

2002 Full Financial Report

for the year ended 30 September 2002

GrainCorp Limited (ABN 60 057 186 035) and Controlled Entities



2002 Full Financial Report

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

Contents

Directors' Report	2
Statements of Financial Position	10
Statements of Financial Performance	11
Statements of Cash Flows	12
Notes to the Financial Statements	13
Directors' Declaration	53
Independent Audit Report	54
Shareholder Information	55

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 2002.

Directors

The following persons are directors of GrainCorp Limited at the date of this report:

R.L. Greentree (Chairman)
A.D. McCallum (Deputy Chairman)
T.B. Keene (Managing Director)
W.G. Barron
N. Burton Taylor AM
R.R. Flanery
R.G. Freeman
D. Groves
D.G. McGauchie
J.A. Menegazzo
D.B. Trebeck (Appointed 27 February 2002)

Mr P.B. Wade was a director from the beginning of the financial year until his retirement on 27 February 2002.

Mr D.B. Trebeck was appointed as a director at the Annual General Meeting on 27 February 2002.

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 farm input products.

Dividends

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

Date	Rate (Cents)	Amount \$'000
Paid 21 December 2001 - Final for 2001	29.0	11,655
Paid 28 June 2002 - Interim for 2002	34.0	13,713
Declared for payment on 6 January 2003 - Final for 2002	44.0	17,632

Review of Operations

The consolidated entity recorded a profit after tax of \$48.6 million (EBITDA \$119.8 million) for the financial year compared with \$44.6 million (EBITDA \$115.0 million) for the previous year. Despite lower receipts and exports, profit after tax increased by \$4 million primarily due to operational efficiencies, and synergies from the successful merger with Victorian Grain Services Limited.

A more detailed review of the operations during the financial year and the results of those operations appear elsewhere in the Annual Report.

Significant Changes in State of Affairs

Share Buy Back

GrainCorp Limited (GrainCorp) commenced an on-market buy back of ordinary shares on 3 October 2000 for the period to 31 July 2002. The maximum number of shares that could be acquired was 4.1 million, per annum. The number of shares purchased in the year to 30 September 2002 was 291,434 shares bringing the overall total purchased to 1,355,452 shares.

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

Matters Subsequent to the End of the Financial Year

Allied Mills

GrainCorp and Cargill Australia Ltd (Cargill), a fully owned subsidiary of international agribusiness company, Cargill Incorporated, have bought the milling and mixing business from Goodman Fielder Ltd. The acquisition is a joint venture between GrainCorp and Cargill and will trade as Allied Mills. The business was acquired on 4 October 2002 for approximately \$200 million, and GrainCorp have a 60% ownership interest. All necessary regulatory approvals have been obtained by both companies.

Bulk Terminals Australia

On 1 November 2002, GrainCorp joined with Grainco Australia Ltd (Grainco) to form a new joint venture company called Bulk Terminals Australia (BTA) which will operate their respective Newcastle and Brisbane terminals.

BTA, in which GrainCorp and Grainco maintain an equal shareholding, will operate GrainCorp's existing port facilities at Carrington and Kooragang Island in Newcastle and Grainco's facilities at Fisherman Islands and Pinkeba in Brisbane.

Tax Consolidation

The first two tranches of the tax consolidation legislation became substantively enacted on 21 October 2002 when the *New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002* was passed by the Senate. GrainCorp intends to adopt the legislation in the next financial year.

The financial effect of the legislation has not been recognised in this financial report in accordance with UIG 39 *Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances*. It is not possible to disclose the effect of the legislation in this financial report as it cannot yet be reliably estimated.

Drought

Due to current drought conditions in most of New South Wales and Victoria, receivables will be significantly lower in the next financial year. However, cost management measures have been implemented to lessen the impact on next years results.

Other

Other than reported elsewhere in the Annual Report, no other matter or circumstance has arisen since 30 September 2002 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 is 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 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.

Directors' Report

GrainCorp Limited and Controlled Entities

Information on Directors

Particulars of Directors' beneficial interest in ordinary shares.

<i>R.L. (Ron) Greentree (Chairman)</i>	<i>757,152 shares</i>
Grower from Merrywinebone, NSW. Principal of an agricultural machinery business and Director of BRI Australia Ltd. Chairman of Vicgrain Limited and Victorian Grain Services Limited. Chairman of the Remuneration and member of the Capital Works and Equity Committees.	
<i>A.D. (Allan) McCallum (Deputy Chairman) Dip Ag.Sc</i>	<i>126,615 shares</i>
Grower from Kerang, Victoria. Director of Vicgrain Limited and Victorian Grain Services Limited. Deputy Chairman of Pivot Limited, Chairman of Nugrain Pty Limited, Chairman of Farm Horizons Limited and President of Australian Oilseeds Federation. Chairman of the Capital Works and Occupational Health, Safety and Environment Committees.	
<i>T.B. (Tom) Keene (Managing Director) B.Ec, MAICD</i>	<i>170,026 shares</i>
Managing Director of GrainCorp Group and member of the Risk Management Committee. Chairman of Allied Mills Australia Pty Limited.	
<i>W.G. (Graham) Barron</i>	<i>154,982 shares</i>
Grower from Ungarie, NSW. Chairman of the Risk Management Committee and member of the Capital Works Committee.	
<i>N. (Nick) Burton Taylor AM B.Ec, ASIA, FCA, FAICD</i>	<i>1,520,038 shares</i>
Grower from Boorowa, NSW. Principal Hillgrove Pastoral Company. Director of Rural Press Limited, Bankstown Airport Limited, Heggies Bulk Haul Limited and The Australian Agricultural Company Limited. Member Public Transport Union (Loco Division). Chairman of the Audit Committee, the GrainCorp Foundation and member of the Remuneration Committee.	
<i>R.R. (Ross) Flanery</i>	<i>223,372 shares</i>
Grower from Harden, NSW. Commercial interests in forestry and hydro-electric power. Chairman of the Equity Committee and member of the Capital Works Committee.	
<i>R.G. (Rick) Freeman</i>	<i>136,192 shares</i>
Grower from Edgeroi, NSW. Company principal of Norseman Machinery Imports Pty Limited. Member of the Capital Works Committee. Director of GrainCorp Superannuation Pty Limited.	
<i>D. (David) Groves B. Com, M.Com, CA</i>	<i>1,633,099 shares</i>
Chartered Accountant and Company Director. Director of Masling Industries Pty Limited and Equity Trustees Limited. Active in the management of companies involved in viticulture and investment. Member of the Equity, Risk Management and Remuneration Committees.	
<i>D.G. (Donald) McGauchie</i>	<i>93,543 shares</i>
Grower from Prairie, Victoria. Director of Reserve Bank of Australia, Director of Telstra Corporation Limited, Ridley Corporation Limited, National Foods Limited and Deputy Chairman of Australian Wool Testing Authority Limited. Member of the Equity and Remuneration Committees.	
<i>J.A. (Julian) Menegazzo B.Sc.</i>	<i>472,365 shares</i>
Grower from Balliang, Victoria. Active in horticulture marketing business. Member of the Audit Committee and GrainCorp Foundation.	
<i>D.B. (David) Trebeck B.Sc.Agr (Hons), M.Ec.</i>	<i>13,158 shares</i>
Consultant, Grower and Company Director from Canberra, ACT. Executive Chairman of ACII Tasman Pty Limited. Director of Incitec Limited, National Grazing Services Pty Limited. Member of the Audit and Occupational Health, Safety and Environment Committees.	

Directors' Report

GrainCorp Limited and Controlled Entities

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

As at the date of this report, Grain Growers Association "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, Menegazzo and Trebeck 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 2002, 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	12	12	17	16
A.D. McCallum	12	12	20	20
T.B. Keene	12	12	5	5
W.G. Barron	12	12	11	11
N. Burton Taylor	12	12	11	11
R.R. Flanery	12	11	19	19
R.G. Freeman	12	12	13	13
D. Groves	12	12	13	13
D.G. McGauchie	12	11	9	8
J.A. Menegazzo	12	12	5	5
D.B. Trebeck (Appointed 27/2/02)	7	6	2	2
P.B. Wade (Retired 27/2/02)	5	2	4	2

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 reflect their responsibilities and performance. Further details are provided in the Corporate Governance Statement in the Annual Report.

Non-executive annual Directors Fees from 1 March 2002 are \$44,700 per director, \$111,700 for the Chairman and \$74,400 for the Deputy Chairman. With the exception of the Chairman and Deputy Chairman, additional yearly fees of \$4,650 are paid to directors who are members of committees other than audit. The Chairman of these committees is paid \$6,950.

Yearly fees for the Audit Committee are \$6,000 for members and \$8,950 for the Chairman. \$1,110 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 Limited 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	109,441	9,056	118,497
A.D. McCallum	89,375	5,513	94,888
W.G. Barron	56,679	6,737	63,416
N. Burton Taylor	55,999	5,748	61,747
R.R. Flanery	50,554	12,679	63,233
R.G. Freeman	49,058	9,757	58,815
D. Groves	57,414	4,728	62,142
D.G. McGauchie	51,842	5,226	57,068
J.A. Menegazzo	49,860	5,274	55,134
D.B. Trebeck (Appointed 27/2/02)	29,446	2,473	31,919
P.B. Wade (Retired 27/2/02)	140,529*	5,180	145,709

* Includes retirement benefit

Note: Directors' fees include applicable committee fees.

Executive Director of GrainCorp Limited

Name	Salary \$	Bonus \$	Motor Vehicle \$	Super- annuation \$	Total \$
T.B. Keene <i>Managing Director</i>	377,152	97,200	48,878	40,211	563,441

Other Executives of GrainCorp Limited

Name and position	Salary \$	Bonus \$	Motor Vehicle \$	Super- annuation \$	Total \$
M. Watts, <i>Chief Financial Officer</i>	362,658*	23,220	-	4,060	389,938
J. Di Leo, <i>Chief Operating Officer</i>	248,818	43,200	41,010	24,435	357,463
A. Johns, <i>Business Development Manager</i>	140,443	21,000	16,040	20,622	198,105
J. Tansley, <i>Southern Division Manager</i>	136,875	17,273	9,091	28,594	191,833
N. Hart, <i>Corporate Services Manager</i>	142,989	9,844	21,192	14,164	188,189

* Includes retirement payment and leave entitlements.

Note: Emoluments reported are those paid or payable for the 12 months ended 30 September 2002. The amounts shown include fringe benefits tax where applicable.

Directors' Report

GrainCorp Limited and Controlled Entities

Share Options

Two additional executive options plans were approved by shareholders at the 2002 Annual General Meeting allowing a total of 940,000 shares to be acquired. The number of options granted to the managing director and the five most highly remunerated executives were as follows:

Name and Position	Number of Options
Directors	
Tom Keene, <i>Managing Director</i>	250,000
Other Executives	
M. Watts, <i>Chief Financial Officer*</i>	-
J. Di Leo, <i>Chief Operating Officer</i>	100,000
A. Johns, <i>Business Development Manager</i>	50,000
J. Tansley, <i>Southern Division Manager</i>	50,000
N. Hart, <i>Corporate Services Manager</i>	50,000

* Retired.

The options were granted under the executive option plans 2a and 2b.

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

Option Plan	Number	Issue Price	Expiry Date
GrainCorp Executive Option Plan 2a	250,000	\$ 8.85	30 September 2005
GrainCorp Executive Option Plan 2b	690,000	\$10.93	30 September 2005

A total of 68,000 ordinary shares of GrainCorp Limited were issued during the year ended 30 September 2002 on the exercise of options granted under the GrainCorp Executive Option Plan 1b. The amount paid on each of the shares was \$6.25. No amounts are unpaid on any of the shares.

Since 30 September 2002, 88,000 shares of GrainCorp Limited were issued on exercise of options granted under the GrainCorp Executive Option Plan 1c. 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
4 December 2002

Statements of Financial Position

as at 30 September 2002

GrainCorp Limited and Controlled Entities

	Note	Consolidated		Parent Entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current Assets					
Receivables	7	95,949	63,748	44,485	18,161
Inventories	8	8,588	9,416	-	-
Other	9	7,991	8,611	-	1,291
Total Current Assets		112,528	81,775	44,485	19,452
Non-Current Assets					
Receivables	10	83	94	-	-
Other financial assets	11	25,695	25,269	162,359	162,359
Property, plant & equipment	12	416,402	413,115	-	-
Deferred tax assets	13	6,381	3,319	1,708	465
Intangible assets	14	8,047	9,224	-	-
Total Non-Current Assets		456,608	451,021	164,067	162,824
Total Assets		569,136	532,796	208,552	182,276
Current Liabilities					
Payables	15	29,469	26,141	857	580
Interest bearing liabilities	16	42,401	34,449	45,657	23,593
Current tax liabilities	17	5,274	2,091	-	-
Provisions	18	28,473	20,380	19,906	13,096
Total Current Liabilities		105,617	83,061	66,420	37,269
Non-Current Liabilities					
Interest bearing liabilities	19	145,211	145,972	-	-
Deferred tax liabilities	20	15,884	14,926	-	-
Provisions	21	15,137	15,501	2,408	2,420
Total Non-Current Liabilities		176,232	176,399	2,408	2,420
Total Liabilities		281,849	259,460	68,828	39,689
Net Assets		287,287	273,336	139,724	142,587
Equity					
Parent entity interest:					
Contributed equity	22	96,524	99,531	96,524	99,531
Reserves	23	18,430	18,430	13,510	13,510
Retained profits	23	172,333	154,987	29,690	29,546
Total GrainCorp Limited Interest		287,287	272,948	139,724	142,587
Outside equity interest in controlled entities	24	-	388	-	-
Total Equity		287,287	273,336	139,724	142,587
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 2002

GrainCorp Limited and Controlled Entities

	Note	Consolidated		Parent Entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from operating activities		688,284	507,203	-	-
Other revenue		11,722	12,074	45,415	65,796
Total revenue from ordinary activities	2	700,006	519,277	45,415	65,796
Goods purchased for resale		(401,552)	(227,566)	-	-
Raw materials and consumables used		(20,132)	(22,704)	-	-
Employee benefits expense		(86,706)	(87,663)	(11,728)	(10,227)
Depreciation and amortisation expenses		(41,091)	(38,933)	-	-
Borrowing costs expense		(10,888)	(11,884)	-	-
Repairs and maintenance		(13,459)	(15,199)	-	-
Other expenses from ordinary activities		(58,296)	(51,140)	(1,553)	(991)
Expenses from ordinary activities		(632,124)	(455,089)	(13,281)	(11,218)
Shares of net (loss) of associates accounted for using the equity method		(90)	-	-	-
Profit from ordinary activities before income tax expense	3	67,792	64,188	32,134	54,578
Income tax expense	4	(19,189)	(19,627)	(640)	(678)
Profit from ordinary activities after income tax expense		48,603	44,561	31,494	53,900
Outside equity interests in profit from ordinary activities after income tax		93	19	-	-
Net Profit attributable to members of GrainCorp Limited		48,696	44,580	31,494	53,900
Total changes in equity other than those resulting from transactions with owners		48,696	44,580	31,494	53,900
		Cents	Cents		
Basic earnings per share	38	121.2	109.4		
Diluted earnings per share	38	118.2	109.0		

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 2002

GrainCorp Limited and Controlled Entities

	Note	Consolidated		Parent Entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of goods & services tax)		727,417	505,510	21,188	8,221
Payments to suppliers and employees (inclusive of goods & services tax)		(636,105)	(384,204)	(14,108)	(10,110)
		91,312	121,306	7,080	(1,889)
Interest received		238	690	19	-
Borrowing costs		(10,924)	(11,884)	-	-
Income taxes paid		(18,299)	(23,998)	(782)	(2,073)
Net Cash Inflow / (Outflow) from Operating Activities	35	62,327	86,114	6,317	(3,962)
Cash Flows from Investing Activities					
Cash acquired on merger		-	4,192	-	-
Payments for property, plant and equipment		(46,925)	(52,311)	-	-
Purchases of investments / business		(50)	(25,219)	-	(684)
Dividends received		1,917	571	-	52,600
Proceeds from sale of property, plant and equipment		1,760	1,833	-	-
Loans repaid by associates		1,577	-	-	-
Cash decrease on deconsolidation of group entity		585	-	-	-
Loans from related parties		-	157	26,940	21,516
Net Cash Inflow / (Outflow) from Investing Activities		(41,136)	(70,777)	26,940	73,432
Cash Flows from Financing Activities					
Proceeds from interest bearing liabilities		97,300	55,655	-	-
Repayment of interest bearing liabilities		(88,099)	(1,250)	-	-
Payments for shares bought back		(3,421)	(10,530)	(3,421)	(10,530)
Proceeds from executive share options exercised		425	425	425	425
Purchase of Class B shares from GGA		-	(37,575)	-	(37,575)
Share buy-back transaction costs		(11)	(43)	(11)	(43)
Dividends paid		(25,373)	(32,211)	(25,373)	(32,211)
Net Cash Inflow / (Outflow) from Financing Activities		(19,179)	(25,529)	(28,380)	(79,934)
Net increase / (decrease) in cash held		2,012	(10,192)	4,877	(10,464)
Cash at the beginning of the financial year		(10,618)	(426)	(11,306)	(842)
Cash at the End of the Financial Year	6	(8,606)	(10,618)	(6,429)	(11,306)

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

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the *Corporations Act 2001*.

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", 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

As a result of applying the revised accounting standard AASB 1005 *Segment Reporting*, a number of comparative amounts were represented or reclassified to ensure comparability with the current accounting period.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by GrainCorp as at 30 September 2002 and the results of all controlled entities for the 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 statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance 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 in the consolidated statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

b) Cash

For the purpose of the statements of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

c) Investments

Interests in listed securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and the dividend income is recognised in the statement of financial performance when receivable. 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(a).

d) 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 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.

1. Summary of Significant Accounting Policies (continued)

e) 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 operating lease payments are charges to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

f) Intangible Assets

(i) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period which the benefits are expected to arise – 20 years.

(ii) Intellectual property

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

g) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the statement of financial performance in the reporting period in which the recoverable amount write-down occurs.

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

h) Repairs and Maintenance

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

1. Summary of Significant Accounting Policies (continued)**i) Inventories****(i) Consumable Stores**

Consumable stores held for own consumption are valued 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.

(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.

j) 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 leave 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.

(v) Ownership-based remuneration schemes

Ownership-based remuneration is provided to employees via the GrainCorp employee share scheme. Information regarding this scheme is set out in Note 26.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares. When the shares are issued, their market value is recognised in the statement of financial position as share capital.

k) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are capitalised into the costs of qualifying assets.

Borrowing costs include:

- (i) interest on bank overdrafts and short-term and long-term borrowings;
- (ii) amortisation of discounts or premiums relating to borrowings;
- (iii) amortisation of ancillary costs incurred in connection with the arrangement of borrowings; and
- (iv) finance lease charges.

l) Income Tax

The tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income or the future income tax benefit accounts at the rate which are expected to apply when those timing differences reverse.

m) Research, Development and Marketing Costs

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

1. Summary of Significant Accounting Policies (continued)

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 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.

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 recognised 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 costs 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 net profit after income tax attributable to members of the company, excluding costs of servicing equity other than ordinary shares, 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.

1. Summary of Significant Accounting Policies (continued)

Change in basis of determining earnings per share

In previous years, basic earnings per share was determined using the profit from ordinary activities after income tax and preference share dividends attributable to members of the company, thereby excluding extraordinary items from earnings. Diluted earnings per share in previous years adjusted the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and earnings that would have arisen had the dilutive options been exercised during the financial year rather than adjusting the weighted average number of shares to include potential ordinary shares assumed to have been issued for no consideration.

The change in the basis for calculating earnings per share figures was made to comply with AASB 1027 *Earnings per Share*, issued in June 2001.

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.

v) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date, as well as any dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended, or declared between the end of the year and the completion of the financial report.

w) Rounding of amounts

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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases the nearest dollar.

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

2. Revenue

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from operating activities				
Sale of goods	422,522	253,347	-	-
Services	265,762	253,856	-	-
	688,284	507,203	-	-
Other revenue				
Dividends	1,917	571	30,000	52,600
Interest	238	690	19	-
Sale of non-current assets	1,760	1,833	-	-
Rental income	367	2,065	-	-
Management fee income	1,784	1,544	15,396	13,196
Other income	5,656	5,371	-	-
	11,722	12,074	45,415	65,796
Total revenue from ordinary activities (excluding share of net profits of associate accounted for using the equity method)	700,006	519,277	45,415	65,796

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

3. Operating Profit

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains / (Losses)				
Gain on sale of investment in controlled entity	169	-	-	-
Foreign exchange gain / (loss)	3,002	(5,835)	-	-
Expenses				
Cost of goods sold	416,278	227,571	-	-
Borrowing costs				
- Interest charges	8,704	7,129	-	-
- Other costs	2,184	4,755	-	-
Total borrowing costs	10,888	11,884	-	-
Loss on disposal of property, plant and equipment	816	977	-	-
Depreciation				
- Plant and equipment	37,654	35,911	-	-
- Buildings and improvements	1,701	1,322	-	-
Total depreciation	39,355	37,233	-	-
Amortisation – leased assets	1,268	1,029	-	-
Amortisation – intangible assets	468	671	-	-
Rental – operating leases	1,290	732	-	-
Other charges against assets				
- Bad and doubtful debts – trade debtors	1,200	377	-	-
Other provisions				
- Employee entitlements	588	3,478	822	495
- Provision for workers' compensation	460	1,855	-	-
Total other provisions	1,048	5,333	822	495
Research and development costs	533	638	-	-

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

4. Income Tax

The income tax expense for the financial year differs from the amount calculated on the profit.

The differences are reconciled as follows:

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Operating profit before income tax	67,792	64,188	32,134	54,578
Income tax calculated at 30% (2001 - 34% / 30%)	20,338	21,589	9,640	16,431
Tax effect of permanent differences:				
Non deductible depreciation and amortisation	2,519	694	-	-
Additional allowable tax depreciation	(3,031)	(1,382)	-	-
Dividend received/receivable	(575)	(170)	(9,000)	(15,780)
Other	7	(407)	-	-
Share of net profit of associate	13	-	-	-
Income tax adjusted for permanent differences	19,271	20,324	640	651
(Over) / Under provision in previous year	(82)	388	-	(21)
Impact of change in company tax rates - (2001 - 34% to 30%)	-	(1,085)	-	48
Income tax expense attributable to operating profit	19,189	19,627	640	678
Income tax attributable to operating profit comprises:				
Current taxation provision	20,600	10,797	1,188	475
Deferred income tax provision	958	1,175	-	203
Future income tax benefit	(2,369)	7,655	(548)	-
Income tax expense attributable to operating profit	19,189	19,627	640	678

Adjustment to Deferred Income Tax Balances

Legislation reducing the company tax rate from 34% to 30% from 1 July 2001 was passed during the tax year ended 30 June 2000. As a result, deferred tax balances were adjusted during the 2001 financial year using the new rates.

5. Dividends

	Parent Entity	
	2002 \$'000	2001 \$'000
Ordinary shares:		
Interim dividend paid of 34 cents (2001 – 43 cents)		
Franked at 30% (2001 – 34%)	13,713	17,513
Final dividend proposed of 44 cents (2001 – 29 cents)		
Franked at 30% (2001 – 30%)	17,632	11,655
	31,345	29,168

The franked dividends proposed as at 30 September 2002 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 September 2003.

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Franking credits available for the subsequent financial year	29,339	22,901	8,353	9,391

Note: The comparative for franking credits available for the subsequent financial year has been restated to reflect the changes that took place to the dividend imputation system effective from 1 July 2002, introduced by the *New Business Tax System (Imputation) Bill 2002*.

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 (current)

Bank overdrafts (note 16)	(8,606)	(10,618)	(6,429)	(11,306)
---------------------------	---------	----------	---------	----------

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
7. Receivables (current)				
Trade debtors	73,094	51,048	-	-
Provision for doubtful debts	(1,550)	(638)	-	-
	71,544	50,410	-	-
Other unsecured debtors	8,391	9,082	1,885	5,561
Margin deposits on commodity futures contracts	14,302	4,256	-	-
Advance to associated entities (note 33)	1,712	-	-	-
Related party debtors (note 33)				
- Services	-	-	42,600	12,600
	95,949	63,748	44,485	18,161
8. Inventories (current)				
Consumable stores	4,501	4,647	-	-
Trading stock	4,087	4,769	-	-
	8,588	9,416	-	-
9. Other Assets (current)				
Prepayments	5,541	5,713	-	-
Other assets	2,450	2,898	-	1,291
	7,991	8,611	-	1,291
10. Receivables (non - current)				
Trade debtors	83	94	-	-
11. Other Financial Assets (non - current)				
Investments traded on organised markets				
Shares at cost (refer (a) below)	25,195	25,219	-	-
Other (non-traded) investments				
Shares in controlled entities at cost (note 28)	-	-	162,359	162,359
Shares in associated company (note 36)	500	50	-	-
	25,695	25,269	162,359	162,359

(a) The market value at 30 September 2002 was \$31.1 million (2001 - \$29.9 million).

Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
12. Property, Plant & Equipment (non - current)				
Land, Buildings and Improvements				
Freehold land, at cost	16,277	14,376	-	-
Freehold building and structures, at cost	33,518	27,311	-	-
Less: Provision for depreciation	(5,998)	(4,982)	-	-
	27,520	22,329	-	-
Leasehold improvements, at cost	3,400	3,382	-	-
Less: Provision for depreciation	(438)	(281)	-	-
	2,962	3,101	-	-
Total land, buildings and improvements	46,759	39,806	-	-
Plant and Equipment				
Leased Plant and equipment	6,945	6,164	-	-
Less: Provision for depreciation	(3,063)	(1,819)	-	-
	3,882	4,345	-	-
Other plant and equipment, at cost	512,212	491,055	-	-
Less: Provision for depreciation	(162,086)	(137,328)	-	-
	350,126	353,727	-	-
Total Plant and equipment	354,008	358,072	-	-
Capital works in progress, at cost	15,635	15,237	-	-
	416,402	413,115	-	-

As at 30 September 2002, the directors' valuation of land and buildings remains at \$70 million compared to book values of \$46.8 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. This valuation was carried out in September 2001 using fair value as the basis.

12. Property, Plant & Equipment (non - current) (continued)

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	Buildings & Structures	Leasehold Improvements	Leased Plant & Equipment	Plant & Equipment	Capital Works In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated							
Balance at 1 October 2001	14,376	22,329	3,101	4,345	353,727	15,237	413,115
Reclassifications	-	2,205	19	-	(2,224)	-	-
Additions	1,982	4,674	-	832	39,039	398	46,925
Disposals	(31)	(145)	-	(27)	(2,372)	-	(2,575)
Disposal through deconsolidation of the Sunprime Group	(50)	-	-	-	(390)	-	(440)
Depreciation / amortisation	-	(1,543)	(158)	(1,268)	(37,654)	-	(40,623)
Balance at 30 September 2002	16,277	27,520	2,962	3,882	350,126	15,635	416,402

The balance at 30 September 2002 for the parent entity is zero.

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000

13. Deferred Tax Assets (non - current)

Future income tax benefit	6,381	3,319	1,708	465
---------------------------	-------	-------	-------	-----

14. Intangible Assets (non - current)

Intellectual property rights, at cost	-	915	-	-
Less: Accumulated amortisation	-	(215)	-	-
	-	700	-	-
Goodwill, at cost	9,025	9,074	-	-
Less: Accumulated amortisation	(978)	(550)	-	-
	8,047	8,524	-	-
	8,047	9,224	-	-

15. Payables (current)

Trade creditors	27,308	23,908	64	580
Other creditors	793	340	793	-
Income received in advance	1,368	1,893	-	-
	29,469	26,141	857	580

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
16. Interest Bearing Liabilities (current)				
Bank overdraft	8,606	10,618	6,429	11,306
Bills payable	33,200	22,600	-	-
Other loans	400	405	-	-
Leases	195	826	-	-
Other related parties (note 33) - Operations	-	-	39,228	12,287
	42,401	34,449	45,657	23,593
Note: Apart from leases, which are secured by the underlying assets, the remaining liabilities are all unsecured.				
17. Tax Liabilities (current)				
Provision for income tax	5,274	2,091	-	-
18. Provisions (current)				
Claims and disputes	2,037	834	-	-
Workers' compensation	1,030	1,062	-	-
Employee entitlements	7,774	6,829	2,274	1,441
Provision for dividend - other shareholders	14,000	9,264	14,000	9,264
- GGA	3,632	2,391	3,632	2,391
	28,473	20,380	19,906	13,096
19. Interest Bearing Liabilities (non - current)				
Bills payable	142,900	142,900	-	-
Other loans	400	800	-	-
Leases	1,911	2,272	-	-
	145,211	145,972	-	-
Note: Apart from leases, which are secured by the underlying assets, the remaining liabilities are all unsecured.				
20. Deferred Tax Liabilities (non - current)				
Deferred income tax liability	15,884	14,926	-	-
21. Provisions (non - current)				
Workers' compensation	3,680	3,188	-	-
Employee entitlements	11,457	12,313	2,408	2,420
	15,137	15,501	2,408	2,420
Employee Numbers				
Number of employees at balance date	778	774	109	105

22. Contributed Equity

	Parent Entity	
	2002 \$'000	2001 \$'000
Paid up capital	96,524	99,531

Share Capital at 30 September 2002 and 30 September 2001 consisted of the following fully paid shares:

	Number	Number
GGA Foundation share	1	1
Ordinary shares (previously Class A ordinary)	40,072,314	40,235,698

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

Date	Details	Total Number of Shares	\$'000
30 September 2000	Opening Balance	91,393,699	57,736
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 2001	Shares bought back on-market	(1,064,018)	(10,530)
30 September 2001	Sub-Total	40,235,698	99,531
27 May 2002	Share options exercised	68,000	425
5 June 2002	58,550 ordinary shares under employee share scheme*	58,550	-
21 June 2002	1,500 ordinary shares under employee share scheme*	1,500	-
Various 2002	Shares bought back on-market	(291,434)	(3,432)
30 September 2002	Closing Balance	40,072,314	96,524

* Refer to Note 26 for details of the employee share plan.

Share Options

A total of 68,000 ordinary shares of GrainCorp Limited were issued during the year ended 30 September 2002 on the exercise of options granted under the GrainCorp Executive Option Plan 1b. The amount paid on each of the shares was \$6.25. No amounts are unpaid on any of the shares.

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
23. Reserves & Retained Profits				
Asset revaluation	18,430	18,430	13,510	13,510
Movement in Reserves:				
Asset revaluation:				
Balance at beginning of financial year	18,430	3,235	13,510	13,510
Adjusted value of 25% investment Vicgrain	-	26,722	-	-
Value of 25% investment in associate company (Vicgrain) previously reported (note 36)	-	(11,527)	-	-
Closing balance	18,430	18,430	13,510	13,510

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(g). 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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Retained Profits				
Retained profits at the beginning of the financial year	154,987	139,575	29,546	4,814
Net profit attributable to members of GrainCorp Limited	48,696	44,580	31,494	53,900
Dividends provided for or paid	(31,350)	(29,168)	(31,350)	(29,168)
Closing balance	172,333	154,987	29,690	29,546

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

24. Outside Equity Interests in Controlled Entities

In November 2001, Services' holding in Sunprime Seeds Pty Limited "Sunprime" was reduced from a controlling interest of 50% to 33% thereby changing the relationship to that of an associated company.

The outside equity interests in the previously controlled entity Sunprime were 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	67% (2001: 50%)
GrainCorp Services Limited	Class A shares	33% (2001: 50%)

The outside equity interest in Sunprime is as follows:

	2002 \$'000	2001 \$'000
Share capital	-	415
Retained profits / (losses)	-	(27)
	-	388

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000

25. Expenditure Commitments

Capital Expenditure Commitments

Total capital expenditure contracted for at the reporting date but not provided for in payables:

- Payable not later than one year	2,622	16,611	-	-
- Later than one year but not later than five years	696	-	-	-
	3,318	16,611	-	-

Lease Expenditure Commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:

- Not later than one year	2,941	2,048	-	-
- Later than two years and not later than five years	10,070	5,585	-	-
- Later than five years	33,181	33,482	-	-
	46,192	41,115	-	-

Representing:

Cancellable operating leases	25,588	25,588	-	-
Non-cancellable operating leases	20,604	15,527	-	-
	46,192	41,115	-	-

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
25. Expenditure Commitments (continued)				
Operating Leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
- Not later than one year	2,510	1,617	-	-
- Later than two years but not later than five years	8,347	3,862	-	-
- Later than five years	9,747	10,048	-	-
	20,604	15,527	-	-
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
- Not later than one year	195	826	-	-
- Later than two years but not later than five years	1,911	2,272	-	-
Total lease liabilities	2,106	3,098	-	-
Commodity Forward Contracts *				
Commitments in relation to forward purchases #	98,487	90,425	-	-
Commitments in relation to forward sales	107,796	25,695	-	-

* The consolidated entity hedges these transactions. Refer Note 39 (a).

For some of these commitments the consolidated entity has an agency agreement with a counterparty for grain purchases.

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 9% 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, and have performed satisfactorily in the period, as assessed by management. Shares are issued for nil consideration and must be approved by the Board. 60,050 shares have been issued to employees this financial year. The total number of shares acquired under the plan to date is 433,799 shares.

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, National, Queensland, 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. No deficiencies of assets exist in any of these companies.
- (ii) The controlled entity may from time to time receive notices of possible claims for losses or damages. A provision of \$2,036,817 has been made to cover any liabilities which may arise out of such claims and the directors believe no further provision is required.
- (iii) As required by the self-insurance licensing requirements a Bank Guarantee in favour of the WorkCover Authority for at least \$5,070,000 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 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. While Vicgrain 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 is considered that this liability is no longer payable.

28. Investments in Controlled Entities

Name of Entity	Place of Incorporation	Class of Shares	Equity Holdings	
			2002	2001
Entities controlled by GrainCorp Limited:				
GrainCorp Services Limited	NSW	Ordinary	100%	100%
Victorian Grain Services Limited	VIC	Ordinary	100%	100%
Entities controlled by GrainCorp Services Limited:				
GrainCorp Operations Limited	NSW	Ordinary	100%	100%
Entities controlled by Victorian Grain Services Limited:				
Vicgrain Limited	VIC	Ordinary	75%	75%
Entities controlled by GrainCorp Operations Limited:				
GrainCorp Victoria Pty Limited	NSW	Ordinary	100%	100%
GrainCorp National Pty Limited	NSW	Ordinary	100%	100%
GrainCorp Queensland Pty Limited	NSW	Ordinary	100%	100%
Entities controlled by Vicgrain Limited:				
Vicgrain (Assets) Pty Limited	VIC	Ordinary	100%	100%
Vicgrain (Finance) Pty Limited	VIC	Ordinary	100%	100%

During the financial year, Services reduced its holding in Sunprime from a controlling interest of 50% to 33% thereby changing the relationship to that of an associated company.

Services, 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.

29. Deed of Cross Guarantee

GrainCorp, Services, Operations, Victoria, National, Queensland, 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 and 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 2002 of the Closed Group consisting of GrainCorp, Services, Operations, Victoria, National, Queensland, VGS, Vicgrain, Assets and Finance.

	Consolidated	
	2002 \$'000	2001 \$'000
Revenue from operating activities	688,227	504,444
Other revenue	11,710	11,942
Total revenue from ordinary activities	699,937	516,386
Purchase of goods for resale	(401,552)	(227,566)
Raw materials and consumables used	(20,132)	(22,704)
Employee benefits expense	(86,705)	(87,659)
Depreciation and amortisation expenses	(41,064)	(38,751)
Borrowing costs expense	(10,872)	(11,886)
Repairs and maintenance	(13,459)	(15,199)
Other expenses from ordinary activities	(58,085)	(48,421)
Expenses from ordinary activities	(631,869)	(452,186)
Share of net (loss) of associates accounted for using the equity method	(90)	-
Profit from ordinary activities before income tax	67,978	64,200
Income tax expense attributable to ordinary activities	(19,189)	(19,601)
Profit from ordinary activities after income tax	48,789	44,599
Net Profit attributable to members of GrainCorp Limited	48,789	44,599
Total changes in equity other than those resulting from transactions with owners	48,789	44,599

29. Deed of Cross Guarantee (continued)

Set out below is a consolidated statement of financial position as at 30 September 2002 of the Closed Group consisting of GrainCorp, Services, Operations, Victoria, National, Queensland, VGS, Vicgrain, Assets and Finance.

	Consolidated	
	2002	2001
	\$'000	\$'000
Current Assets		
Receivables	95,949	63,795
Inventories	8,588	9,125
Other	7,991	8,555
Total Current Assets	112,528	81,475
Non-Current Assets		
Receivables	83	426
Other financial assets	25,695	25,684
Property, plant & equipment	416,402	412,819
Deferred tax assets	6,381	3,319
Intangibles	8,047	8,498
Total Non-Current Assets	456,608	450,746
Total Assets	569,136	532,221
Current Liabilities		
Payables	29,469	25,704
Interest bearing liabilities	42,401	34,711
Current tax liabilities	5,274	2,092
Provisions	28,473	20,342
Total Current Liabilities	105,617	82,849
Non-Current Liabilities		
Interest bearing liabilities	145,211	145,972
Deferred tax liabilities	15,884	14,926
Provisions	15,137	15,501
Total Non-Current Liabilities	176,232	176,399
Total Liabilities	281,849	259,248
Net Assets	287,287	272,973
Equity		
Parent entity interest:		
Contributed equity	96,524	99,531
Reserves	18,430	18,430
Retained profits	172,333	155,012
Total Equity	287,287	272,973

30. Remuneration of Directors

	Directors of Entities in the Consolidated Entity		Directors of the Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
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	1,376,009*	1,148,904	1,376,009*	1,148,904

* Includes retirement benefit.

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:

\$	2002	2001
0 - 9,999	-	3
30,000 - 39,999	1	-
50,000 - 59,999	3	7
60,000 - 69,999	4	1
80,000 - 89,999	-	1
90,000 - 99,999	1	-
110,000 - 119,999	1	1
140,000 - 149,999*	1	-
490,000 - 499,999	-	1
560,000 - 569,999	1	-

* Includes retirement benefit.

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

31. Remuneration of Executives

	Executives of Entities in the Consolidated Entity		Executives of the Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
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	3,003,760*	4,988,598*	3,003,760*	4,988,598*

* Includes redundancy and retirement payments and leave entitlements.

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	
	2002	2001
110,000 - 119,999	-	1
130,000 - 139,999	1	1
140,000 - 149,999	2	-
150,000 - 159,999	-	1
160,000 - 169,999*	2	1
170,000 - 179,999	-	2
180,000 - 189,999	3	-
190,000 - 199,999	2	1
200,000 - 209,999	-	-
220,000 - 229,999	-	1
320,000 - 329,999	-	1
350,000 - 359,999	1	-
380,000 - 389,999*	1	-
490,000 - 499,999	-	1
560,000 - 569,999	1	-
570,000 - 579,999*	-	1
580,000 - 589,999*	-	1
780,000 - 789,999*	-	1
870,000 - 879,999*	-	1

* Includes redundancy and retirement 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.

32. Remuneration of Auditors

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
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	254,205	217,500	60,000	55,000
Remuneration for other services:				
Auditor of the parent entity				
- Due diligence fees	370,662	-	-	-
- Taxation (Indirect)	51,309	48,832	-	-
- Consulting	57,880	25,645	-	-
- Compliance and other miscellaneous	15,790	7,500	-	-
	495,641	81,977	-	-

Service provider appointments are subject to the consolidated entity's corporate governance procedures and auditor independence policies.

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)
 T.B. Keene (Managing Director)
 W.G. Barron
 N. Burton Taylor
 R.R. Flanery
 R.G. Freeman
 D. Groves
 D.G. McGauchie
 J.A. Menegazzo
 D.B. Trebeck (Appointed 27/02/2002)
 P.B. Wade (Retired 27/02/2002)

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

	2002 Number of Shares	2001 Number of Shares
Aggregate number of shares held at beginning of year	5,543,640	4,127,699
Shares purchased during year	85,458	49,320
Shares acquired through Vicgrain merger	-	1,114,031
Shares sold during year	(64,274)	-
Shares held prior to appointment	-	369,738
Shares held by directors who retired during the year	(10,833)	(117,148)
Aggregate number of shares held at end of year	5,553,791	5,543,640

As at 30 September 2002, GGA owned 1 Foundation share and 8,253,709 Ordinary shares in GrainCorp.

Messrs Greentree, McCallum, Barron, Flanery, Freeman, and McGauchie are directors of GGA at 30 September 2002 and are members of GGA. As at 30 September 2002, Messrs Burton Taylor, Menegazzo and Trebeck are members of GGA and in that capacity have an interest in the above shares owned by GGA.

Mr N. Burton Taylor is Chairman of the Country Education Foundation of Australia which is a beneficiary of the GrainCorp Foundation.

Remuneration of directors is disclosed at Note 30.

33. Related Party Transactions (continued)

	Consolidated	
	2002	2001
	\$	\$
Other transactions in aggregate between directors and the consolidated entity comprised:		
Lease of storage and other facilities from director on commercial terms	91,800	53,775

In addition to the above, transactions for storage, handling, transport, 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. These balances are the result of transactions conducted under normal trading terms and conditions.

	Consolidated		Parent Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Current receivables				
- directors	212	26,495	-	-
- director-related entities	4,231,025	1,360,476	-	-
Current payables				
- directors	6,377	-	-	-
- director-related entities	-	18,466	-	-

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, A. McCallum and D. Trebeck.

33. Related Party Transactions (continued)

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

The consolidated entity consists of GrainCorp and its controlled entities: Services, Operations, 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 2002 and 2001 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; and
- (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	
	2002	2001
	\$'000	\$'000
Management fees for administrative services	15,402	13,196
Dividend revenue	30,000	52,600

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

	Parent Entity	
	2002	2001
	\$'000	\$'000
Current receivables (note 7)	42,600	12,600
Current interest bearing liabilities (note 16)	39,228	12,287

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 Vicgrain Finance Pty Limited.

Notes to the Financial Statements

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

33. Related Party Transactions (continued)

iii) Transactions with other related parties

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax:				
Management fees for administrative services provided to GGA	34	38	-	-
Rental income from GGA	24	43	-	-
Rental charge from GGA	33	29	-	-
Management fees for administrative services provided to Sunprime	143	*	-	-
Licence fees received from Sunprime	20	*	-	-
Wheat supplied by Sunprime	426	*	-	-
Grading provided by Sunprime	8	*	-	-
Grading income from Sunprime	83	*	-	-
Storage, testing and seconds income from Sunprime	25	*	-	-
Training provided by Advance Trading	28	-	-	-
Consulting fees paid to Advance Trading	104	-	-	-
Testing income from Nugrain	1	-	-	-

* Entity became related party during the 2001/2002 financial year.

Aggregate amounts receivable from and payable to other related parties at balance sheet date were as follows:

Current provisions				
- GGA (note 18)	3,632	2,391	3,632	2,391
Loan to Sunprime (note 7)	125	*	-	-
Loan to Nugrain (note 7)	454	-	-	-
Loan to Allied Mills (note 7)	1,133	-	-	-

* Entity became related party during the 2001/2002 financial year.

GGA is the parent entity which owns 20.6% of the ordinary shares in GrainCorp. GrainCorp has a 33% interest in Sunprime, a 25% interest in each of Advance Trading (Australia) Pty Limited "Advance Trading" and Nugrain Pty Limited "Nugrain", and a 60% holding in Allied Mills Australia Pty Limited "Allied Mills".

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.

34. Segment Information

2002	Storage & Handling \$'000	Marketing \$'000	Intersegment Eliminations \$'000	Consolidation \$'000
Sales to customers outside consolidated entity	265,762	422,522	-	688,284
Intersegment sales	14,397	1,628	(16,025)	-
Total sales revenue	280,159	424,150	(16,025)	688,284
Share of net (loss) of associates	(90)	-	-	(90)
Other revenue	7,888	3,834	-	11,722
Total segment revenue	287,957	427,984	(16,025)	699,916
Segment result	102,103	6,986	-	109,089
Unallocated expenses				(41,297)
Profit from ordinary activities before income tax				67,792
Income tax expense				(19,189)
Profit from ordinary activities after income tax				48,603
Segment assets	462,373	67,145	-	529,518
Unallocated assets				39,618
Total assets				569,136
Segment liabilities	241,150	19,541	-	260,691
Unallocated liabilities				21,158
Total liabilities				281,849
Investments in associates	-	-	-	-
Unallocated investments in associates				500
Total investments in associates				500
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	46,855	70	-	46,925
Depreciation and amortisation expense	40,541	550	-	41,091
Net cash inflow from operating activities	98,368	(7,056)	-	91,312
Unallocated cashflows				(28,985)
Net cash inflow from operating activities				62,327

34. Segment Information (continued)

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
Segment liabilities	233,046	9,397	-	242,443
Unallocated liabilities				17,017
Total liabilities				259,460
Investments in associates	-	-	-	-
Unallocated investments in associates				50
Total investments in associates				50
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	51,255	56	-	51,311
Depreciation and amortisation expense	38,818	115	-	38,933
Net cash inflow from operating activities	106,754	14,552	-	121,306
Unallocated cashflows				(35,192)
Net cash inflow from operating activities				86,114

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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities.				
Profit from ordinary activities after income tax	48,603	44,561	31,494	53,900
Add / (less) items classified as investing/financing activities:				
Net (profit) / loss on sale of non-current assets	816	977	-	-
Dividends received	(1,917)	(571)	(30,000)	(52,600)
Net (profit)/loss on sale of investment in controlled entity	(169)	-	-	-
Share buy-back transaction costs	-	43	-	43
Add / (less) non-cash items:				
Share of profit of associate not received as dividends	90	-	-	-
Depreciation / amortisation	41,091	38,933	-	-
Provision for employee entitlements	580	726	822	1,061
Net cash provided by operating activities before change in assets and liabilities	89,094	84,669	2,316	2,404
Changes in assets and liabilities net of effects from merger with previous associate and deconsolidation of previously controlled entity (Refer note 28):				
(Increase) / decrease in inventories	536	25,613	-	-
(Increase) / decrease in other assets	581	(4,247)	-	4
(Increase) / decrease in future income tax benefit	(3,063)	3,728	49	(953)
Increase / (decrease) in receivables	(34,278)	(6,736)	3,866	(4,975)
Increase / (decrease) in trade creditors	4,512	(5,798)	276	-
Increase / (decrease) in provision for income tax	2,994	(5,323)	(190)	(442)
Increase / (decrease) in provision for deferred tax	958	(260)	-	-
Increase / (decrease) in income received in advance	(525)	(5,532)	-	-
Increase / (decrease) in provision for claims	1,518	-	-	-
Net cash provided by operating activities	62,327	86,114	6,317	(3,962)

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(a)).

In November 2001, Sunprime ceased to be a controlled entity and became an associate and as a result was deconsolidated as of that date.

Company	Principal Activity	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2002	2001	2002	2001	2002	2001
				\$'000	\$'000	\$'000	\$'000
Nugrain Pty Limited	Research	25%	25%	50	50	-	-
Advance Trading (Australia) Pty Limited	Risk Management	25%	25%	26	-	-	-
Sunprime Seeds Pty Limited	Research	33%	50%	424	-	-	-
National Grower Register Pty Limited	Register Management	33%	-	-	-	-	-
Allied Mills Australia Pty Limited	Mixing & Milling	60%	-	-	-	-	-
				500	50	-	-

	Consolidated	
	Financial Year to 30 September 2002	Financial Year to 30 September 2001
	\$'000	\$'000
Movements in Carrying Amount of Investments in Associate		
Carrying amount at the beginning of the financial year	-	11,527
Investment in associates	124	-
Deconsolidation of Sunprime	466	-
Dividends received	-	-
Share of operating (loss) after income tax	(90)	-
Reduction due to dividend and share buy back	-	-
Control of previous associate	-	(11,527)
	500	-

Results Attributable to Associated Company:

Operating profits before income tax	(90)	-
Income tax expense	-	-
Share of associate's operating profits after income tax expense	(90)	-
Retained profits attributable to associate at the beginning of the financial year	-	-
Retained profits attributable to associate at the end of the financial year.	(90)	-

36. Investment in Associated Company (continued)

	Consolidated	
	Financial Year to 30 September 2002 \$'000	Financial Year to 30 September 2001 \$'000
Reserves Attributable to Associated Company		
Asset revaluation reserve		
Balance at the beginning of the financial year	-	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	-	-

Summary of the Performance and Financial Position of Associates

The aggregate profits, assets and liabilities of associates are:

Net profit after income tax	(800)	-
Assets	3,437	-
Liabilities	3,215	-
Share of Associate's expenditure commitments		
Capital commitments	-	-
Lease liabilities	-	-

	Consolidated		Parent Entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
37. Non Cash Financing and Investing Activities				
Acquisition of plant and machinery by means of finance leases	665	3,098	-	-

38. Earnings Per Share

	Consolidated	
	2002 Cents	2001 Cents
Basic earnings per share	121.2	109.4
Diluted earnings per share	118.2	109.0
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.		
	40,174,806	40,756,968
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in the calculation of diluted earnings per share.		
	41,202,806	40,912,968

39. Financial Instruments

GrainCorp and its controlled entities are parties to derivative financial instruments with associated risk in the normal course of business in order to hedge exposure to fluctuations in commodity prices, foreign exchange and interest rates. Their use is subject to a comprehensive set of policies, procedures and limits approved by the Board of Directors.

(a) Commodity Price Risk

The consolidated entity is exposed to grain price fluctuations through its grain trading activities. To hedge this commodity price risk, the consolidated entity has entered into grain commodity futures contracts and grain commodity options contracts with terms between 2 and 16 months depending on the underlying transactions.

At balance date, net outstanding commodity futures contracts had a fair value of \$189,122,792 (2001 - \$81,038,256) with various maturities up to December 2003. If settled at balance date, these contracts would have resulted in a net loss of \$10,279,000 (2001 - \$58,882) which is offset by an unrecognised net gain on the underlying transactions being hedged.

Commodity sold and bought options are marked to market at each balance date. These options with maturities up to April 2003, if closed out at balance date, would have resulted in a net gain of \$1,088,873 (2001 - \$2,453,113) which may be offset by an unrecognised net loss on the underlying transactions being hedged.

(b) 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).

	2002 A\$'000	2002 Average Exchange Rate	2001 A\$'000	2001 Average Exchange Rate
Buy US Dollars / Sell Australian Dollars				
0 - 6 months	41,527	0.5419	1,120	0.5594
6-12 months	955	0.5016	15,563	0.5005
12-18 months	-	-	883	0.4972
Buy Australian Dollars / Sell US Dollars				
0 - 6 months	86,038	0.5396	66,839	0.5326
6-12 months	8,008	0.5370	4,316	0.5097
12-18 months	458	0.5459	2,932	0.5115
Buy Canadian Dollars / Sell Australian Dollars				
0 - 6 months	349	0.8596	3,730	0.8071
Buy Australian Dollars / Sell Canadian Dollars				
0 - 6 months	31,128	0.8327	16,277	0.7861
6-12 months	-	-	760	0.7899
Buy Euros / Sell Australian Dollars				
0 - 6 months	1,805	0.5540	173	0.5781
Buy Australian Dollars / Sell Euros				
0 - 6 months	-	-	244	0.5329
6-12 months	-	-	3,922	0.5736
12-18 months	-	-	1,476	0.5625

39. Financial Instruments (continued)

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

The following foreign exchange gains and losses have been deferred.

	2002 \$'000	2001 \$'000
Unrealised gains	1,614	1,105
Unrealised losses	(936)	(6,839)
Net gain (loss)	678	(5,734)

(c) Interest Rate Swap Contracts

Bank loans of the consolidated entity currently bear an average variable interest rate of 5.42% (2001: 4.60%). It is the consolidated entity's 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 37% (2001: 40%) of the total borrowings outstanding. The average fixed interest rate is 6.81% (2001: 7.17%) and the variable rates are between 0.30% and 0.50% (2001: 0.30% and 0.50% respectively) above 90 or 180 day bank bill rate.

At 30 September 2002, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2002 \$'000	2001 \$'000
0-1 years	25,000	5,980
2-3 years	40,000	60,000

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 \$1,325,133 (2001: financial liability \$3,659,634). GrainCorp also has a nominal \$1.5 million interest rate collar amortising until March 2003, with an interest cap rate of 5.95% and an interest floor rate of 4.95%.

39. Financial Instruments (continued)**(d) 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:

2002	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							
Investments						25,695	25,695
Cash and deposits							-
Receivables						95,949	95,949
Interest rate collar*	5.95		1,500				1,500
Interest rate swaps*	5.41	65,000					65,000
		65,000	1,500	-	-	121,644	188,144
Financial liabilities							
Bank overdrafts	8.45	8,606					8,606
Trade and other creditors						29,469	29,469
Bills payable	5.42	176,100					176,100
Other loans						800	800
Finance Leases	7.13		195	1,911			2,106
Interest rate collar*	4.95		1,500				1,500
Interest rate swaps*	6.81		25,000	40,000			65,000
		184,706	26,695	41,911	-	30,269	283,581
Net financial assets (liabilities)							(95,437)

* notional principal

39. Financial Instruments (continued)

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						63,748	63,748
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	-	89,017	157,747
Financial liabilities							
Bank overdrafts	8.45	10,618					10,618
Trade and other creditors						26,141	26,141
Bills payable	5.01	165,500					165,500
Other loans						1,205	1,205
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
		176,118	8,056	63,772	-	27,346	275,292
Net financial assets (liabilities)							(117,545)

* notional principal

Reconciliation of Net Financial Assets to Net Assets

	2002 \$'000	2001 \$'000
Net financial assets (liabilities) as above	(95,437)	(117,545)
Non-financial assets and liabilities		
Inventories	8,588	9,416
Property, plant and equipment	416,402	413,115
Intangibles	8,047	9,224
Other assets	14,455	12,024
Provisions	(64,768)	(52,898)
Other liabilities	-	-
Net assets per balance sheet	287,287	273,336

(e) Credit Risk

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provision for doubtful debts.

There is potential for the current dry conditions to increase credit risk through counterparties not being able to meet their obligations. The consolidated entity considered this exposure and associated provisions at balance date and continue to monitor these risks.

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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(i) Working Capital & Multi Option Facilities (a)				
Available (b)	180,000	180,000	-	-
Used	33,200	37,200	-	-
Unused credit available	146,800	142,800	-	-
(ii) Term Facilities				
Available	142,900	197,600	-	-
Used	142,900	142,900	-	-
Unused credit available	-	54,700	-	-
Total Facilities at year end				
Available	322,900	377,600	-	-
Used	176,100	180,100	-	-
Unused credit available	146,800	197,500	-	-

(a) Includes bank guarantees and other facilities.

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

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.

41. Subsequent Events**Allied Mills**

GrainCorp and Cargill Australia Ltd (Cargill), a fully owned subsidiary of international agribusiness company, Cargill Incorporated, have bought the milling and mixing business from Goodman Fielder Ltd. The acquisition is a joint venture between GrainCorp and Cargill and will trade as Allied Mills. The business was acquired on 4 October 2002 for approximately \$200 million, and GrainCorp have a 60% ownership interest. All necessary regulatory approvals have been obtained by both companies.

Bulk Terminals Australia

On 1 November 2002, GrainCorp joined with Grainco Australia Ltd (Grainco) to form a new joint venture company called Bulk Terminals Australia (BTA) which will operate their respective Newcastle and Brisbane terminals.

BTA, in which GrainCorp and Grainco maintain an equal shareholding, will operate GrainCorp's existing port facilities at Carrington and Kooragang Island in Newcastle and Grainco's facilities at Fishermans Island and Pinkeba in Brisbane.

41. Subsequent Events (continued)

Tax Consolidation

The first two tranches of the tax consolidation legislation became substantively enacted on 21 October 2002 when the *New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002* was passed by the Senate. GrainCorp intends to adopt the legislation in the next financial year.

The financial effect of the legislation has not been recognised in this financial report in accordance with UIG 39 *Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances*. It is not possible to disclose the effect of the legislation in this financial report as it cannot yet be reliably estimated.

Drought

Due to current drought conditions in most of New South Wales and Victoria, receivables will be significantly lower in the next financial year. However, the consolidated entity has implemented cost management measures to lessen the impact on next years results.

Other

Other than reported elsewhere in the Annual Report, no other matter or circumstance has arisen since 30 September 2002 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.

Directors' Declaration

for the year ended 30 September 2002

GrainCorp Limited and Controlled Entities

The directors declare that the financial statements and notes set out on pages 10 to 51:

- (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 2002 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 to 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
4 December 2002

Independent Audit Report

to the members of GrainCorp Limited and its Controlled Entities

Audit opinion

In our opinion, the financial report, set out on pages 10 to 52:

- presents a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of GrainCorp Limited and the GrainCorp Group (defined below) as at 30 September 2002 and of their performance for the year ended on that date
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory professional reporting requirements in Australia, and the *Corporations Regulations 2001*

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report - responsibility and content

The preparation of the financial report for the year ended 30 September 2002 is the responsibility of the directors of GrainCorp Limited. It includes the financial statements for GrainCorp Limited (the Company) and for the GrainCorp Group (the Group), which incorporates GrainCorp Limited and the entities it controlled during the year ended 30 September 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory reporting requirements in Australia, and the *Corporations Regulations 2001*, which is consistent with our understanding of the Company's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

The procedures included:

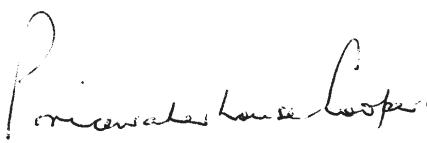
- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the *Corporations Act 2001* and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in Note 32 to the financial statements. In our opinion the provision of these services has not impaired our independence.



PricewaterhouseCoopers



P J Carney
Partner

Sydney
4 December 2002

Shareholder Information

as at 13 December 2002

GrainCorp Limited and Controlled Entities

The Shareholder information set out below was applicable as at 13 December 2002.

A. Distribution of Ordinary Shares

1 - 1,000	5,914
1,001 - 5,000	2,831
5,001 - 10,000	735
10,001 - 100,000	434
100,001 - and over	29
	9,943

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	20.63%
2. NBT Pty Ltd	1,470,823	3.68%
3. DB Capital Pty Limited	595,568	1.49%
4. Mr R Greentree & Mr B Harris	528,640	1.32%
5. Victorian Farmers Federation Property Trust Ltd	499,967	1.25%
6. UBS Warburg Private Clients	412,081	1.03%
7. Janvin Pty Limited	285,168	0.71%
8. Linkshore Pty Limited	278,850	0.70%
9. Mr G Watsford	261,763	0.65%
10. Janvin Pty Limited	250,000	0.62%
11. Menegazzo Enterprises Pty Ltd	241,783	0.60%
12. R & D Pastoral Pty Ltd	230,950	0.58%
13. Mr P Menegazzo	227,867	0.57%
14. Rupert Baroona Pty Ltd	200,000	0.50%
15. Ms N Der Sarkissian	174,464	0.44%
16. Mr P Cameron	173,401	0.43%
17. DB Capital	163,408	0.41%
18. Accounter Nominees Pty Ltd	140,000	0.35%
19. J P Morgan Nominees Australia Limited	139,334	0.35%
20. Mr J Menegazzo	127,583	0.32%
	14,655,359	36.63%

Shareholder Information

as at 13 December 2002

GrainCorp Limited and Controlled Entities

C. Substantial Shareholders

The following shareholder had a substantial shareholding in GrainCorp Limited shares as at 13 December 2002.

		Ordinary Shares	
		Number of shares held	Percentage of issued shares
1	Grain Growers Association Limited	8,253,709	20.63%

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

This page has been intentionally left blank.

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 www.asx.com.au.

Dividend Policy

GrainCorp has a dividend payout ratio of 65 per cent.

GrainCorp Website

www.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 Pty Limited
Photography - Ted Sealey
Print Management - Intoprint

