

# Half Year Results

ended 31 March 2008



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## Financial Summary

- Revenue increased 35.4% to \$3.2 billion (vs. \$2.36 billion in the previous corresponding period (pcp))
- EBITDA increased 52.9% to \$110.7 million (vs. \$72.4 million in the pcp)
- PBT increased 107.7% to \$64.6 million (vs. \$31.1 million in the pcp)
- Significant items post tax included a provision for a possible liability arising from litigation brought by the Standard Chartered Bank (\$26.4 million), legal costs (\$4.6 million) and a one off benefit from the sale of Chicago Mercantile Exchange (CME) shares and a Kansas City Board of Trade (KCBT) membership totalling \$4.6 million.
- Net profit after tax (NPAT) and significant items was up 88.5% to \$22.3 million (vs. \$11.8 million in the pcp). (Excluding the provision for the Standard Chartered Bank litigation NPAT was \$48.7 million)
- Earnings per share was 6.4 cents, up 88.2% (vs. 3.4 cents per share in the pcp).
- An interim dividend of 4 cents per share, fully franked, will be paid on 7 July 2008. The dividend reinvestment plan will be offered at a 2.5% discount. This dividend will be fully underwritten (record date 5 June 2008).

AWB Group Summary (\$m)	Half year ended 31 March	
	H1 2007	H1 2008
Revenue	2,363.0	3,199.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	72.4	110.7
Depreciation and amortization	(21.8)	(18.9)
Earnings before interest and tax (EBIT)	50.6	91.8
Interest	(19.5)	(27.2)
Profit before tax (PBT)	31.1	64.6
Tax	(6.1)	(15.6)
Outside equity interest	(0.1)	(0.3)
Significant items after tax	(13.1)	(26.4)
Net profit after tax and significant items (NPAT)	11.8	22.3
Earnings per share (cents)	3.4	6.4
Dividend per share (cents)	4.0	4.0

## Operational Summary

The benefits of AWB's diversified agri-business model were evident in the result. Further progress was made on business transformation and positioning for the future:

- Rural Services delivered an excellent performance, largely driven by higher crop chemical and fertiliser sales and operating margins on the back of increasing agricultural activity following recent rains, primarily in the Eastern states. In addition, Rural Services benefited from higher earnings from its investments in Hi-Fert and RD1.
- Landmark Financial Services performed well despite increased funding costs and continuing strong competition. Management remain focused on maintaining margins and a portfolio of strong credit quality.
- Australian Commodity Management had a positive six months driven by a good performance in grain origination and sales including grain sales in containers into export markets.
- The International Commodity Management result reflects sustained increases in commodity prices which led to higher levels of working capital, including hedging costs; consequently lower volumes were transacted. In addition, there were lower volumes of freight under management in Geneva.

## Significant Items

The following table outlines significant items and reconciliation of reported earnings to underlying earnings:

Calculation of Reported Earnings (\$m)	Half year ended 31 March 2008			
	PBTA		NPAT & OEI	
	H1 2007	H1 2008	H1 2007	H1 2008
<b>Earnings before significant items</b>	<b>36.1</b>	<b>69.6</b>	<b>24.9</b>	<b>48.7</b>
Sale of CME shares and KCBT membership	-	6.6	-	4.6
Legal costs	(3.8)	(6.5)	(2.7)	(4.6)
Provision for Standard Chartered	-	(26.4)	-	(26.4)*
Redundancies and restructuring	(6.8)	-	(4.8)	-
Employee share loan fair value	(5.6)	-	(5.6)	-
<b>Total adjustments to underlying profit</b>	<b>(16.2)</b>	<b>(26.3)</b>	<b>(13.1)</b>	<b>(26.4)</b>
<b>Earnings after significant items</b>	<b>19.9</b>	<b>43.3</b>	<b>11.8</b>	<b>22.3</b>

\* AWB has not recognised a tax benefit arising from this provision because it is not expected that AWB (USA) will have sufficient income against which the cost of the provision could be offset

- A total of 11,052 shares in the Chicago Mercantile Exchange were sold as they were considered non-core. In addition, one of two memberships on the Kansas City Board of Trade (KCBT) was sold. AWB continues to hold one membership on the KCBT.
- Legal costs refer to all related costs associated with the Oil for Food inquiry and Class actions.

## Overheads / Other expenses

March 2007	\$m
<b>Overheads/other expenses (excluding significant items)</b>	<b>192.2</b>
Significant Expense items	16.2
<b>Total overheads/other expenses (including significant items)</b>	<b>208.4</b>
<b>Movement in overhead costs from March 2007</b>	
Salaries & personnel	7.6
Communication and IT	(0.5)
Legal	1.4
Advertising & promotion	1.7
Other (including depreciation and amortisation)	(4.3)
Costs incurred in offshore investments	3.3
<b>Net increase in overheads</b>	<b>9.2</b>
<b>March 2008</b>	
<b>Overheads/other expenses (excluding significant items)</b>	<b>201.4</b>
Significant Expense items	32.9
<b>Total overheads/other expenses (including significant items)</b>	<b>234.3</b>

- Overheads/other expenses (excluding significant items) for the half year of \$201.4 million were 5% above the pcp. This was mainly due to increases in:
  - salaries & personnel – combination of increase in salaries, senior appointments and short-term incentive accruals;
  - advertising and promotion – re-branding costs of Landmark and ACM (grain marketing) and Harvest Finance (loan products);

- offshore – largely increased overheads for investment in Brazilian operations; and
- legal – costs defending Standard Chartered Bank and other litigation

These increases were offset by reductions in depreciation and amortisation, communication and IT, travel, motor vehicles and consultancy, totalling \$4.8 million.

## Management Appointments

In April 2008, AWB's Chief Financial Officer Mark Hosking resigned. Philip Gentry, AWB's former Head of Strategy, Mergers and Acquisitions was appointed CFO on 19<sup>th</sup> May 2008.

The management team was further strengthened by key appointments, in particular:

- Kate Hughes – Chief Risk Officer
- John Russell – Head of Strategy
- Piero Ravano - Head of AWB Geneva
- Michael Cotterell - National Manager Strategic Sourcing
- Sean Ralphsmith - National Merchandise Manager, Landmark
- Paul Smith – Financial Controller, Commodities

During the half, the Company benefited from the growing strength and cohesion of the AWB management team.

## Summary of AWB's Overall Business Priorities

Key areas of focus over the short to medium term include:

- Landmark Rural Services – Increase productivity and lift operational performance  
Landmark Financial Services – Manage cost of funds and maintain credit quality  
Australian Commodities – Leverage strong network and 60+ years experience  
International Commodities – Build structural revenue flows, integrate with Australian Commodities Management.
- The continued improvement of both the quantum and quality of earnings for the group.
- Accreditation under the new wheat marketing arrangements expected to be in place by 1 July 2008.
- Maintaining AWB's proven pooling performance and ensuring competitive harvest finance loans and payments, regular pool distributions and payment incentives for grain quality.
- Arranging for a second shareholder vote on constitutional reform if, as expected, wheat export arrangements change in July 2008.
- Managing legacy issues to minimise management distraction and cost (Oil for Food, Class Actions and Standard Chartered Bank litigation).
- Adapting AWB's business model to global and domestic changes in market conditions.

## AWB Group & Business Streams Review

\$m	Half Year Ended 31 March				
	2004	2005	2006	2007	2008
<b>Revenue</b>					
<b>Rural Services</b>	<b>682.1</b>	<b>706.4</b>	<b>726.0</b>	<b>654.5</b>	<b>828.5</b>
<b>Financial Services</b>	<b>763.6</b>	<b>446.9</b>	<b>657.2</b>	<b>184.4</b>	<b>268.6</b>
Landmark Financial Services	8.9	9.1	57.8	99.5	115.0
Harvest Finance	754.7	437.8	599.4	84.9	153.6
<b>Commodity Management</b>	<b>1,440.4</b>	<b>1,380.9</b>	<b>1,208.2</b>	<b>1,516.3</b>	<b>2,069.5</b>
Pool Management Services	37.3	42.2	51.0	31.2	27.6
Australian Commodity Management	1,145.0	821.9	569.6	465.4	563.2
International Commodity Management	210.9	470.4	539.3	981.3	1,416.2
Supply Chain and Other Investments	47.2	46.4	48.3	38.4	62.5
<b>Corporate</b>	<b>9.5</b>	<b>88.4</b>	<b>26.8</b>	<b>7.8</b>	<b>32.7</b>
Total Revenue	2,895.6	2,622.6	2,618.2	2,363.0	3,199.3
<b>EBITDA</b>					
<b>Rural Services</b>	<b>28.7</b>	<b>34.2</b>	<b>24.5</b>	<b>20.7</b>	<b>32.3</b>
<b>Financial Services</b>	<b>28.0</b>	<b>17.6</b>	<b>19.3</b>	<b>16.2</b>	<b>22.9</b>
Landmark Financial Services	13.2	8.5	9.9	11.5	12.8
Harvest Finance	14.8	9.1	9.4	4.7	10.1
<b>Commodity Management</b>	<b>81.2</b>	<b>59.9</b>	<b>65.4</b>	<b>30.6</b>	<b>44.5</b>
Pool Management Services	11.6	11.4	19.8	11.0	13.8
Australian Commodity Management	51.1	32.2	18.7	2.1	25.2
International Commodity Management	12.2	12.4	18.6	15.4	7.4
Supply Chain and Other Investments	6.3	3.9	8.3	2.1	(1.9)
<b>Corporate</b>	<b>(1.3)</b>	<b>8.6</b>	<b>6.9</b>	<b>4.9</b>	<b>11.0</b>
Total EBITDA	136.6	120.3	116.1	72.4	110.7
<b>EBIT</b>					
<b>Rural Services</b>	<b>20.0</b>	<b>25.5</b>	<b>19.6</b>	<b>16.2</b>	<b>28.2</b>
<b>Financial Services</b>	<b>27.7</b>	<b>17.2</b>	<b>19.2</b>	<b>15.6</b>	<b>22.3</b>
Landmark Financial Services	12.9	8.1	9.8	10.9	12.2
Harvest Finance	14.8	9.1	9.4	4.7	10.1
<b>Commodity Management</b>	<b>75.0</b>	<b>54.8</b>	<b>60.1</b>	<b>26.1</b>	<b>39.9</b>
Pool Management Services	11.6	11.4	19.8	11.0	13.8
Australian Commodity Management	51.1	32.2	18.7	2.1	25.2
International Commodity Management	12.2	12.3	18.5	15.3	7.0
Supply Chain and Other Investments	0.1	(1.1)	3.1	(2.3)	(6.1)
<b>Corporate</b>	<b>(23.7)</b>	<b>(3.4)</b>	<b>(4.6)</b>	<b>(7.3)</b>	<b>1.4</b>
Total EBIT	99.0	94.1	94.3	50.6	91.8

## Rural Services

Rural Services incorporates the Landmark network and investments in Australian Wool Handlers (50%), Hi-Fert (50%) and RD1 (50%).

The Landmark distribution network comprises more than 400 outlets, providing a diverse range of rural services including rural merchandise, livestock, wool marketing, agronomy, real estate and fertiliser.

	Half Year Ended 31 March (\$m)		
	H1 2007*	H1 2008	Change (%)
Revenue	654.5	828.5	27%
EBITDA	20.7	32.3	56%
Depreciation and amortisation	(4.5)	(4.1)	9%
EBIT	16.2	28.2	74%

\* Includes \$5.7m fee paid by AWB International, Harvest Finance and Australian Commodity Management for the use of the domestic grain network, transferred to Australian Commodity Management in 2008

## Business Summary

The Rural Services result reflects Landmark's ability to capitalise on more favourable operating conditions following good rains early in the season (particularly in Queensland and New South Wales), leading to higher crop chemical and fertiliser sales and operating margins, and higher earnings from investments Hi-Fert and RD1.

Margins across all areas benefited from improved processes implemented during the half, including the ongoing impact of the implementation of "Price book" – a systemised process of managing margins by category through improved controls.

Rural Services EBITDA was \$32.3 million, an increase of 56% on the pcp. EBIT rose 74% to \$28.2 million. Working capital increased as a result of the impact of increased commodity and farm input prices, as well as volumes for both debtors and inventory.

All business units performed well with the exception of Wool and Livestock which were impacted by lower supply due to the drought in 2006 and 2007. Significantly higher crop chemical and fertiliser sales contributed to strong performances by the Merchandise and Fertiliser divisions, while the Real Estate division continued to perform well, particularly in Victoria and Queensland.

All States performed well with results above pcp due predominantly to strong crop chemical sales and improved operating margins.

**Merchandise gross profit was \$73.1 million, up 36.1%**

- Merchandise sales were stronger than the pcp on the back of increased agricultural activity following good rains in the Eastern states.
- Sales of crop chemicals overall were favourably impacted by improved conditions and early buying ahead of expected price increases across all states (in particular, Glyphosate).

**Fertiliser gross profit was \$15.2 million up 63.4%**

- The Fertiliser business was another strong performer with Landmark and its 50% stake in Hi-Fert benefiting from strong early demand as farmers built up reserves.
- Revenue rose on increased volumes due to strong demand as a result of improved conditions and anticipated strong commodity prices.

#### Livestock gross profit was \$29.0 million down 1.4%

- The Livestock business continued to be impacted by lower volumes of cattle and sheep sold as farmers rebuilt their herds following the de-stocking that occurred during the last 12 months due to lack of water and increased feed costs. Cattle volumes were down 10% and sheep volumes were down 7%. In addition, the continuing high Australian dollar impacted beef exports, which account for more than 80% of the beef sold in Australia.
- Prices of cattle and sheep improved due to lower supply.
- Demand from feedlots was subdued owing to the continuing high Australian dollar and increasing feed costs.

#### Real Estate gross profit was \$13.3 million up 15.6%

- Real Estate sales were stronger than pcp, up 19% for the half. Sales in Victoria and Queensland were particularly strong, and values of rural properties held up strongly across all states.
- In WA, the number of rural properties being offered for sale increased, but this was somewhat offset by the relatively lower value of sales.
- The value of properties sold continues to grow year on year.

#### Wool gross profit was \$6.4 million down 9.9%

- Prices per bale were \$1,047, up 13%, but bale volumes sold were down 14% on the pcp.
- Volumes received in storage were up 6% on the pcp as Landmark continued to grow its market share.
- Handling and warehousing income was down (\$11.0m vs. \$12.2m for the pcp)
- Looking forward, sheep numbers are expected to decrease as competition for land use grows.

#### Other Investments contribution to net profit was \$8.4 million up 125%

- Rural Services' share of the PAT for Hi-Fert was \$3.9 million. The strong East Coast fertiliser market has led to an improved Hi-Fert contribution.
- RD1 (50/50 JV with Fonterra) also performed well on the back of strong world milk prices, with Rural Services' share of the PAT at \$2.3 million up 70%.
- Rural Services' share of AWH's (50/50 JV with Elders) PAT was \$2.5 million and reflects the impact of less wool in storage as a result of the drought.

## Business Strategy

- The strength of the Rural Services business continues to be its network with 2,000 dedicated staff in over 400 points of presence creating value for over 100,000 customers nationally.
- Rural Services aims to drive growth by building on its unique business platform in Australia, adapting to new opportunities and taking advantage of synergies with other AWB businesses.
- A significant re-branding of the Rural Services business is underway. Since February 2008 the Rural Services business has been represented by the new Landmark brand "Look to us". The re-branding is an opportunity to leverage the significant equity within the Landmark brand, refocus the Landmark identity on its core merchandise and services offerings, and engage with both existing and new customers about how Landmark can assist and add value for farmers.
- In the short term, management's focus is on improving productivity and increasing revenue from both existing and new sources.

- Landmark currently has the following strategic projects underway to generate further shareholder value from the existing operating platform:

**Model to Market** - will deliver a consistent, efficient platform to market with the aim of reducing the number of channels to market from seven to three.

**Customer focus** - allowing our sales staff to deliver total customer requirements through delivery of an effective account management process.

**Simplicity** – simplification of processes to deliver additional efficiencies and cost savings

**Optimisation** - improved purchasing and logistics efficiencies

**IT** - delivery of SAP Enterprise Resource Planning system including financials and point of sale system

**High Performance Culture** - specific employee training programs to deliver improved sales, operating processes and improved safety standards

**Branding** - deliver a consistent brand highlighting Landmark's values and customer focus

- Management continues to focus on improving the Occupational Health and Safety record across the network as a priority.
- Having regard to the future restructure of AWB's domestic grains business, management will continue to actively seek opportunities to leverage the strength of the Rural Services network.
- With commodity prices at record highs, large winter plantings are expected as farmers position themselves to take advantage of recent rains and strong prices.

## Financial Services

Financial Services incorporates the following business segments:

- Landmark Financial Services, comprising the Landmark lending business, investment and transaction accounts, wealth management, equipment finance and insurance.
- Harvest Finance, a wholly owned subsidiary of AWB Limited that provides finance (by way of loans and payments) to growers who deliver wheat to the AWB National Pool.

## Landmark Financial Services

	Half Year Ended 31 March (\$m)		
	2007	2008	Change (%)
Net Lending Interest Income	21.4	20.9	(2%)
Other Operating Income	6.0	10.2	70%
EBITDA	11.5	12.8	11%
Depreciation and amortisation	(0.6)	(0.6)	-
EBIT	10.9	12.2	12%

## Business Summary

Landmark Financial Services performed well in an increasingly challenging environment. Deposit growth, fee income and insurance commission performed well however, these were offset to an extent by increased funding costs. Management particularly focused on maintaining margins, a strong credit portfolio and prudently managing growth.

- EBIT rose 12% to \$12.2 million, driven by:
  - An increase in insurance commission of 15%
  - An increase in non-interest income of 37%; and
  - A reduction in charges for credit provisions of 45% to \$2.6m.
- Net interest margin on the loan portfolio reduced slightly to 2.00%, down from 2.01% for 1H07 and 2.06% for the full year September 2007. This was due to the competitive lending environment and an increase in underlying funding costs.
- The Rural Trust's loan portfolio totals \$2.1 billion, unchanged from September 2007 reflecting limited growth in some states and seasonal reductions in certain states. The loan portfolio continues to show strong credit quality.
  - Net non-accrual loans have reduced to 0.88% of gross loans at end of H1 2008 vs. 1.03% at H2 and 1.23% in H1 2007;
  - The average Loan to Valuation Ratio (LVR) at 31 March was 38% compared to 34% at 31 March 2007 and 40% at 30 September 2007; and
  - 94% of the portfolio is secured by rural property and the remainder by livestock crop or unsecured.
- The Transaction, Savings and Investment accounts balance was \$441 million at 31 March 2008 up from \$403 million at 31 March 2007 and \$376 million at 30 September 2007. The increased level of deposits reflects the better than expected harvest in some states in 2007/08 and improvements in products and rates on offer. The net margin contribution from the portfolio was 105 basis points, up from 93 basis points in the pcp.
- Insurance commission increased due to a 15% increase in gross written premiums to \$84.8 million, predominantly due to higher crop insurance levels in Western Australia and South Australia.

## Business Strategy

- Landmark has a strong understanding of the risks, challenges and rewards associated with agribusiness. Landmark Financial Services offers a comprehensive suite of financial services that reflects the needs of rural producers including: lending solutions, savings and investment accounts, insurance solutions and more recently equipment finance and wealth management. Landmark's financial solutions are designed to enhance the way farmers run their agribusiness including managing every day cash flow, funding long term business growth, assisting with investment goals and insuring their assets.
- The increase in wholesale funding costs for the Rural Trusts has been modest during the past six months with the net interest margin holding up well and credit quality being maintained. However, Landmark Financial Services expects the cost of funding to increase further in the period ahead and, like other financiers, it will be forced to pass on increased funding costs in the future. In the second half of 2008 margins are expected to be impacted by approximately 20-40bps from increased cost of funds and the mix of new business.
- On 16 May, AWB announced that it had signed a Heads of Agreement to purchase 100% of livestock leasing business Stocklease Pty Limited. Stocklease is a Melbourne based company which provides Australian livestock farmers with financial solutions to unlock capital that their business has tied up in livestock. This business represents a good strategic fit with Landmark's existing financial products.
- Landmark provides farm inputs and rural services to over 100,000 clients from more than 400 outlets across the country. Landmark Financial Services has 32,000 insurance clients, 6,800 savings and investment clients and 4,500 lending clients. Landmark Financial Services has a unique opportunity to grow market share by leveraging Landmark's existing customer base.
- The extension of the Rural Master Trust (Commercial Paper Warehouse Trust) structure is being pursued and is in the final stages of negotiation.

## Harvest Finance

	Half Year Ended 31 March (\$m)		
	H1 2007	H1 2008	Change (%)
Revenue	84.9	153.6	81%
EBITDA	4.7	10.1	115%
Depreciation and amortisation	-	-	0%
EBIT	4.7	10.1	115%

## Business Summary

- Harvest Finance's market share (measured on proportion of total grower and trade deliveries that AWB has funded) was slightly higher at 63% driven in part by the pool incentive contracts offered in the 2007/08 harvest which assisted product uptake. Pool incentive contracts were offered to growers who committed to deliver to the 2007/2008 pool by 31 October 2007.
- Uncertainty regarding export marketing arrangements saw AWB lower initial grower loan amounts at harvest, however, a faster than usual pace of sales from the National Pool saw loan amounts equal to those of prior seasons before Christmas 2007.
- Overall the interest margin was maintained at 1.71% despite the impact of tighter credit markets.
- Underwriting revenue was down 32% to \$3.35 million due to reduced carry over from prior seasons and a slower than normal shipment of the 2007/08 pool.
- Operating expenses have been significantly reduced by 57% to \$1.74 million reflecting the ongoing repositioning of the business.
- Harvest Finance's short term credit rating is A-1+ and P-2 (from Standard & Poor's and Moody's respectively).

## Business Strategy

- AWB will be offering wheat pools for the forthcoming 2008-2009 harvest, following the introduction of new wheat export marketing arrangements. Key elements of AWB's proven pool offering will remain, such as competitive harvest finance products and incentive payments for grain quality.
- Harvest Finance's loan book is expected to substantially reduce in 2H08 as the 2007/08 pool is finalised.

## Commodity Management

Commodity Management incorporates the following segments:

1. Australian Commodity Management (ACM), comprising Grain Trading, Chartering and RiskAssist.
2. International Commodity Management, comprising AWB Geneva, AWB India and AWB Brazil.
3. Pool Management Services, which accounts for AWB's management of the pooling and international marketing of Australian wheat (the National Pool).
4. Supply Chain and Other Investments, which includes GrainFlow (22 regional storage and handling facilities across Australia's Eastern states), a 50% share of Melbourne Port Terminal and other offshore investments.

## Australian Commodity Management (ACM)

	Half Year Ended 31 March (\$m)		
	H1 2007	H1 2008*	Change (%)
Revenue	465.4	563.2	21%
EBITDA	2.1	25.2	1,100%
Depreciation and amortisation	-	-	
EBIT	2.1	25.2	1,100%

\*Includes \$3.6m fee (\$1.5m base fee & \$2.1m incentive fee) paid by AWB International for the use of the domestic grain network (previously in Rural Services)

### Business Summary

- Australian Commodity Management EBITDA was \$25.2 million, up from \$2.1m in the first half of 2007. A good performance by domestic grain origination and sales and chartering were partly offset by a subdued performance in RiskAssist.
- The first half of 2007 was adversely impacted by the Meat and Livestock custom feedlot division which suffered a loss of \$3.2 million and was subsequently closed down.
- A strong performance in the first half in grain origination and sales arose due to the strong lift in revenue from activity in the drought impacted Australian wheat, oilseed, pulses and sorghum markets. AWB's ability to deploy its Grain Marketing network to secure limited Australian supplies of these grains was critical to this success.
- Container sales of wheat were also strong following the de-regulation of the container wheat market in August 2007. Margins were well supported by the strength of commodity prices and continuing high bulk sea freight rates.
- The Australian Chartering business secured better than expected pool volumes in the first half. Additionally, freight volumes on bulk export non-wheat sales by AWB and third party cargoes were above expectations.
- The RiskAssist business was adversely impacted by the combination of price volatility and production failure during 2007. AWB is discontinuing the provision of unsecured funding of client hedge positions and has already withdrawn two products from the market and will withdraw all products by the end of 2008. The provision of \$15 million taken in the full year September 2007 results has been maintained against future grower repayments from the expected proceeds of the 2008 harvest. Currently, management does not believe there is a basis for further provisioning but will monitor this in light of local production prospects in 2008.

### Business Strategy

- AWB continues to refine its offering for the 08/09 season. Operating commodity pools to maximise returns to pool participants will continue to be a core activity for AWB and will occur through ACM in the future. An announcement on the initial estimate for the 08/09 AWB Pool Return was released in April 2008. AWB intends to provide a competitive suite of wheat pools that retain many of the features that were offered under the Single Desk system. Further information will be released after the passage of the new Wheat Marketing Legislation in July 2008.
- AWB is finalising agreements to secure rail freight capacity to service requirements on the Eastern Seaboard. AWB has been in close consultation with the NSW and Victorian Governments to clarify their respective support for the regional rail footprint to serve grain growers. AWB expects to be able to provide rail and road freight services to facilitate export and domestic trade after the 2008 harvest.
- Following de-regulation of the wheat market and with the possibility of similar outcomes in the Western Australian grain sector for barley, canola and lupins, AWB will be the only fully integrated trading house with a national presence and is well positioned as an experienced, asset light, independent grain marketer capable of securing grain through a tested pool and cash trading capability. Additionally, with the removal of the Single Desk arrangements, AWB's Australian origination platform will be able to work more closely with AWB's well established Brazilian, Indian

and European operations to secure multi-origin sales across Asia and the Middle East for a range of grain types.

## International Commodity Management (ICM)

	Half Year Ended 31 March (\$m)		
	H1 2007	H1 2008	Change (%)
Revenue	981.3	1,416.2	44%
EBITDA	15.4	7.4	(52%)
Depreciation and amortisation	(0.1)	(0.4)	(300%)
EBIT	15.3	7.0	(54%)

### Business Summary

- ICM EBITDA was \$7.4 million down 52% versus pcp
- The result was impacted by sustained increases in commodity prices, particularly in the soy complex and wheat markets leading to increased working capital utilisation and lowered turnover in the offshore commodity businesses.
- Increases in commodity prices also increased the costs of hedging. There was also poor execution of some hedging positions. Management are addressing these issues by enhancing systems, staff and management capability.
- Increased funding costs increased the cost of goods sold for all businesses and reduced net margins.
- Increased inland freight costs during the soybean harvest period affected the performance of Brazil; and lower freight volumes under management compared to the pcp specifically affected the performance of Geneva. Freight operations in Geneva remained profitable and overall profitability, excluding freight, is at similar levels to the pcp.
- Over 70% of revenues were transactional or structural in nature.

### Business Strategy

- Deploying a similar strategy to ACM, ICM continues to develop strong relationships with key farmers in Brazil and India as a key strategic aim. AWB's ability to assist producers to fund production and secure marketing opportunities, combined with strategically significant investments in assets such as warehousing and other storage and handling infrastructure, will underpin the future growth of AWB's commodity origination and distribution models.
- Substantial opportunities exist in Brazil and India to link with AWB's existing expertise in bulk and container freight management plus origination of grains, oilseeds and pulses from Australia to create a strong mid-tier trading capability.
- AWB will continue to fully integrate the management of the Australian and International businesses.

## Pool Management Services

	Half Year Ended 31 September (\$m)		
	H1 2007	H1 2008	Change (%)
Revenue	31.2	27.6	(12%)
EBITDA	11.0	13.8	25%
Depreciation and amortisation	-	-	-
EBIT	11.0	13.8	25%

- There were 4.35 million tonnes received in the 2007/08 pool. A total of 2.1 million tonnes were delivered against the pool incentive contracts (pre-commitment).
- Half of the current year's base fee of \$35.5 million has been recognised in this half.
- Pool management services received two payments in the first half that will not be repeated in the second. The first was the final 10% of the prior year's base fee totalling \$3.5 million. The second was all of the 2006/07 OPI of \$6.3 million.
- Costs continue to be well managed.

### 2006/07 National Pool

- The 2006/07 National Pool was finalised with the last distribution of \$123.5 million paid in April 2008. This pool was significantly affected by the drought in 2006. Sales from this pool were used to supply key customers with core requirements throughout the year. AWB has successfully maintained supply to Japan, South Korea, Indonesia, Sudan, Yemen and the Pacific markets.

The contribution from Pool Management Services is as follows:

Contribution from Pool Management Services						
\$m	Half Year Ended 31 March 2007			Half Year Ended 31 March 2008		
	2005/06 Season	2006/07 Season	Total	2006/07 Season	2007/08 Season	Total
Base Fee	6.6	16.0	<b>22.6</b>	3.5	17.8	<b>21.3</b>
Out-Performance Incentive	8.6	-	<b>8.6</b>	6.3	-	<b>6.3</b>
Administration Costs			<b>(20.2)</b>			<b>(13.8)</b>
<b>Pool Management Services</b>			<b>11.0</b>			<b>13.8</b>

## Business Strategy

- New wheat marketing arrangements are expected to be in place by 1 July 2008. AWB intends to seek accreditation as a wheat exporter.
- Key elements of AWB's proven pooling performance will remain such as competitive harvest finance loans and payments, regular pool distributions and payment incentives for grain quality.
- Once the 2007/08 National Pool is finalised, the Pool Management Services business will be moved into the ACM division which will be responsible for the management of pools and other products going forward.

## Supply Chain and Other Investments

	Half Year Ended 31 March (\$m)		
	H1 2007	H1 2008	Change (%)
Revenue	38.4	62.5	63%
EBITDA	2.1	(1.9)	(190%)
Depreciation and amortisation	(4.4)	(4.2)	4.5%
EBIT	(2.3)	(6.1)	(165%)

### Business Summary

- Supply Chain and Other Investments suffered a loss at the EBITDA level of \$1.9 million, down from a profit of \$2.1 million in the pcp.
- GrainFlow, AWB's storage and handling business, was adversely impacted from the ongoing lower carrying volumes due to the preceding two years of drought.
- Similarly, Melbourne Port Terminal suffered significantly lower volumes due to the ongoing impact of the two years of drought.

### Business Strategy

- AWB continues to integrate the GrainFlow storage and handling business into AWB's wider commodity activities in order to improve performance beyond deregulation of the export wheat market.
- AWB is targeting improved receivals of grain into GrainFlow. With reasonable rainfall, AWB will be in a strong position to attract wheat, barley, canola, sorghum and pulses across the 22 site network, particularly with an effective rail strategy and open access regime in place.

# Finance Review

Segment Report as at 31 March 2008

	Y/E September 2004			Y/E September 2005			Y/E September 2006			Y/E September 2007			2008
	1H	2H	FY	1H	2H	FY	1H	2H	FY	1H	2H	FY	H1
	Mar-04	Sep-04	Sep-04	Mar-05	Sep-05	Sep-05	Mar-06	Sep-06	Sep-06	Mar-07	Sep-07	Sep-07	
<b>REVENUE (\$m)</b>													
<b>Rural Services</b>	682.1	959.3	1,641.4	706.4	944.9	1,651.3	723.5	842.2	1,565.7	654.5	875.5	1,530.0	828.5
<b>Financial Services</b>	763.6	466.3	1,229.9	446.9	245.5	692.4	659.6	104.5	764.1	184.4	111.2	295.6	268.6
Landmark Financial Services	8.9	8.5	17.4	9.1	8.6	17.7	60.2	87.4	147.6	99.5	114.4	213.9	115.0
Harvest Finance	754.7	457.8	1,212.5	437.8	236.9	674.7	599.4	17.1	616.5	84.9	(3.2)	81.7	153.6
<b>Commodity Management</b>	1,440.4	1,008.6	2,449.0	1,380.9	1,159.5	2,540.4	1,208.2	1,256.3	2,464.5	1,516.3	1,291.2	2,807.5	2,069.5
Pool Management Services	37.3	57.9	95.2	42.2	58.7	100.9	51.0	41.4	92.4	31.2	15.1	46.3	27.6
Australian Commodity Management	1,145.0	581.0	1,726.0	821.9	398.8	1,220.7	569.6	408.5	978.1	465.4	280.1	745.5	563.2
International Commodity Management	210.9	308.1	519.0	470.4	671.9	1,142.3	539.3	766.2	1,305.5	981.3	970.8	1,952.1	1,416.2
Supply Chain and Other Investments	47.2	61.6	108.8	46.4	30.1	76.5	48.3	40.2	88.5	38.4	25.2	63.6	62.5
<b>Corporate</b>	9.5	14.8	24.3	88.4	19.5	107.9	26.9	45.4	72.3	7.8	31.2	39.0	32.7
<b>TOTAL REVENUE</b>	<b>2,895.6</b>	<b>2,449.0</b>	<b>5,344.6</b>	<b>2,622.6</b>	<b>2,369.4</b>	<b>4,992.0</b>	<b>2,618.2</b>	<b>2,248.4</b>	<b>4,866.6</b>	<b>2,363.0</b>	<b>2,309.1</b>	<b>4,672.1</b>	<b>3,199.3</b>
<b>EBITDA (\$m)</b>													
<b>Rural Services</b>	28.7	43.2	71.9	34.2	41.5	75.7	24.5	29.2	53.7	20.7	34.0	54.7	32.3
<b>Financial Services</b>	28.0	16.5	44.5	17.6	14.2	31.8	19.3	18.2	37.5	16.2	16.3	32.5	22.9
Landmark Financial Services	13.2	11.0	24.2	8.5	8.5	17.0	9.9	8.0	17.9	11.5	15.5	27.0	12.8
Harvest Finance	14.8	5.5	20.3	9.1	5.7	14.8	9.4	10.2	19.6	4.7	0.8	5.5	10.1
<b>Commodity Management</b>	81.2	75.4	156.6	59.9	76.2	136.1	65.4	35.4	100.8	30.6	57.8	88.4	44.5
Pool Management Services	11.6	21.0	32.6	11.4	24.9	36.3	19.8	11.6	31.4	11.0	(1.5)	9.5	13.8
Australian Commodity Management	51.1	40.7	91.8	32.2	30.1	62.3	18.7	3.9	22.6	2.1	3.5	5.6	25.2
International Commodity Management	12.2	5.5	17.7	12.4	18.4	30.8	18.6	11.2	29.8	15.4	55.1	70.5	7.4
Supply Chain and Other Investments	6.3	8.2	14.5	3.9	2.8	6.7	8.3	8.7	17.0	2.1	0.7	2.8	(1.9)
<b>Corporate</b>	(1.3)	(7.3)	(8.6)	8.6	3.3	11.9	6.8	11.2	18.0	4.9	(7.3)	(2.4)	11.0
<b>TOTAL EBITDA</b>	<b>136.6</b>	<b>127.8</b>	<b>264.4</b>	<b>120.3</b>	<b>135.2</b>	<b>255.5</b>	<b>116.0</b>	<b>94.0</b>	<b>210.0</b>	<b>72.4</b>	<b>100.8</b>	<b>173.2</b>	<b>110.7</b>
<b>EBIT</b>													
<b>Rural Services</b>	20.0	34.4	54.4	25.5	35.7	61.2	19.6	24.8	44.4	16.2	29.5	45.7	28.2
<b>Financial Services</b>	27.7	16.4	44.1	17.2	14.1	31.3	19.2	18.2	37.4	15.6	15.6	31.2	22.3
Landmark Financial Services	12.9	10.7	23.6	8.1	8.4	16.5	9.8	8.0	17.8	10.9	14.8	25.7	12.2
Harvest Finance	14.8	5.7	20.5	9.1	5.7	14.8	9.4	10.2	19.6	4.7	0.8	5.5	10.1
<b>Commodity Management</b>	75.0	68.8	143.8	54.8	70.7	125.5	60.1	29.9	90.0	26.1	52.9	79.0	39.9
Pool Management Services	11.6	21.0	32.6	11.4	24.9	36.3	19.8	11.6	31.4	11.0	(1.5)	9.5	13.8
Australian Commodity Management	51.1	40.7	91.8	32.2	30.1	62.3	18.7	3.9	22.6	2.1	3.5	5.6	25.2
International Commodity Management	12.2	5.3	17.5	12.3	18.4	30.7	18.5	11.1	29.6	15.3	54.8	70.1	7.0
Supply Chain and Other Investments	0.1	1.7	1.8	(1.1)	(2.7)	(3.8)	3.1	3.3	6.4	(2.3)	(3.9)	(6.2)	(6.1)
<b>Corporate</b>	(23.7)	(37.3)	(61.0)	(3.4)	(8.5)	(11.9)	(4.6)	(0.4)	(5.0)	(7.3)	(17.4)	(24.7)	1.4
<b>TOTAL EBIT</b>	<b>99.0</b>	<b>82.2</b>	<b>181.2</b>	<b>94.1</b>	<b>112.0</b>	<b>206.1</b>	<b>94.3</b>	<b>72.5</b>	<b>166.8</b>	<b>50.6</b>	<b>80.6</b>	<b>131.2</b>	<b>91.8</b>

## Statement of Cashflows

Cashflow		
Half Year Ended 31 March (\$m)	2007	2008
Profit before tax	14.9	38.2
Add: depreciation & amortisation	21.8	18.9
Less: profit on sale of n/c assets	(3.3)	(6.9)
Add: other non-cash items	1.4	20.5
	34.8	70.7
(Increase)/Decrease in working capital balances	22.8	(361.4)
Income taxes paid (net)	(9.2)	(8.1)
<b>Cash flows from operating activities</b>	<b>48.4</b>	<b>(298.8)</b>
Payments for pp&e (net)	(9.6)	0.4
Proceeds from / (purchases of) investments (net)	(2.1)	6.3
Payments for intangible assets (net)	(7.3)	(1.2)
<b>Cash flows from investing activities</b>	<b>(19.0)</b>	<b>5.5</b>
Grower loans	143.9	(494.5)
Grower advanced and deferred payments	171.6	(100.0)
Customer loans	(46.1)	15.4
Proceeds from issues of shares	-	-
Net increase / (decrease) in interest bearing liabilities	(71.6)	632.9
Dividends paid	(13.9)	(13.9)
<b>Cash flows from financing activities</b>	<b>183.9</b>	<b>39.9</b>
<b>Net increase / (decrease) in cash held</b>	<b>213.3</b>	<b>(253.4)</b>

### Operating Activities

- Cash outflows from operating activities were \$298.8 million mainly as a result of higher commodity prices requiring increased investment in working capital balances of \$361.4 million.

### Investing Activities

- Cash inflows from investing activities were \$5.5 million mainly due to the sale of Chicago Mercantile Exchange (CME) shares and a Kansas City Board of Trade membership.
- The 2008 net cash outflow for intangibles includes expenditure on IT systems development.

### Financing Activities

- The cash outflows from increasing grower loans and advanced / deferred payments of \$594.5 million reflect a lower level of net repayments than in 2007. This has arisen principally due to a slower repayment profile from 2006-07 National Pool distributions combined with increased deliveries requiring finance for the 2007-08 harvest.
- The cash inflows from customer loans reflect a combination of seasonal factors and increase in repayments due to the maturity of the portfolio.
- Interest bearing liabilities increased by \$632.9 million as funding requirements increased due largely to Harvest Finance's seasonality of operations and funding origination and sales activities with record high commodity and fertiliser prices. Major increases across the group as follows:
  - International Commodity Management (up \$135.8 million)
  - Landmark Rural Services (up \$205.8 million)
  - Australian Commodity Management (up \$159.9 million)
  - Harvest Finance related Pool borrowings (up \$261.1 million)
  - Corporate (down \$163.3)
- The 2007 final dividend of 4 cents per share was paid in December 2007.

## Balance Sheet

### 31 March 08 - Summarised Balance Sheet by Business Segment

Balance Sheet - \$m	31 March 2007	30 September 2007	31 March 2008	Rural Services	Financial Services – Landmark	Financial Services - Harvest Finance	Australian Commodity Management	International Commodity Management	Supply Chain and other investments	Corporate & Other / Eliminations
Working Capital and Other Current Balances	650.0	799.6	1,161.0	227.8	5.4	(2.1)	349.4	601.6	16.5	(37.6)
Investments & Available for Sale Assets	109.0	125.5	119.3	98.5	-	-	-	-	-	20.8
Intangible Assets	558.5	550.5	542.0	311.7	218.8	-	-	0.3	-	11.2
Property, Plant, and Equipment	162.7	158.2	148.4	33.4	0.2	-	-	13.1	84.0	17.7
<i>Funds Employed (excluding Finance)</i>	1480.2	1,633.8	1,970.7	671.4	224.4	(2.1)	349.4	615.0	100.5	12.1
Landmark Loans (incl Rural Trust)	2079.5	2,124.6	2,106.1	12.1	2,081.4	-	-	-	-	12.6
Grower Loan Receivables	446.8	129.1	530.9	-	-	530.7	0.2	-	-	-
Advanced & Deferred Payment Products	152.8	(5.5)	149.7	-	-	127.7	22.0	-	-	-
<b>Total Loans &amp; Grower Receivables</b>	<b>2679.1</b>	<b>2,248.2</b>	<b>2,786.7</b>	<b>12.1</b>	<b>2,081.4</b>	<b>658.4</b>	<b>22.2</b>	<b>-</b>	<b>-</b>	<b>12.6</b>
Other assets and liabilities	33.1	52.9	50.9	25.8	-	0.3	1.7	7.9	11.1	4.0
<b>Total Funds Employed</b>	<b>4,192.3</b>	<b>3,934.9</b>	<b>4,808.3</b>	<b>709.3</b>	<b>2,305.8</b>	<b>656.6</b>	<b>373.3</b>	<b>622.9</b>	<b>111.6</b>	<b>28.7</b>
Unsecured deposit notes	(405.6)	(377.7)	(440.7)	(0.1)	(440.6)	-	-	-	-	-
Deposits - AWB National Pools	(678.4)	(461.2)	(722.3)	-	-	(712.2)	-	-	-	(10.1)
Net Interest Bearing Debt	(1,997.5)	(1,984.0)	(2,545.6)	(163.4)	(2,024.4)	-	(159.8)	(373.9)	4.3	171.6
Net Intercompany Balances	-	-	-	(88.7)	449.1	64.5	(201.7)	(137.9)	(193.4)	108.1
<b>Net Debt</b>	<b>(3,081.5)</b>	<b>(2,822.9)</b>	<b>(3,708.6)</b>	<b>(252.2)</b>	<b>(2,015.9)</b>	<b>(647.7)</b>	<b>(361.5)</b>	<b>(511.8)</b>	<b>(189.1)</b>	<b>269.6</b>
Shareholders' Equity	(1,110.8)	(1,112.0)	(1,099.6)	(457.1)	(289.9)	(8.9)	(11.8)	(111.1)	77.5	(298.3)
<b>Total Sources of Funds</b>	<b>(4,192.3)</b>	<b>(3,934.9)</b>	<b>(4,808.3)</b>	<b>(709.3)</b>	<b>(2,305.8)</b>	<b>(656.6)</b>	<b>(373.3)</b>	<b>(622.9)</b>	<b>(111.6)</b>	<b>(28.7)</b>

## Balance Sheet Summary

Working Capital increased by \$361.4 million or 45.2% from 30 September 2007

- Increased working capital in Australian Commodity Management and International Commodity Management reflects increased commodity prices and holdings in underlying inventory for future customer needs.

Investments decreased by \$6.2 million

- Investments decreased due to the sale of a portion of Chicago Mercantile Exchange (CME) shares, the sale of a membership of the Kansas City Board of Trade, the revaluation of AWB's remaining shareholding in CME and Trade memberships offset by AWB's share of profits of associates.

Loan Books and Receivables increased by \$538.5 million

- Financial services lending to Landmark customers decreased by \$18.5 million due to seasonal factors and limited growth in some states. This business typically receives more funds over the December to February period as cropping customers sell summer crops (the increased value of crops in 2007/08 has improved this flow to some clients).

- Balances associated with finance options for growers were up by \$557.0 million vs. September 2007 due to a slower repayment profile from the 2006/07 National Pool distributions combined with increased deliveries requiring finance from the 2007/08 harvest.

**Net Debt increased by \$885.7 million supporting a variety of business activities**

- Net debt represents the balance of interest bearing liabilities less any cash and short term deposits (which are used for investing non-committed cash balances). The increase in the net debt reflects increased working capital funding requirements arising largely from increased commodity prices. The breakdown of major increases is as follows:
  - \$143.3 million for Rural Services - receivables securitisation net of cash;
  - \$160.1 million for Australian Commodity Management – inventory financing;
  - \$147.5 million for International Commodity Management – working capital; and
  - \$576.4 million for Harvest Finance – seasonal Pool borrowings for grower products. (NB the Harvest Finance facility is in a ring fenced structure with limited recourse to AWB.)

This was offset by a repayment of \$165.0 million for the Syndicated Loan Facility Agreement.

**Shareholders' Equity decreased by \$12.4 million**

- The shareholders' equity decrease of \$12.4 million resulted from NPAT of \$22.3m, the adverse impact on the foreign currency translation reserve of \$15.9 million, the negative impact in other reserves of \$4.9 million (largely relating to CME revaluation) and payment of the \$13.9 million of dividends during the year.

## Borrowing & Interest

- Finance income and finance costs from/to other persons/corporations increased from 2007 reflecting growth in the loan portfolio and higher interest rates.
- Other finance costs have increased due largely to increased facility fees incurred.
- Net finance costs to AWB National Pools remained consistent with 2007.

Finance income and costs (\$m)	Half Year Ended 31 March	
	2007	2008
<b><u>Statutory accounts</u></b>		
<b>Finance income / (costs):</b>		
<u>Other persons/corporations</u>		
Finance income	120.9	136.2
Finance costs	(92.5)	(105.0)
Other finance costs	(2.8)	(14.3)
Net Finance income - other persons / corporations	25.6	16.9
<u>Related party (AWB National Pools)</u>		
Finance income	5.5	2.1
Finance costs	(18.1)	(14.8)
Net Finance income - related party (AWB National Pools)	(12.6)	(12.7)
<b>Net finance income / (costs) per statutory accounts</b>	<b>13.0</b>	<b>4.2</b>
<b><u>Segment reporting</u></b>		
Finance income amounts included in EBIT for segment reporting purposes	32.5	31.4
Corporate interest expense	(19.5)	(27.2)
<b>Net finance income / (costs) per segment reporting</b>	<b>13.0</b>	<b>4.2</b>

AWB holds material amounts in short term deposits from time to time and, accordingly, interest expense should be considered in conjunction with interest revenue.

Also, certain amounts that are characterised as interest in the income statement are included in EBIT for the purpose of discussing business unit performance. These amounts include the net interest margin earned on financial services products and other interest revenue for AWB amounts that are not related to funding.

## Financing Activities

- AWB Group's overall position regarding financing can be summarised as follows: Non-current assets excluding Landmark Financial Services term loans are matched by equity; and Current assets are matched by short term facilities.
- AWB has a variety of financing activities including seasonal financing, inventory financing, working capital financing and funding financial services assets.
- AWB's strategy is to diversify funding sources to minimise costs and broaden funding and liquidity options.
- Due to the diverse businesses in the Group, AWB borrows for specific purposes to minimise its cost.

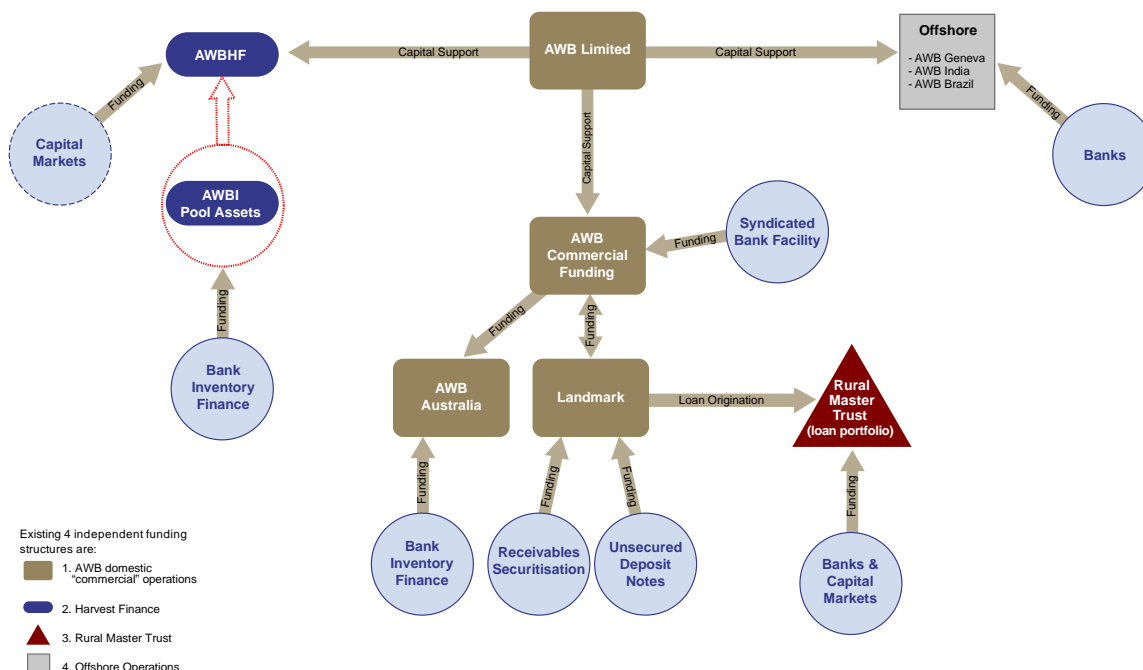
## Capital Structure

The AWB Group's borrowings are primarily driven by three core activities:

- Provision of finance and payments to growers delivering wheat to the AWB National Pool through AWB Harvest Finance (Harvest Finance's debt significantly reduces by 30 September 2008 in line with seasonal demands);
- Provision of working capital to AWB Group companies encompassing Landmark, domestic and offshore operations; and
- Provision of finance for Landmark-originated finance facilities provided to Australian rural businesses and individuals through the Rural Trust financing program.

### The AWB Group has four major funding structures\*:

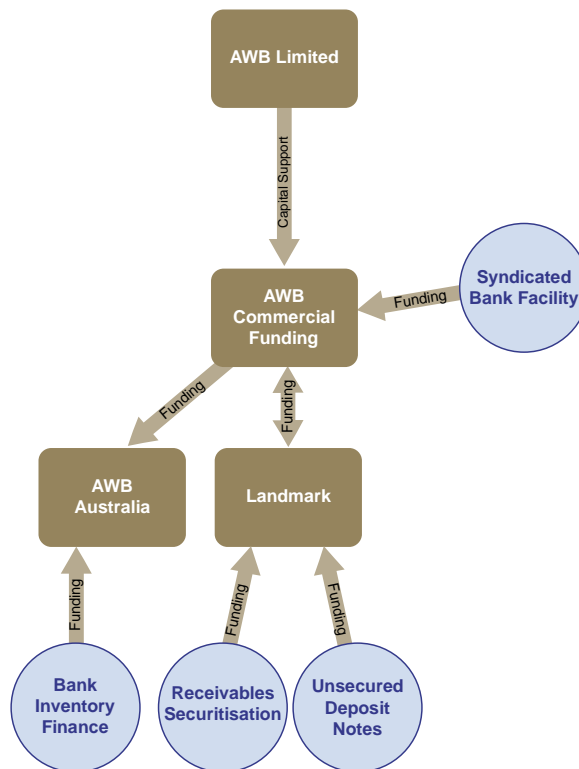
1. AWB Commercial Funding
2. AWB Harvest Finance
3. Rural Master Trust
4. Offshore



\* Reflects funding structure not legal ownership

## 1. AWB Commercial Funding

Funding for domestic operations and general corporate purposes excluding financial services.



### a) Syndicated Bank Facility

AWB Commercial Funding has a traditional general purpose syndicated corporate bank facility. In September 2007, this facility was reduced from \$750 million to \$400 million. At that time, AWB reduced the size of the facility and established a new \$280 million receivables securitisation facility and a new \$160 million Inventory Financing Facility at a lower cost to the Group overall. The maturity profile of the Syndicated Bank Facility is such that \$280 million of the \$400 million facility matures in October 2008 and the remaining \$120 million matures in October 2009. Discussions have already commenced to renegotiate the October 2008 tranche.

Part of this facility is used to fund working capital requirements of AWB's domestic operations. A total of \$343 million was used for liquidity support for the unsecured deposit notes (for those deposits that have less than 90 days to maturity). Unsecured deposit notes totalled \$441 million as at 31 March 2008.

### b) Inventory Financing

Inventory financing is a financing mechanism by which grain is sold at a discounted price and then repurchased at a future date. These funds are used to finance part of the grain positions held by the Australian Commodity Management division. AWB has access to net inventory finance lines of \$160 million.

### c) Receivables Securitisation

This is a 12 month renewable facility with a limit of \$280 million. Landmark receivables are sold to a trust at a discounted price. These funds are then utilised for domestic working capital requirements.

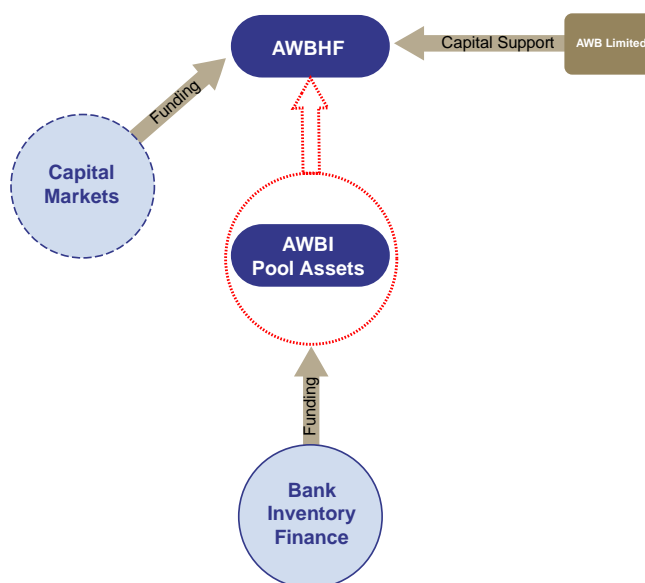
d) Unsecured Deposit Notes

Landmark Operations Limited offers rural and other investors' unsecured deposit notes either at call or for fixed terms. AWB Limited guarantees repayment of monies owing by Landmark in respect of these deposits. The money received by Landmark from the issue of deposits is used to fund Landmark's working capital requirements, with surplus funds on-lent to AWB Commercial Funding.

Landmark Financial Services Investment and Transaction accounts balances totalled \$441 million on 31 March 2008 (up 17% from 30 September 2007). The maturity profile of these deposits is detailed below.

Landmark Operations Limited – unsecured deposit notes Transaction, savings and investment accounts	
Maturity Profile	31 March 2008 (\$m)
At Call Accounts (Savings and Transaction accounts)	145.0
Term Investment Accounts (<90 days to maturity)	200.7
Term Investment Accounts (>90 days to maturity)	94.9
	440.6

## 2. AWB Harvest Finance



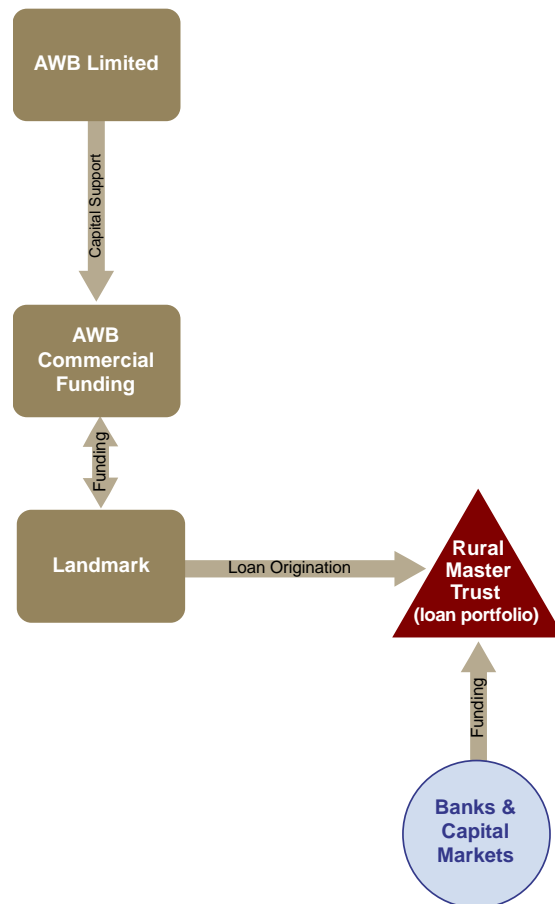
AWB Harvest Finance (“AWBHF”) is the vehicle used to fund the pooling activities including any payment products offered as part of the National Pool. Due to the impacts of the 06/07 and 07/08 crops the borrowing activities for Harvest Finance have fallen significantly.

AWBHF has access to three Commercial Paper (CP) programs plus a Medium Term Note (MTN) Program which have been its traditional and primary sources of funding. The four programs are:

- 1) A\$2bn domestic CP program
- 2) US\$1.5bn US CP program (program subsequently cancelled in April 2008)
- 3) US\$1.5bn Euro CP program
- 4) A\$500m domestic MTN program

Due to the restricted state of capital markets, AWBHF has funded the 07/08 season's activity via inventory financing arrangements via AWB International (AWBI). AWBI has access to bank inventory financing facilities totalling \$500 million and the funds raised by AWBI are on lent to AWBHF.

### 3. Rural Master Trust



The Landmark Financial Services loan book is funded by two trusts that have been created under the Rural Master Trust structure: the Rural Loan CP Warehouse Trust (“CPWT”) and the Rural Warehouse Trust No 1 (“RWT”).

The current funding structure for the CPWT is in the form of commercial paper backed by liquidity and letter of credit facilities provided by two highly rated global banks. These facilities provide a combined facility limit of \$2.3 billion and have an expiry date of 23 September 2008.

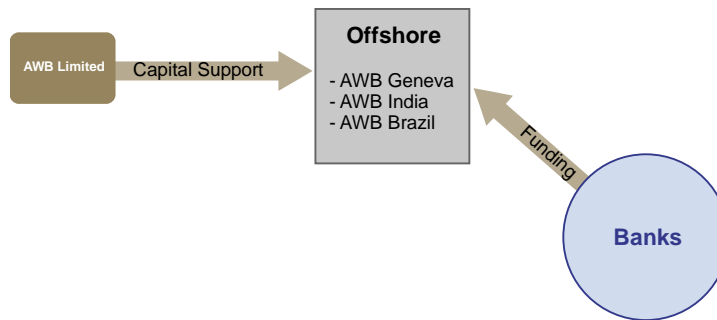
The RWT facility was refinanced in December 2007 with a bank funded limit of \$250 million and an expiry of 31 December 2008.

Prior to the tightening of credit markets in August 2007, AWB Treasury had commenced the process of establishing a publicly issued securitisation program. This program has been put on hold until AWB believes opportunities exist in the market to issue securities which would result in a reduction in the cost of funds.

The extension of the CPWT is in the final stages of negotiation.

#### 4. Offshore

The working capital requirements of AWB Geneva, AWB Brazil and AWB India are primarily funded via dedicated facilities offshore. These are transactional facilities typically secured by underlying commodities. These subsidiaries have created dedicated facilities to fund their operations that are supported by their equity and limited credit enhancement provided by AWB Limited. The sum of equity and formal credit enhancement provided by AWB Limited to offshore entities as at 31 March 2008 totalled \$105 million.



A summary of committed debt and other funding facilities available to the group by business segment as at the half year end balance date is detailed as follows:

#### Landmark Financial Services

Committed Credit Facilities	Currency	Facility Limit	Facility Maturity	Utilisation
Rural CP Warehouse Trust - Securitisation Program Limit*	AUD	\$2,324,800,000	23/09/2008	\$1,812,297,000
Rural Warehouse Trust #1 – Bank Facilities*	AUD	\$250,000,000	31/12/2008	\$222,702,000

\* Currently being renegotiated for maturities from 12-30 months

Other Funding Platforms	Currency	Facility Maturity	Utilisation
Landmark – Unsecured deposit notes	AUD	At call & Various Terms	\$438,300,000

#### Rural Services / ACM

Uncommitted Credit Facilities	Currency	Facility Limit	Facility Maturity	Utilisation
AWBCF – Syndicated Bank Facility (1 Yr Tranche)	AUD	\$280,000,000	10/10/2008	\$30,000,000
AWBCF – Syndicated Bank Facility (2 Yr Tranche)	AUD	\$120,000,000	11/10/2009	-
AWB Australia – Committed Inventory Financing Facility	AUD	\$100,000,000	13/12/2008	\$100,000,000
Rural Trade Receivables Trust - Committed Securitisation Program Limit	AUD	\$280,000,000	11/10/2008	\$205,000,000

Uncommitted Credit Facilities	Currency	Facility Limits	Facility Maturity	Utilisation
AWB Australia – Uncommitted Inventory Financing Facility	AUD	\$60,000,000	24/12/2008	\$60,000,000

## Harvest Finance

Committed Credit Facilities	Currency	Facility Limits	Facility Maturity	Utilisation
AWB Harvest Finance – Standby Liquidity Facility	AUD	\$205,000,000	11/06/2008	-

Uncommitted Credit Facilities	Currency	Facility Limits	Facility Maturity	Utilisation
AWB Harvest Finance – Uncommitted Inventory Financing Facility	AUD	\$150,000,000	30/07/2008	\$150,000,000
AWB Harvest Finance – Uncommitted Inventory Financing Facility	AUD	\$180,000,000	30/09/2008	\$159,000,000
AWB Harvest Finance – Uncommitted Inventory Financing Facility*	AUD	\$145,000,000	18/04/2008	\$49,900,000
AWB Harvest Finance – US Commercial Paper	USD	\$1,500,000,000	N/A	-
AWB Harvest Finance – Euro Commercial Paper	USD	\$1,500,000,000	N/A	-
AWB Harvest Finance – Domestic Commercial Paper	AUD	\$2,000,000,000	N/A	-
AWB Harvest Finance – Medium Term Notes	AUD	\$500,000,000	N/A	-

\* A Temporary Facility of \$100 million has since been extended until mid July 2008

Other Funding Platforms	Currency	Facility Maturity	Utilisation
Related Party Loans - AWB National Pools	AUD	At Call	\$363,621,343

## International Commodity Management

Uncommitted / Committed Credit Facilities	Currency	Facility Limits	Facility Review	Utilisation
Offshore Credit & Inventory Financing Facilities	AUD Equivalent	\$498,600,000	Annual	\$400,400,539

## Groupwide

Other Funding Platforms	Currency	Facility Maturity	Utilisation
Accrued Interest & Other	AUD		\$10,394,640

<b>Grand Total</b>			<b>\$4,001,615,522</b>
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- The \$205m Standby Liquidity Facility for AWBHF is in place as liquidity backstop to support any commercial paper that AWBHF may have outstanding. To date, AWBHF has not issued any commercial paper in the current financial year and has funded its activities via inventory financing arrangements with the National Pool. AWBHF is unlikely to issue any commercial paper for the remainder of the financial year and so on maturity this facility is unlikely to be replaced.
- The Rural CP Warehouse Trust (“CPWT”) securitisation program funds the majority of the Landmark Financial Services loan book through the issuance of commercial paper and/or liquidity backstop facilities provided by banks. The remainder of the Landmark Financial Services loan book is funded through the Rural Warehouse Trust #1 (“RWT”) which is a bank funded warehouse structure.
- Since the March 2008 half year end balance date, negotiations have been initiated with financiers to refinance the \$2.3bn CPWT for varying terms out to two and a half years. These initiatives will include the extension of the one year RWT arrangements for a further twelve months.
- The \$400m Syndicated Loan Facility is a general corporate purpose loan facility provided by four banks to AWB Commercial Funding (“AWBCF”). The \$280m one year tranche of this facility encompasses an evergreen mechanism. This provides for a formal process upon which management can request banks to extend this one year tranche for a further 364 days within a defined period ahead of the existing maturity date in October 2008. Management has already initiated discussions with syndicate banks for the extension of this tranche for a maturity of at least 12 months.
- As at 31 March 2008 AWBCF was in technical breach of a lending covenant relating to its leverage ratio (calculated as a ratio of the rolling 12 month EBITDA incorporating all significant items, to Average Net Debt). The breach was principally due to AWB Limited’s decision to raise a provision of USD\$24.2m for the Standard Chartered Bank litigation. A letter of waiver for this covenant breach has been obtained from the participating banks. Management is confident that the technical breach will be rectified in the normal course of operations by 30 June 2008. All other lending covenants were in compliance.

## Credit Rating

AWB maintains a dual credit rating structure whereby AWBHF and AWB Limited are separately rated by credit rating agencies.

AWBHF has been assigned a short term rating of A-1+ from Standard & Poor’s and a P-2 rating from Moody’s. On 4 April 2007, Moody’s downgraded its short term rating on AWBHF from P-1 to P-2. Standard and Poor’s has maintained its highest possible short term rating of A-1+. These investment grade ratings reflect the structural protection and credit enhancements provided by the ring-fenced corporate structure.

AWB Limited has been assigned a BBB- (Negative Outlook) long-term Corporate credit rating by Standard & Poor’s.

Current AWB credit ratings	
AWB Harvest Finance Limited	
Standard & Poor’s	A-1+ (Short -term)
Outlook	Stable
Moody’s Investors Service	P-2
AWB Limited	
Standard & Poor’s	BBB-
Outlook	Negative

## Interest Rate and Foreign Exchange Exposure

As required, AWB hedges risks arising from interest rate and exchange rate fluctuations through a number of approved instruments including interest rate swaps, spot and forward foreign exchange contracts, forward rate agreements, currency options, exchange traded futures contracts and options on futures contracts.

## Legal Issues

### Oil for Food Inquiry

On 27 November 2006, the Report of the Commission of Inquiry in relation to the United Nations Oil-for-Food Programme (the "Cole Inquiry") was tabled in Parliament. The Report (the "Cole Report") refers to possible breaches of laws that according to the Commissioner might have occurred in connection with the Oil-for-Food Programme. It found that certain acts, conduct and payments by AWB Limited and AWB (International) Limited might have breached sections of the Criminal Code, Crimes Act 1958 (Vic) and Banking (Foreign Exchange) Regulations 1959. The Cole Report also recommended the establishment of a joint Task Force comprising the Australian Federal Police, Victoria Police, and the Australian Securities and Investments Commission ("ASIC") to consider possible prosecutions of the entities named in it.

The Task Force recommended by the Cole Report was established in December 2006.

In September and October 2007 ASIC served a number of notices on AWB Limited requiring it to produce certain documents concerning the subject matter of the Cole Inquiry. AWB Limited complied with each of the notices served on it, save for those notices which ASIC withdrew. ASIC has also conducted a number of examinations of employees and former employees of AWB.

In December 2007 ASIC issued civil proceedings against two former directors and four former employees of AWB Limited. At the date of these half-yearly accounts, no legal action had commenced against either AWB Limited or any of its subsidiaries in relation to the findings of the Cole Inquiry.

The resultant impact, if any, on the financial position of AWB Limited arising directly and indirectly from these and other potential legal actions arising from the Cole Inquiry is unknown and therefore not reflected in these half-yearly results.

## Class Actions

### *Karim (Iraqi Residents' Class Action)*

The Karim Class Action was filed against AWB Limited, AWB (USA) Limited and BNP Paribas in the US District Court for the Southern District of New York on 22 December 2006. Commodity Specialist Company (CSC) of New York was subsequently joined as a Defendant by the Plaintiffs. The plaintiffs are stated to be residents of the 3 northern governorates of Iraq.

The complaint (as amended and filed on 17 June 2007) alleges that by reason of AWB's conduct during the Oil-for-Food ("OFF") Programme, AWB depleted the UN OFF escrow account, and thereby unlawfully deprived these plaintiffs and the others in the class of the humanitarian benefits which those funds would have purchased for them. It also alleges that BNP Paribas, CSC and AWB engaged in an illegal conspiracy. The Complaint alleges that these actions amounted to violations of the U.S. Racketeer-Influenced and Corrupt Organisations ("RICO") Act and the plaintiffs are claiming treble damages under RICO. No specified amount of damages is stated in the amended Complaint.

Each of the Defendants filed a Motion to Dismiss the Complaint in October 2007. The Plaintiffs filed a Brief in Opposition to these Motions to Dismiss in February 2008 and each Defendant filed a Reply Memorandum of Law in March 2008. It is a matter for the Court whether to deal with the Motions to Dismiss "on the papers" or whether to schedule oral hearings of the Motions. If hearings are scheduled it is likely that this will be later this year.

**Boyd (US Grower Class Action)**

This class action Complaint against AWB Limited and AWB (USA) Limited was filed on 10 July 2007, also in the U.S. District Court for the Southern District of New York, on behalf of a number of US farmers including Mr Boyd, the Court having previously consolidated the similar Boyd, Erb and Brothers grower claims into one class action by growers under the Boyd name.

The Complaint alleged that AWB engaged in conduct in relation to the OFF Programme which had the effect of achieving and maintaining a monopoly on wheat sold to Iraq, thereby foreclosing that market to US-grown wheat. It alleged that this conduct caused decreases in the prices at which US growers were able to sell their wheat in the US. The complaint alleged that this conduct was contrary to the RICO Act and several US anti-trust statutes, all of which permit the recovery of treble damages. No specified amount of damages was stated in the consolidated Complaint.

AWB filed a Motion to Dismiss the Complaint on 17 August 2007, and this Motion to Dismiss was granted by the Court on 25 February 2008.

The deadline for the plaintiffs to file an appeal against the Court's grant of AWB's Motion to Dismiss has now passed and the complaint against AWB stands dismissed by the Court.

**Mastafa and Ismail Claim**

In September 2007, a class action Complaint was filed against AWB Limited, AWB (USA) Limited and BNP Paribas in the US District Court for the Southern District of New York on behalf of Saadya Mastafa and Kafia Ismail representing a class comprising victims (or the surviving immediate family members of victims) of crimes allegedly perpetrated by the Saddam Hussein regime in Iraq from 1996 to 2003. The Complaint asserts causes of action under the US Alien Tort Claims Act. The damages alleged to have been suffered by the plaintiffs are unspecified.

In December 2007, each of the Defendants filed a response, by way of a Motion to Dismiss the complaint. In February 2008, the Plaintiffs filed a Brief in Opposition to the Defendants' Motions to Dismiss and in April 2008, each of the Defendants filed a Reply Memorandum of Law. It is a matter for the Court whether to deal with the Motions to Dismiss "on the papers" or whether to schedule oral hearings of the Motions. If hearings are scheduled it is likely that this will be later this year.

**Watson (Shareholder) Class Action**

On 17 April 2007, proceedings were filed by John and Kaye Watson (in their own right and as representatives of "Represented Persons") in the Federal Court of Australia (NSW Registry) against AWB Limited. The plaintiffs sought a declaration that AWB Limited contravened the continuous disclosure provisions of the Corporations Act by not informing the ASX of AWB Limited's knowledge of the facts surrounding its activities in relation to the OFF Programme. The Application to the Court also sought an order that AWB Limited pay the plaintiffs compensation for damage resulting from that contravention, on the grounds that had the facts been publicly available the plaintiffs would not have purchased AWB Limited shares either at all or at the prices paid.

After a number of amendments to their Statement of Claim, this proceeding was subsequently discontinued and a further proceeding (making essentially the same claims) was issued by the Watsons on 9 October 2007 as a class action under Part IVA of the Federal Court Act.

The damage alleged by the plaintiffs John and Kaye Watson in the statement of claim is \$10,400. However the plaintiffs' lawyers have quantified potential damages for all plaintiffs in the class as approximately \$25 million.

AWB Limited has filed its Defence to the class action proceeding. A trial date has not been allocated by the Court.

The company will continue to vigorously defend this and all other class actions.

## Standard Chartered Bank Litigation

In February 2005, Standard Chartered Bank plc brought an action against AWB (USA) Limited in the US District Court for the Southern District of New York in respect of a promissory note dispute. The amount claimed was approximately USD\$35m. On 14 January 2008 Judge Hellerstein issued his opinion directing the entry of judgment against AWB (USA) Limited, and on 16 January 2008, judgment was entered against AWB (USA) Limited in the amount of approximately USD24.2m. On 23 January 2008, AWB (USA) Limited filed a notice of appeal with the United States Court of Appeals for the Second Circuit, and filed its Appeal Brief on 15 April 2008. AWB has taken steps to secure the judgment debt to the satisfaction of Standard Chartered Bank plc, finalisation of which will result in a stay of execution of the judgment. AWB Limited has chosen to provision against this liability, even though it is of the view that AWB (USA) Limited has a strong position and AWB (USA), will continue to vigorously pursue its appeal avenues.