

Details of the acquisition

The acquisition of Landmark on 29 August 2003 positioned AWB as Australia’s leading agribusiness, with an expanded distribution network of more than 430 rural distribution outlets and access to a customer base of over 100,000 farmers.

Consistent with AWB’s strategy

The acquisition of Landmark is consistent with AWB’s strategic and financial objectives, which will, among other things:

- strengthen AWB’s core grain business
- diversify AWB’s revenue base across a broad range

- agricultural products and farm inputs
- provide strong growth opportunities in areas such as the provision of financial products to Australian farmers, as well as improving market access for Australian agricultural products
- be earnings per share positive in 2003-04 and in excess of 30% in 2005-06, on a pre goodwill and post synergies basis
- produce strong returns for AWB, with the projected return on equity for this transaction meeting AWB’s targeted return on equity of 15% in the medium term.

Opportunities

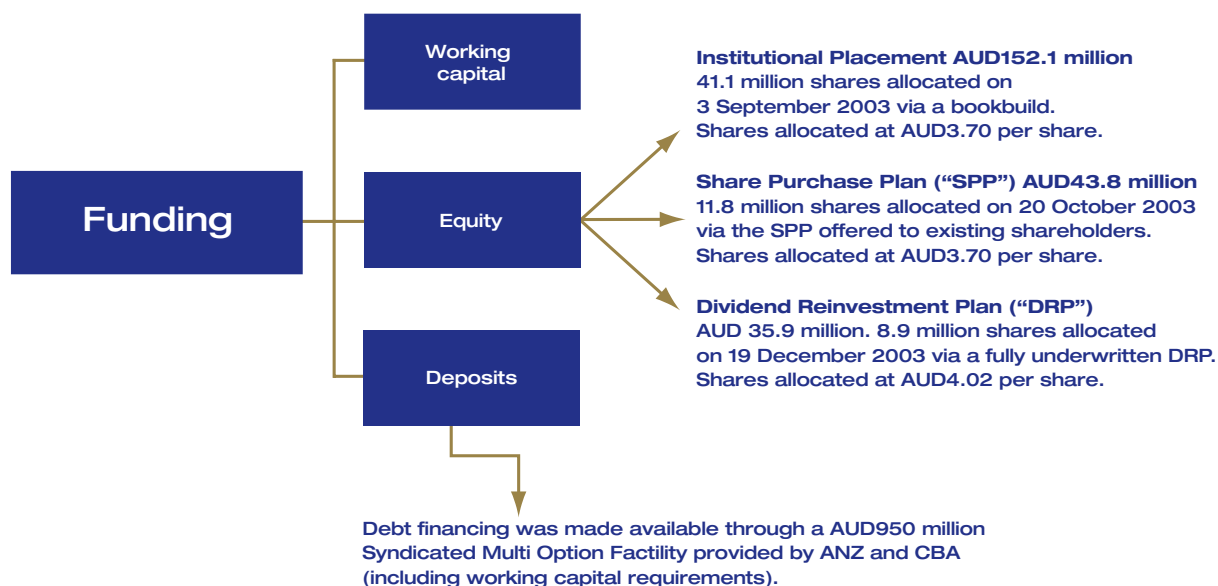
Total EBIT enhancement opportunities, derived from finance growth opportunities, procurement synergies, cross-selling and consolidation cost savings are estimated at between AUD5 – AUD10 million in 2003-04, increasing to between AUD30 – AUD40 million by 2005-06. Earning per share accretion from the acquisition is estimated at around 2% for 2003-04 and 35% by 2005-06.

Enhanced access to global markets for Australian agriculture	<ul style="list-style-type: none"> • Access to over 40 countries around the world
Cross-selling	<ul style="list-style-type: none"> • Cross-selling of products and services to farmers and international customers
Overhead cost savings	<ul style="list-style-type: none"> • Consolidation of AWB and Landmark corporate, head office and network functions, where appropriate
Supply chain cost savings	<ul style="list-style-type: none"> • Consolidation of procurement functions • Leveraged logistical capability

Funding

AWB completed the acquisition of Landmark from Wesfarmers Limited for a net purchase consideration of AUD702 million (plus associated costs of AUD12 million). The acquisition was funded through a combination of working capital, equity and debt finance, as detailed in the diagram below:

Summary of funding



AWB and Landmark – Integration

Since acquiring Landmark, AWB has focused on the integration of the two businesses to release synergy value and build new platforms for growth via reducing procurement costs, consolidating duplicated functions and creating new cross-sell and product bundling opportunities.

AWB has a team dedicated to the integration of Landmark, and is on track to achieve its year one targets. A variety of achievements have been accomplished to date, namely:

- full integration of the Landmark legal function into the AWB function
- integration of all Landmark accounting, finance and treasury functions within AWB functions
- integration of Landmark corporate insurance program with AWB Group Corporate program
- integration of Landmark operations into AWB's Corporate Risk framework
- successful application for a Australian financial services license which is required for operation of the Interest Bearing Deposits ("IBD") book and other financial services
- successful transfer of IBD arrangements from Wesfarmers Limited to AWB.

“One stop shop”

AWB will continue to explore opportunities to provide unique product offerings to farmers through its “one stop shop” from paddock to plate for farmers and customers.

Landmark Rural Finance Managers are already offering farmers an expanded suite of financial products, including AWB National Pool Payment Options, seasonal and term financial packages and insurance

offerings. Going forward, AWB is exploring further opportunities to service the growing AUD20 billion farmer lending market, leveraging its natural purchase, distribution, knowledge and relationship advantages.

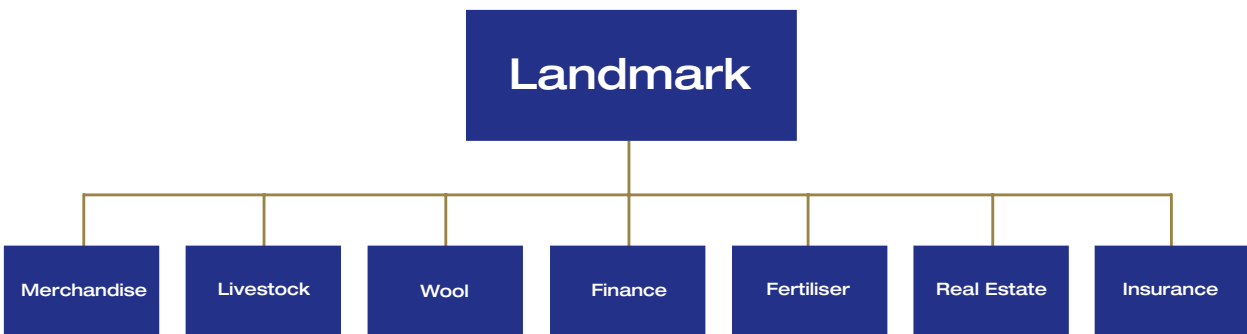
Commodity led cross-selling is also being pursued. Last harvest, AWB initiated a pilot program in South Australia, that offered growers who deliver grain to an AWB GrainFlow centre a AUD2 per tonne voucher to use at Landmark stores. The program was very well received, and helped attract significantly higher tonnages into South Australian GrainFlow sites during the 2003-04 harvest and new customers to Landmark stores.

AWB is now focusing on creating wealth for farmers, end use customers and shareholders by designing new products which capture the benefits created by joining together AWB's grain handling expertise with Landmark's extensive branch network and farm input focus.

Cost synergies are also being realised via the integration of the AWB network into Landmark and the consolidation of corporate back office functions. The network consolidation process is well underway and is due to be substantially complete by September 2004.

The integration process has also made significant headway in creating a centralised procurement function, which is charged with the creation of a sustainable strategy for achievement of lowest cost procurement of both corporate products and services (including telecommunications, fleet and accommodation) and farm inputs (including merchandise, agricultural chemical and animal health products).

Introduction to Landmark

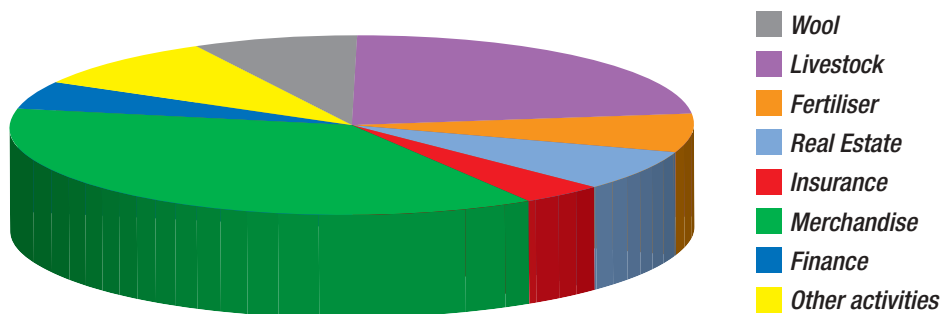


Landmark is Australia’s largest supplier of farm inputs including merchandise, fertiliser and chemicals. It also has significant interests in wool and livestock marketing, real estate sales, as well as finance and insurance.

Landmark services over 100,000 rural customers through its nationwide network of branches, franchises, partnerships and agencies, with an annual turnover of around AUD1.5 billion.

Landmark has been servicing the Australian farming community since its origins in western Victoria in the mid 1840s (Dalgety) and Western Australia during the First World War (Westralian Farmers Co-operative, later Wesfarmers Rural).

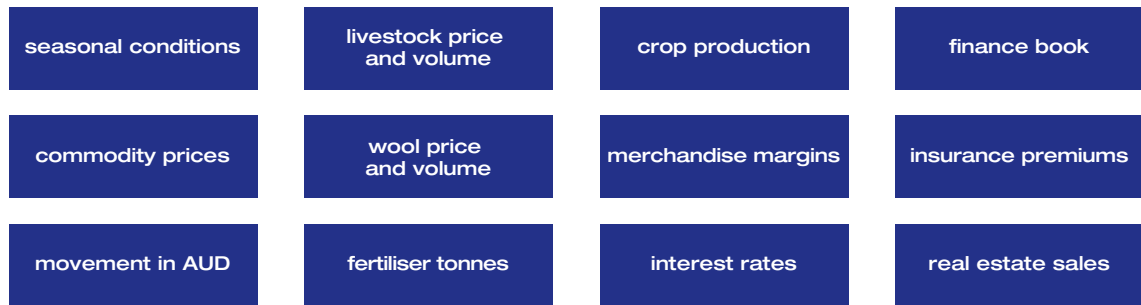
Breakdown of business operations by gross profit based on 2002-03



Source: AWB, 2003.

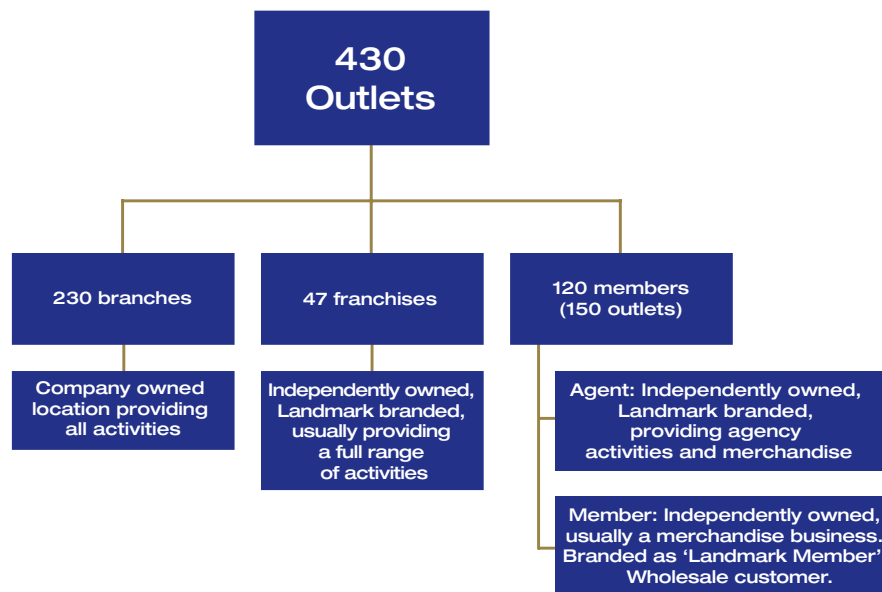
As indicated in the pie chart above, the Merchandise and Livestock divisions are the largest gross profit contributors to Landmark. However, finance, insurance and fertiliser are the fastest growing activities.

The key drivers that affect Landmark's profitability include:

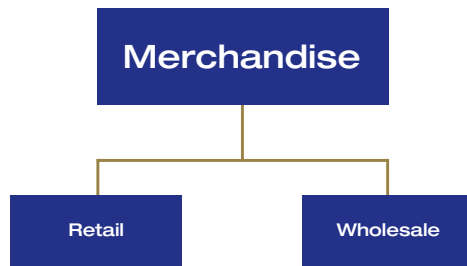


Structure of the national network

Landmark operates from 430 outlets located throughout Australia. Approximately half of these outlets are company owned, the balance being owned and operated by franchisees, agents and affiliate members.



Merchandise



The merger of Wesfarmers’ Dalgety and IAMA in 2001 resulted in Landmark becoming the largest rural merchandise distributor in Australia. Landmark stores across the country stock a range of animal health, cropping, fencing, fertiliser and farm hardware products. Merchandise products are distributed via 230 company owned branches, 47 franchises and 120 members and agents.

Operations

Landmark has a national procurement team, which negotiates trading terms with preferred suppliers. The network is responsible for sales performance. The wholesale business provides products to independent businesses for resale.

Merchandise product offerings

- agricultural chemicals
- animal health products
- farm equipment and general merchandise.

Recent performance

The widespread drought reduced the demand for merchandise products, particularly in the cropping sector. The impact of the drought was somewhat counteracted by Landmark’s diverse geographic and industry spread.

Key drivers

- seasonal conditions
- farm activity and performance
- competition and pressure on margins.

Strategy

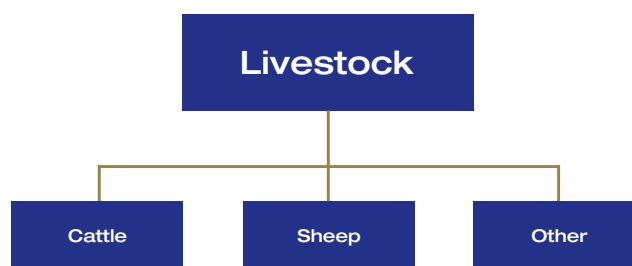
The merchandise supply chain strategy focuses on capturing cost efficiencies and business sustainability. This strategy will reduce the cost from the process of moving merchandise from manufacturer to end user via the Landmark distribution channel, thus improving profitability and reducing capital employed in the Merchandise Division.

The Merchandise Division will also concentrate on improving procurement processes and supply chain efficiency to improve performance.

Growth prospects

The combined AWB and Landmark customer base provides a sound platform for future growth in merchandise.

Livestock



Landmark offers a range of livestock marketing options for buying and selling livestock – in addition to the traditional saleyard auction. Landmark handles approximately 20% of livestock trading in Australia. As a leading participant in the Australian livestock industry, Landmark supplies processors, supermarket chains, lot feeders and live export markets. Landmark does not own feedlots or abattoirs.

Operations

Landmark’s core business is the sale of livestock through saleyards – 70% of livestock are sold via auction. It also arranges forward contracts between producers and processors.

The Livestock Division conducts sales by private treaty and AuctionsPlus. AuctionsPlus is the electronic selling system devised in the mid-1980s by the livestock industry, which is now jointly owned by Landmark, Elders and Roberts, and facilitates a minor percentage of sales.

Landmark also provides custom-feedlotting and backgrounding services, as well as stud stock services for the stud livestock industry, which are provided by specialist staff.

Further, Landmark is a major supplier of sheep and cattle to the live export trade.

Recent performance

Cattle and sheep prices have remained firm despite drought, driven by lower numbers. Throughput of cattle and sheep may fall due to restocking by producers, but prices are expected to remain firm.

Key drivers

- seasonal conditions determine movements in herd and flock numbers
- export prices and demand for beef and sheep meat heavily influence domestic livestock prices
- movement in the AUD is also a significant influence.

Strategy

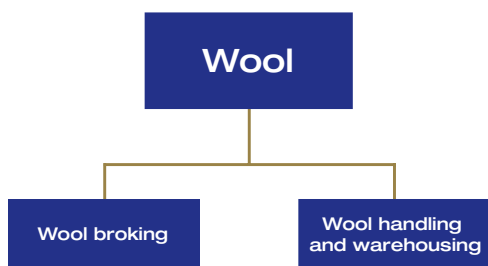
The Livestock Division will continue to focus on core livestock marketing services, particularly auction via saleyards. It will also look at ways to leverage AWB’s existing feedlot relationships to expand business into those feedlots.

Landmark also intends to expand its livestock supply management business to position its Livestock Division as a key facilitator of, and participant, in the livestock supply management system.

Growth prospects

The outlook for the Livestock Division is sound with expected herd and flock rebuilding coupled with sustained demand for meat and livestock for export.

Wool



Landmark is a major part of the Australian wool industry, matching growers across the country with buyers around the world through its wool broking operations.

Landmark handles approximately 20% of the national wool clip, which equates to around 500,000 bales per annum. It provides traditional broking/auction selling services as well as a comprehensive range of risk management products. Approximately 95% of wool handled by Landmark is sold at auction, with the remainder sold through private treaty.

Operations

Wool broking

Operating through major wool stores and wool-selling centres around Australia, Landmark provides wool auction services for grower customers. This service includes on-farm clip preparation advice and technical support in store.

Wool handling and warehousing

This is carried out by Australian Wool Handlers, in which Landmark has a 50% interest.

Recent performance

The Australian sheep flock and wool production are at their lowest levels since the early 1950s. Consequently, wool broking throughput has decreased. Wool prices have fluctuated, especially at the fine end of the clip (21 micron and finer).

Key drivers

- Volume of bales
- Wool prices
- Commission rates and competition
- Global wool demand
- Level of the AUD.

Strategy

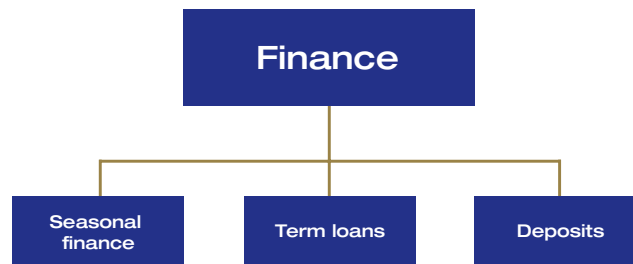
The principal strategy of Landmark’s Wool Division is to build market share by improving its core auction and broking business.

Growth prospects

There will be continued rationalisation in the industry at the grower, broker, exporter and processor level, as a result of the pressure of lower production and throughput. This will provide opportunities for Landmark.

Wool production has stabilised and modest growth is now being forecast. Fine wool and superfine wool prices are expected to improve.

Finance



Landmark provides a range of financial products for rural producers including seasonal and term loans, term deposits, cheque accounts and credit cards. The company provides finance and services through an alliance with Rabobank.

Operations

Landmark currently employs around 50 Rural Finance Managers, and an additional 20 Rural Finance Officers located throughout Australia.

Loans are externally funded through an exclusive, non recourse arrangement with Rabobank. Landmark manages the loans on its own computer system for which Landmark earns a management fee, with Rabobank oversees the credit process.

Seasonal finance

Seasonal loans provide working capital for farmers and are usually reviewed and renewed on an annual basis.

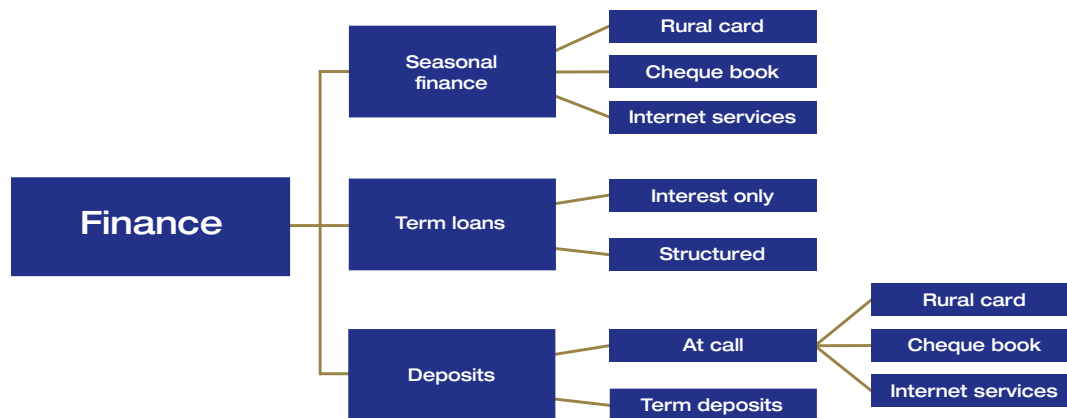
Term loans

Term loans provide capital for property purchase or expansion, or off-farm investments.

Deposits (Interest Bearing Deposits “IBDs”)

“At call” and term deposits offering competitive interest rates are available through a prospectus underwritten by AWB.

Summary of Landmark’s finance products



Recent performance

Finance has been one of Landmark’s major growth areas, with a record loan book over AUD850 million.

Key drivers

- Interest rates
- Seasonal conditions
- Farm incomes/performance.

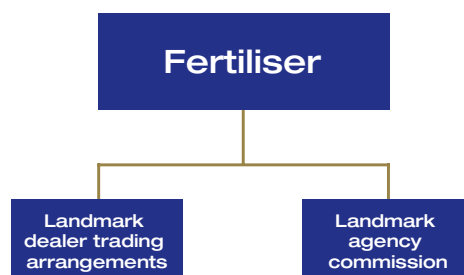
Strategy

Landmark will build its Finance Division through continued recruitment of additional finance specialists, as well as cross-selling financial products through other sectors of the business. As detailed in the “AWB and Landmark – Integration” section on page 43, a key strategy will focus on integrating AWB and Landmark finance products in the overall product offering.

Growth prospects

Landmark currently holds approximately 2% of this market – strong growth in the loan book is expected.

Fertiliser



Landmark is a significant supplier of fertiliser in Australia, participating in the distribution of approximately 1.2 million tonnes of fertiliser per annum as well as retailing liquid, trace element and specialist fertilisers from a range of suppliers.

Operations

Landmark has different trading arrangements with various suppliers. Landmark trades as principal with Incitec Pivot Limited, CSBP and Hi-Fert for most sales. Landmark trades as an agent with Summit in Western Australia and for some Hi-Fert transactions.

Trading arrangements

Supplier	CSBP	Hi-Fert	Incitec Pivot	Summit	Other
Trading arrangement	CSBP fulfils the orders and invoices Landmark for the sale, passing the obligation to collect payment to Landmark.	Landmark acts as a principal in some branches and as an agent in others.	Landmark acts as a principal in all branches.	Landmark acts as an agent in Western Australian branches.	Landmark acts as a principal in all liquid, trace element and specialist fertiliser transactions.
Eastern Australia					
Western Australia					

Source: AWB, 2004

Recent performance

The Fertiliser Division is expecting sound growth in 2003-04 due to improved confidence levels following the easing of the drought in many areas.

Higher farm-gate prices are forecast as a result of increased international prices and ocean freight rates, partially offset by the appreciation of the Australian dollar.

Margins will differ by State due to the differing roles played in the distribution channel and the structure of the market.

Key drivers

- seasonal conditions
- agronomy support and proprietary products
- farm performance (profitability)
- commodity prices
- demand for specialty fertilisers.

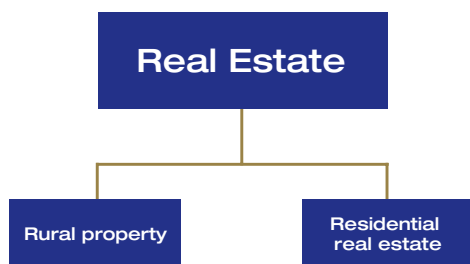
Strategy

Organic growth in outlets will be driven by improved product knowledge and agronomic skills. In addition, incremental expansion will emerge through acquisitions and other arrangements as appropriate.

Growth prospects

The Fertiliser Division expects to lift its share of Incitec Pivot and Hi-Fert sales through acquisitions and sub agency agreements. Higher growth is expected in the eastern states because of lower existing market share.

Real Estate



Landmark markets large rural properties, lifestyle blocks and residential real estate (regional towns), and conducts clearing sales in country areas throughout Australia. The company is one of the largest marketers of rural real estate, utilising its extensive national network and generating leads and sales through its popular internet site www.landmark.com.au.

Operations

Rural property (rural properties with over 40 hectares)

Rural property listings and sales range from extensive pastoral holdings in northern Australia suited to large scale cattle production to smaller, highly productive mixed-farming properties in southern Australia.

Residential real estate (urban properties with under 40 hectares)

Landmark is a leading marketer of town real estate in a number of country locations, and lifestyle blocks in areas surrounding larger centres.

Rental management and clearing sales

Property management is undertaken in selected locations, but is only a small part of the overall business.

Clearing sales are conducted by Landmark following the sale of properties, to allow vendors to sell farm machinery and other items used in the farm business.

Recent performance

Demand for rural property remains strong, particularly for large cattle holdings in northern Australia. The rural property sales market is highly competitive – Landmark currently holds around 20% of this market. Prices of properties sold by Landmark averaged a 30% rise across Australia in 2002-03 compared to the previous year.

Demand has been driven by improved commodity prices and seasonal conditions. City based investors have also been active in the rural property market. The property price outlook remains firm.

Key drivers

- Interest rates
- Commodity prices
- Seasonal conditions
- Farm performance.

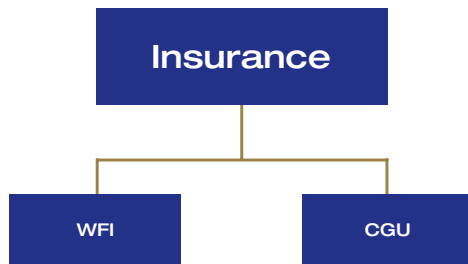
Strategy

Landmark's Real Estate Division will maintain focus on its core business of large rural property sales, whilst selectively developing its residential real estate property business.

Growth prospects

Larger rural holdings are being consolidated and amalgamated, but properties near large centres are being subdivided for lifestyle blocks.

Insurance



Landmark is one of Australia’s largest providers of insurance services as an agent to the rural community with an extensive network of offices in major regional centres and smaller rural towns. It offers a range of insurance cover options for rural businesses and households.

The Landmark network acts as a distributor (in an agent/spotter capacity) for two of the three main underwriters in the rural and regional Australia insurance market, though Landmark targets primarily the rural market. The two underwriters are CGU Insurance Ltd (“CGU”), which is a subsidiary of the Insurance Australia Group, and Wesfarmers Federation Insurance Limited (“WFI”).

Operations

Landmark acts as an agent for WFI (all states) and CGU Insurance Ltd (all states other than Western Australia).

Landmark is paid a commission for its distribution role, with rates varying between underwriters and between the products, reflecting the two different distribution models and administration requirements of each on Landmark. In addition, both underwriters pay a bonus based on premium growth.

The main insurance products distributed to customers are farm, farm motor, house, crop and livestock policies.

Recent performance

Landmark’s insurance business has delivered steady premium and earnings growth.

The insurance results for 2002-03 were impacted by the drought, most significantly by reduced crop protection insurance. The Insurance Division expects 2003-04 growth targets to return to normal seasonal conditions.

Key drivers

- farm activity and performance
- level of competition.

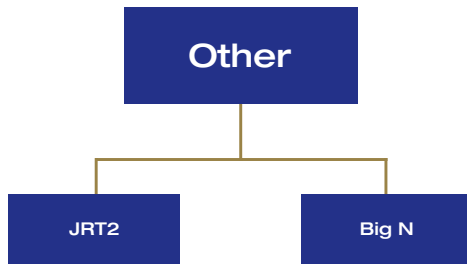
Strategy

Landmark will continue to grow its insurance market share in conjunction with insurer partners.

Growth prospects

Market growth is commensurate with the growth in the agricultural sector. Landmark is well positioned throughout the Australian insurance market to benefit from this growth.

Other



Johnstone River Transport Pty Limited

Johnstone River Transport Pty Limited (“JRT2”) is involved in the transportation of sugar related products in north Queensland, and is currently expanding its revenue base through servicing other industries with bulk road transport requirements.

Big N

This business distributes anhydrous ammonia fertiliser to the cotton and cropping sectors.