

2001 Financial Report

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities



Contents

GrainCorp Limited and Controlled Entities

	Page
Directors' Report	1
Statements of Financial Position	8
Statements of Financial Performance	9
Statements of Cash Flows	10
Notes to the Financial Statements	11
Directors' Declaration	45
Independent Audit Report	46
Shareholder Information	47

The directors present their report on the consolidated entity consisting of GrainCorp Limited and the entities it controlled at the end of, or during, the year ended 30 September 2001.

Directors

The following persons were directors of GrainCorp Limited during the financial year and up to the date of this report:

R. L. Greentree (Chairman)
A. D. McCallum (Deputy Chairman)
W. G. Barron
N. Burton Taylor AM
R. R. Flanery
R. G. Freeman
D. Groves
T. B. Keene (Managing Director)
D. G. McGauchie (Appointed 3 October 2000)
J. A. Menegazzo (Appointed 3 October 2000)
P. B. Wade (Appointed 3 October 2000)

T. M. Capell, N. B. Semmler and J. Watson were directors from the beginning of the financial year until their retirement on 3 October 2000. Mr A. D. McCallum was appointed Deputy Chairman of the Company on 3 October 2000.

Principal Activities

The nature and scope of the main activities undertaken by the consolidated entity during the year were the provision of services to the grain industry including:

- receipt, handling, storage and transportation of grain and other bulk commodities as an agent for marketing organisations, end users and growers;
- marketing of grain and agricultural supplies and the operation of grain pools;
- provision of agronomic services and farm input products.

Review of Operations

The consolidated entity recorded a profit after tax of \$44.6 million (EBITDA \$115.0 million) for the financial year compared with \$48.7 million (EBITDA \$91.4 million) for the previous year. A review of the operations during the financial year and the results of those operations appear elsewhere in the Annual Report.

This increase in EBITDA over last year of \$23.6 million is not reflected in the profit after tax primarily due to higher depreciation and amortisation charges of \$38.9 million (2000: \$20.2 million).

Significant Changes in State of Affairs

Merger

As referred to in the 2000 Annual Report, Victorian Grain Services Limited ("VGS"), (parent company of Vicgrain Limited "Vicgrain"), GrainCorp Limited ("GrainCorp") and GrainGrowers Association Limited ("GGA") signed a Memorandum of Understanding ("MOU") for GrainCorp and VGS to merge. As at 30 September 2000, GrainCorp held 25% of the shares in Vicgrain and VGS held 75%.

Following approval by GGA and VGS shareholders and approval by the Supreme Court of Victoria, the merger occurred on 3 October 2000. The result of the merger is that VGS and Vicgrain and its subsidiaries became wholly owned subsidiaries of GrainCorp on that date, with the issue of 1 fully paid Class A ordinary share in GrainCorp being exchanged for 6 fully paid shares held in VGS. As a result 9,941,681 fully paid Class A ordinary GrainCorp shares were issued.

Cancellation of Class B Shares

On 28 August 2001, shareholders approved the cancellation of 60,119,264 Class B shares held by GGA, in exchange for a payment of \$37.6 million. This transaction was completed on 11 September 2001.

This simplifies GrainCorp's capital structure, leaving 40.2 million ordinary shares (previously Class A ordinary shares), and one Foundation share thus removing any potential dilution of the ordinary shares. Voting rights originally held by the Class B shares in relation to the review of the Foundation share have been transferred to the Foundation share.

Borrowing Facilities

The financial borrowings of the company and all of its subsidiaries are now unsecured as all fixed, floating and other charges were released on 30 March 2001.

Share Buy Back

GrainCorp commenced an on-market buy back of ordinary shares on 3 October 2000 for a period to 31 January 2002. The company believes this will optimise the debt to equity mix and enhance shareholders' value. The maximum number of shares that may be acquired is 3.1 million. Shares purchased to 30 September 2001 totalled 1,064,018 shares.

Other than the above, there were no significant changes in the consolidated entity's state of affairs during the year in review.

Dividends

The following dividends have been paid or declared for payment to members:

Date	Rate (cents)	Amount \$'000
Paid 17 November 2000 - Final for 2000	47.0	14,698
Paid 25 June 2001 - Interim for 2001	43.0	17,513
Declared for payment on 19 December 2001 - Final for 2001	29.0	11,655

Matters Subsequent to the End of the Financial Year

Other than reported elsewhere in the Annual Report, no other matter or circumstance has arisen since 30 September 2001 which has significantly affected or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

Likely Developments

All information on future likely developments are contained elsewhere in the Annual Report. The directors believe that additional information as to likely developments in the operations of the consolidated entity in future financial years, including the expected results of those operations, would likely result in unreasonable prejudice to the consolidated entity.

Environment

GrainCorp is committed to ensuring business practices are conducted in an environmentally responsible manner. Management of operations and assets are such that adverse environmental impacts are minimised.

Notwithstanding compliance to environmental laws as a minimum standard, GrainCorp strives to ensure best practice principles are adopted in managing environmental issues, strategies include but are not limited to:

- Development and implementation of sound environmental management systems to ensure legislative requirements are met.
- Engaging independent environmental specialists to assess current practice and assist in improvement strategies.
- Develop and encourage employee awareness and responsibility to environmental issues.

- Monitor performance of the consolidated entity in respect of environmental issues and adjust processes accordingly.
- Introduce procedural guidelines to address task-specific environmental concerns.

An important part of the GrainCorp Environmental Management System includes the recording of any incident that may have a potential environmental impact. During the financial year, no fines or penalties were imposed on any member of the consolidated entity under environmental regulation and all required environmental licenses and permits are current.

Occupational Health and Safety

GrainCorp is committed to ensuring compliance with relevant health, safety and environmental legislation. The Board requires a best practice approach in these areas, and has implemented appropriate management objectives and structures and a regular reporting process to ensure that this objective is achieved. GrainCorp's health, safety and environmental policies are under continuous review and are updated when required. In general terms, GrainCorp's policies are designed to eliminate injury to people and to minimise loss or damage to product stored and handled on behalf of customers.

Information on Directors

Particulars of Directors' Interest in ordinary shares.

<p><i>R. L. (Ron) Greentree (Chairman)</i></p> <p>Grain producer from Merrywinebone, NSW. Principal of an agricultural machinery business and Director of BRI Australia Limited. Chairman of Victorian Grain Services Limited, Vicgrain Limited. Chairman of the Remuneration and member of the Equity and Capital Works Review Committees.</p>	757,152 shares
<p><i>A. D. (Allan) McCallum (Deputy Chairman) Dip Ag.Sc</i></p> <p>Grain producer from Kerang, Victoria. Director of Vicgrain Limited, Victorian Grain Services Limited and Deputy Chairman of Pivot Limited, Chairman of Nugrain Pty Limited, Chairman of Farm Horizons Pty Limited and President of Australian Oilseeds Federation. Chairman of the Capital Works Review and Chairman Occupational, Health and Safety Committee.</p>	126,615 shares
<p><i>W. G. (Graham) Barron</i></p> <p>Grain producer from Ungarie, NSW. Director of Advance Trading Australia Limited and Chairman of the Risk Management Committee.</p>	154,982 shares
<p><i>N. (Nick) Burton Taylor AM B.Ec, ASIA, FCA, FAICD</i></p> <p>Grain producer from Boorowa, NSW. Company Director and stock feed manufacturer. Director of Sydney Airport Corporation Limited, Heggies Bulk Haul Limited and Australian Agricultural Company Limited. Chairman of the Audit Committee and member of the Remuneration Committee.</p>	1,520,038 shares
<p><i>R. R. (Ross) Flanery</i></p> <p>Grain producer from Harden, NSW. Commercial interests in forestry and hydro-electric and gas power generation. Chairman of the Equity Committee and member of the Capital Works Review Committee.</p>	243,372 shares
<p><i>R. G. (Rick) Freeman</i></p> <p>Grain producer from Edgeroi, NSW. Company principal of Norseman Machinery Imports Pty Limited. Member of the Capital Works Review Committee and Director of GrainCorp Superannuation Pty Limited.</p>	135,872 shares
<p><i>D. (David) Groves M.Com, CA</i></p> <p>Chartered Accountant and Company Director, NSW. Director of Masling Industries Pty Limited and Equity Trustees Limited. Active in the management of companies involved in viticulture and investment. Member of the Remuneration, Equity and Risk Management Committees.</p>	1,611,799 shares
<p><i>T. B. (Tom) Keene (Managing Director) B.Ec, MAICD</i></p> <p>Managing Director of GrainCorp Group and member of the Risk Management and Remuneration Committees.</p>	122,026 shares
<p><i>D. G. (Donald) McGauchie</i></p> <p>Grain producer from Prairie, Victoria. Chairman of Woolstock Australia Limited, Deputy Chairman Australian Wool Testing Authority Limited. Director of Reserve Bank of Australia, Director of Telstra Corporation Limited, Ridley Corporation Limited and National Foods Limited. Member of the Equity Committee.</p>	137,817 shares
<p><i>J. A. (Julian) Menegazzo B.Sc.</i></p> <p>Producer from Balliang, Victoria. Active in horticulture marketing business. Member of the Audit Committee.</p>	469,365 shares
<p><i>P. B. (Peter) Wade M.A, B.Com (Hons), FCPA, MAICD</i></p> <p>Management consultant, KPMG, Victoria. Chairman Open Learning Agency of Australia Pty Limited and Director of Banksia Wines Limited. Member of the Audit and Remuneration Committees.</p>	10,833 shares

The particulars of directors' beneficial interests in shares are as at the date of this report.

As at the date of this report GGA owned 1 Foundation share and 8,253,709 ordinary shares in GrainCorp Limited.

As at the date of this report GGA owned 1 Foundation share and 8,253,709 ordinary shares in GrainCorp Limited. Messrs Greentree, McCallum, Barron, Flanery, Freeman and McGauchie are directors of GGA and members of GGA. Messrs Burton Taylor and Menegazzo are members of GGA and in that capacity have an interest in the above shares owned by GGA.

Meetings of Directors

The following table sets out the number of meetings of GrainCorp's directors (including meetings of committees of directors) held during the twelve months to 30 September 2001, and the number of meetings attended by each director.

Director	Board Meetings		Committee Meetings	
	Number held during period in office	Number attended	Number held during period in office	Number attended
Total Number of Meetings Held				
R. L. Greentree	16	16	22	20
A. D. McCallum	16	15	15	15
W. G. Barron	16	16	5	5
N. Burton Taylor	16	14	11	11
R. R. Flanery	16	15	20	20
R. G. Freeman	16	16	12	12
D. Groves	16	15	21	21
T. B. Keene	16	16	5	5
D. G. McGauchie	15	13	14	13
J. A. Menegazzo	15	14	5	5
P. B. Wade	15	14	8	8
T. M. Capell	1	1	-	-
N. B. Semmler	1	1	-	-
J. Watson	1	1	-	-

Emoluments of Board Members and Senior Executives

The criteria for reviewing the emoluments of the Managing Director and senior executive include achievement of individual performance objectives as defined by the internal Performance Management System, advice from external consultants on the prevailing market for equivalent positions, the company's overall performance and achievement of key strategic goals, increased and changed work loads, increased responsibilities and interaction of the incumbent with the Board and external parties.

The Remuneration Committee is responsible for ensuring the emoluments of senior executives reflects their responsibilities and performance. Further details are provided in the Corporate Governance Statement.

Non-executive annual Directors Fees from 1 October 2000 are \$42,500 per director, \$106,300 for the Chairman and \$70,800 for the Deputy Chairman. With the exception of the Chairman and Deputy Chairman, additional yearly fees of \$4,400 are paid to directors who are members of committees other than audit. The Chairman of these committees is paid \$6,600.

Yearly fees for the Audit Committee are \$5,700 for members and \$8,500 for the Chairman. \$1,000 per meeting will be paid to a director who chairs an ad hoc committee and \$800 per meeting to a director who is a member of an ad hoc committee. In addition to reimbursement of expenses, any allowance paid to directors is in line with rates prescribed for members of the Senior Executive Service, Australian Public Service.

Retiring non-executive Directors are entitled to an allowance up to a maximum of their last three years remuneration after nine years service (pro-rata for a lesser period with a minimum of three years).

Details of emoluments paid or payable to each director of GrainCorp Ltd and each of the five executive officers of the company and the consolidated entity receiving the highest emoluments in the financial year are set out in the following tables.

Directors' Report

GrainCorp Limited and Controlled Entities

Non Executive Directors of GrainCorp Limited

	Directors' Fees & Allowances \$	Superannuation Contributions \$	Total \$
R. L. Greentree	106,429	8,582	115,011
A. D. McCallum	78,768	8,245	87,013
W. G. Barron	46,653	6,382	53,035
N. Burton Taylor	58,808	4,705	63,513
T. M. Capell	298	-	298
R. R. Flanery	45,468	12,303	57,771
R. G. Freeman	46,179	9,236	55,415
D. Groves	53,568	4,286	57,854
D. G. McGauchie	47,252	4,626	51,878
J. A. Menegazzo	48,231	5,122	53,353
N. B. Semmler	336	42	378
P. B. Wade	56,500	-	56,500
J. Watson	276	52	328

Note: Directors' Fee includes applicable committee fees.

Executive Director of GrainCorp Limited

Name	Salary \$	Bonus \$	Motor Vehicle \$	Super- annuation \$	Total \$
T. B. Keene <i>Managing Director</i>	379,087	42,750	40,845	33,875	496,557

Other Executives of GrainCorp Limited

Name and Position	Salary \$	Bonus \$	Motor Vehicle \$	Super- annuation \$	Total \$
P. Mitchem, <i>Corporate Services Manager</i>	806,573*	35,125	20,281	12,869	874,848
J. Ford, <i>Director Operations Victoria</i>	750,849*	15,842	12,863	8,241	787,795
K. Klemke, <i>Central Division Manager</i>	532,809*	16,388	10,940	26,739	586,876
B. Lee, <i>Commercial Manager</i>	545,462*	6,972	11,025	8,324	571,783
J. Di Leo, <i>Chief Operating Officer</i>	241,826	19,125	38,930	20,876	320,757

* Includes redundancy payments and leave entitlements.

Notes: Emoluments reported are those paid or payable for the 12 months ended 30 September 2001.

The amounts shown include fringe benefits tax where applicable.

Share Options

No options have been granted during or since the end of the financial year to any directors or the 5 most highly remunerated officers of the company and consolidated entity.

Unissued ordinary shares of GrainCorp Ltd under option at the date of this report are as follows:

Option Plan	Number	Issue Price	Expiry Date
GrainCorp Executive Option Plan	68,000	\$ 6.25	1 July 2002
	88,000	\$ 6.25	1 July 2003

A total of 68,000 ordinary shares of GrainCorp Limited were issued during the year ended 30 September 2001 on the exercise of options granted under the GrainCorp Executive Option Plan. The amount paid on each of the shares was \$6.25. No amounts are unpaid on any of the shares.

Insurance of Officers

During the financial year, the consolidated entity has paid, or agreed to pay premiums to insure persons who are or have been an officer of the company or a related entity or any past, present or future director or officer of the company or any of its subsidiaries or related entities. The contracts prohibit disclosure of the amount of the premium paid.

The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Auditor

PricewaterhouseCoopers continues in office in accordance with Section 327 of the Corporations Act 2001.

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



R. L. Greentree
Chairman

Sydney
27 November 2001

Statements of Financial Position

as at 30 September 2001

GrainCorp Limited and Controlled Entities

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Current Assets					
Receivables	7	59,492	40,152	18,161	33,276
Inventories	8	9,416	33,271	-	-
Other	9	12,867	4,472	1,291	4
Total Current Assets		81,775	77,895	19,452	33,280
Non-Current Assets					
Receivables	10	94	10,421	-	-
Other financial assets	11	25,269	11,552	162,359	72,200
Property, plant & equipment	12	413,115	231,710	-	-
Deferred tax assets	13	3,319	1,686	465	864
Intangible assets	14	9,224	1,815	-	-
Total Non-Current Assets		451,021	257,184	162,824	73,064
Total Assets		532,796	335,079	182,276	106,344
Current Liabilities					
Accounts payable	15	26,141	21,052	580	580
Interest bearing liabilities	16	34,449	22,926	23,593	11,765
Current tax liabilities	17	2,091	4,739	-	442
Provisions	18	20,380	19,966	13,096	16,062
Total Current Liabilities		83,061	68,683	37,269	28,849
Non-Current Liabilities					
Interest bearing liabilities	19	145,972	50,000	-	-
Deferred tax liabilities	20	14,926	5,684	-	-
Provisions	21	15,501	9,758	2,420	1,435
Total Non-Current Liabilities		176,399	65,442	2,420	1,435
Total Liabilities		259,460	134,125	39,689	30,284
Net Assets		273,336	200,954	142,587	76,060
Equity					
Contributed equity	22	99,531	57,736	99,531	57,736
Reserves	23	18,430	3,235	13,510	13,510
Retained profits	23	154,987	139,575	29,546	4,814
Total GrainCorp Limited Interest		272,948	200,546	142,587	76,060
Outside equity interest:	24	388	408	-	-
Total Equity		273,336	200,954	142,587	76,060
Commitments for expenditure	25				
Contingent liabilities	27				

The above statements of financial position should be read in conjunction with the attached notes.

Statements of Financial Performance

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Revenue from operating activities		507,203	284,956	-	-
Other revenue		12,074	9,992	65,796	36,721
Total revenue from ordinary activities	2	519,277	294,948	65,796	36,721
Change in inventories		(14,253)	(3,063)	-	-
Raw materials and consumables used		(22,704)	(20,914)	-	-
Employee benefits expense		(87,663)	(54,519)	(10,227)	(8,308)
Depreciation and amortisation expenses		(38,933)	(20,173)	-	-
Borrowing costs expense		(11,884)	(5,590)	-	(133)
Other expenses from ordinary activities		(279,652)	(131,367)	(991)	(233)
Expenses from ordinary activities		(455,089)	(235,626)	(11,218)	(8,674)
Shares of net profits of associate accounted for using the equity method		-	6,270	-	-
Profit from ordinary activities before income tax expense	3	64,188	65,592	54,578	28,047
Income tax expense	4	(19,627)	(16,928)	(678)	(815)
Profit from ordinary activities after income tax expense		44,561	48,664	53,900	27,232
Outside equity interests in profit from ordinary activities after income tax		19	80	-	-
Net Profit attributable to members of GrainCorp Limited		44,580	48,744	53,900	27,232
Total changes in equity other than those resulting from transactions with owners		44,580	48,744	53,900	27,232
		Cents	Cents		
Basic earnings per share	38	109.4	155.6		
Diluted earnings per share	38	109.0	155.6		

The above statements of financial performance should be read in conjunction with the attached notes.

Statements of Cash Flows

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of goods & services tax)		508,733	272,173	8,221	13,242
Payments to suppliers and employees (inclusive of goods & services tax)		(387,427)	(220,320)	(10,110)	(7,606)
		121,306	51,853	(1,889)	5,636
Interest received		690	415	-	-
Borrowing costs		(11,884)	(5,607)	-	(133)
Income taxes paid		(23,998)	(7,827)	(2,073)	(1,016)
Net Cash Inflow / (Outflow) from Operating Activities	35	86,114	38,834	(3,962)	4,487
Cash Flows from Investing Activities					
Cash acquired on merger	28	4,192	-	-	-
Payments for property, plant and equipment		(52,311)	(48,919)	-	-
Purchases of investments / business		(25,219)	(1,904)	(684)	-
Dividends received		571	9,675	52,600	33,250
Proceeds from sale of property, plant and equipment		1,833	3,201	-	-
Loans from / (to) related parties		157	(18,792)	21,516	(18,061)
Net Cash Inflow / (Outflow) from Investing Activities		(70,777)	(56,739)	73,432	15,189
Cash Flows from Financing Activities					
Proceeds from interest bearing liabilities		55,655	50,450	-	-
Repayment of interest bearing liabilities		(1,250)	(1,250)	-	-
Payments for shares bought back		(10,530)	-	(10,530)	-
Proceeds from executive share options exercised		425	-	425	-
Purchase of Class B shares from GGA		(37,575)	-	(37,575)	-
Share buy-back transaction costs		(43)	-	(43)	-
Dividends paid		(32,211)	(18,636)	(32,211)	(18,636)
Net Cash Inflow / (Outflow) from Financing Activities		(25,529)	30,564	(79,934)	(18,636)
Net increase / (decrease) in cash held		(10,192)	12,659	(10,464)	1,040
Cash at the beginning of the financial year		(426)	(13,085)	(842)	(1,882)
Cash at the End of the Financial Year	6	(10,618)	(426)	(11,306)	(842)

The above statements of cash flows should be read in conjunction with the accompanying notes.
Refer to note 37 for details on non cash financing activities.

1. Summary of Significant Accounting Policies

The financial statements have been prepared as a general purpose financial report which complies with the requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Law.

The principal accounting policies adopted by GrainCorp Limited "GrainCorp" and the consolidated entity (i.e. GrainCorp and its controlled entities GrainCorp Services Limited "Services", GrainCorp Operations Limited "Operations", GrainCorp Victoria Pty Limited "Victoria", Sunprime Seeds Pty Limited "Sunprime", Sunprime Research and Development Pty Limited "Sunprime R & D", GrainCorp National Pty Limited "National", GrainCorp Queensland Pty Limited "Queensland", Victorian Grain Services Limited "VGS", Vicgrain Limited "Vicgrain", Vicgrain (Assets) Pty Limited "Assets", Vicgrain (Finance) Pty Limited "Finance") are stated to assist the general understanding of these statements.

Unless otherwise noted, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability. The accounts are drawn up on historical cost principles.

New Accounting Standards

Revised Australian Accounting Standard AASB 1041: Revaluation of Non-Current Assets was first adopted for the year ended 30 September 2001 resulting in property, plant and equipment and other financial assets previously carried at valuation being reverted to a cost basis of valuation. For the purposes of transitioning to a cost basis, the existing revalued carrying amounts at 1 October 2000 were deemed to be their cost. This change in policy had no financial impact on profit.

As a result of applying the revised accounting standard AASB 1018 Statement of Financial Performance, revised AASB 1034 Financial Report Presentation and Disclosures and AASB 1040 Statement of Financial Position, for the first time, a number of comparative amounts were represented or reclassified to ensure comparability with the current accounting period.

a) Change in accounting policies

In prior periods, silos and structural parts of terminal facilities were classified as structures in the accounts. As these structures are an integral part of storage and handling equipment, they have been reclassified as

plant and equipment. Comparatives have also been reclassified on the same basis.

b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by GrainCorp as at 30 September 2001 and the results of all controlled entities for year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated profit and loss statement and balance sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated profit and loss statement from the date on which control commenced. Where control of an entity ceases during a financial year its results are included for that part of the period during which control exists.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of associates is recognised as revenue in the consolidated profit and loss statement, and its share of movements in reserves is recognised in consolidated reserves. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

c) Cash

For the purpose of the statements of cash flows, cash includes deposits which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

d) Investments

Investments in the controlled entities Services and VGS have been stated in the financial statements of GrainCorp at cost. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(b).

e) Non Current Assets Constructed by the Consolidated Entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all the materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate proportion of fixed and variable fixed overheads.

Borrowing costs included in the cost of non-current assets are those costs that would have been avoided if the expenditure on the construction of the assets had

not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

f) Property, Plant and Equipment and Leased Assets

(i) Property, Plant and Equipment

Freehold land is not depreciated. Freehold buildings and structures are depreciated over their estimated useful lives on the straight-line method based on cost. Leasehold improvements are amortised over the term of each lease on a straight-line basis.

Plant and equipment is depreciated using the straight line method over its estimated useful life, taking into account commercial and technical obsolescence as well as normal wear and tear.

Depreciation of property, plant and equipment is calculated either from the date of commissioning or the month following acquisition and depreciation is calculated up to and including the month of disposal.

Major depreciation periods are:

- Freehold buildings - 20 to 50 years;
- Leasehold improvements - the lease term; and
- Plant and equipment - 3 to 75 years.

Profit or loss on sale of property, plant and equipment is brought to account in determining the results for the financial year.

(ii) Leased Assets

A distinction is made between finance leases and operating leases. A finance lease effectively transfers from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets. Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over 5 years.

Other leases, under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Operating lease payments are charged to expense in the periods in which they are incurred.

g) Intangible Assets

(i) Goodwill is amortised over the useful economic life in which benefits are expected to be derived – 20 years.

(ii) Intellectual property is amortised over the period of their expected benefit.

h) Recoverable Amount of Non-Current Assets

The carrying value of the consolidated entity's non-current assets are assessed periodically. An independent valuation of the business of Operations is obtained and is used as a guide when revaluations are made of the controlled entities' assets.

Revaluation increments are credited directly to an asset revaluation reserve, except for reversals of revaluation decrements previously charged to profit and loss. The revaluation increment is credited to income to the extent of any such reversal.

Potential capital gains tax is not taken into account in determining revaluation amounts unless there is an intention to sell the assets concerned.

Revaluations do not result in the carrying value of land or buildings exceeding the net amount expected to be recovered through the net cash inflows arising from their continued use and subsequent disposal ("recoverable amount").

Where the carrying amount of an individual non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. To the extent that the revaluation decrement reverses a revaluation increment previously credited to and still included in the balance of the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate.

i) Repairs and Maintenance

Repairs, minor renewals and improvements, and the purchase of minor items of tools and equipment are generally charged to income as incurred. Major renewals and improvements are capitalised and depreciated.

j) Inventories

(i) Consumable Stores

Consumable stores held for own consumption are valued at the lower of cost and net realisable value.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

Costs are assigned to individual items of stock mainly on the basis of weighted average costs.

(ii) Trading Stock

All trading stock is stated at the lower of cost and net realisable value. Costs are assigned to individual items of stock mainly on the basis of weighted average costs. Cost comprises direct material and an appropriate portion of variable overhead.

k) Employee Benefits and Workers' Compensation

Employee entitlements are calculated in accordance with AASB 1028: Accounting for Employee Entitlements.

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, annual leave and sick leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) Long Service Leave

A liability for long service is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions to employee superannuation funds are charged as an expense as the contributions are paid or become payable.

(iv) Workers Compensation

The provision in the financial statements for workers' compensation has been made on the basis of an independent actuarial assessment.

l) Income Tax

Tax effect accounting is applied using the liability method, whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax.

Any net future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Reconciliation of the prima facie tax applicable and the income tax expense is contained in note 4.

m) Research, Development and Marketing Costs

Research, development, advertising and other marketing program costs are generally charged against income as incurred.

n) Revenue Recognition

Sales revenue represents revenue earned from the provision of services, including the handling, classification and storage of wheat and other grains and marketing of seed, grain and other products. Other revenue includes, primarily, investment income earned on monetary investments, proceeds on sale of non-current assets and the consolidated entity's share of profits in associated companies.

o) Unearned Income

Sales revenues are recognised when the services are provided to the customer. Amounts billed in advance are recorded as a current liability until such time as the service is performed.

p) Grain Pools

Amounts in respect of the closure of wheat pools are recognised as income when received or when a reasonable estimate is determined.

q) Insurance

The controlled entity Operations is a self-insurer in respect of motor vehicles and New South Wales workers compensation liabilities. In New South Wales, Operations carries insurance for claims in excess of \$500,000 for any one incident. Operations, outside New South Wales, and GrainCorp in all states and territories insure for workers compensation through the appropriate statutory funds. Major property risks are insured at replacement value. Appropriate policies for public liability, professional indemnity and other significant insurable risks are carried.

r) Financial Instruments

The consolidated entity enters into interest rate swap agreements, futures, forward and options contracts which are not recognised in the financial statements on inception. For interest rate swap agreements, the net amount receivable or payable is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

interest expense during the period and included in other debtors or other creditors at each reporting date. Financial instruments include futures, forward and options contracts which may incorporate physical deliveries. Any gain or loss is deferred and brought to account when realised. Any material losses are brought to account at balance date.

s) Foreign Currency Translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year.

(ii) Specific Commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or losses arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods or services, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary

items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the statement of financial performance over the lives of the hedges.

t) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the profit from ordinary activities after income tax attributable to members of GrainCorp Limited by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings per Share

Options granted under the GrainCorp executive option plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share.

u) GrainCorp Operated Grain Pools

The consolidated entity operates grain pools on behalf of growers. The net receivable or payable on the transactions between the pool and the consolidated entity is disclosed separately in the financial statements.

2. Revenue

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Revenue from operating activities				
Sale of goods	253,856	166,802	-	-
Services	253,347	118,154	-	-
	507,203	284,956	-	-
Other revenue				
Dividends	571	-	52,600	26,250
Interest	690	415	-	-
Sale of non-current assets	1,833	3,201	-	-
Rental income	2,065	3,236	-	-
Management fee income	1,544	1,194	13,196	10,471
Other income	5,371	1,946	-	-
	12,074	9,992	65,796	36,721
Total revenue from ordinary activities (excluding share of net profits of associate accounted for using the equity method)	519,277	294,948	65,796	36,721

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

3. Operating Profit

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains				
Gain on disposal of property, plant & equipment	-	2,149	-	-
Total Net Gains	-	2,149	-	-
Expenses				
Cost of goods sold	227,571	109,300	-	-
Loss on disposal of property, plant and equipment	977	-	-	-
Depreciation				
- Plant and equipment	35,911	19,513	-	-
- Buildings and improvements	1,322	590	-	-
Total depreciation	37,233	20,103	-	-
Amortisation - intangible assets	671	70	-	-
Amortisation - leased assets	1,029	-	-	-
Rental - operating leases	732	564	-	-
Other charges against assets				
- Bad and doubtful debts – trade debtors	377	6	-	-
Other provisions				
- Employee entitlements	3,478	1,338	495	719
- Provision for workers compensation	1,855	(280)	-	-
Total other provisions	5,333	1,058	495	719
Research and development costs	638	571	-	-
Year 2000 software modification costs	-	113	-	-

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

4. Income Tax

The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows:

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Operating profit before income tax	64,188	65,592	54,578	28,047
Income tax calculated at 34% to 30% (2000 - 36% to 34%)	21,589	23,372	16,431	9,716
Tax effect of permanent differences				
Non deductible depreciation and amortisation	694	735	-	-
Additional allowable tax depreciation	(1,382)	(3,531)	-	-
Dividend received/receivable	(170)	-	(15,780)	(9,069)
Other	(407)	(530)	-	-
Share of net profit of associate	-	(2,180)	-	-
Income tax adjusted for permanent differences	20,324	17,866	651	647
(Over) / Under provision in previous year	388	(362)	(21)	23
Impact of change in company tax rates - 34% to 30% (2000 - 36% to 34%)	(1,085)	(576)	48	145
Income tax expense attributable to operating profit	19,627	16,928	678	815
Income tax attributable to operating profit comprises:				
Current taxation provision	10,797	13,022	475	923
Deferred income tax provision	1,175	1,271	203	-
Future income tax benefit	7,655	2,635	-	(108)
Income tax expense attributable to operating profit	19,627	16,928	678	815

Adjustment to Deferred Income Tax Balances

Legislation reducing the company tax rate from 34% to 30% from the 2001 – 2002 tax year was passed during the year ended 30 June 2000. As a result, deferred tax balances were adjusted during the financial year using the new rates.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

5. Dividends

	Parent Entity	
	2001 \$'000	2000 \$'000
Ordinary shares:		
Interim dividend paid of 43 cents (2000 – 32 cents)		
Franked at 34% (2000 – 34%)	17,513	10,006
Final dividend proposed of 29 cents (2000 – 47 cents)		
Franked at 30% (2000 – 34%)	11,655	14,698
	29,168	24,704

The franked dividends proposed as at 30 September 2001 will be paid out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2002.

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Franking credits available for the subsequent financial year	53,436	26,928	21,913	7,670

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of income tax payable as at the end of the year,
- (b) franking debits that will arise from the payment of dividends proposed as at the end of the financial year, and
- (c) franking credits that may be prevented from being distributed in the subsequent financial year.

6. Cash

Cash at bank and on hand	-	-	-	-
Cash as shown in the statements of cash flows is reconciled to the related items in the balance sheet as follows:				
Balances as above	-	-	-	-
Less: bank overdrafts (note 16)	(10,618)	(426)	(11,306)	(842)
Balances per statement of cash flows	(10,618)	(426)	(11,306)	(842)

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
7. Receivables (current)				
Trade debtors	51,474	31,414	-	-
Provision for doubtful debts	(638)	(217)	-	-
	50,836	31,197	-	-
Other unsecured debtors	8,656	51	5,561	26
Amount due from pool	-	322	-	-
Advance to associated entity (note 33)	-	8,550	-	-
Related party debtors (note 33)				
- GGA	-	32	-	-
- Services	-	-	12,600	33,250
	59,492	40,152	18,161	33,276
8. Inventories (current)				
Consumable stores	4,647	3,421	-	-
Trading stock	4,769	29,850	-	-
	9,416	33,271	-	-
9. Other Assets (current)				
Margin deposits	4,256	1,034	-	-
Prepayments	5,713	2,105	-	4
Other assets	2,898	1,333	1,291	-
	12,867	4,472	1,291	4
10. Receivables (non-current)				
Trade debtors	94	140	-	-
Other loan	-	81	-	-
Loan to associated entity (note 33)	-	10,200	-	-
	94	10,421	-	-

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
11. Other Financial Assets (non-current)				
Investments traded on organised markets				
Shares at cost (refer (a) below)	25,219	-	-	-
Other (non-traded) investments				
Shares in controlled entities at cost (note 28)	-	-	162,359	72,200
Shares at cost	50	25	-	-
Shares in associated company (note 36)	-	11,527	-	-
	25,269	11,552	162,359	72,200
(a) The market value of investments traded on organised markets at 30 September 2001 was \$29.9 million				
Shares in associate				
Investment in associate is accounted for in the consolidated financial statements using the equity method of accounting.				
12. Property, Plant & Equipment				
Land, Buildings and Improvements				
Freehold land, at cost	14,376	6,082	-	-
Freehold building and improvements, at cost	27,311	12,754	-	-
Less: Provision for depreciation	(4,982)	(3,018)	-	-
	22,329	9,736	-	-
Leasehold improvements, at cost	3,382	-	-	-
Less: Provision for depreciation	(281)	-	-	-
	3,101	-	-	-
Total land, buildings and improvements	39,806	15,818	-	-
Plant and Equipment				
Plant and equipment, at cost	497,219	276,010	-	-
Less: Provision for depreciation	(139,147)	(88,309)	-	-
	358,072	187,701	-	-
Capital works in progress, at cost	15,237	28,191	-	-
Total Property, Plant and Equipment	413,115	231,710	-	-

As discussed at Note 1, Revised Australian Accounting Standard AASB 1041: Revaluation of Non-Current Assets was first adopted for the year ended 30 September 2001 resulting in property, plant and equipment and other financial assets previously carried at valuation being reverted to a cost basis of valuation.

As at 30 September 2001 the directors' valuation of land and buildings is \$70 million compared to book values of \$39.8 million. This view was based upon an independent valuation of those sites that encompass a significant proportion of the book value of land and buildings.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

Reconciliations

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

	Land \$'000	Buildings & Structures \$'000	Leasehold Improvements \$'000	Plant & Equipment \$'000	Capital Works In Progress \$'000	Total \$'000
Consolidated						
Balance at 1 October 2000	6,082	9,736	-	187,701	28,191	231,710
Additions	4,079	6,106	168	60,599	(19,693)	51,259
Disposals	(10)	(57)	(188)	(2,555)	-	(2,810)
Additions through acquisition of VGS group	4,225	7,672	3,315	149,267	6,739	171,218
Depreciation / amortisation	-	(1,128)	(194)	(36,940)	-	(38,262)
Balance at 30 September 2001	14,376	22,329	3,101	358,072	15,237	413,115

The balance at 30 September 2001 for the parent entity is zero.

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
13. Deferred Tax Assets (non-current)				
Future income tax benefit	3,319	1,686	465	864
14. Intangible Assets				
Intellectual property rights, at cost	915	965	-	-
Less: Accumulated amortisation	(215)	(76)	-	-
	700	889	-	-
Goodwill, at cost	9,074	939	-	-
Less: Accumulated amortisation	(550)	(13)	-	-
	8,524	926	-	-
Total Intangible Assets	9,224	1,815	-	-
15. Accounts Payable (current)				
Trade creditors	23,908	17,720	580	580
Other creditors	340	1,507	-	-
Income received in advance	1,893	1,825	-	-
	26,141	21,052	580	580

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
16. Interest Bearing Liabilities (current)				
Current:				
Bank overdraft	10,618	426	11,306	842
Bills payable	23,005	22,500	-	-
Leases	826	-	-	-
Other related parties - Operations (note 33)	-	-	12,287	10,923
	34,449	22,926	23,593	11,765
17. Tax Liabilities (current)				
Provision for income tax	2,091	4,739	-	442
18. Provisions (current)				
Claims and disputes	834	200	-	-
Workers compensation	1,062	830	-	-
Employee entitlements	6,829	4,238	1,441	1,364
Provision for dividend - other shareholders	9,264	10,820	9,264	10,820
- GGA	2,391	3,878	2,391	3,878
	20,380	19,966	13,096	16,062
19. Interest Bearing Liabilities (non-current)				
Bills payable	143,700	50,000	-	-
Leases	2,272	-	-	-
	145,972	50,000	-	-
20. Deferred Tax Liabilities (non-current)				
Deferred income tax liability	14,926	5,684	-	-
21. Provisions (non-current)				
Workers compensation	3,188	2,510	-	-
Employee entitlements	12,313	7,248	2,420	1,435
	15,501	9,758	2,420	1,435

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

22. Contributed Equity

	Parent Entity	
	2001 \$'000	2000 \$'000
Paid up capital	99,531	57,736

Share Capital at 30 September 2001 and 30 September 2000 consisted of the following fully paid shares:

	Number	Number
GGA Foundation share	1	1
Ordinary shares (previously Class A ordinary)	40,235,698	31,274,435
Class B ordinary shares	-	60,119,264

Movements in share capital of the company during the past two years was as follows:

Date	Details	Total Number of Shares	\$'000
30 September 1999	Opening Balance	91,385,099	57,736
11 August 2000	8,600 Class A ordinary shares under employee share scheme	8,600	-
3 October 2000	Shares issued as result of merger with VGS	9,941,681	89,475
25 May 2001	Share options exercised	68,000	425
31 July 2001	15,600 Class A ordinary shares under employee share scheme	15,600	-
11 September 2001	Cancellation of Class B shares	(60,119,264)	(37,575)
Various	Shares bought back on-market	(1,064,018)	(10,530)
30 September 2001	Closing Balance	40,235,698	99,531

	Note	Consolidated		Parent Entity	
		2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000

23. Reserves & Retained Profits

Asset revaluation	18,430	3,235	13,510	13,510
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Movement in Reserves:

Asset revaluation:

Balance of beginning of financial year	3,235	3,235	13,510	13,510
Adjusted value of 25% investment Vicgrain	26,722	-	-	-
Value of 25% investment in associate company (Vicgrain) previously reported	36	(11,527)	-	-
Closing balance	18,430	3,235	13,510	13,510

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

Nature and Purpose of Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets as described at Note 1(h). The credit balance of the reserve may be used to satisfy the distribution of bonus shares to shareholders, and is only available for the payment of cash dividends in limited circumstances as permitted by law.

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Retained Profits				
Retained profits at the beginning of the financial year	139,575	115,535	4,814	2,286
Net profit attributable to members of GrainCorp Limited	44,580	48,744	53,900	27,232
Dividends provided for or paid	(29,168)	(24,704)	(29,168)	(24,704)
Closing balance	154,987	139,575	29,546	4,814

24. Outside Equity Interests in Controlled Entities

The outside equity interests in the controlled entity Sunprime has been brought to account on the basis that the Class A and Class B ordinary shares rank equally on winding up of the company.

The financial statements have been prepared on the basis that the share capital in Sunprime was held in the following proportions:

Outside Equity Interests	Class B shares	50% (2000: 50%)
GrainCorp Services Limited	Class A shares	50% (2000: 50%)

The outside equity interest in Sunprime is as follows:

	2001 \$'000	2000 \$'000
Share capital	415	415
Retained profits / (losses)	(27)	(7)
	388	408

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
25. Expenditure Commitments				
Capital Expenditure Commitments				
Total capital expenditure contracted for at the reporting date but not provided for in accounts payable:				
- Payable not later than one year	16,611	11,753	-	-
Lease Expenditure Commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:				
- Not later than one year	2,048	351	-	-
- Later than two years and not later than five years	5,585	1,338	-	-
- Later than five years	33,482	2,934	-	-
	41,115	4,623	-	-
Representing:				
Cancellable operating leases	25,588	-	-	-
Non-cancellable operating leases	15,527	4,623	-	-
	41,115	4,623	-	-
Operating Leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
- Not later than one year	1,617	351	-	-
- Later than two years but not later than five years	3,862	1,338	-	-
- Later than five years	10,048	2,934	-	-
	15,527	4,623	-	-
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
- Not later than one year	826	-	-	-
- Later than two years but not later than five years	2,272	-	-	-
Total lease liabilities	3,098	-	-	-

26. Superannuation and Share Ownership Plans

Superannuation

The GrainCorp Superannuation Fund commenced on 1 October, 1992 and all employee members are entitled, after serving a qualifying period, to benefits on retirement, disability or death. The Fund has been established on the "accumulation" principle.

Employee members contribute to the Fund at various percentages of their wages and salaries.

The controlled entity contributes to the fund at rates ranging from the statutory superannuation guarantee rate of 8% to 20% of the employee's basic wage or salary. The entity's contributions are legally enforceable under statutory regulations.

The Fund is governed by a Trust Deed and administered by the Board of Directors of the Trustee which includes both employee and company nominated representatives.

Employee Share Plan

The company operates the shareholder approved GrainCorp Limited Employee Share Acquisition Plan (Plan). Under the Plan, shares in the company may be acquired by full time employees who have worked for the company or its wholly owned entities for at least 12 months. 373,749 shares have been acquired under the Plan.

This Plan conforms with the guidelines of the Australian Investment Managers' Association and the Australian Shareholders Association which apply to companies listed on the ASX.

27. Contingent Liabilities

- (i) The controlled entities Services, Operations, Victoria, VGS, Vicgrain, Assets and Finance are parties to a deed of cross guarantee (note 29) which has been lodged with and approved by the Australian Securities and Investments Commission. Under the deed of cross guarantee each of the above named companies guarantees the debts of the other named companies.
- (ii) The controlled entity may from time to time receive notices of possible claims for losses or damages. A provision of \$699,840 has been made to cover any liabilities which may arise out of such claims and the directors believe no further losses will arise.
- (iii) As required by the self-insurance licensing requirements a Bank Guarantee in favour of the WorkCover Authority for at least \$3,980,000 is in place.
- (iv) In the normal course of business, the consolidated entity enters into guarantees. The directors do not believe any loss will arise in respect of these guarantees.
- (v) Certain executives of the Parent Entity are entitled to receive early termination benefits pursuant to agreements with the Parent Entity. The maximum aggregate entitlement is \$600,000.
- (vi) As part of the acquisition of the business of the Grain Elevators Board, Vicgrain Limited agreed to pay an additional \$5 million to the State Government of Victoria for the underlying assets, subject to certain events being favourable to Vicgrain Limited. While Vicgrain Limited previously considered that it may have been required to make this payment due to the introduction of retrospective taxation legislation (ACT No. 16 1999), it was considered that this liability is no longer payable.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

28. Investments in Controlled Entities

Name of Entity	Place of Incorporation	Class of Shares	Equity Holdings	
			2001	2000
Entities controlled by GrainCorp Limited:				
GrainCorp Services Limited	NSW	Ordinary	100%	100%
Victorian Grain Services Limited	VIC	Ordinary	100%	-
Entities controlled by GrainCorp Services Limited:				
GrainCorp Operations Limited	NSW	Ordinary	100%	100%
Sunprime Seeds Pty Limited	NSW	Ordinary	50%	50%
Entities controlled by Victorian Grain Services Limited:				
Vicgrain Limited	VIC	Ordinary	75%	-
Entities controlled by GrainCorp Operations limited:				
GrainCorp Victoria Pty Limited	NSW	Ordinary	100%	100%
GrainCorp National Pty Limited	NSW	Ordinary	100%	-
GrainCorp Queensland Pty Limited	NSW	Ordinary	100%	-
Entities controlled by Vicgrain Limited:				
Vicgrain (Assets) Pty Limited	VIC	Ordinary	100%	-
Vicgrain (Finance) Pty Limited	VIC	Ordinary	100%	-
Entities controlled by Sunprime Seeds Pty Limited:				
Sunprime Research & Development Pty Limited	NSW	Ordinary	50%	50%

GrainCorp acquired shares in VGS during 2001 giving it 100% ownership. VGS holds 75% of shares in Vicgrain which holds 100% of shares in Assets and Finance. Victoria owns 25% of Vicgrain.

Services, Operations, VGS and Vicgrain have been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

Acquisition of Controlled Entity

On 3 October GrainCorp acquired 100% of the shares in VGS for \$89,475,129. VGS holds 75% of shares in Vicgrain which holds 100% of shares in Assets and Finance. The operating results of the newly controlled entities have been included in the consolidated statement of financial performance since the date of acquisition.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

Details of the assets from the merger with VGS and its controlled entities on 3 October 2000 are as follows:

	2001 \$'000
Fair value of identifiable net assets of the merged controlled entity	
Current Assets	
Cash	4,192
Receivables	23,446
Inventories	1,758
Other	1,488
Total Current Assets	30,884
Non-Current Assets	
Land, structures and plant and equipment	171,218
Deferred tax - net asset	5,361
Total Non-Current Assets	176,579
Total Assets	207,463
Current Liabilities	
Accounts payable	11,453
Deferred revenue	5,600
Interest bearing liabilities	15,750
Current tax liabilities	2,674
Provisions for employee entitlements	4,888
Total Current Liabilities	40,365
Non-Current Liabilities	
Interest bearing liabilities	45,898
Provision for employee entitlements	2,952
Deferred income tax liability	9,502
Total Non-Current Liabilities	58,352
Total Liabilities	98,717
Net Assets	108,746
Less value therein attributable to previous shareholding of 25% in Vicgrain held by Victoria	(26,722)
Goodwill on consolidation	8,135
	90,159
Sundry merger costs paid in cash	(684)
Consideration by issue of 9,941,681 fully paid Class A shares	89,475

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

29. Deed of Cross Guarantee

GrainCorp, Services, Operations, Victoria, VGS, Vicgrain, Assets and Finance are parties to a deed of cross guarantee which has been lodged with and approved by the Australian Securities and Investments Commission. Under the deed of cross guarantee each of the above named companies guarantees the debts of the other named companies.

The above companies represent an 'Extended Closed Group' for the purposes of Class Order 98/1418 (as amended by Class Order 98/2017) issued by the Australian Securities & Investments Commission. There are no other parties to the Deed of Cross Guarantee that are controlled by GrainCorp.

Set out below is a consolidated statement of financial performance for the year ended 30 September 2001 of the Closed Group consisting of GrainCorp, Services, Operations, Victoria, VGS, Vicgrain, Assets and Finance.

	Consolidated	
	2001	2000
	\$'000	\$'000
Revenue from operating activities	504,444	282,125
Other revenue	11,942	9,859
Total revenue from ordinary activities	516,386	291,984
Change in inventories	(14,253)	(3,063)
Raw materials and consumables used	(22,704)	(20,914)
Employee benefits expense	(87,659)	(54,519)
Depreciation and amortisation expenses	(38,751)	(20,044)
Borrowing costs expense	(11,886)	(5,578)
Other expenses from ordinary activities	(276,933)	(128,367)
Expenses from ordinary activities	(452,186)	(232,485)
Profit from ordinary activities before income tax	64,200	59,499
Income tax expense attributable to ordinary activities	(19,601)	(16,953)
Profit from ordinary activities after income tax	44,599	42,546
Net Profit attributable to members of GrainCorp Limited	44,599	42,546
Total changes in equity other than those resulting from transactions with owners	44,599	42,546

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

29. Deed of Cross Guarantee (Cont.)

Set out below is a consolidated statement of financial position as at 30 September 2001 of the Closed Group consisting of GrainCorp, Services, Operations, Victoria, VGS, Vicgrain, Assets and Finance.

	Consolidated	
	2001	2000
	\$'000	\$'000
Current Assets		
Receivables	59,539	43,528
Inventories	9,125	33,130
Other	12,811	4,472
Total Current Assets	81,475	81,130
Non-Current Assets		
Receivables	426	491
Other financial assets	25,684	415
Property, plant & equipment	412,819	231,467
Deferred tax assets	3,319	1,632
Intangibles	8,498	889
Total Non-Current Assets	450,746	234,894
Total Assets	532,221	316,024
Current Liabilities		
Accounts payable	25,704	20,763
Interest bearing liabilities	34,711	23,244
Current tax liabilities	2,092	4,722
Provisions	20,342	19,956
Total Current Liabilities	82,849	68,685
Non-Current Liabilities		
Interest bearing liabilities	145,972	50,000
Deferred tax liabilities	14,926	5,684
Provisions	15,501	9,758
Total Non-Current Liabilities	176,399	65,442
Total Liabilities	259,248	134,127
Net Assets	272,973	181,897
Equity		
Parent entity interest:		
Contributed equity	99,531	57,736
Reserves	18,430	761
Retained profits	155,012	123,400
Total Equity	272,973	181,897

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

30. Remuneration of Directors

	Directors of Entities in the Consolidated Entity		Directors of the Parent Entity	
	2001 \$	2000 \$	2001 \$	2000 \$
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of the affairs of the parent entity or its controlled entities	1,148,904	924,807	1,148,904	924,807

The number of directors of the Parent Entity whose total remuneration from the Parent Entity or related parties falls within the following bands are as follows:

\$	2001	2000
0 - 9,999	3	-
20,000 - 29,999	-	1
30,000 - 39,999	-	1
40,000 - 49,999	-	5
50,000 - 59,999	7	2
60,000 - 69,999	1	-
80,000 - 89,999	1	-
90,000 - 99,999	-	1
110,000 - 119,999	1	-
430,000 - 439,999	-	1
490,000 - 499,999	1	-

Current fees paid to directors are set out in the Directors' Report.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

31. Remuneration of Executives

	Executives of Entities in the Consolidated Entity		Executives of the Parent Entity	
	2001 \$	2000 \$	2001 \$	2000 \$
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by executive officers (including executive directors) whose remuneration was at least \$100,000:				
Executive officers of the Parent Entity	4,988,598	2,047,931	4,988,598	2,047,931

The numbers of executive officers (including executive directors) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

\$	Parent Entity	
	2001	2000
110,000 - 119,999	1	2
130,000 - 139,999	1	-
140,000 - 149,999	-	2
150,000 - 159,999	1	2
160,000 - 169,999	1	2
170,000 - 179,999	2	-
180,000 - 189,999	-	1
190,000 - 199,999	1	-
220,000 - 229,999	1	-
270,000 - 279,999	-	1
320,000 - 329,999	1	-
430,000 - 439,999	-	1
490,000 - 499,999	1	-
570,000 - 579,999*	1	-
580,000 - 589,999*	1	-
780,000 - 789,999*	1	-
870,000 - 879,999*	1	-

* Includes redundancy payments and leave entitlements.

The consolidated entity had no executive officers who worked wholly or mainly outside Australia during the reporting period. All executives are employed by the parent entity.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

32. Remuneration of Auditors

	Consolidated		Parent Entity	
	2001 \$	2000 \$	2001 \$	2000 \$
Remuneration for audit or review of the financial reports of the parent entity or any entity of the consolidated entity:				
Auditor of the parent entity	186,175	119,500	55,000	50,000
Other auditors of controlled entities	-	-	-	-
	186,175	119,500	55,000	50,000
Remuneration for other services:				
Auditor of the parent entity	113,302	203,449	-	-
Other auditors	-	-	-	-
	113,302	203,449	-	-

33. Related Party Transactions

(i) Transactions with Directors

The names of each person holding the office of director during the year were:

R. L. Greentree (Chairman)
A. D. McCallum (Deputy Chairman)
W. G. Barron
N. Burton Taylor
T. M. Capell (Retired 3/10/2000)
R. R. Flanery
R. G. Freeman
D. Groves
T. B. Keene (Managing Director)
D. G. McGauchie (Appointed 3/10/2000)
J. A. Menegazzo (Appointed 3/10/2000)
N. B. Semmler (Retired 3/10/2000)
P. B. Wade (Appointed 3/10/2000)
J. Watson (Retired 3/10/2000)

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

Aggregate number of ordinary shares held by directors or their director-related entities in GrainCorp Limited were as follows:

	2001 Number of Shares	2000 Number of Shares
Aggregate number of shares held at beginning of year	4,127,699	4,319,666
Shares purchased during year	49,320	32,737
Shares acquired through Vicgrain merger	1,114,031	-
Shares sold during year	-	(281,256)
Shares held prior to appointment	369,738	56,552
Shares held by directors whom retired during the year	(117,148)	-
Aggregate number of shares held at end of year	5,543,640	4,127,699

As at 30 September 2001, GGA owned 1 Foundation share and 8,253,709 Ordinary shares in GrainCorp.

Messrs Greentree, Barron, Flanery, Freeman, McGauchie and McCallum are directors of GGA at 30 September 2001 and are members of GGA. As at 30 September 2001 Messrs Burton Taylor and Menegazzo are members of GGA and in that capacity have an interest in the above shares owned by GGA.

Remuneration of directors is disclosed at Note 30.

	Consolidated	
	2001	2000
	\$	\$
Other transactions in aggregate between directors and the consolidated entity comprised:		
Lease of storage and other facilities from director on commercial terms	53,775	73,507

In addition to the above, transactions for storage, handling, testing, seed sales and purchase of grain, fertiliser and other agricultural products from directors or director-related entities took place during both financial years covered by this report and occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers.

Following are aggregate amounts due from and to directors and their director-related entities at balance date, all of which have been paid subsequent to the end of the financial year:

	Consolidated		Parent Entity	
	2001	2000	2001	2000
	\$	\$	\$	\$
Current receivables	80,192	437,200	-	-
Current payables	18,466	10,333	-	-

Directors of the consolidated entity who transacted business with the consolidated entity were G. Barron, N. Burton Taylor, R. Flanery, R. Freeman, R. Greentree, D. McGauchie, J. Menegazzo and A. McCallum.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

(ii) Transactions between wholly owned members of the consolidated entity

The consolidated entity consists of GrainCorp and its controlled entities: Services, Operations, Sunprime, Sunprime R & D, Victoria, National, Queensland, VGS, Vicgrain, Assets and Finance. Ownership interests in these controlled entities are set out in Note 28.

Transactions between GrainCorp and related parties in the consolidated entity during the years ended 30 September 2001 and 2000 consisted of:

- (a) loans advanced within the consolidated entity
- (b) loans repaid within the consolidated entity
- (c) payment of dividends to GrainCorp
- (d) management fees for administrative services paid to GrainCorp
- (e) sale of goods
- (f) reimbursement of expenses

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group were as follows:

	Parent Entity	
	2001 \$'000	2000 \$'000
Management fees for administrative services	13,196	10,471
Dividend revenue	52,600	26,250

Aggregate amounts receivable from entities in the wholly owned group at balance date were as follows:

	Parent Entity	
	2001 \$'000	2000 \$'000
Current receivables (note 7)	12,600	33,250
Current interest bearing liabilities (note 16)	12,287	10,923

Transactions between the entities in the consolidated entity took place during both financial years covered by this report. These transactions occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers except that there is no interest or fixed terms for repayment on intercompany loans within the consolidated entity except for transactions with Finance.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

(iii) Transactions with other related parties

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax:				
Management fees for administrative services provided to GGA	38	50	-	-
Rental income from GGA	43	-	-	-
Rental charge from GGA	29	52	-	-
Fees for equipment hire, purchases and services paid to Vicgrain	*	63	-	-
Dividends received from Vicgrain	*	9,675	-	-
Marketing venture payment from Vicgrain	*	541	-	-
Director's fees received from Vicgrain	*	36	-	-
Rental income from Vicgrain	*	143	-	-
Receival fees paid to Vicgrain	*	1,415	-	-
Other transactions:				
Purchase of equipment from Vicgrain	*	4,447	-	-

* Now a consolidated entity.

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Aggregate amounts receivable from and payable to other related parties at balance sheet date were as follows:				
Current receivables (note 7)				
- GGA	-	32	-	-
Current provisions (note 18)				
- GGA	2,391	3,878	2,391	3,878
Funding advance to Vicgrain (note 7)	-	8,550	-	-
Loan to Vicgrain (note 10)	-	10,200	-	-

GGA is the parent entity which owns 20.5% of ordinary shares in GrainCorp. Vicgrain, an associated company in 2000, is now 100% owned and part of the consolidated entity. Other transactions with related parties include seed purchases, management fee income and interest income from 50% owned Sunprime (note 28). Sunprime and Sunprime R & D are consolidated, therefore transactions with the wholly owned entities have been eliminated.

Transactions with the above related entities took place during both financial years covered by this report and occurred within a normal customer relationship on terms no more favourable than those available on similar transactions to other customers.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

34. Segment Information

2001	Storage & Handling \$'000	Marketing \$'000	Intersegment Eliminations \$'000	Consolidation \$'000
Sales to customers outside consolidated entity	253,856	253,347	-	507,203
Intersegment sales	9,834	1,366	(11,200)	-
Total sales revenue	263,690	254,713	(11,200)	507,203
Other revenue	10,571	1,503	-	12,074
Total segment revenue	274,261	256,216	(11,200)	519,277
Segment result	106,789	5,252	-	112,041
Unallocated expenses				(47,853)
Profit from ordinary activities before income tax				64,188
Income tax expense				(19,627)
Profit from ordinary activities after income tax				44,561
Segment assets	447,667	42,317	-	489,984
Unallocated assets				42,812
Total assets				532,796
2000				
Sales to customers outside consolidated entity	166,802	118,154	-	284,956
Intersegment sales	4,118	456	(4,574)	-
Total sales revenue	170,920	118,610	(4,574)	284,956
Other revenue	14,729	1,533	-	16,262
Total segment revenue	185,649	120,143	(4,574)	301,218
Segment result	77,297	202	-	77,499
Unallocated expenses				(11,907)
Profit from ordinary activities before income tax				65,592
Income tax expense				(16,928)
Profit from ordinary activities after income tax				48,664
Segment assets	257,453	42,729	-	300,182
Unallocated assets				34,897
Total assets				335,079

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

Notes to and forming part of the segment information:

- a) The above industry segments derive revenue from the following operations and activities:
 Storage and Handling: includes fees for receipt, storage and testing of wheat, other grains and bulk commodities.
 Marketing: Marketing and transportation of grain and agricultural products, and the operation of grain pools.
- b) Intersegment pricing is on an "arm's length" basis.
- c) The consolidated entity only operates in one geographical segment (Australia).

35. Reconciliation of Statements of Cash Flows

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities.				
Profit from ordinary activities after income tax	44,561	48,664	53,900	27,232
Add / (less) items classified as investing/financing activities:				
Net (profit) / loss on sale of non-current assets	977	(2,149)	-	-
Dividends received	(571)	-	(52,600)	(33,250)
Share buy-back transaction costs	43	-	43	-
Add / (less) non-cash items:				
Net interest payable / (receivable)	-	(16)	-	-
Share of profit of associate not received as dividends	-	(6,270)	-	-
Depreciation / amortisation	38,933	20,173	-	-
Provision for employee entitlements	726	1,058	1,061	719
Net cash provided by operating activities before change in assets and liabilities	84,669	61,460	2,404	(5,299)
Changes in assets and liabilities net of effects from merger with previous associate (Refer Note 28):				
(Increase) / decrease in inventories	25,613	(23,934)	-	-
(Increase) / decrease in other assets	(7,470)	(3,350)	4	(4)
(Increase) / decrease in future income tax benefit	3,728	2,636	(953)	(108)
Increase / (decrease) in receivables	(3,513)	(14,206)	(4,975)	9,773
Increase / (decrease) in trade creditors	(5,798)	14,716	-	219
Increase / (decrease) in provision for income tax	(5,323)	4,148	(442)	(94)
Increase / (decrease) in provision for deferred tax	(260)	1,271	-	-
Increase / (decrease) in income received in advance	(5,532)	(3,907)	-	-
Net cash provided by operating activities	86,114	38,834	(3,962)	4,487

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

36. Investment in Associated Company

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting (Refer note 1(b)).

On 3 October GrainCorp merged with VGS and Vicgrain and its subsidiaries. The result of this merger was that VGS and Vicgrain and its subsidiaries became wholly owned subsidiaries of GrainCorp on that date. Consequently, Vicgrain ceased to be an associated company on that date.

Company	Principal Activity	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2001	2000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Vicgrain Ltd	Grain Storage and Handling	100%	25%	-	11,527	-	-

	Consolidated	
	Financial Year to 30 September 2001 \$'000	Financial Year to 30 September 2000 \$'000
Movements in Carrying Amount of Investments in Associate		
Carrying amount at the beginning of the financial year	11,527	14,934
Dividends received	-	(9,675)
Share of operating profit after income tax	-	6,270
Reduction due to dividend and share buy back	-	(2)
Control of previous associate as discussed above	(11,527)	-
	-	11,527
Results Attributable to Associated Company:		
Operating profits before income tax	-	9,480
Income tax expense	-	(3,210)
Share of associate's operating profits after income tax expense	-	6,270
Retained profits attributable to associate at the beginning of the financial year	-	9,893
	-	16,163
Less Dividends received	-	(9,675)
Proportion of special dividend paid by Vicgrain to VGS for buy back of shares	-	(637)
Retained profits attributable to associate at the end of the financial year.	-	5,851

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

	Consolidated	
	Financial Year to 30 September 2001 \$'000	Financial Year to 30 September 2000 \$'000
Reserves Attributable to Associated Company:		
Asset revaluation reserve		
Balance at the beginning of the financial year	5,041	5,041
Increment/(decrement) on revaluation during the year	-	-
Control of previous associate as discussed above	(5,041)	-
Balance at the end of the financial year	-	5,041

Summary of the Performance and Financial Position of Associates

The aggregate profits, assets and liabilities of associates are:

Net profit after income tax	-	25,079
Assets	-	142,026
Liabilities	-	95,919
Share of Associate's expenditure commitments		
Capital commitments	-	686
Lease liabilities	-	8,913

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000

37. Non Cash Financing and Investing Activities

Acquisition of plant and machinery by means of finance leases	3,098	-	-	-
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38. Earnings Per Share

	Consolidated	
	2001 \$'000	2000 \$'000
Basic earnings per share	109.4	155.6
Diluted earnings per share	109.0	155.6
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share.		
	40,756,968	31,274,435

Class B ordinary shares (cancelled in September 2001) have been excluded from the calculation on the basis that they cannot share in any dividend paid by the company.

39. Financial Instruments

(a) Off-balance Sheet Derivative Instruments

GrainCorp and its controlled entities are parties to financial instruments with off-balance sheet risk in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates and to trade.

(i) Interest Rate Swap Contracts

Bank loans of the consolidated entity currently bear an average variable interest rate of 4.60% (2000: 6.15%). It is group policy to protect part of the loans from exposure to increasing interest rates. Accordingly, it has entered into interest rate swap contracts under which the consolidated entity is entitled to receive interest at variable rates and is obliged to pay interest at fixed rates.

The contracts require settlement of net interest receivable or payable each 90 or 180 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Swaps currently in place cover 40% (2000: 34%) of the total bank bills outstanding. The average fixed interest rate is 7.17% (2000: 6.86%) and the variable rates are between 0.30% and 0.50% (2000: 0.25% and 0.35% respectively) above 90 or 180 day bank bill rate.

At 30 September 2001, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2001 Cents	2000 Cents
0-1 years	5,980	-
2-3 years	60,000	25,000

GrainCorp also has a nominal \$2.75 million interest rate collar amortising until March 2003, with an interest cap rate of 5.95% p.a. and an interest floor rate of 4.95%.

(ii) Foreign Exchange Risk

The consolidated entity hedges against exposures from grain futures taken in the US, Canada and Europe. When required to, hedging is undertaken through transactions entered into in foreign exchange markets. Forward exchange contracts and currency option contracts have been used for hedging purposes. The contracts are timed to mature when the grain futures expire.

At balance date, the outstanding foreign exchange contracts are (Australian Dollar equivalent).

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

	2001 AUD \$'000	2001 average exchange rate	2000 AUD \$'000	2000 average exchange rate
Buy US Dollars / Sell Australian Dollars				
0 - 6 months	1,120	0.5594	11,143	0.5794
6-12 months	15,563	0.5005	2,675	0.5702
12-18 months	883	0.4972	2,772	0.5670
Buy Australian Dollars / Sell US Dollars				
0 - 6 months	66,839	0.5326	32,685	0.6082
6-12 months	4,316	0.5097	6,474	0.5685
12-18 months	2,932	0.5115	1,140	0.5700
Buy Canadian Dollars / Sell Australian Dollars				
0 - 6 months	3,730	0.8071	1,915	0.8867
Buy Australian Dollars / Sell Canadian Dollars				
0 - 6 months	16,277	0.7861	12,201	0.8237
6-12 months	760	0.7899	6,474	0.5685
Buy Euro Dollars / Sell Australian Dollars				
0 - 6 months	173	0.5781	-	-
Buy Australian Dollars / Sell Euro				
0 - 6 months	244	0.5329	-	-
6-12 months	3,922	0.5736	-	-
12-18 months	1,476	0.5625	-	-

As these contracts are hedging future settlement of US, European and Canadian grain and oilseed futures, any unrealised gains or losses on the contract, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

The following gains and losses have been deferred.

	2001 \$'000	2000 \$'000
Unrealised gains	1,105	925
Unrealised losses	(6,839)	(3,717)
Net gain (loss)	(5,734)	(2,792)

These losses are intended to be offset by gains made on the physical purchase and sale of the commodity, and close out of the commodity hedge positions.

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

(b) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

2001	Average interest rate %	Floating interest rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 year to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Investment						25,269	25,269
Cash and deposits							
Receivables						59,492	59,492
Interest rate collar*	5.95		1,250	1,500			2,750
Interest rate swaps*	5.20	65,980					65,980
		65,980	1,250	1,500		84,761	153,491
Financial liabilities							
Bank overdrafts	8.45	10,618					10,618
Trade and other creditors						26,141	26,141
Bills payable	5.01	166,705					166,705
Finance leases	7.13		826	2,272			3,098
Interest rate collar*	4.95		1,250	1,500			2,750
Interest rate swaps*	7.17		5,980	60,000			65,980
		177,323	8,056	63,722		26,141	275,292
Net financial assets (liabilities)							(121,801)

*notional principal

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

2000	Average interest rate %	Floating interest rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 year to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Investment						11,574	11,574
Cash and deposits							
Receivables						50,551	50,551
Interest rate collar*	5.95		1,250	2,750			4,000
Interest rate swaps*	6.43	25,000					25,000
		25,000	1,250	2,750		62,125	91,125
Financial liabilities							
Bank overdrafts	9.50	426					426
Trade and other creditors						21,052	21,052
Bills payable	6.15	72,500					72,500
Interest rate collar*	4.95		1,250	2,750			4,000
Interest rate swaps*	6.86			25,000			25,000
		72,926	1,250	27,750		21,052	122,978
Net financial assets (liabilities)							(31,853)

*notional principal

Reconciliation of Net Financial Assets to Net Assets

	2001 \$'000	2000 \$'000
Net financial assets (liabilities) as above	(121,801)	(31,853)
Non-financial assets and liabilities		
Inventories	9,416	33,271
Property, plant and equipment	413,115	231,710
Intangibles	9,224	1,815
Other assets	16,280	6,158
Provisions	(52,898)	(40,147)
Other liabilities	-	-
Net assets per balance sheet	273,336	200,954

Notes to the Financial Statements

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

(c) Credit Risk

All financial assets are unsecured. The carrying amounts of financial assets, other than derivatives, included in the consolidated balance sheet, therefore represent the consolidated entity's maximum exposure to credit risk in relation to these assets.

The credit exposure of derivative financial instruments is represented by the net fair value, as discussed below.

(d) Net Fair Values

All carrying values approximate fair value for all recognised financial instruments, except for the following:

The fair values of interest rate swaps are determined as the difference in present value of the future interest cashflow, amounting to a financial liability of \$3,659,634 (2000: financial liability \$112,867).

The fair value of forward exchange contracts is determined by reference to current forward exchange rates for contracts with similar maturity profile, amounting to a financial liability of \$5,734,000 (2000: financial liability of \$2,792,000).

40. Financing Arrangements

Financing facilities available to the consolidated entity as at the end of the financial year and the extent to which they were used were as follows:

	Consolidated		Parent Entity	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
(i) Working Capital & Multi Option Facilities (a)				
Available	180,000	174,000	-	-
Used	37,200	44,684	-	-
Unused credit available	142,800	129,316	-	-
(ii) Term Facilities				
Available (b)	197,600	50,000	-	-
Used (b)	142,900	50,000	-	-
Unused credit available	54,700	-	-	-
Total Facilities at year end				
Available	377,600	224,000	-	-
Used	180,100	94,684	-	-
Unused credit available	197,500	129,316	-	-

(a) Includes bank guarantees and other facilities

(b) Includes the overdrawn facility for the pool, which the consolidated entity has the right to recover.

Facilities have been increased subsequent to the end of the financial year.

All facilities are extendable on an annual basis at the lenders option. All facilities are in good standing and will remain in good standing unless any of the default criteria are breached.

Borrowings included in non-current liabilities represent facilities not due to mature within one year, or due within one year but will be funded by rolling over the debt on the same or another facility.

Directors' Declaration

for the year ended 30 September 2001

GrainCorp Limited and Controlled Entities

The directors declare that the financial statements and notes set out on pages 8 to 44:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 September 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 28 will be able to meet any obligation or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29.

This declaration is made in accordance with a resolution of the directors.



R. L. Greentree
Chairman

Sydney
27 November 2001

Independent Audit Report

to the Members of GrainCorp Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of GrainCorp Limited (the Company) for the year ended 30 September 2001 included on GrainCorp Limited's web site. The Company's directors are responsible for the integrity of the GrainCorp Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

We have audited the financial report of GrainCorp Limited (the company) for the financial year ended 30 September 2001 as set out on pages 8 to 45. The Company's directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

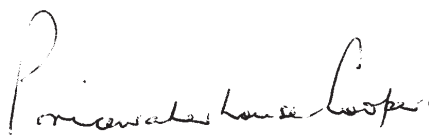
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and the performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

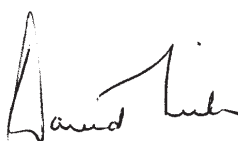
Audit Opinion

In our opinion, the financial report of the Company is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2001, and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and Corporation Regulations 2001; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



D. E. Wills
Partner

Sydney
28 November 2001

Shareholder Information

as at 11 December 2001

GrainCorp Limited and Controlled Entities

The Shareholder information set out below was applicable as at 11 December 2001.

A. Distribution of Ordinary Shares

1 -	1,000	6,141
1,001 -	5,000	2,899
5,001 -	10,000	708
10,001 -	100,000	418
100,001 -	and over	29
		10,195

B. Twenty Largest Shareholders

The names of the twenty largest holders of each class of shares are listed below:

		Ordinary Shares	
		Number of shares held	Percentage of issued shares
1	Grain Growers Association Limited	8,253,709	20.55%
2	Mr R. Greentree & Mr B. Harris	528,640	1.32%
3	Victorian Farmers Federation	499,967	1.24%
4	NBT Pty Limited, Astor Account	450,000	1.12%
5	UBS Warburg Private Clients	430,004	1.07%
6	Mr D. Groves	373,296	0.93%
7	Mr G. J. Watsford	340,096	0.85%
8	Janvin Pty Limited	335,168	0.83%
9	NBT Pty Limited	300,000	0.75%
10	Linkshore Pty Limited	290,000	0.72%
11	Menegazzo Enterprises Pty Limited	241,783	0.60%
12	NBT Pty Ltd	230,950	0.57%
13	R. and D. Pastoral Pty Ltd	230,950	0.57%
14	Mr P. Menegazzo	227,867	0.57%
15	DB Management Pty Limited	222,272	0.55%
16	Desbech Pty Limited	214,819	0.53%
17	Janvin Pty Limited	200,000	0.50%
18	Rupert Barooka Pty Limited	200,000	0.50%
19	Desbech Pty Limited	188,060	0.47%
20	Mrs N. Der Sarkissian	174,464	0.43%
		13,932,045	34.67%

Shareholder Information

as at 11 December 2001

GrainCorp Limited and Controlled Entities

C. Substantial Shareholders

The following shareholder had a substantial shareholding in GrainCorp Limited shares as at 11 December 2001.

1	Grain Growers Association Limited	8,253,709	20.55%
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D. Voting Rights

The voting rights attached to each class of shares are set out below:

(a) Ordinary shares - on a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Foundation Share

- No ordinary resolution can be passed without the affirmative role of the Foundation Share, except for the appointment of elected Directors.
- For a special resolution, the Foundation Share carries 75% of the total number of votes entitled to be cast.

Enquiries

Nigel Hart
Company Secretary

GrainCorp Registered Office
Level 10
51 Druitt Street
Sydney NSW 2000
Postal Address: PO Box A268
Sydney South NSW 1235

Phone: 02 9325 9100
Freecall: 1800 809 482
Fax: 02 9325 9180

Australian Stock Exchange

GrainCorp shares are classified under the Miscellaneous Industrials Index (code GNC) and have been listed on the Australian Stock Exchange (ASX) since 1998. Share prices are reported in major daily newspapers and can be accessed online at asx.com.au.

Dividend Policy

GrainCorp has a dividend payout ratio of 65 per cent.

GrainCorp Website

graincorp.com.au - GrainCorp's interactive website features the current Annual Report and full financials, plus interim financial reports. News and corporate information is regularly updated for shareholders. Details of Board members and executive management team are also provided.

Shareholder Inquiries

GrainCorp Limited shareholders requiring information regarding their shareholdings should contact the Company's registry at:

Computershare Investor Services Pty Ltd
GPO Box 7045
Sydney NSW 1115
Telephone 1300 855 080
Fax (02) 8234 5050

GrainCorp sponsoring broker is:
ABN AMRO Morgans Limited
GPO Box 202
Brisbane QLD 4001
Telephone 1800 777 946

Removal from Annual Report mailing list

Modernisation of annual reporting processes has meant that some shareholders would prefer not to receive a hard copy report. Shareholders can elect not to receive an Annual Report (but still receive a Notice of Meeting and Proxy Form) by contacting the share registry.



Design - The Hopkins System
Photography - Ted Sealey
Print Management - Intoprint

