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[START OF TRANSCRIPT]

P McBride: Welcome to AWB's Full Year Results for 2007. I'm Peter McBride, head of media relations. Presenting the results today will be Gordon Davis, the managing director and Mark Hosking, the chief financial officer.

Just a couple of housekeeping issues – if we can ensure our mobile phones are turned off. And following the presentation, there will be a question and answer session. We'll start with the analysts and then the media. And if you can just identify yourself and the organisation you're with. And I also welcome the people on the phone.

So I'll hand over to Mr Davis. Thank you.

G Davis: Thank you, Peter. In terms of the program for the day, I'll give an overview of the results. Mark Hosking will talk in more detail about the performance of the company and the different divisions. Then I'll make some comments at the end about strategy and outlook.

Firstly, obviously Mark and I are pleased you could join us, be it in Sydney or on the telephone or via the web. I'm pleased with this year's results, even though the headline numbers are down on last year. All divisions of the company were profitable, despite one of the worst droughts in Australia and volatile global commodity prices.

Landmark has demonstrated it is a resilient business with a great franchise and potential for future growth. The International Commodity Business has also demonstrated its potential as a source of diversified income. Clearly the National Pool and related businesses such as Harvest Finance, our Australian supply chain businesses were all affected by lower volumes resulting from poor grain production. And also increased competition from the National Pool as export permits reduced pool volumes over the year.

On the domestic trading business, it was pleasing to see a small improvement in the second half. You will remember we made some comments about that at the half, that there was substantial work to be done there.

Turning to the headline numbers. The '06/'07 Full Year Results are in line with our updated guidance. Underlying profit before tax and amortization was $91.8 million. Net profit after tax and amortization was $27.1 million. The $41.7 million in pre-tax significant items largely reflected the fact that AWB is a company in transition, away from its National Pool business towards a more commercial agri business.

The early benefit of that transformation is evident in the gross cost savings year on year of $53 million for the year. The solid performance is a product of very hard work by all of our 2,500 employees around Australia and overseas in Geneva, India, Brazil and in our international sales and marketing activities in Singapore, Tokyo and Beijing.

The new management team hit the ground running hard by necessity, and provided strong leadership. And I must say during the year the Board of Directors has been very supportive and provided good guidance to myself as a new MD.

Most importantly for the shareholders, the Board has also approved a final dividend of four cents fully franked, which takes the final dividend to eight cents fully franked for the year.

Last year, we set out our first objective to stabilise the business. And we've done this in a very challenging environment. Over the past 12 months there were a range of adverse conditions, seasonal conditions in Australia, and a lot of volatility in global commodity prices in the second half. We've managed the impacts of the external environment on the business as best we were able. We sought to minimise the impact of drought in Australia on the domestic business by cutting costs and diversifying product streams. In other cases, we've sought to leverage the volatile global commodity markets to maximise trading opportunities in our international business.

We've also faced some sensitive and complex issues arising from past actions such as the Oil for Food Inquiry and the consequent class actions. We continue to quarantine the impact of these legacy issues on the business as best we can, and we'll continue to vigorously represent the interests of the company in these actions going forward.

We've also attempted, where able, to influence the evolution of wheat export marketing arrangements over the last 12 months. Our objective has been for an orderly transition that will minimise any adverse impacts on earnings, on shareholder returns and on growers. I'll come back to that issue towards the end of the presentation in the outlook session.

Most of the time in the last 12 months has been rightly focused fairly and squarely on what we can directly control; and that's improving our operating performance. Our initial focus was what we call Project Simplicity; it was driving efficiency gains from the business. We extracted $31 million in gross cost savings in the first half, and another $22 million in gross cost savings from the business in the second half to achieve a full year total of $53 million. This has enabled us to reinvest in some of the savings back into the international commodities business and to deliver $43 million of net cost savings.

Mark Hosking will talk more in detail about the profile of those savings in his presentation.

Our second priority I set out at the start of the year was around cultural change. And that was to ensure we had the right values, the right behaviours to support those values, and a high performance approach to managing the business. We've largely completed the roll out of our new values program across the business. And the process has reinforced our commitment to integrity, accountability, teamwork and customer focus.

But more importantly, the business engaged in a dialogue through small groups of employees as to what behaviours would support those single word statements. And I think that's been a very useful tool in engaging the team going forward.

Our new leadership team going forward will play a critical role in embedding these values and supporting behaviours.

I've been pleased we've been able to attract people with strong reputations and high performance ethics to the AWB and the Landmark business. Recent appointments include Phillip Meurer as head of commodities, Tim Hutchinson as the commodities trading manager, Ravi Gupta as Chief Executive of our Indian business, Richard Hurst in Head of Insurance and Finance, John Shore in Landmark Real Estate manager nationally, and Phillip Gentry, who is here today as head of strategy and M&A.

Our third priority we set was to improve our governance and risk management processes. Our company secretary, Peter Patterson, has done an outstanding job improving our governance processes and in streamlining our Board processes. The next face improved governance will come from Constitutional reform, and I will come back to this issue towards the end of today's presentation also.

Our chief risk officer, Margaret Wade, has completely transformed our corporate risk management systems and processes, simplifying them and in the same process, making them more robust and ensuring easier compliance. The next face of this process is to embed the new approach to risk management in operating units across the business.

The third stage of our program is to develop future growth strategies. This slide shows the significant structural evolution of the business over the last few years. We selected 2003 and 2007 as the comparator years because they are both drought years, and allow a comparison from a seasonable perspective. I suppose for me the key points from the slide that AWB acquired Landmark and accelerated the growth of Landmark Financial Service business in 2003; both of which now together contribute nearly 50% of total group earnings at the EBITDA level.

We now generate in the last year, approximately 40% of our earnings from overseas, compared to just under 10% four years ago. We would have clearly been much more exposed to the effects of drought in Australia in the last 12 months if that diversification strategy hadn't been pursued.

And finally, I think the point of the slide is that we're obviously much better placed to effect an orderly transition out of our statutory wheat marketing arrangements in 2008 than we would have been in previous years. And in looking at that, both the rural services business and the international business have little direct linkage with the National Pool. And in a direct sense would be largely unaffected of any further reform, other than perhaps on the positive side with the international commodity business.

To highlight the reduced reliance on the National Pool within AWB, you can see here in the same comparative years 2003 and 2007, 2007 approximately 10% of our earnings at the EBITDA level were directly generated from the National Pool. Clearly there's two effects here. There's the effect of the structural change of the business. There's also the effect of the reduced crop size. But in terms of making a transition, that's a positive position to be in. This will facilitate as we build new business models for our domestic wheat market and put it into a more commercial trading framework.

We don't assume that we'll lose all the earnings we currently generate from marketing wheat overseas. However, it's not possible to give any exact guidance on the level of earnings we see there, as clearly it depends on a couple of external factors. And that is the government policy after the election, no matter who is in power, what speed and what time and how fast they wish to make changes in that sector. And the fact that it's under our control, which is our ability to manage that transformation. I can assure you that we're well down the track of planning the transformation of our domestic commodity business for the new environment.

We've been able to spend more time I suppose over the last few months planning for this and other factors going forward, simply because of the work that was done in putting aside some of the legacy issues, and being able to increase our focus on the business.

What I've really tried to show in this slide is what we've – last year when I stood up here I'd been in the job not that very long. And probably 80% of the focus was on issues related to the corporation in its totality, a small focus on the business. We're now probably more in the middle, we've got more and more focus on the business issues, reduced focus on the corporate issues. But to go forward to the end of the journey, we've still got some significant tasks to do.

Most importantly I think the appointments and the settling in of the new management team has given myself and the Board more time to think about the future business strategy. We recognise that we still have a long way to go in this journey. However, over the next 12 months I expect all the team will be spending more time on the next face of business development, putting in place the building blocks for sustainable growth.

I will now hand over to Mark to take you through the detail of the results, and then return to talk about strategy and outlook at the end. Thanks Mark.

M Hosking: Thanks Gordon. Good morning everyone.

As Gordon has already noted this is a solid result in what has been some very challenging conditions. At the Half Year I presented to you my initial observations on the business, and it's probably worthwhile revisiting those now I've had some time in the role. And I can say after seven months in the role, Rural Services and Landmark Financial Services I think continue to be resilient; I think that's a key point.

The international commodity business has been performing strongly. Our Australian based grain businesses continue to be impacted by the drought. We continue to make good progress on costs. We're refining our allocations capital across the businesses, and we're improving our levels of disclosure and transparency. I will elaborate on some of these key points later.

But turning to the headline numbers, the 2007 Full Year Results tell a story about a company in transition. But also about a company looking to the future, and a company managing risk and uncertainty. The results reflect the number of volume in mix issues, which I'll comment on in more detail later.

But briefly here, a 4% decline in revenue reflects lower receipt from the drought affected domestic grains businesses. But strong sales within Rural Services and International Commodity Management. And this theme continues down to EBITDA, although cushioned somewhat by further good progress on cost saving.

The underlying profit before tax and amortization is at the top end of our revised guidance. In fact, in assessing underlying, I've taken out the significant items and also a one off accounting gain of $12.4 million, which resulted from the exit of a deferred forward freight agreement, following a counter party default which won't be reoccurring.

Profit before tax was down 31.3% to $94.2 million. Our effective tax rate was higher this year due to the tax treatment of some certain income from the International business. And finally, net profit after tax was down $53.4 million to $27.1 million, after booking $41.7 million in significant items.

Whilst $41.7 million may sound like a lot of significant items, I think it's important to note that 50% of the items result in positioning the business for the future. It's important that I explain the details.

In 2007 we have basically four main significant items. Firstly, we've adjusted down the carrying value of our employee loans by $9.6 million based on our view of recoverability and the reduced value of the retention benefit associated with those loans. We've tested goodwill, the grain flow assets and the Melbourne port terminal for impairment, which resulted in a write down of our grain flow assets by $3.6 million.

I think it's worth noting here that this should be an industry issue as a lot of grain receivables come through via the drought resulting in lower cash flows for all of our operators, all competitors.

We continue to incur costs associated with the legacy issues. In 2007 that number was $6.6 million. But finally, as part of our positioning the business for the future, we incurred $21.9 million in redundancy and restructuring costs and provisions for future efficiencies.

This further reinforces our focus on removing costs, so let's have a look at how the cost reduction program is going.

We continue to make good progress when taking cost out of the business. We reduced overheads by $43.3 million down now to $385 million. In fact the gross cost savings after increasing some investment into our international businesses was actually more like $52.9 million, or just over 12 per cent.

Now note that not all this hits the bottom line because some of it relates to the Pool, but it still represents good progress in a short amount of time.

As I said, we've increased some cost in our international businesses, particularly Brazil, and this reflects the focus of the management of differentiating between what I call good costs and bad costs. We're not just taking costs out for cost sake.

We've further positioned the business though to reduce costs in the new year, and you've seen that via the redundancy and restructuring item I talked about earlier.

About $15 million of that $21.9 million relates to restructuring pool management and related businesses and support functions. And that's in preparation for the business changes ahead of the new wheat marketing arrangements.

However I think now we've captured most of the low hanging fruit and the corporate costs, and going forward most of the cost savings will now be incremental and will come from making the operating business more efficient.

Let's have a look at some of the key elements of capital management. Let's start with working capital.

I think the consequences of higher commodity prices and the growth in our profitable businesses mask the good progress we're making here and removing working capital from our underperforming businesses. There's essentially three themes here, and we've increased working capital by $150 million over the half, but that largely relates to firstly, at September 30 we had $177 million of working capital committed to supporting our risk assist products. That was an increase of $133 million from the half year.

We've already seen that reduced to $135 million, and I would like to think that will reduce substantially by the half.

Secondly commodity prices rose substantially in the second half as you know with grain prices at their peak, pretty much at the end of the year September 30.

So supporting our businesses, particularly the offshore businesses required more working capital just simply as a result of those commodity price increases.

But finally, and I think this is the important point, we moved our working capital towards the more profitable path of our business. In the second half we removed $101.5 million of working capital out of our Australian Commodity Management business after selling down grain inventory holdings and exiting the loss making livestock business. But at the same time we invested working capital in our International Commodity Management business, and as you've heard, that's performed well, supported by the investment.

Lastly tax provisioning move to 87 as a result of receiving an income tax refund on the 2006 year, and provisioning for 2007.

So whilst we've made progress in reducing working capital, we've reinvested it appropriately where we can. This has had an impact of course on funding costs, but it's been more than outweighed by the favourable returns we've achieved.

We continue to have a solid balance sheet with good levels of liquidity. I think the corporate gearing of 69 per cent and net corporate interest covers it at 3.5 times is appropriate where we are in the cycle, given the conditions.

Net corporate debt has increased by 178, but largely supporting the working capital I just talked about.

We were ready to go ahead with our securitisation program, I know I talked to you about that at the half year, but as you know with the volatile market conditions, we've postponed that. We'll have a look at that early in 2008 just before we make a decision on taking that forward.

Just on corporate interest, it's up at 37, up from around 30, but really on the back of the higher working capital, higher wholesale funding cost, and more generally interest rises in Australia.

We've made good progress on implementing an economic capital allocation methodology across the business. Based on our underlying net profit after tax we've achieved ROE of 5.2 per cent in 2007. We've set our short term target to exceed the group's cost of capital through the cycle and a longer term target to achieve top quartile returns against our Australian peer group.

We've established an Asset Liability Committee and an Investment Committee to assess returns and to assess new initiatives. In 2008 we'll look to further embed the process into the business.

So let's have a look at how the individual businesses are performing.

As you can see here, earnings from our international businesses took on the greatest significance in 2007. In fact up 136 per cent to 70.5.

Rural Services and Landmark Financial Services essentially remain the engine room of the group with a combined earnings of around 50 per cent of the total, or $82 million.

Moving to the right of the slide, on the right of Australian Commodity Management, you can see the effects of the drought on the results as the impact of the smaller harvest is quite clear. With each of the Australian orientated businesses down on each year.

So there's three parts to this in my mind. Landmark is the engine room, we're growing that. The International business really benefited from good opportunities in markets this year. And each of the domestic grains businesses were impacted by the drought and lower grain receivables.

Moving to Rural Services, EBITDA for Rural Services increased slightly to $54.7 million. But the key point here I think is that the business maintained its market position as the drought pushed into its second year. However the impact of the drought was most keenly felt in farm imports and the livestock business. In merchandise, although we had lower volumes, we had higher margins. And in this business as well we had a strong focus on cost with the cost down $4 million.

I think this slide here really highlights the resilience of Landmark, despite the drought conditions that impacted our grains businesses. After 18 months of very poor operating conditions, gross profits have remained relatively stable. But I think importantly the contribution of each of the activities has remained stable as well. I think that is a good sign after 18 months of tough conditions.

Merchandise sales were five per cent lower in 2007, but gross profit was only down two per cent. In fact fertiliser sales increased three per cent and gross profit was up 14 in that business.

Total volumes were flat, sheep volumes were down one per cent. For the first time our real estate business handled more than a billion dollars of sales. The wool business continued to perform strongly, really with the increased demand from international processes.

Our other investments performed inline with expectations, although with a lower performance from Hi-Fert which was impacted by the poor seasonal conditions.

Now the other key component of Landmark is our financial services business. Landmark Financial Services performed well in what as you know is quite a competitive market, with PBT up $6.9 million or 41 per cent.

New interest income was up $11.3 million, really on the back of higher volume growth which was up around $8 million, and margins contributing $3.5 million.

Other income such as annual bank fees and the like continued to improve up $1.4 million to 17.8, which really reflects the continuing strategy of ours around income diversification.

The provisioning charge was up $2.8 million to 7.9. We now have $32 million of provisions on the balance sheet. And investments and transaction accounts balances, that's what we used to call IBD, interest bearing deposits, was $378 million at the end of September. It was down 15 per cent, but really I think that related to cash flow pressures on customers.

Interesting though on that product, margins were up 27 basis points to 96 basis points, so that was a good result.

Insurance gross profit was down three per cent to $16.5 million, really on the back of lower crop insurances is the main driver there.

Finally costs rose $3 million reflecting increased staffing cost and expansion of the business. But despite that increase in costs, we reduced the cost income ratio to 52.3 per cent from 59.1.

I think another important point about this business is that solid growth in profit didn't come at the expense of reduced asset quality. When you have a look at the Landmark Financial Services book, net dollar core loans represent only one per cent of the portfolio which is I think a good outcome. It's $21.9 million on a $2.1 billion book.

This portfolio is good in that it is well diversified also around activity with only a small exposure to the irrigation sectors such as horticulture. So it's a well diversified book. Ninety two per cent of it is supported by Rural Property and in fact the average loan to valuation ratio, LVR of the book is at 40 per cent which is very low by competitive standards.

In contrast our Harvest Finance Business is subject to big seasonal swings and will not be sustainable once wheat marketing arrangements change.

The lower wheat crop impacted this business with only 3.2 million tonnes in the wheat pool in 2007 versus 17.6 tonnes in 2006.

EBITDA was down from 19.6 in 2006 to $5.5 million in 2007. This business will be restructured following changes to wheat marketing arrangements next year. And in 2008 we will have new products to offer to replace the current offering.

We'll look to give you greater clarity on those new products in 2008 and I'll talk to you about how we might disclose those results once the new marketing arrangements are bedded down.

Now I'll turn to the Commodity Division headed by as Gordon said, our new GM there, Phil Meurer.

This international business had a very strong year, and really on the back of volatile market and record commodity prices as you know. You've seen the working capital increased quite significantly, as this business took advantage of opportunities. Geneva, India and Brazil all increased profits, but the majority of the profit was really driven by exceptional performance in the second half in freight and trade finance out of Geneva, where the team in Geneva took advantage of opportunities.

It's important to note around 90 per cent of those positions were closed, and the gains realised at September 30. So 90 per cent of positions were closed at the year end, and approximately 70 per cent of that business was structural or transactional rather than speculative.

Brazil performed well taking advantage of many niche local markets, and India performed well off a small base. We've appointed, as Gordon said, a new GM in India, Ravi Gupta, to manage the next phase of development of that business. But in Australia the Commodity Business faced continued challenging operating conditions.

But for $16 million provision for potential bad debts in our Risk Assist business, the result here would have been flat on last year, which I think would have been a good outcome given a second tough year of drought.

EBITDA in this business of $5.6 million was down from $22.6 last year. But the Risk Assist business was adversely impacted by local and global crop production failure in the second half, and significant increases in international US dollar future prices for wheat.

It returned a PBT loss of $14 million versus a $5 million profit last year. This includes the provisioning I mentioned of $16 million of provisioning, and $4 million of additional interest charges on the working capital to be consumed.

The Australian Chartering business returned an EBITDA of $2.8 versus $25.8 million last year on the back of lower wheat volumes. The grain trading went well with EBITDA up $17 million last year driven by the rising prices in the second half.

Let's have a look at our National Pool businesses. In pool management the income line of this business has been impacted by the drought, but the bottom line has been supported by active cost reductions. Impacted by a much smaller crop, EBITDA in pool management was down to 9.5 versus 31.4 last year.

The drought impacted income was approximately $47 million, down from $92 million last year, but we actively reduced the administration costs by $24 million over the period down to $36.8 this year.

In grain flow, the business underperformed, really returning an EBITDA of only 0.2 of one million, compared to $12 million last year, really on the back of lower receivables. Receivables were only 160 kilotons versus a capacity of 3.1 million tonnes. So accordingly as we tested for impairment, we wrote down the grain flow assets by 3.6 million.

So to sum up and before I hand back to Gordon, I think these results show a company in transition. From my mind the portfolio as a whole is increasingly showing the benefits of diversification. You've seen that come through in the results. Rural Services and Landmark Financial Services continue to show resilience, and our International Management business performed particularly well in 2007, and particularly in the second half.

The Australian grains businesses though were impacted by the ongoing drought and the uncertainty caused by the changing regulatory environment. However we are managing that uncertainty and you've seen that here.

Firstly we've taken action on taking out costs and providing prudently to position the business for future years. And secondly we continue to invest the growth in the business where we can achieve the appropriate returns.

In this half we've made progress also on our commitments around cost, capital and disclosure I think.

So looking forward, our focus will be on to continue to reposition the business for the future, and I think on that point I'll hand it back to Gordon to wrap up.

G Davis: Thank you Mark. I'll now just finalise the formal part of the presentation by revisiting the strategy.

This is a slide which you'd be familiar with from both last year's full year and the half. It essentially shows the three phases of what we've been working through to improve the performance of the company with our own modest self scoring at the bottom.

As I said at the start of the presentation, we feel we understand the legacy issues and are managing and influencing their progress as best we're able.

We've stabilised operating performance principally through focus on cost, and in the second phase we've been consolidating those parts of the business which don't need significant change, and then reshaping those parts of the businesses.

However not all the legacy issues have been resolved or finalised. The inquiry, and the taskforce activity following the Oil for Food Enquiry, is still in progress. There are several class actions which are detailed in the notes. And we're still dealing with some legal issues which have come through from the past.

We still have to bed in the changes we've made in culture in disclosure in governance and keep driving that agenda. But I feel we've got plans in place to take us forward with those.

We're also progressing well on a range of other issues. We're looking at business efficiency, how we operate as a corporation. Mark mentioned measures of capital allocation, further business transformation possible, and more importantly, more effort on developing future growth.

We agreed with the Board and with the management team, most of who were in place in June to look at the major issues we had to tackle at each business platform over the next two to three years.

That was quite positive that we got to that point within about nine months of the new team coming into place.

This is to allow us to achieve our objective of driving sustained growth and acceptable returns.

Looking briefly at the individual strategy structures, moving to Rural Services, I won't dwell on these, but looking particularly at the short term priorities, Rural Services, Graham Jacobs is driving a series of initiatives to lift operational performance. He's got six major projects, dealing with a range of things around channel to market, around high performing organisation, around IT platforms needed to be customer facing. We're looking to more synergies with the other AWB business, particularly as we restructure the commodity – the Australian commodity space. They're the priorities we're focused on in that business.

Turning to financial services, the business is focused, over the next period, on lifting its performance, continuing to build margins, fee income. It's got a strong record of product extension over the past 12 months and has a range of things in the pipeline over the next 12 months. We still have a relatively low take-up of the total landmark customer base of over 100,000 customers. I think there's about 6000 financial services customers, about 11,000 insurance customers. So there's still considerable scope there for referral between the different business streams.

There's clearly a focus on maintaining the credit quality, particularly as we see the effect of 18 months of adverse conditions, certainly in southern Australia. Obviously the change in the credit markets. We've been managing the – as Mark said – the impact of increased cost of funding.

Turning to the international commodity business, the short-term priority there remains building up the revenue stream from what we call our light assets, from first stage processing, from sheds, relatively cheap infrastructure, but which puts us in touch with the producer, with the farmer, in the different geographies we work in. We're always alert for new geographies, which might lend themselves to that business model. Hopefully, over the next 12 months, we'll be able to make some more progress there.

The business is obviously essential that it manages – it continues to enhance its risk management capabilities. It's a very diverse business with a vast number of different transactional streams and products approved. So the systems to ensure that that capability is not diminished are obviously of critical importance for us. Also, the international customer relationships which carry through from our history of running the National Pool in a new environment are important that we leave registered capabilities that we carry there.

Turning to the Australian commodities business, the short term priorities there. Again, we've got a legacy of brand and reputation with growers, built up from the many years that we've been running the pool. So making – transforming that into something of value in a new business model is obviously critical. As is getting the right business model. As I said, it's a tough task for the team, because there's still uncertainties about what the actual regulatory environment will exist, particularly in the Australian wheat sector. But the team are focused on that and Phil Meurer's been building key personnel in his team to help him take that forward.

Finally, I think the question mark hanging over that business is what are we doing about wheat marketing? Looking at the wheat marketing arrangements, as we see them now, probably some key points there. The current legislation, that allows AWBI to export bulk wheat without a permit, expires on 30 June 2008, under the current Act. So whichever government's elected on Saturday will presumably introduce legislation in the first half of 2008 to enact new wheat marketing export arrangements for the next harvest.

There are differences between the two Partys' approaches about wheat marketing arrangements. But the end result for us is the same. The 2007/2008 National Pool will be the last managed by AWB. We're proactively tackling this change in several ways. The services agreement for the current National Pool was structured, recognising that this would be the last Pool, and provides us revenue certainty for this year.

Clearly, we're actively marketing and finalising the current National Pool, to ensure a smooth transition, both for ourselves and growers, and obviously meeting all our legislative and constitutional and regulatory obligations along the way. By observation that the Pool got a record level of pre-commitment. Due to the management of the risk exposure, the Pool has got very attractive pricing, compared to domestic options. Which is a great position to be in for that product this year.

Going forward, we'll be merging our National Pool business with our domestic business and coming up with a new business model in that space. The same task at work will need to be done of matching Australian production with overseas consumption. Also, in the consequence of that, moving out of that statutory arena, is that we can ask shareholders to approve Constitutional change at the AGM in February 2008 to position AWB for future growth after wheat marketing arrangements change.

I think the combination of those initiatives will allow us to progress our business efficiency, through simplifying the business, facilitate our transformation into a less regulated market and allow us to complete the most significant leg of the governance reform, which is a single class shareholding.

Looking at Constitutional change – and there's a brief comparative there – we've grown – as that data shows – we've grown and diversified over the last few years. However, the Constitution still contains that the primary object of the Company must be around grains trading and related activities. So without change to the Constitution, we'll remain exposed to seasonal swings. Really the Board and the Company is restricted from having the full suite of business options available to it.

Once wheat export marketing arrangements change, there's simply no governance rationale to maintain the current A-class voting structure in the Constitution. It was an appropriate structure while there was a – we were performing a statutory function on behalf of growers. But with the change in that – in our function then – there's a logical transition there. And this is a parallel journey that ABB went through, when they were no longer discharging any functions as the single desk provider in South Australian on barley. They put resolutions to shareholders to extinguish their A-class interests.

Yesterday, the Board of Directors agreed it was in the interest of the Company as a whole, to pursue Constitutional changes. Our current Constitution is quite specific about that process and quite specific about the obligations of Directors in that circumstance of deciding in the interests of the Company as a whole, as to the best way forward.

We believe this would be a win-win outcome for wheat growers and shareholders. Because essentially we'd be able to conduct more efficient wheat marketing activities and be a very – and ensure that we're a competitive and active player in the local market, unconstrained by our Constitution, which I think is a good result for growers, particularly as we move into a less regulated market. Then in the shareholder base, we're obviously able to look at a wider range of growth options, not being constrained by that Constitutional object clause.

Whatever happens, we'll fulfil all our obligations to National Pool participants. We'll actively consult with our shareholders in the lead-up to the AGM in February to secure their support for these changes to the Constitution. To my mind, this is a critical part of our turnaround strategy as we go forward in positioning the Company for the future.

In summary, our first objective this year was to stabilise the business. I think the team has done that in quite a challenging environment. I think, as I said last year, I had a range of expectations going into this job. One of them was that it would keep raining. I've been disappointed on that score. We met our cost saving commitments and achieved our earnings guidance for the year. We started to rebuild the business and we'll progress that transformation over the year. We've got a roadmap in place for strategy development and the businesses have got short term and longer term goals to pursue. Shareholder support for the Constitution would ensure a smooth transition in the end.

I suppose, just looking at the last 12 months, I can be pretty sure there might be some unexpected bumps in the road during the next 12 months. But I think the track record the team has shown in getting the work done, facing into the issues, have put us in good stead. I believe that the industry remains attractive. Australian agriculture remains attractive. We've got the talent, the energy and the commitment to take advantage of these opportunities for the benefit of the company in the future. Thank you and happy to take questions.

Question: Just a quick query on the international trading business. ABB came down with a downgrade on their mark to market. Presumably there has to be someone on the other side of the transaction there. How much of that was that a factor? I guess what I'm getting at is what your profit would have been if we take current grain prices as of today?

G Davis: Well, I think Mark said about 90 per cent of the positions were realised, as of 30 September. So only about 10 per cent were open at that time. So that's probably the substantive answer. They were realised gains

Question: Also on the – you've made a comment that the majority of revenue was from, more or less, sustainable business as opposed to trading. As far as the earnings impact goes…cash on that.

G Davis: We've really broken it up at the revenue line. But we've got – we categorise that revenue into three buckets, the speculative – the revenue which comes from taking position, the revenue which comes from back to back transactions and revenue that comes from structural. It's fair to say most of the revenue is from the back to back positions business, 70 per cent. A relatively small proportion from our assets, at this stage, because they're relatively modest and small, as you'll see in the balance sheet. Then the remainder is from positional trading.

Question: (Michael Hughes, AMP). I was wondering can you tell us how much capital is tied up in there in Hi-Fert? Whether you really have to be there? Secondly, just a little bit more colour on the margin improvement in the financial services. What specifically drove that improvement?

G Davis: On the financial services, on the margin for improvement, we actually introduced a couple of new products, which are performing quite well. But a lot to do with just general pricing and market conditioning. Most of the growth really came from the volume, on the volume side of our business. You saw the contribution. I think it was eight million over eleven and a half – really came as we grew that business. We had a full year impact of the Rabobank book, which we bought in November. So the major driver of that business was on the volume side, with some new products.

On the Hi-Fert side, that business was impacted by fertiliser, lower crops in the ground. So less impact in terms of customers buying fertiliser from that part of our business. On the capital side, capital investment in that, I think it's close to around about $30 million, off the top of my head.

M Hosking: Look, in terms of – yeah, the future of Hi-Fert, the fertiliser being my special subject, of course. Look, it's a joint venture with Futuris and through ELF, Elders Landmark Fertiliser. It's on the east coast. It's the second largest fertiliser distributor. I think, at this stage, as the industry continues to evolve, the – certainly from our point of view, we see that it has an ongoing role.

Question: (P. Jensz, Austock). Thank you. It's mainly to Mark. You made a statement there of returning equity through the cycle. Are you able to give us a target there and perhaps a target as to what you think the first quartile, in your long term? Then maybe go onto the percentage you expect from costs and synergies and whether maybe you have to take a backward step with the trading result, year on year.

M Hosking: Thanks Paul. Well a couple of things there. You know, I think every Company's aspiration is to be in the top quartile of a big group. What we're doing here is focusing on working our way through the cycle. Now, we're doing a number of things to get there. We're continuing to do our work on cost-outs. We've been the progress there today. We're also continuing to work on the capital and that's important. But I think, Paul, it is important to note that this year, we did have – clearly did benefit from some favourable markets, particularly in the second half of '07. I think it's also important to note that this is a Company in transition, as we've spoken to today. So going forward, I'd expect to see – increasingly see the benefits of diversification in the portfolio.

Finally, we're looking for improvements across all of our businesses in the portfolio. So I think, going forward, the shorter term one is – the shorter term focus is on returning at our cost of capital level. The longer term will be really at the peer group, which we see at the moment, maybe a couple of basis points, a couple of percentage points, ahead on that.

Question: Just on those targets, you're able to give us what you believe to be your cost of capital and what you believe to be the upper quartile resigning equity.

M Hosking: I'll give you around about, because cost of capital is quite competitive. It's around about 11 per cent. In terms of return on equity - I think, in terms of return on equity at the moment, it's 5.2. That's based on our underlying impact. But in terms of the peer group, I think that would be closer to 13 to 14 per cent if we're in the top quartile of that, in the longer – that's a longer term aspirational target.

Question: Maybe just a little bit of quantification, as to the backward step, trading going say '07 to '08. You alluded to it. Are you able to give us a bit of a fix there? Because that is an important figure.

M Hosking: Not so much a backwards step. Basically what I'm saying there, Paul, is that clearly this business, this year, did benefit from favourable market. We're yet to see how 2008 plays out in this space.

Question: (A. Butler, Credit Suisse). Part of my – two questions. One question is what's your view on the wheat price in the next 12 months and also your view on the wheat price for the next five years, given what's been happening? The second question, which is going back to that international commodities business. Is it the majority of the improvement in EBITDA came from the Geneva office in the second half. You've just sort of commented then about uncertainty going forward. But you've also said that while that business came from relevant trading, we sort of mentioned client, can you just give a bit more colour into that business and what it can do in like Geneva and the other market you're into to?

G Davis: Yeah look, in terms of wheat price, clearly the seasonable high was actually the 30th of September, which is when it's come back significantly from since then. And I think that was reflected in Mark's comments about working capital and risk assess mark to market, which is reduced, reflecting where the wheat price has come from. Looking at the forward curve though, there's still wheat prices – they're running out in the series on say Chicago, they're still significantly above what people have got to used to over say the last 15 years.

So you say well where's that going to go, and I think people are forming the view around a lot of commodities. There's a long-term shift in demand, principally built around demand for protein in Asia, which comes from increasing incomes. And you give a man a kilo of wheat, then he can have 750 grams of flour. If he wants a kilo of chicken, he's got to feed it four kilos of wheat or grain, grain generally. Pork about six, beef about, I think eight.

So as the demand for protein kicks over, which is really income relate, we're seeing the whole range of things. Like milk powder and other things more directly affected as well. So that's a long-term effect built around change in demand. Overlaying that sort of medium term effect of government policies, particularly overseas around bio-fuels, which are pulling through short-term demand, and that demand will persist for as long as government policies persist, because a lot of it's related to excise and tax. And then in the short-term we've had the normal seasonal volatility, which the markets are used to handling.

So long-term you say what's the potential for the industry to have a supply side response to that change in demand, and there is potential and clearly people can bring land back into production and so forth and so on. But it tends to be at the lower end of the productivity scale. It's the reason this land is being set aside in the first place. So I think most people are forming a view that is a reasonable time there where the markets will remain strong and prices will be above what they would been expecting in the long-term. I mean, agriculture in many ways is in a sort of 200 year rolling bear market but now we're seeing a significant shift in demand.

In terms of the – just to give a bit more flavour of the international business, that's a niche business. We're not in a position and don't want to be competing head to head with the global majors, so that business, when I look at the range of product approvals in the risk management system, there's many, many dozens of different products approved for particular products and particular geographies. So the sort of activity they were conducting during the year was originating product in Brazil, and shipping it to western Europe using the strength of both those businesses. Originating product in India and shipping it into Europe. So it's a many faceted business with many, many different products in its suite.

Question: (Peter Hemphill, Weekly Times) I wonder if you'd like to comment on how confident the Company is in getting the Constitutional changes passed at shareholder meetings?

G Davis: I think the Constitution requires for the change we envisage of removing the object clause and so on. It requires that it be passed by a 75 per cent vote of all shareholders voting together and then by a 75 per cent vote of the A class shareholders. So in the context of all shareholders voting together, I think there's 346 million ordinary shares on issue and above 17,000 A class shares on issue. And then in the context of the A class shares, there's 17,000 shares on issue. The voting on those shares is weighted to the extent that the shareholders have delivered wheat to the wheat pool over the past three years. So there's a slight weighting obviously to the export states, South Australia and Western Australia.

I think the obligation of the Board in this regard is to put resolutions which they feel are in the interests of the company as a whole, and that's the position we reached yesterday. We'll obviously have to do a lot of work between now and the AGM in explaining what the intent is of what we're trying to do and why, and why we see it in the interests of both growers and the ordinary shareholders.

I think looking at some of the survey data we've had, and we'll be obviously conducting more, but there is a growing awareness amongst growers that the structures that were set up in the late 1990's have probably come to a natural end. And we're seeing ourselves and Grain Corp pursue a similar path, as did ABB last year, and as is CBH in the west. A reform path to establish more commercially adept entities, who can be vibrant and more active competitors in the future. So that's a task which is not trivial by any score, but it is the right thing to put that in front of shareholders at the AGM.

Question: If I can follow then, what sort of – have you discussed this with the state farming bodies, and what sort of response have you got back from them?

G Davis: The proper way forward of course is for the Board to resolve and announce that in the public arena, and that was done last night. And I think the first discussion with the state farming bodies is mid-afternoon today.

Question: (Bridgette Gamble, ABC Radio Current Affairs) You mentioned that 10 per cent earnings from the National Pool was down to around 10 per cent. Correct me if I'm wrong, but I think that's down from about 25 per cent two or three years ago, thereabouts? So does this say that in another few years that AWB is actually going to be a very small exporter of wheat?

G Davis: I think there's a difference between exporting wheat and running the National Pool, or those package of things which used to constitute the Single Desk. That's one particular form of exporting wheat. In a less regulated environment, as I said, the same task of matching Australian production with international demand has to be done, and it's a task we do elsewhere around the world with a range of commodities, including wheat. So one of our major tasks as I said in the presentation, is to put in place those business models, which allow us to participate in that space.

Question: So do you still see yourself as a very large exporter of wheat then in the future, when the changes come into play?

G Davis: Look, I think we have to see what regulatory arrangements the government puts in place. I mean, if we're going to – our objective in that space is obviously to leverage the capabilities we have, but we also have to have a clear way of seeing that we can make an adequate return on the capital it requires. But I'd be quite confident that a combination of the relationships we have with growers, our capacity to execute and our relationships with customers, should mean that we can continue to participate at some level.

Question: You mentioned earlier on in the briefing that there was still some sensitive ongoing issues associated with the Cole inquiry. What are the ongoing issues?

G Davis: Well, I think as the government established a taskforce to look into the findings of the Cole inquiry and see whether they wished to take them any further, that process is still ongoing. So obviously that's in the legal arena.

Question: And there's four class actions that have commenced against AWB, four different ones, now that's not reflective or the financial ramifications of that are unknown. That could be quite large though for AWB, four class actions. How are you factoring that into the business?

G Davis: It's our view that the actions are without merit, and that's why we've provided a lot of detail in the accounts, and also through our link on our website to litigation so those who have an interest can follow the progress of these things. In fact, the main point I'd make about them is they're very slow moving, particularly in the US, and they're unlikely to be resolved for some time. So we as management have obviously got an obligation to manage them in a way which reduces their impact on the business, both now and in the future.

Question: But still going forward, it's not good to have four class actions hanging over the company's head so to speak.

G Davis: As I said, it's one of those things we have to influence. We don't control that agenda, and its effect we have to manage closely.

Question: (Grant Hoffman, Renaissance) I'm just interested on the Constitutional change, the last dot point of the new Constitution saying maintain transitional shareholder limits. Can you just elaborate on that, what's the intention there?

G Davis: The existing constitution has a 10 per cent cap on individual shareholders positions. It's our view in the long-term that that's not appropriate or needed however. But in a transition from a dual class to a single class, we'll probably seek to maintain that for an interim period, really to provide some stability to the shareholders during that transition. It's a current provision in the Constitution, and it's not central to our reform and I think it's fair to say that we wish to really focus our reform efforts on the critical element, which is the dual class structure rather than other elements of the Constitution.

Question: (Phillip Hopkins, The Age) Just a query. With any wheat or other commodities you do export in the future, do you think you'll have a specific aim to concentrate on the Asian market, or will you still look further afield to traditional areas like the Middle-East?

G Davis: I think one of the artefacts of running the National Pool has been that we've had to clearly be, in fulfilling the dual functions of maximising returns to pool participants who contribute to the National Pool, and getting a satisfactory return for shareholders, we've had to be very certain that none of our own house trading activities in any way diminished the potential returns to the Pool.

And of course the Pool has been a large seller of wheat into south-east and north Asia, which is a natural geographic market for Australia. At the same time our international trading business has largely operated in markets where there was little conflict, little potential conflict for the Pool, like Latin America, Europe and South Asia in India. But we'll certainly be looking as the wheat marketing environment evolves, we'll certainly be looking to see whether it's commercially attractive to operate in the markets nearer to Australia.

Question: (Michael Burns, Reuters) Gordon, just to finish up, I'm just wondering how your sales are going this year internationally. Have you pulled off any big ones, and are you back into Iraq yet?

G Davis: I had the pleasure of meeting the Iraqi trade minister in the last few weeks. The real question this year has been a supply issue rather than a demand issue, and that's been reflected in the market. The demand for quality wheat has exceeded supply globally and we've been conducting a process of essentially ensuring that we make sales out of the Pool to those markets, which return the greatest net benefit. And the crop this year certainly looks better than last year. However, we'll still be in that position of really limiting or rationing supplies for those markets that traditionally have yielded the highest returns at Pool.

Question: I see. So I take it you haven't actually made any sales to Iraq then?

G Davis: No. When you look at the quality parameters that the Iraq market needs in particular, it's not aligned with those areas which we've been getting wheat from in the last couple of years.

Thank you all for your attention and look forward to meeting you in various forums going forward. Thank you.

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