

Expanding
Horizons

 **AWB**

Annual Report 2004

Australia's largest agribusiness and one of the world's largest wheat marketing and management companies.

Contents

	Page		Page
Who We Are	1	Executive Profiles	38
Growing Our Horizons	2	Corporate Governance	40
Five Year Summary	5	Board of Directors – AWB Limited	46
Chairman's and Managing Director's report	7	Board of Directors – AWB (International) Limited	48
Pool Management Services	11	Financial Statements	50
Landmark	15	ASX Additional Information	105
Finance and Risk Management	19	Shareholder Communication	106
Grain Acquisition and Trading	23	Major ASX Announcements	107
Supply Chain and Other Investments	27	Glossary	108
Our People	31	National and International Presence	109
Our Social Commitment	35		

Who We Are

AWB Limited (AWB) is Australia's largest agribusiness and one of the world's largest wheat marketing and management companies. In 2004, the company that began as the Australian Wheat Board in 1915, has continued its evolution, becoming one of Australia's top 100, publicly listed companies.

AWB is the exclusive manager and marketer of all Australian bulk wheat exports through what is known as the Single Desk. As manager of the AWB National Pool, its core business is to generate maximum returns for growers of Australian wheat. It markets wheat into more than 50 countries, with Australian wheat exports worth up to \$5 billion per year. AWB markets and trades a range of other grains both domestically and internationally, including barley, sorghum and

oilseeds, as well as providing additional services such as chartering.

AWB's Australian footprint includes more than 430 outlets across Australia, and it is a full service provider for the business needs of Australian farmers. With a spread of more than 2,700 staff reaching about 100,000 farmers, AWB provides a comprehensive range of finance, insurance and commodity risk management services across all agricultural regions of Australia, and all major rural industries. Through its Landmark business, the company is also one of the nation's largest handlers of wool, suppliers of rural merchandise, distributors of fertiliser, marketers of livestock and brokers of rural real estate.

AWB has five main business streams:

Pool Management Services



AWB manages the pooling and global marketing of Australian wheat to maximise net returns for participants in the AWB National Pool. The management of that grain includes supply chain and logistics from point of receipt in Australia, to point of consumption internationally. The business manages risk on both currency and commodity, and secures end-use demand. It also actively shapes the national wheat crop, sending market signals through the value chain to be reflected in the crop quality profile. This is supported through testing to ensure the integrity of the Australian wheat product. Pool Management also encompasses grain technology, managing AWB's participation in plant breeding, and research and development projects through the grain value chain.

11

Landmark



AWB is a major supplier of agribusiness products and services. The Landmark business leverages an Australia-wide network of more than 430 outlets providing a diverse range of rural service business including rural merchandise, livestock, wool marketing, agronomy, real estate and distribution of fertiliser products. Landmark also provides an expanding rural finance offering, including term and seasonal lending options, insurance and deposits, all serviced by a national network of financial specialists.

15

Finance and Risk Management



AWB provides harvest finance against the majority of grain delivered to the AWB National Pool. Following the integration of Landmark, the financial services business has expanded its range of products, and now provides a broad range of financial solutions to rural and regional Australia. Through its subsidiary AWB RiskAssist, the company also provides to grain growers and domestic and international customers a range of price risk management products. Through its treasury division, this business is responsible for managing capital for the AWB Group.

19

Grain Acquisition and Trading



AWB has developed a range of products used by growers to sell wheat and other grains. This business is responsible for domestic grain trading, acting as a principal within the deregulated grain markets (wheat, feed grain, barley, pulses and oilseeds), and exporting non-wheat grains such as canola and sorghum. Through the international trading activities, it also services international customers with "other origin" grain products that cannot be supplied from Australia. It manages AWB's chartering activities, providing competitive sea freight services for Australian grain, as well as trading sea freight in the international market.

23

Supply Chain and Other Investments



AWB develops and manages supply chain infrastructure to move grain from paddock to international customers as efficiently as possible. The value chain extends to the international end-user, where AWB has invested in offshore ventures in milling and processing, to help secure demand for Australian wheat.

27

2004

Growing our Horizons

Grains

- Managed the largest ever national wheat crop of 25.2 million tonnes (mt) – up from 9.7mt in 2002/03
- Continued business in Iraq with new wheat sales in excess of 1.5mt
- Signed the first significant sales to China for eight years, with contracts for 2.5mt
- Delivered strong out-performance for the AWB National Pool – \$140m for the 2002/03 Pool and a projected \$332m to date for the 2003/04 Pool
- Achieved a 25% increase in the grain traded by Australia Trading, taking total volumes to more than four million tonnes
- Expanded international trading business, trading two million tonnes of grain in 2003/04, up from 1.2mt the previous year
- Managed receivals of 1.8mt for AWB GrainFlow – up from 185,000t in 2002/03
- Increased the share of the Egyptian premium flour market held by Five Star Flour Mills to more than 20%
- Achieved Occupational Health and Safety AS 4801 accreditation for AWB GrainFlow and Agrifood Technology



Finance

- AWB harvest finance book peaked at \$1.6b, maintaining the leading position in the harvest finance market
- Landmark lending book exceeded \$1.1b – growth of 34% from 2002/03
- Secured an Australian Financial Services (AFS) Licence and successfully converted 85% of Landmark deposits to an AWB-backed prospectus
- Successfully maintained the highest short term credit ratings (A-1+ Standard & Poor's, P-1 Moody's) for AWB Harvest Finance through the ring-fenced company structure
- Established a \$750m syndicated loan facility agreement with a panel of relationship banks

Rural Services

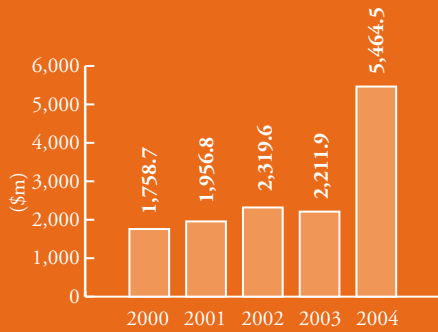
- Record real estate sales worth near \$1b, up by 31%
- Increased yearly merchandise and fertiliser sales by 13% nationally
- Traded approximately two million cattle and 11 million sheep for 2003/04

Integration

- Exceeded first year Landmark EBIT integration targets (\$5 – \$10m), with revenue growth and cost savings of \$13 million
- Rebranded all regional offices within the AWB Landmark network
- Implemented a company-wide performance incentive plan aligning staff and company interests



Revenue from ordinary activities



Return on average equity*



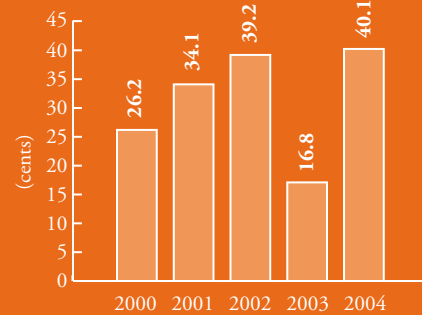
* Pre goodwill and amortisation

Net profit after tax* and production volume



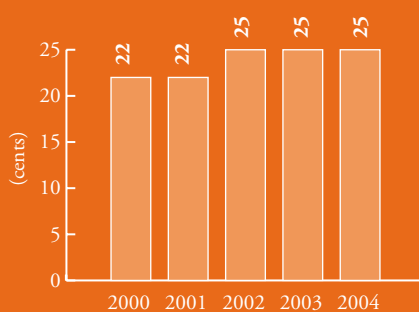
* Pre goodwill and amortisation

Earnings per share*

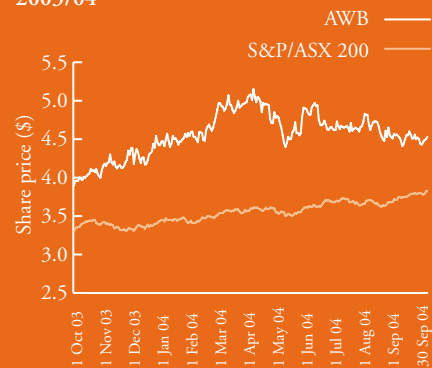


* Pre goodwill and amortisation

Dividend per share



AWB's share price appreciated 16% during 2003/04



Five Year Summary

	2004	2003	2002	2001	2000
	12 months ended	12 months ended	12 months ended	12 months ended	12 months ended
(\$A million)	30 Sep 04	30 Sep 03	30 Sep 02	30 Sep 01	30 Sep 00
FINANCIAL					
Revenue from ordinary activities	5,344.6	2,211.9	2,319.6	1,956.8	1,758.7
Cost of sales	(4,612.1)	(1,889.2)	(1,926.3)	(1,608.1)	(1,474.6)
Depreciation and amortisation	(83.3)	(29.9)	(14.5)	(8.0)	(5.6)
Borrowing costs	(113.9)	(70.5)	(98.6)	(95.9)	(89.9)
Other	(388.2)	(163.4)	(127.0)	(122.2)	(90.1)
Operating profit before tax	147.1	58.9	153.2	122.6	98.5
Operating profit after tax	97.7	44.2	107.8	84.2	63.7
Net profit after tax (post goodwill & amortisation)	96.9	43.9	107.2	83.7	63.3
Net profit after tax (pre goodwill & amortisation)	134.7	46.3	107.2	83.7	63.3
OTHER					
Total assets	3,735.2	2,494.4	2,641.1	1,987.8	1,818.9
Capital expenditure	35.6	93.1	81.7	58.1	35.8
Shareholders' equity	1,046.2	932.0	789.5	751.0	628.9
Return on average equity (%) (post goodwill & amortisation)	9.8	5.1	13.9	12.1	10.1
Return on average equity (%) (pre goodwill & amortisation)	13.6	5.4	13.9	12.1	10.1
Earnings per share (post goodwill & amortisation)	28.8	15.9	39.2	34.1	26.2
Earnings per share (pre goodwill & amortisation)	40.1	16.8	39.2	34.1	26.2
Dividend per share (cents)	25	25	25	22	22
Gearing (net debt to equity)	39.8%	60.0%	11.9%	(35.7%)	(41.8%)
Gearing (net debt to net debt plus equity)	28.5%	37.5%	10.7%	(55.4%)	(71.9%)
Net tangible asset backing per share	\$1.55	\$1.26	\$2.89	\$2.75	\$2.60
Average loan book (billion)	1.044	0.827	1.500	1.281	1.150
Production (million tonnes)	25.2	9.7	24.9	22.0	24.7
AWB National Pool receivals (million tonnes)	19.957	4.509	19.541	15.214	19.013