start of year	406,978	7,651	6,785	262,228	12,118	-	39,995	735,755
Additions	5,588	-	1,442	3,595	1,741	-	17,627	29,993
Disposals	(9)	-	(62)	(126)	(521)	-	-	(718)
Transfer from capital works-in-progress	12,956	-	637	14,048	76	-	-	27,717
Transfer to property, plant and equipment	-	-	-	-	-	-	(32,489)	(32,489)
Depreciation/Amortisation expense (Note 3(e), 2(l))	(26,888)	(177)	(2,725)	(25,061)	(2,438)	-	-	(57,289)
Carrying amount at end of year	398,625	7,474	6,077	254,684	10,976	-	25,133	702,969

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 11. Intangible assets

Software costs

Cost (gross carrying amount)	34,691	27,000	34,691	27,000
Accumulated amortisation and impairment	(22,918)	(15,525)	(22,918)	(15,525)
Net carrying amount	11,773	11,475	11,773	11,475

Patents

Cost (gross carrying amount)	28	25	-	-
Accumulated amortisation and impairment	(17)	(8)	-	-
Net carrying amount	11	17	-	-

Notes to the Financial Statements

For the year ended 31 October 2008

	PATENT COSTS	SOFTWARE COSTS	TOTAL
	\$'000	\$'000	\$'000
Note 11. Intangible assets (continued)			
CONSOLIDATED			
Year ended 31 October 2007			
Balance at the beginning of the year	7	9,512	9,519
Additions	17	-	17
Additions – internal development	-	7,246	7,246
Amortisation (Note 3(e), 2(q))	(7)	(5,283)	(5,290)
Closing value at 31 October 2007	17	11,475	11,492
Year ended 31 October 2008			
Balance at the beginning of the year	17	11,475	11,492
Additions	1	-	1
Additions – internal development	-	7,625	7,625
Disposals	-	-	-
Amortisation (Note 3(e), 2(q))	(7)	(7,327)	(7,334)
Closing value at 31 October 2008	11	11,773	11,784
PARENT			
Year ended 31 October 2007			
Balance at the beginning of the year	-	9,512	9,512
Additions – internal development	-	7,246	7,246
Disposals	-	-	-
Amortisation (Note 3(e), 2(q))	-	(5,283)	(5,283)
Closing value at 31 October 2007	-	11,475	11,475
Year ended 31 October 2008			
Balance at the beginning of the year	-	11,475	11,475
Additions – internal development	-	7,625	7,625
Disposals	-	-	-
Amortisation (Note 3(e), 2(q))	-	(7,327)	(7,327)
Closing value at 31 October 2008	-	11,773	11,773

Intangible assets consist of software costs and patents. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the income statement.

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 12. Trade and other payables

CURRENT

Trade payables (ii)	31,140	15,722	43,169	19,226
Sundry payables and accrued expenses (iii)	32,961	31,521	-	-
Hire purchase (iv)	-	16	-	16
Debentures (v)	6,420	12,203	6,420	12,203
Financial guarantees (Note 21) (vi)	210	242	454	906
	70,731	59,704	50,043	32,351

NON-CURRENT

Debentures (v)	5,113	9,128	4,925	8,940
	5,113	9,128	4,925	8,940

(i) Fair value

Due to the short term nature of the current payables their carry value is assumed to approximate fair value. The carrying amount of the debentures approximates their fair value.

(ii) Trade payables

Trade payables are non-interest bearing and are usually paid within 30-day terms.

(iii) Sundry payables and accrued expenses

Sundry payables and accrued expenses represent payables to growers.

(iv) Hire purchase

Hire purchase represents contracts with Telstra for telephone handsets with a contract term of 1 year payable monthly.

(v) Debentures

As described in Note 2(t), tolls were deducted from the proceeds of every tonne of grain delivered by shareholders which ceased on 31 October 2000. The current liability is payable in October 2009 with the non-current portion being repayable in 2010.

(vi) Financial guarantees

As described in Note 2(ab) and Note 21, the Group has provided financial guarantees to its associates and subsidiaries, which commit the Group to make payments on behalf of these entities upon their failure to perform under the terms of the relevant contract. The significant accounting estimates and assumptions used in determining the fair value of these guarantees has been disclosed in Note 2(f).

The amortisation of financial guarantees is included in other revenue, Note 3(b).

(vii) Interest rate, foreign exchange and liquidity risk

Information regarding the effective interest rate and credit risk of current payables is set out in Note 18.

Note 13. Interest bearing loans and borrowings

CURRENT

Unsecured:

Deposits from Pools (i)	-	89,460	-	-
Bank loans (ii)	144,441	124,819	70,000	30,000
	144,441	214,279	70,000	30,000
Overdraft (iii)	29,027	-	-	-
	173,468	214,279	70,000	30,000

(i) Deposits from Pools have interest charged at the overnight cash rate.

(ii) The bank loans are in both Australian Dollars and United States Dollars. For additional details refer to Note 13(c).

(iii) Interest is paid to the company on positive total equity balances and charged on net negative equity balances. Equity balance reflects the mark to market positions with respect to derivatives plus the cash balance with the bank. The overdraft balance at the year end was offset by a positive mark to market position in derivatives. No interest was charged during the year.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 13. Interest bearing loans and borrowings (continued)

(a) Fair value

Unless otherwise disclosed, the carrying amount of the Group's current and non-current borrowings approximates fair value.

The parent entity and certain controlled entities have potential financial liabilities which may arise from certain contingencies disclosed in Note 21. However the directors do not expect those potential financial liabilities to crystallise into obligations and therefore financial liabilities disclosed in the above table are the directors estimate of amounts that will be payable by the Group. No material losses are expected and as such, the fair values disclosed are the directors' estimate of amounts that will be payable by the Group.

(b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 18.

(c) Terms and conditions

The Group has bank overdraft facilities which may be drawn at any time and may be terminated by the bank without notice. The bank loans are subject to annual review.

(i) Current interest bearing loans and borrowings

\$100,000,000 bank loan

This floating rate interest bank loan was entered into for general purposes and is unsecured and repayable in full on 30 April 2009. \$70,000,000 was drawn down at 31 October 2008. The average rate for the year was 6.515% (2007: 7.24%).

Negative Pledge – Parent entity

The bank loan of the company is supported by a negative pledge that imposes certain covenants on the company that has received that loan. The negative pledge at 31 October 2008 states that (subject to certain exceptions) the parent entity will not provide any other security over its assets, and will ensure that the following financial ratios and conditions are met throughout the term of the loan facilities:

- (a) Total interest bearing debt of the company does not exceed \$400 million;
- (b) Net tangible assets of the company is to remain above \$850 million;
- (c) The ratio of earnings of the company before interest, tax, depreciation and amortisation (EBITDA) to interest must not fall below 3.0 times; and
- (d) No dividends are allowed to be paid by the company.

\$60.5 million (US\$40.4 million) bank loan

This United States Dollar denominated floating rate loan was entered into on 31 December 2004 as part of the Group's investment into Asia. The loan is unsecured, and was renegotiated to 31 December 2008. The average rate for the year was 4.27%. As a requirement of the bank covenant a minimum 40% of this facility is hedged. AU\$21.933 million (US\$14.648 million) had been drawn down at 31 October 2008. In December 2008, these loans were renegotiated to expire 30 October 2009 with a facility limit of US\$14.94 million (AU\$21.933 million).

\$89.8 million (US\$60 million) bank loan

This United States Dollar denominated loan is subject to annual review and used for general purposes by Grain Pool Pty Ltd with a total facility as at 31 October 2008 of US\$60 million (2007: US\$60 million). AU\$52.4 million (US\$35 million) had been drawn down at 31 October 2008 (2007: US\$60 million). The average rate for the year was 4.71% (2007: 5.15%) payable in United States Dollars. The last review was conducted in November 2008 and the facility was renewed for 12 months.

Australian dollar credit facility

In October 2008, a new facility of \$1.248 billion was negotiated with various banks. This facility can be drawn in three tranches depending on the cash flow needs of the Group. The entire facility remained undrawn as at 31 October 2008. Subsequent to year end the company negotiated additional inventory financing facilities of \$750 million. Grain Pool Pty Ltd is to use this facility to fund the 2008/2009 Pools by way of payments to growers and grain trading. Under the facility, the lenders hold fixed and floating security over Grain Pool Pty Ltd (and its subsidiaries') assets and Grain Pool Pty Ltd has agreed not to cause or permit to exist any additional encumbrances on its property. The interest rate is calculated with reference to the Australian Dollar bank bill rate, plus a margin at normal commercial terms.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 13. Interest bearing loans and borrowings (continued)

(c) Terms and conditions (continued)

Negative Pledge – Grain Pool Pty Ltd

The bank loans of the Grain Pool Pty Ltd are supported by a negative pledge that imposes certain covenants on the company. The negative pledge at 31 October 2008 states that (subject to certain exceptions) Grain Pool Pty Ltd will not provide any other security over its assets, and will ensure that the following financial ratios and conditions are met throughout the term of the loan facilities:

- (a) The financial indebtedness of Grain Pool Pty Ltd should not exceed the aggregate of:
 - a. 100% of cash on hand;
 - b. 90% of grain sold that is either on hand or in the course of delivery;
 - c. 100% of the mark to market value of grain net open derivative position;
 - d. 80% of the market value of grain that is not sold; and
 - e. 80% of total value of debtors on terms of 90 days or less.
- (b) The realised and unrealised grain trading positions should not exceed minus \$30 million;
- (c) The ratio of financial indebtedness plus inventory finance exposure to consolidated equity must be less than or equal to 6.5 times.

(d) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

	LONG-TERM EMPLOYEE BENEFITS	OTHER	TOTAL
	\$'000	\$'000	\$'000

Note 14. Provisions

CONSOLIDATED

At 1 November 2007	15,460	791	16,251
Additional provisions	2,198	-	2,198
Unused amounts reversed	-	(261)	(261)
At 31 October 2008	17,658	530	18,188
Current 2008	14,368	-	14,368
Non-current 2008	3,290	530	3,820
	17,658	530	18,188
Current 2007	10,829	-	10,829
Non-current 2007	4,631	791	5,422
	15,460	791	16,251

PARENT ENTITY

At 1 November 2007	12,907	791	13,698
Additional provisions	1,834	-	1,834
Unused amounts reversed	-	(261)	(261)
At 31 October 2008	14,741	530	15,271
Current 2008	11,992	-	11,992
Non-current 2008	2,749	530	3,279
	14,741	530	15,271
Current 2007	9,009	-	9,009
Non-current 2007	3,898	791	4,689
	12,907	791	13,698

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 15. Other liabilities

Deferred revenue

	4,496	1,719	966	1,066
	4,496	1,719	966	1,066

Note 16. Contributed equity and reserves

(a) Ordinary shares

Issued and fully paid

13 13 **13** 13

Less: Treasury shares (i)

(4) (3) **(4)** (3)

9 10 **9** 10

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

In relation to the distribution of surplus profits, except for the payment of \$2.00 on the redemption of a share, the Bulk Handling Act (1967) and the company's Articles of Association prohibit the distribution of any surplus or profits to the stakeholders.

In the event of winding up the Bulk Handling Act (1967) provides that any surplus shall be distributed in a manner directed by the Treasurer of the State of Western Australia.

Treasury shares represent shares purchased back from stakeholders by the company.

	NUMBER	ISSUE PRICE	\$'000
<i>Movement in ordinary shares</i>			
At 1 November 2007	6,651	\$2.00	13
Shares issued (i)	132	\$2.00	-
At 31 October 2008	6,783		13

(i) Shares issued

During the year 132 ordinary shares (2007 – 88) were issued and remained unpaid as at 31 October 2008. The parent entity retains the right to call on all outstanding ordinary shares at anytime in the future. The total number of unpaid ordinary shares is 1,031 (2007 – 899).

(b) Capital management

The Group's objectives when managing capital are to safeguard the business as a going concern, to maximise benefits for shareholders and stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. Total capital consists of total equity plus net debt which amounts to \$1.1 billion (2007: \$1.2 billion). Due to the structure of the business dividends are not paid to shareholders with sources of capital being through debt finance and retained earnings. Capital management involves the use of forecasting models which facilitates analysis of the Group's financial position including cash flow forecasts to determine future capital and operating requirements.

Grain Pool Pty Ltd holds an Australian Financial Services License and has operated within the requirements as prescribed in the license. This includes demonstrating through the preparation of cash flow forecast projections, that the company will have access to sufficient financial resources to meet its liabilities over at least the next three months.

There were no changes in the Group's approach to capital management during the financial year.

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000

Note 16. Contributed equity and reserves (continued)

(c) Retained earnings

Movements in retained earnings were as flows:

Opening balance	84,281	56,550	-	-
Actuarial gain/(loss) on defined benefit plan	(10,394)	10,661	(10,394)	10,661
Net profit/(loss) for the year	40,143	27,684	10,045	(47)
Aggregate of amounts transferred to/from reserves	349	(10,614)	349	(10,614)
Balance at 31 October	114,379	84,281	-	-

(d) Reserves

Capital levy reserve	52,587	52,587	52,587	52,587
General reserve	815,156	815,504	818,223	818,572
Foreign currency translation reserve	(8,122)	(6,280)	-	-
Net realised gains/(loss) reserve	2,552	2,525	-	-
	862,173	864,336	870,810	871,159

Movement in reserves

Capital levy reserve

Balance at beginning of year	52,587	52,587	52,587	52,587
Balance at end of year	52,587	52,587	52,587	52,587

General reserve

Balance at beginning of year	815,505	804,890	818,572	807,958
Transfer to/from retained profits	(349)	10,614	(349)	10,614
Balance at end of year	815,156	815,504	818,223	818,572

Foreign currency translation reserve

Balance at beginning of year	(6,280)	95	-	-
Currency translation differences arising during the year	(1,842)	(6,375)	-	-
Balance at end of year	(8,122)	(6,280)	-	-

Net unrealised gains reserve

Balance at beginning of year	2,525	1,624	-	-
Share of associates loss on available-for-sale investments	8,777	901	-	-
Share of associates impairment losses on available-for-sale from income statement to reserves	(8,750)	-	-	-
Balance at end of year	2,552	2,525	-	-

Under the Bulk Handling Act (1967) the company is permitted to build up reserves and does not make distributions of these reserves to shareholders. These reserves are not predominantly held in liquid assets.

Nature and purpose of reserves

Capital Levy Reserve

The Capital Levy Reserve was created upon the company being converted to a tax exempt entity as a result of changes to the Bulk Handling Act in 1971. This exemption removed from the company the right to pay rebates to shareholders with the funds that would have been paid being transferred to this reserve.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 16. Contributed equity and reserves (continued)

General Reserve

The General Reserve represents the transfer of the Co-operative Bulk Handling Limited retained profits.

Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

Net Unrealised Gain Reserve

This reserve records movements in the fair value of available-for-sale financial assets of an associate.

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Note 17. Cash and cash equivalents				
Cash at bank and on hand	58,423	27,835	3,139	5,511
Short-term deposits	79,256	152,464	7,528	-
Cash – futures account at call	-	4,556	-	-
Cash – futures account deposit	-	44,608	-	-
	137,679	229,463	10,667	5,511
Overdraft				
Cash – futures account at call	(29,027)	-	-	-
	108,652	229,463	10,667	5,511

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and 30 days and earned interest at the short-term deposit rate of 6.81% (2007: 6.47%).

Cash – futures at call and on deposit are held in United States Dollars, Canadian Dollars and Australian Dollars at an interest rate of nil% (2007: 4.37% on balances due from brokers).

Reconciliation of net profit/(loss) from ordinary activities after income tax to net cash flows from operating activities

Net profit/(loss) from ordinary activities after income tax	40,143	27,684	10,045	(47)
<i>Adjustments for:</i>				
Depreciation and amortisation	63,278	62,467	63,674	62,571
Net (profit)/loss on disposal of property, plant and equipment	(36)	121	33	119
Impairment and write off of non-current assets	94	-	7,333	-
Bank guarantee	(1,259)	(1,028)	(3,106)	(4,529)
Share of associates' net (profits) and losses	6,765	(3,388)	-	-
<i>Changes in assets and liabilities</i>				
(Increase)/decrease in inventories	(16,738)	(16,616)	(378)	87
(Increase)/decrease in trade and other receivables	(81,404)	35,722	(20,510)	(3,519)
(Increase)/decrease in derivative assets	(311,248)	(57,296)	-	-
(Increase)/decrease in prepayments	5,826	(1,216)	80	(1,193)
(Increase)/decrease in pension assets	1,905	(331)	1,905	(331)
(Increase)/decrease in deferred tax assets	(12,854)	-	-	-
(Decrease)/increase in derivative liabilities	357,571	27,293	-	-
(Decrease)/increase in deferred tax liabilities	(8,144)	1,742	-	-
(Decrease)/increase in current tax liability	11,337	(1,780)	-	-
(Decrease)/increase in trade and other payables	18,294	(295)	22,560	(5,098)
(Decrease)/increase in provision	1,937	1,503	1,573	1,573
Net cash from/(used in) operating activities	75,695	74,582	83,209	49,633

Disclosure of financing facilities

Refer to Note 13.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 18. Financial risk management objectives and policies

The Group's policies with regard to financial risk management are clearly defined and consistently applied. The Group's activities expose it to a variety of financial risks: market risk (including currency risk, commodity risk and interest rate risk) credit risk and liquidity risk. The Group's overall risk management program focuses on minimising the potential adverse effects of financial markets on the financial performance of the Group.

The Group uses derivative financial instruments including (but not limited to) forward foreign exchange contracts and options, interest rate swaps, forward rate agreements and commodity futures and options to manage certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate, commodity and foreign exchange risk and assessments of market impacts for interest rate, foreign exchange and commodity prices using value-at-risk (VaR) techniques. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through development of future rolling cash flow forecasts.

Day to day risk management is carried out by a central treasury department, commodity trading department and credit management department under policies approved by the Board of Directors. The treasury function manages liquidity of the CBH Group whilst the trading department manages commodity and basis risks as well as associated foreign currency risks. The credit department manages credit limits for all counterparties with the Group. The CBH Board considers and approves the market risk policy framework within which the Group is permitted to operate on recommendation by the Audit and Risk Management Committee (ARMC).

Primary responsibility for identification and control of the financial risks rests with the Financial and Commodity Risk Management Committee under the authority of the Board via the ARMC and Executive Risk Committee. The Board is responsible for annual review and approval of the Market Risk Policy along with approval of the guidelines within which the Treasury and Trading functions operate. The Board also approves the establishment, adjustment and deletion of counterparties and limits, country and currency limits and the scope of financial instruments and facilities to be used in managing the CBH Group's financial risks. The market risk policy establishes limits and guidelines relating to the market and financial risks of the Group and is overseen by a number of dedicated committees on behalf of the Board as outlined below:



a) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impacts on the future performance of the business. The market price movements that the Group is exposed to include interest rates, foreign currency exchange rates and commodity price risk that could adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. The Group has developed policies aimed at managing the volatility inherent in certain of its natural business exposures and in accordance with these policies the Group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial or commodity instruments, indices or prices that are defined in the contract.

The Group measures market risks from its market exposures using value-at-risk (VaR) techniques. VaR is calculated by applying recent volatility (last 5 years) against multiple simulations using monte carlo simulations across distributed and correlated price paths over a predetermined hold period and applying this to the market exposure. From the resultant outcomes the 99th percentile adverse case is drawn. 99th percentile VaR therefore creates what the risk outcome could be 99% of the time under normal market conditions. The limitations of VaR are that it does not calculate risk in circumstances of extreme volatility; instead it calculates probable risk in high volatility situations under normal market conditions. VaR does not predict the maximum risk position.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 18. Financial risk management objectives and policies (continued)

i) Commodity Price Risk

Commodity price risks refers to the Group's exposure to fluctuations in the prices of grain commodities. The Group operates in a variety of grain markets and is exposed to commodity price fluctuations from its commodity exposures. Commodity price exposures are created by a differential timing in the buying and selling of grain. The hold period that VaR is calculated over for commodity price risk varies dependent upon the grain type between 5 and 10 days.

The diversification benefit represents the reduction in risks from the correlated movements between physical and derivative positions and the correlated movements of the various grain positions when considered together. Exposures and 99% VaR are as follows:

	2008	2007
	A\$'000	A\$'000
Net derivative exposure	(136.18)	(56.82)
Net physical exposure	82.42	78.95
Undiversified 99% VaR	(35.32)	(16.70)
Diversification benefit 99%	22.02	10.43
Diversified VaR	(13.30)	(6.27)

Traded Grains are grain books run by the CBH Group for the purpose of generating profits using its own funds and creditworthiness. The primary objective of Traded Grains is to achieve a profit therefore risk management activities are undertaken for a variety of reasons from eliminating to initiating market risk. However, Traded Grain positions are required to be maintained within specified limits. The Executive Risk Committee may modify the limits for individual grains on the recommendation of the Financial and Commodity Risk Management Committee however the aggregate limit for all grains can only be modified by the Board.

ii) Foreign Currency Risk

Foreign currency refers to the Group's exposure to fluctuations in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange fluctuations from its foreign currency exposures. Foreign currency exposures are created by the buying and selling of grain in different currencies. The Group manages its exposure to foreign currency risk through utilising forward exchange contracts and options. The hold period that VaR is calculated over for foreign exchange risk is 1 day.

Exposures and 99% VaR are as follows:

	2008	2007
	A\$'000	A\$'000
Net Market Exposure	(3.93)	1.80
99% VaR	(0.140)	(0.010)

It is Group policy not to enter into forward contracts until a firm commitment is in place.

As a result of investment in operations in Asia, the Group's balance sheet can be affected by movements in the US\$/AU\$ exchange rates. The Group does not hedge against this exposure.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 18. Financial risk management objectives and policies (continued)

ii) Foreign Currency Risk (continued)

At 31 October, the Group had the following financial instruments denominated in another currency:

	USD IN	CAD IN	EURO IN	HK\$ IN	S\$ IN
	AUD equivalent \$'000	AUD equivalent \$'000	AUD equivalent \$'000	AUD equivalent \$'000	AUD equivalent \$'000
CONSOLIDATED ENTITY - 2008					
Financial assets					
Cash and cash equivalents	34,761	9,892	84	86	29
Trade receivables	75,254	253	-	-	-
Derivative financial assets	267,790	13,426	-	-	-
	377,805	23,571	84	86	29
Financial liabilities					
Interest bearing loans and borrowings	104,840	(1,346)	-	-	-
Trade and other payables	127	-	-	-	-
Derivative financial liabilities	149,569	26,915	1,200	-	-
	254,536	25,569	1,200	-	-
Net Exposure	123,266	(1,998)	(1,116)	86	29
CONSOLIDATED ENTITY - 2007					
Financial assets					
Cash and cash equivalents	66,821	1,532	21	-	-
Trade receivables	19,292	-	-	5	-
Derivative financial assets	76,561	131	-	-	-
	162,674	1,663	21	5	-
Financial liabilities					
Interest bearing loans and borrowings	84,817	-	-	-	-
Trade and other payables	251	-	-	-	-
Derivative financial liabilities	60,294	400	-	-	-
	145,362	400	-	-	-
Net Exposure	17,312	1,263	21	5	-
PARENT ENTITY - 2008					
Financial assets					
Trade receivables	55,120	-	-	-	-
Net Exposure	55,120	-	-	-	-
PARENT ENTITY - 2007					
Financial assets					
Trade receivables	35,611	-	-	-	-
Net Exposure	35,611	-	-	-	-

Notes to the Financial Statements

For the year ended 31 October 2008

Note 18. Financial risk management objectives and policies (continued)

iii) Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Group funds its ongoing operations and is exposed to interest rate fluctuations predominantly from liabilities bearing variable interest rates. The hold period that VaR is calculated over for interest rate risk is 1 day. Exposures and 99% VaR are as follows:

	2008	2007
	A\$'000	A\$'000
Net Market Exposure	404.07	5,539
99% VaR	(0.261)	(0.001)

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Financial Assets				
Cash and cash equivalents	137,679	162,206	10,667	5,511
Trade and other receivables	30,545	481	-	-
Loans to Grain Pool Pools	65,192	-	-	-
	233,416	162,687	10,667	5,511
Financial Liabilities				
Interest bearing liabilities and borrowings	173,468	60,512	70,000	30,000
Deposits with Pools	-	89,460	-	-
	173,468	149,972	70,000	30,000
Net Exposure	59,948	12,715	(59,333)	(24,489)

It is the Group's policy that floating rate debt may only be used for short term borrowings of less than three months and is not to exceed 20% of total debt unless approved by the Executive Risk Committee. The Group's policy is to manage the exposure to adverse movements in interest rates through either variation of the physical terms or structure of the various portfolios or through the use of derivative financial instruments. The Group's policy is that up to a maximum of 50% of borrowings are to be at fixed rates of interest. At 31 October, after taking into account the effect of interest rate swaps, approximately nil% (2007: 18%) of the Group's borrowings are at a fixed rate of interest. Interest rate swap contracts are outlined in Note 19.

b) Credit Risk

Credit risk arises from the financial assets of the Group which comprises cash and cash equivalents, trade and other receivables, derivative instruments and other financial assets. The Group's exposure to credit risk arises from the potential default of the counter party, with maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed at each applicable note.

The Group does not hold any credit derivatives to offset its credit exposures.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The degree of credit exposure is measured by an Assessed Counterparty Exposure (ACE). The CBH Group also sets country risk limits due to the possibility of a counter party being affected by a country's decree such that specific financial obligations cannot be met in addition to credit limits for individual counterparties. Risk limits are set for each individual customer in accordance with parameters set by the Board. The risk limits are regularly reviewed.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group will, where it is deemed appropriate, require collateral to be provided by third parties. At 31 October, the Group held collateral of \$0.87 million (2007: nil).

Notes to the Financial Statements

For the year ended 31 October 2008

Note 18. Financial risk management objectives and policies (continued)

b) Credit Risk (continued)

The Group has significant concentrations of credit risk with respect to the Group's derivative portfolio. The following additional comments apply:

1. *Derivatives contracted with the Grain Pool Pools*

For all derivatives contracted with the Grain Pool Pools, the company enters into offsetting positions with external counterparties. However, any default in contract by the Grain Pool Pools cannot be offset with the external counterparty. This exposes the Group to additional credit risk, with a maximum exposure equal to the carrying amount of these investments. At 31 October, the total exposure from Grain Pool Pools was \$26.19 million, (2007: \$ nil). After consideration of the total net assets of the Grain Pool Pools, the Group has considered the credit risk of contracting with the Grain Pool Pools and has no concerns at 31 October 2008.

2. *Derivatives other than forward purchases and forward sales contracted with AgraCorp Active Growers*

For all derivatives contracted with AgraCorp Active growers, the Group enters into offsetting positions with external counterparties. However, any default in contract by AgraCorp Active growers cannot be offset with the external counterparty. This exposes the Group to additional credit risk, with a maximum exposure equal to the carrying amount of these instruments. At 31 October, the balance outstanding is \$ nil, (2007: \$35.72 million). After consideration of the individual financial positions of each grower, it has been determined that adequate provisions have been made to allow for any potential doubtful debts. Refer to Note 5 for further details. This product has been discontinued and is no longer available.

3. *Derivatives other than forward purchase and forward sales contracted with external counterparties in the Group's own right*

For all derivatives other than forward purchases and forward sales contracted with external counterparties, namely banks, the Group is exposed to credit risk, with a maximum exposure equal to the carrying amount of these instruments. It is Group Policy to only trade with counterparties with a long-term rating of A- or above by Standard and Poor's or equivalent rating agencies. The Group has assessed credit risk of all counterparties and has no concerns at 31 October 2008. A summary of exposures by credit rating is detailed in the table below:

	2008	2008	2007	2007
	Fair Value \$'000	Notional \$'000	Fair Value \$'000	Notional \$'000
Credit rating A	10,330	50,000	-	-
Credit rating AA- and above	44,530	2,560,000	(18,390)	1,900,000
	54,860	2,610,000	(18,390)	1,900,000

4. *Forward purchase and sale contracts*

Forward purchase and sale contracts are undertaken with external counterparties, including growers, grain traders and end-customers. At 31 October, the net exposure is \$3.33 million (Face values: Open purchase contracts \$404.86 million; Open sales contracts \$401.53 million). After consideration of individual counterparty financial positions and current market values, the Group has considered the credit risk of all external counterparties and has no concerns at 31 October 2008.

c) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit funds and the ability to close-out market positions. The Group's objective is to ensure that adequate liquid assets and funding sources are available at all times to meet both short and long term commitments of the CBH Group. The Group's liquidity is managed centrally with subsidiaries forecasting their cash requirements to a central treasury function. Unless restricted by local regulations or bank covenants, subsidiaries pool their cash surpluses to treasury, which will then arrange to fund other subsidiaries requirements, or invest any net surplus in the market or arrange for necessary external borrowings. The Treasury department aims at maintaining flexibility in funding by keeping committed credit lines available and maintaining cash flow reporting mechanisms to monitor the Group's estimated liquidity position.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 18. Financial risk management objectives and policies (continued)

c) Liquidity Risk (continued)

The table below reflects the remaining contractual maturities of the Group and parent entities financial assets and liabilities as at 31 October 2008. For derivative financial instruments, the market value is presented where they are settled on a net basis, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 31 October 2008.

	Carrying Amount	Total Contractual (undiscounted) Cash Flows	Contractual (undiscounted) Cash Flows by Period			
			6 Months or less	6 – 12 Months	1-5 Years	Over 5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED - 2008						
Financial liabilities						
Unsecured bank loans	173,468	174,998	152,590	22,408	-	-
Trade and other payables	64,311	64,311	64,311	-	-	-
Debentures	11,533	11,593	-	5,430	6,163	-
Derivative financial liabilities	435,628	435,628	405,844	25,855	3,929	-
	684,940	686,530	622,745	53,693	10,092	-
Financial assets						
Cash and cash equivalents	137,679	137,679	137,679	-	-	-
Trade and other receivables	106,946	107,521	101,293	2,418	3,810	-
Other financial assets	82,782	82,781	82,781	-	-	-
Derivative financial assets	418,985	418,985	384,335	28,002	6,648	-
	746,392	746,966	706,088	30,420	10,458	-
CONSOLIDATED - 2007						
Financial liabilities						
Deposits from pools	89,460	89,460	89,460	-	-	-
Unsecured bank loans	124,819	125,906	105,005	20,900	-	-
Trade and other payables	47,501	47,501	47,493	8	-	-
Debentures	21,331	22,759	-	10,943	11,817	-
Derivative financial liabilities	78,056	78,056	76,697	750	609	-
	361,167	363,682	318,655	32,601	12,426	-
Financial assets						
Cash and cash equivalents	229,463	229,463	229,463	-	-	-
Trade and other receivables	113,157	113,157	113,157	-	-	-
Other financial assets	2,354	2,354	2,259	-	-	95
Derivative financial assets	107,737	107,737	102,174	3,790	1,773	-
	452,711	452,711	447,053	3,790	1,773	95

Notes to the Financial Statements

For the year ended 31 October 2008

Note 18. Financial risk management objectives and policies (continued)

c) Liquidity Risk (continued)

	Carrying Amount	Total Contractual (undiscounted) Cash Flows	Contractual (undiscounted) Cash Flows by Period			
			6 Months or less	6 – 12 Months	1-5 Years	Over 5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
PARENT ENTITY - 2008						
Financial liabilities						
Unsecured bank loans	70,000	70,366	70,366	-	-	-
Trade and other payables	43,623	43,623	43,623	-	-	-
Debentures	11,345	11,593	-	5,430	6,163	-
	124,968	125,582	113,989	5,430	6,163	-
Financial assets						
Cash and cash equivalents	10,667	10,667	10,667	-	-	-
Trade and other receivables	80,649	80,649	32,421	-	-	48,228
Other financial assets	108,510	108,510	-	-	-	108,510
	199,826	199,826	43,088	-	-	156,738
PARENT ENTITY - 2007						
Financial liabilities						
Unsecured bank loans	30,000	30,000	30,000	-	-	-
Trade and other payables	20,148	20,148	20,140	8	-	-
Debentures	21,143	22,571	-	10,943	11,628	-
	71,291	72,719	50,140	10,951	11,628	-
Financial assets						
Cash and cash equivalents	5,511	5,511	5,511	-	-	-
Trade and other receivables	57,101	57,101	27,133	-	-	29,968
Other financial assets	107,304	107,304	-	-	-	107,304
	169,916	169,916	32,644	-	-	137,272

Maturity analysis of financial assets and liabilities based on managements expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investment in working capital eg: inventories and trade receivables. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 18. Financial risk management objectives and policies (continued)

c) Liquidity Risk (continued)

	TOTAL	≤6 MONTHS	6-12 MONTHS	1-5 YEARS	> 5 YEARS
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 October 2008					
CONSOLIDATED					
Financial assets					
Cash and cash equivalents	137,679	137,679	-	-	-
Trade and other receivables	106,946	100,718	2,418	3,810	-
Other financial assets	82,782	82,782	-	-	-
Derivative financial assets	418,985	384,335	28,002	6,648	-
	746,392	705,514	30,420	10,458	-
Financial liabilities					
Deposits from Pools	-	-	-	-	-
Unsecured bank loans	173,468	151,535	21,933	-	-
Trade and other payables	64,311	64,311	-	-	-
Debentures	11,533	-	6,420	5,113	-
Derivative financial liabilities	435,628	405,844	25,855	3,929	-
	684,940	621,690	54,208	9,042	-
Net maturity	61,452	83,824	(23,788)	1,416	-
PARENT ENTITY					
Financial assets					
Cash and cash equivalents	10,667	10,667	-	-	-
Trade and other receivables	80,649	32,421	-	-	48,228
Other financial assets	108,510	-	-	-	108,510
	199,826	43,088	-	-	156,738
Financial liabilities					
Unsecured bank loans	70,000	70,000	-	-	-
Trade and other payables	43,623	43,623	-	-	-
Debentures	11,345	-	6,420	4,925	-
	124,968	113,623	6,420	4,925	-
Net maturity	74,858	(70,535)	(6,420)	(4,925)	156,738

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 19. Derivative financial instruments

CURRENT ASSETS

At fair value

Forward foreign exchange contracts	165,052	57,350	-	-
Forward foreign exchange options	109,752	6,633	-	-
Commodity futures and options	41,112	1,864	-	-
Forward purchase contracts	2,944	27,987	-	-
Forward sales contracts	93,120	12,130	-	-
Interest rate options	31	-	-	-
Forward rate agreements	326	-	-	-
	412,337	105,964	-	-

NON-CURRENT ASSETS

At fair value

Forward foreign exchange contracts	1,952	303	-	-
Commodity futures and options	-	99	-	-
Forward purchase contracts	40	1,044	-	-
Forward sales contracts	4,656	327	-	-
	6,648	1,773	-	-

CURRENT LIABILITIES

At fair value

Forward foreign exchange contracts	236,416	39,994	-	-
Forward foreign exchange options	130,763	5,056	-	-
Commodity futures and options	2,264	2,328	-	-
Forward purchase contracts	51,841	8,952	-	-
Forward sales contracts	9,858	21,118	-	-
Interest rate options	99	-	-	-
Forward rate agreements	458	-	-	-
	431,699	77,448	-	-

NON-CURRENT LIABILITIES

At fair value

Forward foreign exchange contracts	3,087	327	-	-
Commodity futures and options	-	146	-	-
Forward purchase contracts	822	11	-	-
Forward sales contracts	20	124	-	-
	3,929	608	-	-

Notes to the Financial Statements

For the year ended 31 October 2008

Note 19. Derivative financial instruments (continued)

a) Investments used by the Group

An existing portfolio of derivatives, primarily forward foreign exchange contracts and options, commodity futures and options and forward sales and purchase contracts, are held by Grain Pool Pty Ltd and AgraCorp Pty Ltd and do not qualify for hedge accounting under AASB 139. Movements in the fair value of these derivatives are recognised in the income statement for the period. The net mark to market position at 31 October 2008 is an unrealised loss of \$16.6 million loss (2007: \$29.7 million gain). The subjective assessment of the value of these financial instruments at any given point in time, will in times of volatile market conditions, show substantial variation over the short term. The Group's derivative portfolio can be broken down into four broad headings:

1. *Foreign exchange contracts and options and commodity futures and options taken out on behalf of the Grain Pool Pools*

The Grain Pool Pty Ltd takes out foreign exchange contracts and options and commodity futures and options on behalf of the Grain Pool Pools. This is achieved by the Grain Pool Pools contracting with the Grain Pool Pty Ltd for the derivative contract and Grain Pool Pty Ltd contracting with an external counterparty for the opposing position. In the Group's income statement, these

positions are equally offsetting, resulting in a zero impact to profit and loss. However, in the Group's balance sheet, the Group recognised a derivative asset/liability for the position with the Grain Pool Pools, and an offsetting derivative asset/liability with the external counterparty.

2. *Foreign exchange contracts and commodity futures taken out on behalf of AgraCorp Active growers*

The Group takes out foreign exchange contracts and commodity futures on behalf of AgraCorp Active growers. This is achieved by AgraCorp Active growers contracting with Grain Pool Pty Ltd for the derivative contract and Grain Pool Pty Ltd contracting with an external counterparty for the opposing position. In the Group's income statement, these positions are equally offsetting, resulting in a zero impact on the profit and loss. However, in the Group's balance sheet, the Group recognises a derivative asset/liability for the position with AgraCorp Active growers, and an offsetting derivative asset/liability with the external counterparty. There were no open positions in this category at 31 October 2008 as the AgraCorp Active product offering has been discontinued by the company.

3. *Foreign exchange contracts and options and commodity futures and options taken out in the Group's own right*

As part of its grain trading operations, the Group enters into foreign exchange contracts and options and commodity futures and options in its own right. The counter parties to these contracts are external parties to the Group. These contracts are recognised on the Group balance sheet as derivative assets and liabilities, with movements in fair value taken through profit and loss.

4. *Forward purchase and sale contracts taken out in the Group's own right*

The final component of the Group's derivative portfolio relates to forward purchase and sale contracts. These are contracts the Group enters into in its own right, with various external counterparties including growers, grain traders and end-customers.

The Group's net derivative portfolio, with all counterparties both internal and external, is outlined below. Internal counterparties are the Grain Pool Pools and AgraCorp Active growers. External counterparties include banks, brokers, unrelated growers, end-customers and grain traders:

			AVERAGE EXCHANGE RATE	
	2008 \$'000	2007 \$'000	2008	2007
Foreign exchange contracts				
Sell USD : Buy AUD				
United States : Australian dollars				
Less than 6 months	390,838	328,210	USD0.7821	USD0.8485
6 months to 1 year	71,062	10,545	USD0.6983	USD0.9023
1 year to 2 years	7,994	436	USD0.7274	USD0.7611
Buy USD : Sell AUD				
United States : Australian dollars				
Less than 6 months	(214,910)	(156,678)	USD0.7493	USD0.8502
6 months to 1 year	(20,570)	-	USD0.8050	-
1 year to 2 years	-	(436)	-	USD0.7611

Notes to the Financial Statements

For the year ended 31 October 2008

Note 19. Derivative financial instruments (continued)

a) Investments used by the Group (continued)

			AVERAGE EXCHANGE RATE	
	2008 \$'000	2007 \$'000	2008	2007
Foreign exchange contract options				
Sell CAD : Buy AUD				
Canadian : Australian dollars				
Less than 6 months	60,129	47,393	CAD0.8643	CAD0.8815
6 months to 1 year	7,508	-	CAD0.7849	-
1 year to 2 years	3,728	7,618	CAD0.7963	CAD0.8529
Buy CAD : Sell AUD				
Canadian : Australian dollars				
Less than 6 months	(30,840)	(18,007)	CAD0.8098	CAD0.8715
1 year to 2 years	-	(200)	-	CAD0.8384
Sell EUR : Buy AUD				
Euro : Australian dollars				
Less than 6 months	-	49	-	EUR0.6024
Sell CAD : Buy USD				
Canadian : United States dollars				
Less than 6 months	57,517	11,033	CAD0.9854	CAD1.1030
6 months to 1 year	97	-	CAD1.0009	-
Sell USD : Buy EUR				
United States dollars : Euro				
Less than 6 months	16,052	-	USD0.9044	-
Foreign exchange contract options				
Sell USD : Buy AUD				
United States : Australian dollars				
Buy call options				
Less than 6 months	485,788	66,756	USD0.8610	USD0.8840
6 months to 1 year	107,779	-	USD0.9687	-
Sell put options				
Less than 6 months	453,730	66,756	USD1.1747	USD0.8556
6 months to 1 year	38,600	-	USD0.8582	-
Sell AUD : USD				
Australian : United States dollars				
Sell call options				
Less than 6 months	(543,458)	(59,716)	USD0.9766	USD0.8807
6 months to 1 year	(74,047)	-	USD0.9444	-
Buy put options				
Less than 6 months	(261,264)	(59,716)	USD0.6838	USD0.8527
6 months to 1 year	(72,332)	-	USD0.9293	-
Sell CAD : Buy AUD				
Canadian : Australian dollars				
Buy call options				
Less than 6 months	10,725	6,650	CAD0.8590	CAD0.8675
Sell put options				
Less than 6 months	4,650	6,650	CAD0.8272	CAD0.8450

Notes to the Financial Statements

For the year ended 31 October 2008

Note 19. Derivative financial instruments (continued)

a) Investments used by the Group (continued)

			AVERAGE EXCHANGE RATE	
	2008 \$'000	2007 \$'000	2008	2007
Foreign exchange contract options				
Sell AUD : Buy CAD				
Australian : Canadian dollars				
Sell call options				
Less than 6 months	(4,363)	(6,650)	CAD0.7163	CAD0.8675
Buy put option				
Less than 6 months	(4,363)	(6,650)	CAD0.6826	CAD0.8450
	2008	2007	2008	2007
	\$'000	\$'000	\$ per tonne	\$ per tonne
Commodity future open positions				
Not later than one year				
Buy futures - USD	2,447	9,356	428.15	291.77
Buy futures - CAD	-	-	-	-
Sell futures - AUD	179	8,448	358.00	424.95
Sell futures - USD	99,704	20,656	262.06	296.49
Sell futures – CAD	11,030	-	461.52	-
Later than one year but not later than two years				
Buy futures - USD	1,565	939	287.53	230.02
Buy futures - CAD	-	53	-	445.70
Sell futures - USD	1,347	-	329.90	-
Sell futures - CAD	267	2,743	534.30	434.04
Commodity options open position				
Not later than one year				
Buy put options - USD	17,128	19,040	270.68	274.36
Sell put options - USD	8,413	26,554	263.07	278.37
Forward purchase and sale contracts				
Forward purchase contracts	330,244	267,200	381.16	407.36
Forward sale contracts	472,059	202,028	455.33	387.21

b) Interest rate swaps

Interest bearing loans of the Group currently bear an average variable interest rate of 6.96%. In order to protect against rising interest rates the Group has entered into interest rate swap contracts under which it has a right to receive rates and to pay interest at fixed rates. Swaps in place cover 4.8% (2007: 4.65%) of the principal outstanding and are timed to expire at the renewal dates of each loan. The variable rates range between 0.24% and 1.64% above the 90 day bank bill rate, which at balance date was 5.86% (2007: 7.06%).

Notes to the Financial Statements

For the year ended 31 October 2008

Note 19. Derivative financial instruments (continued)

b) Interest rate swaps (continued)

At 31 October, the notional principal amounts and periods of expiry of the interest rate swap are as follows:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
0 - 1 years	-	8,000	-	-
	-	8,000	-	-

With interest rate swaps, the Group agrees to exchange, at specific intervals, the difference between the fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. Details of the accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses of interest rate swaps are recognised are disclosed in Note 2(ac).

c) Interest rate risk

Information regarding interest rate risk exposure is set out in Note 18(a)(iii).

d) Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. Information regarding credit risk exposure is set out in Note 18(b).

Working capital deficiency

The parent entity has a working capital deficiency of \$82,430,000 (2007: \$35,469,000) at 31 October 2008 and the Directors believe that this will only be temporary. This deficiency is largely due to the timing of incoming cash flows from harvest and the capital expenditure program during the year. The company believes that it has sufficient financial facilities in place, together with the option to reduce discretionary spending to meet any forecasted short term working capital deficiencies. The company also has the ability to borrow or advance funds from subsidiary entities which have significant working capital surpluses at 31 October 2008.

The Group has a working capital surplus of \$105,247,000 (2007: \$139,719,000) at 31 October 2008.

Note 20. Commitments

Operating lease commitments

The Group has entered into commercial leases on certain property and items of equipment. These leases have an average life of between 1 and 50 years with renewal options included in the contracts.

Future minimum rentals payable under non-cancellable operating leases as at 31 October are as follows:

Within one year	5,263	3,605	4,635	2,861
After one year but not more than five years	21,965	12,494	18,521	9,832
More than five years	54,628	36,268	54,628	36,268
	81,856	52,367	77,784	48,961

Notes to the Financial Statements

For the year ended 31 October 2008

Note 20. Commitments (continued)

Finance lease and hire purchase commitments

The Group has hire purchase contracts for various items of equipment.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2008		2007	
	Minimum lease pay- ments	Present value of lease pay- ments	Minimum lease pay- ments	Present value of lease pay- ments
	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED				
Within one year	-	-	17	17
Total minimum lease payments	-	-	17	17
Less amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	-	-	17	17
PARENT				
Within one year	-	-	17	17
Total minimum lease payments	-	-	17	17
Less amounts representing finance charges	-	-	-	-
Present value of minimum lease payments	-	-	17	17
Capital commitments				
Commitments for the acquisition of plant and equipment contracted as at the reporting date but not recognised as liabilities payable:				
Within one year	5,791	11,927	5,791	11,927
	5,791	11,927	5,791	11,927

Notes to the Financial Statements

For the year ended 31 October 2008

Note 21. Contingent liabilities

(i) Finance arrangements

Co-operative Bulk Handling Limited (parent entity) has undertaken guarantees relating to loan facilities with certain controlled and associated entities. All facilities are expressed in Australian dollars unless otherwise disclosed.

	TOTAL FACILITY AMOUNT	UTILISED FACILITY AMOUNT	PARENT ENTITY MAXIMUM EXPOSURE	PARENT ENTITY FAIR VALUE EXPOSURE (NOTE 2(ab))	FACILITY EXPIRY DATE
	\$'000	\$'000	\$'000	\$'000	
31 October 2008					
Controlled entities					
Acquisition of flour mills (i)	60,493	21,936	21,936	201	31 December 2008
	US40,400	US14,650	US14,650		
Grain Pool Funding	770,000	-	110,000	-	31 October 2009
Associated entities					
Acquisition of flour mills (ii)	87,595	83,851	41,925	1,197	31 December 2008
	US58,500	US56,000	US28,000		
Acquisition of shares in other corporations (iii)	34,500	34,380	17,190	59	31 October 2008
31 October 2007					
Controlled entities					
Acquisition of flour mills	43,228	20,479	20,479	7,440	31 March 2008
	US40,400	US19,139	US19,139		
Associated entities					
Acquisition of flour mills	62,595	62,060	31,030	5,490	31 March 2008
	US58,500	US58,000	US29,000		
Acquisition of shares in other corporations	34,500	34,380	17,190	284	30 September 2008

(i) In December 2008, this facility was renegotiated with a total facility amount of US\$14.650 million expiring 30 October 2009.

(ii) In December 2008, this facility was renegotiated with an expiry of 30 November 2009. This facility also requires commitment reductions with the repayment of US\$2.5 million by 31 March 2009 and then US\$2.5million 6 monthly thereafter.

(iii) In December 2008, this facility was renegotiated with an expiry of 30 November 2009.

(ii) Decommissioning costs

Under the terms of the Geraldton Terminal lease agreement, the Company is required to dismantle and remove assets and restore the site on cessation of the lease. On November 20 2008 the company has negotiated a new lease with the Geraldton Port Authority expiring no later than 50 years which contains no fixed requirement for decommissioning costs.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 22. Contingent assets

SEC Refundable Capital Contributions

To access energy supply to many CBH sites, CBH entered into Contributory Extension Scheme arrangements with the State Energy Commission of Western Australia. Under the terms of these agreements, CBH was required to pay both non-refundable and refundable capital contributions for each connection. The refundable portion is returned to CBH when future development occurs such as additional connections to the power grid. At year end \$524,061 (2007: \$626,343) remained potentially refundable.

	CONSOLIDATED		PARENT ENTITY	
	2008	2007	2008	2007

Note 23. Auditors' remuneration

Amounts received or due and receivable by Ernst & Young (Australia) from entities in the consolidated entity or related entities

- Auditing accounts	334,500	275,000	120,000	110,000
- Other audit related work	36,000	-	9,000	-
- Advisory services	-	35,000	-	22,660
	370,500	310,000	129,000	132,660

Amounts received or due and receivable by a related overseas office of Ernst & Young, from entities in the consolidated entity or related entities

- Auditing accounts	32,000	20,000	-	-
	402,500	330,000	129,000	132,660

Note 24. Compensation of key management personnel

Short term	5,687,903	4,883,505	4,320,827	3,998,505
Post employment	543,569	288,954	444,395	206,954
Termination benefits	258,093	-	155,062	-
	6,489,565	5,172,459	4,920,284	4,205,459

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Short term employee benefits includes wages, salaries, paid annual leave, paid sick leave and non-monetary benefits for current employees.

Post employee benefits include pensions and other retirement benefits paid for current employees.

Note 25. Employee benefits

(a) Defined benefit superannuation plan

(i) Superannuation plan

The CBH Superannuation Fund ("the Fund") is an employer fund established to provide benefits to employees who are members on retirement, termination of employment, death and disability.

The defined benefit section of the plan provides defined benefit members with pension benefits on retirement, death and disablement, with an option to commute their benefits to a lump sum. On resignation, defined benefit members receive a lump sum benefit. The defined benefit section of the plan closed to new members from 1 November 2000 and subsequent to this time the majority of existing defined benefit members transferred to the accumulation fund. All new members now receive accumulation only benefits.

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 25. Employee benefits (continued)

(a) Defined benefit superannuation plan (continued)

The following sets out details in respect of the defined benefit section only:

(ii) Balance sheet amounts

The amounts recognised in the balance sheet are determined as follows:

Present value of the defined benefit obligation	1,524	2,255	1,524	2,255
Fair value of defined benefit plan assets	19,629	31,197	19,629	31,197
Net asset in the balance sheet	21,153	33,452	21,153	33,452

The present value of the defined benefit obligation has been determined using the Projected Unit Credit Method.

(iii) Categories of plan assets

The major categories of plan assets are as follows:

Australian equity	49%	59%	49%	59%
International equity	1%	1%	1%	1%
Fixed income	8%	7%	8%	7%
Property	18%	16%	18%	16%
Cash	24%	17%	24%	17%

(iv) Actual Return on Fund Assets

Actual return on fund assets	(6,166)	(3,046)	(6,166)	(3,046)
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(v) Reconciliations

Reconciliation of the present value of the defined benefit obligation, which is fully funded:

Balance at beginning of year	(2,255)	1,329	(2,255)	1,329
Current service cost	3,844	3,395	3,844	3,395
Interest cost	133	381	133	381
Plan participants contributions	17	17	17	17
Actuarial gains/(losses)	2,156	1,304	2,156	1,304
Benefits, administrative expenses, premiums and tax paid	(742)	(683)	(742)	(683)
Contributions to accumulation section	(3,629)	(3,322)	(3,629)	(3,322)
Past service cost	-	112	-	112
Curtailments	-	(1,404)	-	(1,404)
Settlements	(1,048)	(3,384)	(1,048)	(3,384)
Defined benefit obligation at end of year	(1,524)	(2,255)	(1,524)	(2,255)

Notes to the Financial Statements

For the year ended 31 October 2008

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

Note 25. Employee benefits (continued)

(a) Defined benefit superannuation plan (continued)

Reconciliation of the fair value of plan assets/(liabilities)

Balance at beginning of year	31,197	41,615	31,197	41,615
Actuarial gains/(losses)	2,072	2,815	2,072	2,815
Expected return on fund assets	(8,238)	(5,861)	(8,238)	(5,861)
Contributions by fund participants	17	17	17	17
Benefits, administrative expenses, premiums and tax paid	(742)	(683)	(742)	(683)
Contributions to accumulation section	(3,629)	(3,322)	(3,629)	(3,322)
Settlements	(1,048)	(3,384)	(1,048)	(3,384)
Fair value of plan assets at end of year	19,629	31,197	19,629	31,197

(vi) Amounts recognised in income statement

The amounts recognised in the income statement are as follows:

Service cost	3,844	3,395	3,844	3,395
Interest cost	133	381	133	381
Expected return on assets	(2,072)	(2,815)	(2,072)	(2,815)
Past service costs	-	112	-	112
Effect of curtailments/settlements	-	(1,404)	-	(1,404)
Superannuation (income)/expense	1,905	(331)	1,905	(331)

(vii) Amounts recognised in the statement of recognised income and expense

Actuarial gains/(losses)	(10,394)	4,723	(10,394)	4,723
Adjustment for limit on net asset	-	17,826	-	17,826
Surplus distribution to accumulation members	-	(11,888)	-	(11,888)
Gain/(loss) recognised in the statement of income and expense	(10,394)	10,661	(10,394)	10,661

	FINANCIAL YEAR ENDING	
	31 October 2008 % pa	31 October 2007 % pa

(viii) Principal actuarial assumptions

The principal actuarial assumptions used as at balance sheet date were as follows:

Discount rate – active members	n/a	5.20
Discount rate – pensioners	5.20	6.20
Expected rate of return on plan assets – active members	7.00	7.00
Expected rate of return on plan assets – pensioners	7.00	7.00
Expected salary increase rate	4.00	4.00
Expected pension increase rate	2.50	2.50

The expected return on assets assumption is determined by weighing the expected long-term return for each class by the target allocation of assets to each class and allowing for the correlations of the investment returns between asset classes. The returns used for each class are net of investment tax and investment fees. This resulted in the selection of a 7% rate of return on assets (discount rate).

Notes to the Financial Statements

For the year ended 31 October 2008

	FINANCIAL YEAR ENDING	
	31 October 2008 \$'000	31 October 2007 \$'000

Note 25. Employee benefits (continued)

(a) Defined benefit superannuation plan (continued)

(ix) Historical information – experience adjustments on plan

Present value of defined benefit obligation	(1,524)	(2,255)
Fair value of fund assets	19,629	31,197
(Surplus)/deficit in fund	(21,153)	(33,452)
Experience adjustments (gain)/loss – plan assets	8,238	5,861
Experience adjustments (gain)/loss – plan liabilities	2,071	1,478

(x) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. The last actuarial assessment was made on 31 October 2008.

At 31 October 2008 there were no active Defined Benefit Members and ten pensioners.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the "accrued benefits funding" method. The method adopted determines that the contributions payable by the company in the future will be sufficient to meet the benefits in respect of the current membership if the actuarial assumptions are fulfilled in practice.

Using the funding method described above and particular actuarial assumptions as to the plan's future, the actuary recommended to the trustee that the company suspend employer contributions on 1 July 2001. The company is also on a contribution holiday for salary sacrifice contributions which commenced during the 2004/05 year. The contribution suspension resulted in savings of \$4,301,529 (2007 - \$3,976,006) in legislatively mandated or contractually obliged contributions during the year and it is expected to continue until the actuary determines that surpluses have been absorbed.

The Trust Deed of the Plan states that if the Plan winds up, the remaining assets are to be distributed by the Trustee of the Plan in such a manner as will in the opinion of the Trustee after having considered the advice of the Actuary be fair and equitable according to the respective rights of the present and former Members and Beneficiaries.

The company may at any time terminate its contribution by giving three month's notice in writing to the Trustee. The company has a liability to pay the contributions due prior to the effective date of the notice, but there is no requirement for the company to pay any further contributions, irrespective of the financial condition of the Fund.

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

(b) Employee benefits expense

Employee benefits	77,515	63,584	77,113	62,775
Defined benefit superannuation expense	1,905	-	1,905	-
Defined contribution accumulation expense	3,708	2,792	3,708	2,792
Other employee benefits expense	4,815	3,678	4,416	3,678
	87,943	70,054	87,142	69,245

Notes to the Financial Statements

For the year ended 31 October 2008

Note 26. Investment in controlled entities

The following were controlled entities as at 31 October 2008 and have been included in the consolidated accounts. All controlled entities have a balance date of 31 October unless otherwise stated.

NAME OF CONTROLLED ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2008 %	2007 %
Grain Pool Pty Ltd	Australia	Ordinary	100	100
Bulkwest Pty Ltd	Australia	Ordinary	100	100
CBH Global Limited	Cyprus	Ordinary	100	100
West Grains Pty Ltd (i)	Australia	Ordinary	100	100
Grainswest Pty Limited (i)	Australia	Ordinary	100	100
CBH (WA) Pty Ltd (i)	Australia	Ordinary	100	100
CBH Pty Ltd	Australia	Ordinary	100	100
Grain Pool Pty Ltd controlled entities are as follows:				
AgraCorp Pty Ltd	Australia	Ordinary	100	100
CBH Grain Asia Ltd	Australia	Ordinary	100	100
Bulkwest Pty Ltd controlled entities are as follows:				
Bulkwest Engineering Pty Ltd	Australia	Ordinary	100	100
C.B.H. Investment Pty Ltd	Australia	Ordinary	100	100
Bulkeast Pty Ltd (i)	Australia	Ordinary	100	100
CBH Global Limited controlled entities are as follows:				
Co-operative Bulk Handling (Netherlands) BV	Netherlands	Ordinary	100	100
CBH Indonesia Limited (ii)	Malaysia	Ordinary	100	100
Westgrains Insurance Pty Ltd	Singapore	Ordinary	100	-

(i) These entities have remained inactive since incorporation.

(ii) The balance date of CBH Indonesia Limited is 31 December.

Note 27. Investment in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Information relating to the associates is set out below:

NAME OF COMPANY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CONSOLIDATED CARRYING AMOUNT		BALANCE DATE
		2008 %	2007 %	2008 \$'000	2007 \$'000	
Pacific Agrifoods Investments Pty Ltd	Investment	50	50	12,269	18,739	30 June
Bulkeast Engineering Pty Ltd	Engineering construction	50	50	-	-	30 September
Grain Direct Pty Ltd	Dormant	50	50	-	-	31 October
Australasian Lupin Processing Pty Ltd	Lupins dehulling and processing	50	50	1,709	3,367	31 October
United Bulk Carriers Pty Ltd	Chartering	50	50	197	53	31 October
Pacific Agrifoods Limited	Investment	50	50	34,021	21,705	31 December
PT Eastern Pearl Flour Mills	Flour milling	50	50	54,693	42,517	31 December
Wheat Australia Pty Ltd	Wheat exporting	33	33	105	91	31 October
				102,994	86,472	

Notes to the Financial Statements

For the year ended 31 October 2008

Note 27. Investment in associates (continued)

Each of the associated entities are incorporated in Australia, except for Pacific Agrifoods Limited and PT Eastern Pearl Flour Mills which reside in British Virgin Islands and Indonesia respectively.

Pacific Agrifoods Investments Pty Ltd is the holder of Group's interest in shares in Futuris Corporation Limited.

The following table illustrates summarised financial information relating to the Group's investment in associates:

	CONSOLIDATED		PARENT ENTITY	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investment in shares	47,988	56,109	9,168	6,715
Investment by way of long term loans	55,006	30,363	28,327	26,978
	102,994	86,472	37,495	33,693

	CONSOLIDATED	
	2008 \$'000	2007 \$'000

Movements in carrying amounts of investments in associates

Carrying amount at the beginning of the financial year	86,472	96,973
Increase in investment by way of loan and reclassification	7,877	4,551
Distributions	(2,460)	(6,364)
Guarantees	1,226	142
Share of movement of available-for-sale reserve	27	901
Share of associates profits/(losses) after income tax	(6,765)	3,388
Foreign exchange movements	16,617	(13,119)
Carrying amount at the end of the financial year	102,994	86,472

Share of associates profits

Profits before income tax	10,100	7,260
Income tax benefit/(expense)	(4,450)	(1,703)
Share of net profits after income tax	5,650	5,557
Adjusted for:		
Impairment on investment	(8,750)	-
Impairment of plant	(1,628)	-
Unrealised intercompany profits	(152)	(116)
Notional depreciation (Note 30)	(1,885)	(2,053)
Share of associates' net profits/(losses)	(6,765)	3,388
Retained profits/(accumulated losses) attributable to associates at beginning of the year	2,901	(487)
Retained profits/(accumulated losses) attributable to associates at end of the year	(3,864)	2,901

Share of associates' expenditure commitments

Capital commitments	-	500
Lease commitments	-	-
	-	500

Notes to the Financial Statements

For the year ended 31 October 2008

Note 27. Investment in associates (continued)

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
Share of associates profit or loss and balance sheet		
a) Other Investments		
(i) <i>Pacific Agrifoods Investments Pty Ltd</i>		
Loss from ordinary activities after related income tax expense before impairment of assets	(653)	94
Less: Impairment of assets	(8,750)	-
Loss from ordinary activities after related income tax expense	(9,403)	94
Current assets	9,655	5,968
Non-current assets	19,708	35,558
Current liabilities	(18,742)	(20,235)
Non-current liabilities	(17,190)	(17,190)
Net assets/(liabilities)	(6,569)	4,101
(ii) <i>Australasian Lupin Processing Pty Ltd</i>		
Loss from ordinary activities after related income tax expense before impairment of assets	(280)	(186)
Less: Impairment of assets	(1,628)	-
Loss from ordinary activities after related income tax expense	(1,908)	(186)
Current assets	195	105
Non-current assets	4,945	3,293
Current liabilities	(5,815)	(5,550)
Non-current liabilities	-	(1)
Net liabilities	(675)	(2,153)
(iii) <i>Wheat Australia Pty Ltd</i>		
Profit from ordinary activities after related income tax expense	15	41
Current assets	26	86
Non-current assets	-	-
Current liabilities	(7)	(5)
Non-current liabilities	(17)	(50)
Net assets	2	31
(iv) <i>United Bulk Carriers Pty Ltd</i>		
Profit from ordinary activities after related income tax expense	144	(65)
Current assets	293	117
Non-current assets	6	9
Current liabilities	(102)	(73)
Non-current liabilities	-	-
Net assets	197	53

Notes to the Financial Statements

For the year ended 31 October 2008

Note 27. Investment in associates (continued)

	CONSOLIDATED	
	2008 \$'000	2007 \$'000
b) Flour Mill Investments		
(i) <i>Pacific Agrifoods Limited</i>		
Profit from ordinary activities after related income tax expense before holding costs (Note 29)	5,371	6,618
Less: Holding costs	(118)	(3,239)
Profit from ordinary activities after related income tax	5,253	3,379
Current assets	137,335	51,665
Non-current assets	83,127	47,558
Current liabilities	(170,379)	(75,677)
Non-current liabilities	(27,660)	(14,935)
Net assets	22,423	8,611
(ii) <i>PT Eastern Pearl Flour Mills</i>		
Profit from ordinary activities after related income tax expense (Note 29)	1,019	2,178
Current assets	61,384	50,762
Non-current assets	37,562	36,081
Current liabilities	(56,282)	(43,625)
Non-current liabilities	(13,332)	(15,385)
Net assets	29,332	27,833
	PARENT ENTITY AND CONSOLIDATED	
	2008 \$	2007 \$

Note 28. Related parties

Transactions

(i) Key Management Personnel – Directors

Certain directors have dealings either in their own name or through director related entities with Co-operative Bulk Handling Limited and its controlled entities under commercial terms no more favourable than those available to other grain growers and shareholders.

Following the 2007/08 election process, V Dempster replaced R I Sewell and C Michael replaced A J Critch. Transactions relating to V Dempster and C Michael are included in the 2008 year only.

Total aggregate number of shares held by directors and director related entities is 16 (2007 – 15).

Messrs A J Critch, R I S Sewell, N J Wandel, W A Newman, S J Tilbrook, M McGinniss, R G Madden, T N Badger and K J Fuchsichler received payments for debenture repayments.	29,669	37,673
Messrs A J Critch, R I S Sewell, N J Wandel, W A Newman, S J Tilbrook, M McGinniss and M C Michael received payments for grain deliveries.	7,045,641	5,525,974
Total aggregate tolls and debentures held by directors and director related entities at year end.	33,744	85,505

Notes to the Financial Statements

For the year ended 31 October 2008

	PARENT ENTITY AND CONSOLIDATED	
	2008 \$	2007 \$
Note 28. Related parties (continued)		
<i>(ii) Parent entity and controlled entities</i>		
Bulkwest Engineering Pty Ltd has provided engineering and manufacturing services to Co-operative Bulk Handling Limited based on normal commercial terms and conditions	81,673,028	32,464,281
Co-operative Bulk Handling Limited incurred service charges from AgraCorp Pty Ltd	103,166	77,872
Co-operative Bulk Handling Limited incurred shared service charges from Grain Pool Pty Ltd	291,206	291,206
Grain Pool Pty Ltd incurred interest charges on borrowings from Co-operative Bulk Handling Limited	54,350	157,901
Co-operative Bulk Handling Limited has charged Grain Pool Pty Ltd for handling, storage and other trading related activities	47,193,192	34,470,859
Grain Pool Pty Ltd has charged Co-operative Bulk Handling Limited for marketing and logistical services.	4,850,908	1,251,948
Co-operative Bulk Handling Limited has charged for recovery of shared administration services based on normal commercial terms and conditions to:		
Grain Pool Pty Ltd	14,396,908	10,629,409
Bulkwest Pty Ltd	7,500	12,500
Bulkwest Engineering Pty Ltd	871,384	544,938
Co-operative Bulk Handling Limited has a loan outstanding to CBH Global Limited. This loan has been used to repay a USD denominated loan in order to capitalise on the appreciation of the Australian Dollar in 2007/08. Additional loans for working capital purposes were also made. These loans are interest free and have no repayment date. The value of this loan receivable increased at year end as a result of devaluation of the Australian Dollar.	42,898,925 US28,650,047	25,076,405 US23,650,047
Co-operative Bulk Handling Limited has a loan outstanding to Co-operative Bulk Handling (Netherlands) BV for working capital purposes that is interest free and has no repayment date.	5,329,122	4,892,157
<i>(iii) Associated entities</i>		
Co-operative Bulk Handling Limited has a loan outstanding to Pacific Agrifoods Investments Pty Ltd for investment and working capital purposes that is interest free and has no repayment date.	18,278,984	14,108,983
Co-operative Bulk Handling Limited has a loan outstanding to Pacific Agrifoods Limited for investment and working capital purposes that is interest free and has no repayment date.	17,236,155	12,818,583
Co-operative Bulk Handling (Netherlands) BV has a loan to PT Eastern Pearl Flour Mills for working capital purposes that is interest bearing with interest payable quarterly. The capital repayment dates are 31st December 2009 and 31st December 2012. The loan is denominated in Indonesian Rupiah.	9,309,816	7,898,719
<i>(iv) Grain Pool Pools on commercial terms unless indicated otherwise</i>		
Funds invested in Grain Pool Pty Ltd by the Grain Pool Pools	-	89,459,982
Borrowings from Grain Pool Pty Ltd by Grain Pool Pools	65,191,300	-
Interest paid by the Grain Pool Pools to Grain Pool Pty Ltd	25,016,894	7,632,013
Receivable from Grain Pool Pools from sale of grain by Grain Pool Pty Ltd	22,165,060	-
Interest paid by Grain Pool Pty Ltd to the Grain Pool Pools	5,215,400	6,145,523
Pool administration and management fees paid by the Grain Pool Pools to Grain Pool Pty Ltd	18,754,598	9,739,292
Sale of grain from Grain Pool Pty Ltd to the Grain Pool Pools	486,303,977	264,425,984

Identification of Related Parties Ultimate Parent Entity

The ultimate parent entity in the wholly owned group is Co-operative Bulk Handling Limited.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 29. Business Unit Results

	STORAGE AND HAN- DLING	GRAIN TRADING AND MARKET- ING	FLOUR MILLING (Note 27 (b))	ENGI- NEERING AND OTHER SERVICES	OTHER INVEST- MENTS (Note 27 (a)) (i)	HOLDING COSTS	ELIMINA- TIONS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 October 2008								
Business Unit Revenue								
Sales to External Customers	199,736	895,861	936,861	6,696	3	618	(936,861)	1,102,914
Sales to other Business Units	62,026	5,196	-	81,673	-	-	(148,895)	-
Total Business Unit Revenue	261,762	901,057	936,861	88,369	3	618	(1,085,756)	1,012,914
Total Business Unit Results								
Profit/(loss) before tax	2,061	50,038	20,948	6,983	1,348	(650)	(6,301)	74,427
Minority interest share	-	-	(1,661)	-	-	-	-	(1,661)
Operating profit/(loss) before tax	2,061	50,038	19,287	6,983	1,348	(650)	(6,301)	72,766
CBH Share (%)	100%	100%	50%	100%	50%-100%	100%		
CBH Share Business Unit Result								
Income tax expense	-	(15,022)	(3,102)	(2,095)	(1,352)	-	-	(21,571)
Net profit/(loss) after tax	2,061	35,016	6,542	4,888	(679)	(650)	(6,301)	40,877
Adjusted for:								
Impairment of assets	(7,238)	-	-	-	(10,378)	-	7,238	(10,378)
Unrealised intercompany profits	-	-	(152)	-	-	-	-	(152)
Notional depreciation resulting from fair valuing EPFM fixed assets	-	-	-	-	-	(1,885)	-	(1,885)
Dividend Distribution	-	-	-	-	-	-	-	-
Holding Costs	-	-	-	-	-	(1,929)	-	(1,929)
Unrealised foreign exchange on translation	15,222	-	-	-	-	1,811	(3,423)	13,610
CBH Share after adjustments	10,045	35,016	6,390	4,888	(11,057)	(2,653)	(2,486)	40,143

(i) Includes CBH investment in subsidiary Westgrains Insurance Pty Ltd.

Notes to the Financial Statements

For the year ended 31 October 2008

Note 29. Business Unit Results (continued)

	STORAGE AND HAN- DLING	GRAIN TRADING AND MARKET- ING	FLOUR MILLING (Note 27 (b))	ENGI- NEERING AND OTHER SERVICES	OTHER INVEST- MENTS (Note 27 (a)) (I)	HOLDING COSTS	ELIMINA- TIONS	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 October 2007								
Business Unit Revenue								
Sales to External Customers	170,969	406,710	590,463	3,724	-	55	(590,463)	581,458
Sales to other Business Units	45,709	1,543	-	32,464	-	-	(79,716)	-
Total Business Unit Revenue	216,678	408,253	590,463	36,188	-	55	(670,179)	581,458
Total Business Unit Results								
Profit/(loss) before tax	4,339	37,238	13,348	2,704	(964)	(2,919)	(4,862)	48,884
Profit/(loss) from sale of Vietnam	-	-	8,758	-	-	-	-	8,758
Minority interest share	-	-	(144)	-	-	-	-	(144)
Operating profit/(loss) before tax	4,339	37,238	21,962	2,704	(964)	(2,919)	(4,862)	57,498
CBH Share (%)								
CBH Share Business Unit Result	4,339	37,238	10,981	2,704	(482)	(2,919)	(4,862)	46,999
Income tax expense	-	(11,546)	(2,069)	(658)	366	-	-	(13,907)
Net profit/(loss) after tax	4,339	25,692	8,912	2,046	(116)	(2,919)	(4,862)	33,092
Adjusted for:								
Impairment of assets	-	-	-	-	-	-	-	-
Unrealised intercompany profits	-	-	(116)	-	-	-	-	(116)
Notional depreciation resulting from fair valuing EPFM fixed assets	-	-	-	-	-	(2,053)	-	(2,053)
Dividend Distribution	-	-	-	-	-	-	-	-
Holding Costs	-	-	-	-	-	(2,019)	-	(2,019)
Unrealised foreign exchange on translation	(4,386)	-	-	-	-	(1,220)	4,386	(1,220)
CBH Share after adjustments	(47)	25,692	8,796	2,046	(116)	(8,211)	(476)	27,684

Note 30. Events subsequent to balance date

On 25 November 2008, the Australian Taxation Office (ATO) issued a ruling stating that Co-Operative Bulk Handling Limited is no longer entitled to claim tax exempt status, with effect from 1 November 2008. At the date of signing, the company is actively defending its claim to tax exemption status.

On 10 December 2008, Co-operative Bulk Handling extended its funding facility by an additional \$35 million increasing the facility to \$135 million to fund working capital requirements. The total facility is repayable on 30 April 2009.

Subsequent to year end Grain Pool Pty Ltd negotiated additional inventory financing facilities of \$750 million with various banks on terms and conditions similar to the existing facilities.

Directors Declaration

For the year ended 31 October 2008

1. In the opinion of the directors:
 - (a) the income statement, cash flow statement and statement of recognised income and expense are drawn up so as to exhibit a true and fair view of the performance of the business of the company for the financial year ended 31 October 2008;
 - (b) the balance sheet is drawn up as to exhibit a true and fair view of the financial position of the company as at 31 October 2008; and
 - (c) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.
2. In the opinion of the directors the consolidated accounts give a true and fair view of:
 - (i) the income statement, cash flow statement and statement of recognised income and expense of the consolidated entity, being the company and the entities it controlled during the financial year ended 31 October 2008; and
 - (ii) the balance sheet of the consolidated entity, being the company and the entities it controlled at 31 October 2008.

The above declarations are made in accordance with a resolution of the directors.

ON BEHALF OF THE BOARD



N J WANDEL
Chairman of Directors



W NEWMAN
Deputy Chairman of Directors

Dated at Perth this 4th day of February 2009

Certification by Chief Financial Officer

For the year ended 31 October 2008

I, Allyn Murray Wasley, Chief Financial Officer of Co-operative Bulk Handling Limited, hereby certify:

That reserves and accumulated profits are used in the business. That the accompanying income statement, balance sheet, cash flow statement and statement of recognised income and expense are, to the best of my knowledge and belief, true and fair:

That the names, addresses and occupations of persons who are Directors of the Company at the date of this certificate were:

Neil Jeffrey Wandel, *Gibson, Farmer*

Rodney George Madden, *Morawa, Farmer*

Walter Alfred Newman, *Newdegate, Farmer*

Merton Edwin McGinniss, *Merredin, Farmer*

Trevor Norman Badger, *Pingrup, Farmer*

Mervyn Clancy Michael, *Mingenew, Farmer*

Vernon Andrew Dempster, *Northam, Farmer*

Kenneth George Palmer, *Subiaco, Company Director*

Kevin Johan Fuchsbichler, *Bruce Rock, Farmer*

Denis William Thompson, *Nedlands, Company Director*

Lloyd Frederick Guthrey, *Subiaco, Company Director*

Steven John Tilbrook, *Mount Madden, Farmer*



A M WASLEY

Chief Financial Officer

Dated at Perth this 4th day of February 2009

Independent Audit Report to Members of Co-operative Bulk Handling Limited



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Report on the Financial Report

We have audited the accompanying financial report of Co-operative Bulk Handling Limited, which comprises the balance sheet as at 31 October 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Companies (Co-operative) Act 1943. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls 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 controls. 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.

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

Independence

We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Independent Audit Report to Members of Co-operative Bulk Handling Limited



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Auditor's Opinion

In our opinion:

- (a) the balance sheet is properly drawn up, and exhibits a true and fair view of the Company's financial position as at 31 October 2008 and the income statement, statement of recognised income and expense and cash flow statement are properly drawn up so as to exhibit a true and fair view of the results of the business of the Company for the year ended on that date according to the best of our information and the explanations given to us, and as shown by the books of the company;
 - (i) we have obtained all the information and explanations that we required;
 - (ii) the register of members and other records which the Company is required to keep by the Companies (Co-operative) Act 1943 or by its Articles have been properly kept; and
 - (iii) the amount set down for depreciation and doubtful debts is, having regard to the nature of the business, sufficient.
- (b) the consolidated balance sheet, income statement, statement of recognised income and expense, cash flow statement and notes are properly drawn up so as to give a true and fair view of the state of affairs of the consolidated entity as at 31 October 2008 and of the results of the consolidated entity for the year ended on that date and are in accordance with Accounting standards, and other mandatory professional reporting requirements.

Ernst & Young

Gavin A. Buckingham
Partner
Perth

4 February 2009

Co-operative Bulk Handling Limited

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