

GRAINCORP LIMITED

ABN 60 057 186 035

AND CONTROLLED ENTITIES

DIRECTORS' REPORT

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 2003.

Directors

The following persons are directors of GrainCorp Limited ("GrainCorp") 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
J.A. Menegazzo
D.C. Taylor
D.B. Trebeck

Mr D.G. McGauchie was a director from the beginning of the financial year until his retirement on 31 July 2003. Mr D.C. Taylor was appointed as a director on 1 October 2003.

Principal Activities

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

- ◆ receival, handling and storage of grain and other bulk commodities as an agent for marketing organisations, end users and growers;
- ◆ marketing of grain and other bulk commodities and the operation of grain pools;
- ◆ road and rail transport services for bulk commodities;
- ◆ provision of farm input products;
- ◆ flour milling and mixing services.

Review of Operations

The consolidated entity recorded a loss after tax of \$18.2 million for the financial year compared with a profit after tax of \$48.6 million for the previous year. EBITDA reduced from \$125.6 million to \$34.1 million. The principal reason for the loss was that receivals were significantly lower during the financial year as a consequence of the drought conditions in most of New South Wales and Victoria. Grain receivals during the year were 2.1 million tonnes (2002: 12 million tonnes) with export shipping of 1.2 million tonnes (2002: 6.8 million tonnes).

GRAINCORP LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT (continued)

The effect of the drought on the result for the year was partially offset by the disposal of GrainCorp's equity investment in AWB Limited, an increase in contribution to profit from the Marketing division and the implementation of substantial cost management measures.

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

Merger with Grainco Australia Limited

On 15 August 2003, Grainco Australia Limited ("Grainco") shareholders accepted an offer to merge with GrainCorp, passing all resolutions by a vote of over ninety-seven percent. Refer to the later section on subsequent events for more detail on the merger.

Allied Mills

GrainCorp and Cargill Australia Ltd ("Cargill"), a wholly-owned subsidiary of the international agribusiness company, Cargill Inc., bought the milling and mixing business from Goodman Fielder Ltd on 4 October 2002 for approximately \$200 million. The acquisition was a joint venture between GrainCorp and Cargill and the new company trades as Allied Mills Australia Pty Limited ("Allied Mills"). GrainCorp has a 60% ownership interest.

Bulk Terminals Australia

On 1 November 2002, GrainCorp joined with Grainco to form a new joint venture company called Bulk Terminals Australia ("BTA") which operates their respective Newcastle and Brisbane terminals. BTA, in which GrainCorp and Grainco maintain an equal shareholding, operates GrainCorp's existing port facilities at Carrington and Kooragang Island in Newcastle and Grainco's facilities at Fishermans' Island and Pinkenba in Brisbane.

Dividend Re-investment Plan

In November 2002, GrainCorp re-established its Dividend Re-investment Plan providing an opportunity for existing shareholders to increase their equity in the company. 694,618 Ordinary shares were issued for \$9.19 each.

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

Dividends

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

Date	Rate (Cents)	Amount \$'000
Paid 6 January 2003 - final for 2002	44.0	17,671
Interim for 2003	-	-
Final for 2003	-	-

Matters Subsequent to the End of the Financial Year

Merger with Grainco Australia Limited

GrainCorp and Grainco merged on 1 October 2003 and the new combined entity will continue as GrainCorp Limited. The total cost of the merger was approximately \$117.6 million. It included \$105 million payable to Grainco shareholders (equivalent to \$1.39 per Grainco Ordinary Share), \$11.1 million payable to the ConAgra Trade Group ("ConAgra") for its 25% interest in MarketLink (Aust) Pty Ltd ("MarketLink") and \$1.5 million in acquisition costs. The agreement gave Grainco shareholders a choice of cash and/or Reset Preference Shares (RPS) in GrainCorp and provided them with the option of continuing as a shareholder in the merged entity. The merger required a change to the constitution of GrainCorp to allow for RPS to be issued and to create an additional Board position for a Queensland representative until the 2004 AGM.

MarketLink was a joint venture between Grainco and ConAgra with Grainco holding 75% equity interest and ConAgra 25%. As part of the merger agreement, Grainco purchased the remaining 25% equity from ConAgra for approximately \$11.1 million. This further purchase made MarketLink a wholly-owned subsidiary of Grainco. Therefore, GrainCorp became the ultimate holding company of MarketLink. Also, as a consequence of the merger, BTA will become wholly-owned by GrainCorp.

As part of the conditions of the merger, as agreed with the ACCC, GrainCorp has an undertaking to dispose of its interest in Australian Bulk Alliance Pty Ltd ("ABA") as soon as commercially possible.

Reset Preference Shares

To fulfil the terms of the merger with Grainco, GrainCorp offered RPS at \$100 each. The offer was structured in two parts: a priority offer to Grainco and GrainCorp shareholders and a subsequent offer to the public. GrainCorp set the maximum amount to be issued at \$120 million which was over-subscribed. All priority and broker firm applications were satisfied in full, while applications made under the public offer were subject to a scale-back process. The RPS commenced trading on the ASX on a deferred settlement basis on 2 October 2003 and on a normal settlement basis on 8 October 2003.

RPS are non-cumulative preference shares quoted on the Australian Stock Exchange. Key features of RPS include:

- Preferred dividend: each RPS carries a preferred dividend fixed until 30 September 2006 at a rate of 6.5% which is expected to be fully franked;
- Reset mechanism: GrainCorp may reset certain terms of RPS on a Reset Date including the applicable dividend rate. The first Reset Date is 30 September 2006; and
- Conversion rights: in certain circumstances (including on a Reset Date) a holder of RPS may receive Ordinary shares in GrainCorp for their RPS at a discount of 2.5% to the relevant volume weighted average price of those Ordinary shares.

Tax Consolidation

Tax consolidation legislation became substantively enacted during the year when the *New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002* was passed by the Senate.

At present, it is expected that there will be no material financial effect on the financial statements and at the date of this report, the directors have not made a decision whether or not to elect to be taxed as a single entity. 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*.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

Other

Other than reported elsewhere in the Annual Report, no other matter or circumstance has arisen since 30 September 2003 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.

Occupational Health and Safety

GrainCorp is committed to ensuring compliance with relevant occupational health and safety 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 is achieved. GrainCorp's occupational health and safety 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. Five prosecutions by WorkCover have been found against GrainCorp this year as a result of injuries sustained to employees and others in prior years.

In 2003, GrainCorp embarked on a new safety implementation strategy that encompasses all strategic business units. In consultation with employees a more comprehensive Safety Management Program (SMP) was developed containing occupational health and safety standards that are suited to GrainCorp's operations. These standards clearly define the responsibilities and processes required to manage GrainCorp's occupational, health, safety and environmental objectives.

Through this program, the organisation has empowered all employees to identify and manage risk at the local level while maintaining a robust framework of rectification programs for identified safety issues. Every executive and senior manager has undertaken safety leadership training as part of this process. This has led to an increased focus on safety throughout GrainCorp and has ensured that safety is considered an integral part of all operational and planning processes.

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:

- developing and implementing sound environmental management systems to ensure legislative requirements are met;
- engaging independent specialists to assess current practice and assist in improvement strategies;
- developing and encouraging employee awareness and responsibility to environmental issues;
- monitoring performance of the consolidated entity in respect of environmental issues and adjust processes accordingly;
- introducing procedural guidelines to address task-specific environmental concerns.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

An important part of the GrainCorp Environmental Management System (EMS) 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.

Information on Directors

R.L. (Ron) Greentree (Chairman)

Grower from Mungindi, NSW. Principal of an agricultural machinery business and Chairman of BRI Australia Ltd. Chairman of the Remuneration and Nominations Committee and GrainCorp Foundation.

A.D. (Allan) McCallum (Deputy Chairman) Dip.Ag.Sc., MAICD

Grower from Kerang, Victoria. Director of Incitec Pivot Limited, Chairman of Nugrain Pty Limited and President of Australian Oilseeds Federation. Member of the Remuneration and Nominations Committee.

T.B. (Tom) Keene (Managing Director) B.Ec., MAICD

Managing Director of GrainCorp Group and member of the Risk Management Committee. Chairman of Allied Mills Australia Pty Limited.

W.G. (Graham) Barron

Grower from Ungarie, NSW. Chairman of the Risk Management Committee.

N. (Nick) Burton Taylor AM B.Ec., ASIA, FCA, FAICD

Grower from Boorowa, NSW. Chairman of The Australian Agricultural Company Limited, Director of Rural Press Limited and Bankstown Airport Limited. Chairman of the Audit Committee.

R.R. (Ross) Flanery

Grower from Harden, NSW. Member of the Remuneration and Nominations Committee.

R.G. (Rick) Freeman

Grower from Edgeroi, NSW. Company principal of Norseman Machinery Imports Pty Limited. Member of the Audit Committee. Director of GrainCorp Superannuation Pty Limited.

D. (David) Groves B.Com., M.Com., CA

Chartered Accountant and Company Director. Director of Masling Industries Pty Limited and Equity Trustees Limited. Member of the Risk Management Committee.

J.A. (Julian) Menegazzo B.Sc., MAICD

Grower from Balliang, Victoria. Member of the Remuneration and Nominations Committee.

D.C. (Don) Taylor B.Com, Grad.Cert.Rur.Sc., FAICD

Grower from Dalby, QLD.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

D.B. (David) Trebeck B.Sc.Agr. (Hons), M.Ec., MAICD

Consultant, Grower and Company Director from Canberra, ACT. Executive Chairman of ACIL Tasman Pty Limited. Director of Incitec Pivot Limited, National Grazing Services Pty Limited and ABN 60 Pty Ltd. Member of the Audit Committee.

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

Director	Ordinary Shares	Reset Preference Shares	Convertible Notes	Share Options
R.L. Greentree	792,992	-	-	-
A.D. McCallum	126,615	-	-	-
T.B. Keene	231,141	600	-	250,000
W.G. Barron	155,231	-	-	-
N. Burton Taylor	1,520,038	-	-	-
R.R. Flanery	223,372	5,400	-	-
R.G. Freeman	136,192	-	-	-
D. Groves	1,644,891	10,000	792,049*	-
J.A. Menegazzo	472,742	-	-	-
D.C. Taylor	-	333	-	-
D.B. Trebeck	14,004	-	-	-

* Held in Grainco Australia Limited, a wholly-owned subsidiary of GrainCorp since 1 October 2003.

As at the date of this report, Grain Growers Association "GGA" owned 1 Foundation share and 8,648,024 Ordinary shares in GrainCorp Limited. Messrs Greentree, McCallum, Barron, Flanery and Freeman 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 2003, and the number of meetings attended by each director.

Director	Board Meetings		Committee Meetings							
			Audit		Remuneration		Risk Mgt		Other*	
	A	B	A	B	A	B	A	B	A	B
R.L. Greentree	16	16	-	-	7	7	-	-	9	9
A.D. McCallum	16	16	-	-	1	1	-	-	6	6
T.B. Keene	16	16	-	-	-	-	4	4	-	-
W.G. Barron	16	15	-	-	-	-	4	4	1	1
N. Burton Taylor	16	16	4	4	7	7	-	-	-	-
R.R. Flanery	16	15	-	-	1	1	-	-	9	9
R.G. Freeman	16	15	-	-	-	-	-	-	4	4
D. Groves	16	15	-	-	7	7	4	4	8	8
D.G. McGauchie (Retired 31/7/03)	13	13	-	-	6	6	-	-	7	7
J.A. Menegazzo	16	16	3	3	1	1	-	-	-	-
D.B. Trebeck	16	15	4	4	-	-	-	-	5	5

* Capital Works, Equity, Occupational Health and Safety, and Environment Committees were discontinued in June 2003.

A - Number held during period in office

B - Number attended

GRAINCORP LIMITED AND CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

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 since 1 July 2003 were \$50,000 per director, \$150,000 for the Chairman and \$75,000 for the Deputy Chairman. With the exception of the Chairman and Deputy Chairman, additional yearly fees of \$5,000 were paid to directors who were members of committees other than the Audit Committee. The Chairman of these committees was paid \$7,500. Yearly fees for the Audit Committee were \$8,000 for members and \$15,000 for the Chairman.

In addition to reimbursement of expenses, any allowance paid to directors was in line with rates prescribed for members of the Senior Executive Service, Australian Public Service. Allowances were not included in the directors' fees shown above.

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.

Non-Executive Directors of GrainCorp Limited

Director	Directors' Fees & Allowances	Super-annuation Contributions	Sub-Total	Retirement Benefits Pertaining to 2002/3	Total	Retirement Benefits Entitlement at 30/9/03
	\$	\$	\$	\$	\$	\$
R.L. Greentree	121,127	10,325	131,452	142,120#	273,572	336,809#
A.D. McCallum	67,513	6,977	74,490	81,395	155,885	217,162
W.G. Barron	54,473	7,452	61,925	56,812	118,737	164,637
N. Burton Taylor	64,233	6,536	70,769	76,471	147,240	180,907
R.R. Flanery	53,946	13,425	67,371	61,808	129,179	173,849
R.G. Freeman	54,971	10,741	65,712	60,286	125,998	166,055
D. Groves	59,972	5,397	65,369	71,032	136,401	171,079
D.G. McGauchie	44,667	4,744	49,411	44,085*	93,496	-
J.A. Menegazzo	57,570	5,880	63,450	69,502	132,952	69,502
D.B. Trebeck	57,143	5,143	62,286	-	62,286	-

* Retired 31/7/03 with benefit paid of \$132,256.

The Chairman has elected to waive his entitlement to any retirement benefits.

Note: Directors' fees include applicable committee fees.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

Executive Director of GrainCorp Limited

Name	Salary	Bonus	Motor Vehicle	Super-annuation	Sub-Total	Share Options	Total
	\$	\$	\$	\$	\$	\$	\$
T.B. Keene <i>Managing Director</i>	420,301	109,148	50,758	37,891	618,098	289,583	907,681

Other Executives of GrainCorp Limited

Name and Position	Salary	Bonus	Motor Vehicle	Super-annuation	Sub-Total	Share Options	Total
	\$	\$	\$	\$	\$	\$	\$
J. Di Leo <i>Chief Operating Officer</i>	296,772	48,510	24,590	12,136	382,008	89,000	471,008
S.G.B. Bird <i>Chief Financial Officer</i>	208,879	21,450	-	18,799	249,128	44,500	293,628
A.N. Johns <i>Business Development Manager</i>	177,036	24,975	16,657	14,135	232,803	44,500	277,303
K.J. Lloyd <i>General Manager, Storage & Handling</i>	168,594	17,739	14,109	27,744	228,186	44,500	272,686
N.P. Hart <i>Corporate Services Manager & Company Secretary</i>	158,778	20,475	23,007	10,995	213,255	44,500	257,755

Notes:

(1) Emoluments reported (except share options) are those paid or payable for the 12 months ended 30 September 2003. The amounts shown include fringe benefits tax where applicable.

(2) In accordance with ASIC guidelines share options have been ascribed a value at grant date (2nd May 2002) based on valuations provided by KPMG Actuaries. The valuation incorporates performance hurdles in its calculations.

(3) Given the recent drought conditions, the Directors are of the opinion that it is unlikely all share options hurdles will be met.

Share Options

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

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

In the above executive option plans, 50% of the options are subject to a total shareholder return (TSR) performance hurdle (Hurdle 1). The TSR performance comparison is calculated over the period from 1 October 2001 to 30 September 2004. The other 50% of options are subject to an earnings per share (EPS) performance hurdle (Hurdle 2). No option holder has any right under the options to participate in another share issue of the company.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

A total of 88,000 Ordinary shares of GrainCorp Limited were issued during the year ended 30 September 2003 on the 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
25 November 2003

GRAINCORP LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2003

		Consolidated		Parent Entity	
	Note	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Current Assets					
Receivables	7	41,020	95,949	44,065	44,485
Inventories	8	32,656	66,532	-	-
Other	9	8,384	7,991	288	-
Total Current Assets		82,060	170,472	44,353	44,485
Non-Current Assets					
Receivables	10	49,554	83	47,280	-
Investments accounted for using the equity method	11	73,711	500	72,815	-
Other financial assets	12	-	25,195	162,360	162,359
Property, plant & equipment	13	383,903	416,402	-	-
Deferred tax assets	14	5,401	6,381	2,775	1,708
Intangible assets	15	11,351	8,047	-	-
Total Non-Current Assets		523,920	456,608	285,230	164,067
Total Assets		605,980	627,080	329,583	208,552
Current Liabilities					
Payables	16	28,133	29,469	2,283	857
Interest bearing liabilities	17	37,714	100,345	71,937	45,657
Current tax liabilities	18	-	5,274	-	-
Provisions	19	7,874	10,841	991	2,274
Total Current Liabilities		73,721	145,929	75,211	48,788
Non-Current Liabilities					
Interest bearing liabilities	20	223,034	145,211	104,200	-
Deferred tax liabilities	21	11,607	15,884	-	-
Provisions	22	22,521	15,137	3,946	2,408
Total Non-Current Liabilities		257,162	176,232	108,146	2,408
Total Liabilities		330,883	322,161	183,357	51,196
Net Assets		275,097	304,919	146,226	157,356
Equity					
Parent entity interest:					
Contributed equity	23	102,591	96,524	102,591	96,524
Reserves	24	18,430	18,430	13,510	13,510
Retained profits	24	154,076	189,965	30,125	47,322
Total Equity		275,097	304,919	146,226	157,356
Commitments for expenditure	25				
Contingent liabilities	27				

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

GRAINCORP LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2003

		Consolidated		Parent Entity	
	Note	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Revenue from operating activities		463,326	688,284	-	-
Other revenue (includes disposal of equity investments)		49,551	11,722	17,639	45,415
Total revenue from ordinary activities	2	512,877	700,006	17,639	45,415
Goods purchased for resale		(335,494)	(395,761)	-	-
Raw materials and consumables used		(7,189)	(20,132)	-	-
Employee benefits expense		(59,536)	(86,706)	(12,213)	(11,728)
Depreciation and amortisation expenses		(41,998)	(41,091)	-	-
Borrowing costs expense		(17,972)	(16,679)	(6,223)	-
Repairs and maintenance		(7,247)	(13,459)	-	-
Cost of equity investment disposed		(25,194)	-	-	-
Other expenses from ordinary activities		(45,937)	(58,296)	(1,172)	(1,553)
Expenses from ordinary activities		(540,567)	(632,124)	(19,608)	(13,281)
Shares of net profit / (loss) of associates accounted for using the equity method		1,783	(90)	1,895	-
Profit / (Loss) from ordinary activities before income tax expense	3	(25,907)	67,792	(74)	32,134
Income tax benefit / (expense)	4	7,689	(19,189)	548	(640)
Profit / (Loss) from ordinary activities after income tax expense		(18,218)	48,603	474	31,494
Outside equity interests in profit / (loss) from ordinary activities after income tax		-	93	-	-
Net Profit / (Loss) attributable to members of GrainCorp Limited		(18,218)	48,696	474	31,494
Total changes in equity other than those resulting from transactions with owners		(18,218)	48,696	474	31,494
		Cents	Cents		
Basic earnings per share	37	(44.8)	121.2		
Diluted earnings per share	37	(43.8)	118.2		

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

GRAINCORP LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2003

		Consolidated		Parent Entity	
	Note	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Cash Flows from Operating Activities					
Receipts from customers (inclusive of goods & services tax)		601,280	727,417	16,216	21,188
Payments to suppliers and employees (inclusive of goods & services tax)		(503,695)	(630,314)	(13,719)	(14,108)
		97,585	97,103	2,497	7,080
Interest received		3,347	238	2,819	19
Borrowing costs		(17,617)	(16,715)	(6,223)	-
Income taxes (paid) / refunded		6,474	(18,299)	231	(782)
Net Cash Inflow / (Outflow) from Operating Activities	34	89,789	62,327	(676)	6,317
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(10,114)	(46,925)	-	-
Sale of investments / business		32,128	-	-	-
Purchases of investments / business		(71,429)	(50)	(70,920)	-
Dividends received		958	1,917	-	-
Proceeds from sale of property, plant and equipment		2,937	1,760	-	-
Loans repaid by related parties		1,200	1,577	-	-
Cash decrease on deconsolidation of group entity		-	585	-	-
Loans from / (to) related parties		(49,057)	-	(38,078)	26,940
Net Cash Inflow / (Outflow) from Investing Activities		(93,377)	(41,136)	(108,998)	26,940
Cash Flows from Financing Activities					
Proceeds from interest bearing liabilities		202,400	97,300	118,200	-
Repayment of interest bearing liabilities		(181,380)	(88,099)	(3,750)	-
Payments for shares bought back		-	(3,421)	-	(3,421)
Proceeds from executive share options exercised		550	425	550	425
Issue costs for Reset Preference Shares		(868)	-	(868)	-
Share buy-back transaction costs		-	(11)	-	(11)
Dividends paid		(11,286)	(25,373)	(11,286)	(25,373)
Net Cash Inflow / (Outflow) from Financing Activities		9,416	(19,179)	102,846	(28,380)
Net increase / (decrease) in cash held		5,828	2,012	(6,828)	4,877
Cash at the beginning of the financial year		(8,606)	(10,618)	(6,429)	(11,306)
Cash at the End of the Financial Year	6	(2,778)	(8,606)	(13,257)	(6,429)

The above statements of cash flows should be read in conjunction with the accompanying notes. Refer to Note 36 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 Standard

As a result of applying the new accounting standard AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* for the first time, certain liabilities have been reclassified and some balances have been restated for the previous year.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by GrainCorp as at 30 September 2003 and the results of all controlled entities for the year then ended. GrainCorp Limited and its controlled entities together are referred to in this financial report as the consolidated entity. 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 and joint ventures 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 and joint ventures 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 and joint ventures 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.

1. Summary of Significant Accounting Policies (continued)**c) Investments**

Interests in listed and unlisted securities, other than controlled entities, associates and joint ventures 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, associates and joint ventures 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.

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 and 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.

1. Summary of Significant Accounting Policies (continued)

e) Property, Plant and Equipment and Leased Assets (continued)

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.

Operating lease payments are charged 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.

Liabilities for surplus leased space under non-cancellable leases which are onerous contracts are recognised on the basis described in accounting policy note for onerous contracts.

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 20 years which is the period benefits are expected to arise.

(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 accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(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

Ownership-based remuneration is provided to employees via GrainCorp's employee share plans. Information regarding these plans is set out in Note 26.

1. Summary of Significant Accounting Policies (continued)

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;
- (iv) finance lease charges; and
- (v) charges for commodity inventories funding arrangements.

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.

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.

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.

Other revenue includes, primarily, fee for management of pools, investment income earned on monetary investments and proceeds on sale of non-current assets.

1. Summary of Significant Accounting Policies (continued)

o) Insurance

The controlled entity Operations is a self-insurer in New South Wales for workers' compensation liabilities. 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 with an excess of \$1 million for any one event. Appropriate policies for public liability, professional indemnity, motor vehicle third party property and other significant insurable risks are carried.

p) 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.

q) 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. The net amounts receivable or payable under the hedging transaction are also recorded in the statement of financial position.

1. Summary of Significant Accounting Policies (continued)

r) 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.

s) GrainCorp Operated Grain Pools

The consolidated entity operates grain pools on behalf of growers, to provide them with an opportunity to enjoy better returns than those prevailing at the date of delivery. Separate financial accounts are maintained for the pools and no assets or liabilities belonging to the pools are included in the consolidated entity's financial statements.

GrainCorp receives a management fee for its services based on a percentage of the pools total revenue. The management fee for 80% of the expected total revenue is recognised over the life of the pool and the balance is recognised when the pool closes. The net payable/receivable balance with the pools is included in GrainCorp's statement of financial position.

At present, the Urgent Issues Group (UIG) and Australian Securities and Investment Commission (ASIC) are reviewing the area of pools management and a consensus is expected in the next financial year.

t) Dividends

Provision is only made for the amount of any dividend declared, determined or publicly recommended by the directors on or before the end of the half-year but not distributed at balance date.

The above policy was adopted with effect from 1 October 2002 to comply with AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets* released in October 2001 and applied to the year ended 30 September 2003. In previous periods, in addition to providing for the amount of any dividends declared, determined or publicly recommended by the directors on or before the end of the period but not distributed at balance date, provision was made for dividends to be paid out of retained profits at the end of the period where the dividend was proposed, recommended or declared between the end of the period and the completion of the financial report.

An adjustment of \$17,632,016 was made against the consolidated retained profits at the beginning of the year to reverse the amount provided at 30 September 2002 for the proposed final dividend for the year ended on that date that was recommended by the directors between the end of the financial year and the completion of the financial report. This reduced the consolidated current liabilities – provisions and total liabilities at the beginning of the year by \$17,632,016 with corresponding increases in consolidated net assets, retained profits, total equity and the total dividends provided for or paid during the current interim period.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

1. Summary of Significant Accounting Policies (continued)

t) Dividends (continued)

The restatements of consolidated retained profits, total dividends provided for or paid during the year and current provisions set out below show the information that would have been disclosed had the new accounting policy always been applied.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
	(Restated)	(Restated)	(Restated)	(Restated)
Restatement of retained profits				
Previously reported retained profits at the end of the previous financial year	172,333	154,987	29,690	29,546
Change in accounting policy for providing for dividends	17,632	11,655	17,632	11,655
Restated retained profits at the beginning of the period	189,965	166,642	47,322	41,201
Net profit/(loss) attributable to members of GrainCorp Limited	(18,218)	48,696	474	31,494
Total available for appropriation	171,747	215,338	47,796	72,695
Dividends paid	(17,671)	(25,373)	(17,671)	(25,373)
Restated retained profits at the end of the period	154,076	189,965	30,125	47,322
Restatement of total dividends provided for or paid				
Previously reported total dividends provided for or paid during the period	-	(31,350)	-	(31,350)
Adjustment for change in accounting policy	(17,671)	5,977	(17,671)	5,977
Restated total dividends provided for or paid during the period	(17,671)	(25,373)	(17,671)	(25,373)
Restatement of current liabilities – provisions				
Previously reported carrying amount	-	(28,473)	-	(19,906)
Adjustment for change in accounting policy	-	17,632	-	17,632
Restated carrying amount	-	(10,841)	-	(2,274)

u) 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.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

2. Revenue

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Revenue from operating activities				
Sale of goods	357,179	422,522	-	-
Services	106,147	265,762	-	-
	463,326	688,284	-	-
Other revenue				
Dividends	958	1,917	-	30,000
Interest	3,347	238	2,819	19
Sale of non-current assets	35,171	1,760	-	-
Rental income	259	367	-	-
Management fee income	3,292	1,784	14,819	15,396
Other income	6,524	5,656	1	-
	49,551	11,722	17,639	45,415
Total revenue from ordinary activities	512,877	700,006	17,639	45,415

3. Operating Profit

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 AWB Limited	6,933	-	-	-
Gain on sale of investment in controlled entity	-	169	-	-
Foreign exchange gain	4,951	3,002	-	-
Gain/(loss) on disposal of property, plant and equipment	775	(816)	-	-

Expenses

Borrowing costs				
- Interest charges	15,751	14,495	5,670	-
- Other costs	2,221	2,184	553	-
Total borrowing costs	17,972	16,679	6,223	-
Depreciation				
- Plant and equipment	36,971	37,654	-	-
- Buildings and improvements	2,561	1,701	-	-
Total depreciation	39,532	39,355	-	-
Amortisation – leased assets	919	1,268	-	-
Amortisation – intangible assets	1,547	468	-	-
Rental – operating leases	2,183	1,290	-	-
Other charges against assets				
- Bad and doubtful debts	784	1,200	-	-
- Provision for loan recovery	2,226	-	-	-
Total other charges against assets	3,010	1,200	-	-
Other provisions				
- Employee entitlements	1,456	588	254	822
- Provision for workers' compensation	(1,470)	460	-	-
Total other provisions	(14)	1,048	254	822
Research and development costs	314	533	-	-

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

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	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Operating profit / (loss) before income tax	(25,907)	67,792	(74)	32,134
Income tax calculated at 30% (2002 – 30%)	(7,772)	20,338	(22)	9,640
Tax effect of permanent differences:				
Non deductible depreciation and amortisation	1,796	2,519	-	-
Additional allowable tax depreciation	(2,514)	(3,031)	-	-
Dividend received/receivable	(287)	(575)	-	(9,000)
Other	195	7	(526)	-
Share of net profit of associate	707	13	-	-
Income tax adjusted for permanent differences	(7,875)	19,271	(548)	640
(Over) / Under provision in previous year	186	(82)	-	-
Income tax expense / (benefit) attributable to operating profit	(7,689)	19,189	(548)	640
Income tax attributable to operating profit / (loss) comprises:				
Current taxation provision	(1,744)	20,600	(407)	1,188
Deferred income tax provision	(3,992)	958	-	-
Future income tax benefit	(1,953)	(2,369)	(141)	(548)
Income tax expense / (benefit) attributable to operating profit	(7,689)	19,189	(548)	640

4. Income Tax (continued)

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Tax Losses				
The proportion of the future income tax benefit shown in note 14 attributable to tax losses is:	3,948	-	-	-

This benefit for tax losses will only be obtained if:

- 1) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- 2) the losses are transferred to an eligible entity in the consolidated entity, and
- 3) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- 4) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Tax consolidation legislation

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements of the tax consolidation system, is applicable to GrainCorp. At the date of this report, the Directors have not made a decision whether or not to elect to be taxed as a single entity.

The impact of the mandatory elements of the tax consolidation system on existing deferred tax balances of the consolidated entity and the parent entity has been estimated on a reasonable basis. At present, estimates indicate that there will be no material financial effect on the financial statements and at the date of this report. The financial effect of the tax consolidation legislation on the consolidated entity has not been recognised in the financial statements.

5. Dividends

	Parent Entity	
	2003	2002
	\$'000	\$'000
Ordinary shares:		
Interim dividend paid, or declared before end of financial period *		
2002 - 34 cents and franked at 30%	-	13,713
2003 - 0 cents	-	-
Final dividend paid, or declared before end of financial period *		
2001 - 29 cents and franked at 30%	-	11,660
2002 - 44 cents and franked at 30%	17,671	-
2003 - 0 cents	-	-
	17,671	25,373

* Refer to Note 1 (t) for details of change in accounting policy.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

5. Dividends (continued)

The franked portion of dividends recommended after 30 September 2003 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 2004.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Franking credits available for the subsequent financial year	25,267	29,339	8,899	8,353

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 17)	(2,778)	(8,606)	(13,257)	(6,429)
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GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
7. Receivables (current)				
Trade debtors	31,479	73,094	-	-
Less: Provision for doubtful debts	(1,994)	(1,550)	-	-
	29,485	71,544	-	-
Other unsecured debtors	9,248	8,391	1,464	1,885
Margin deposits on commodity futures contracts	1,131	14,302	-	-
Advances to associated entities (note 32)	1,156	1,712	-	-
Related party debtors (note 32)				
- Services	-	-	42,601	42,600
	41,020	95,949	44,065	44,485

8. Inventories (current)

Consumable stores	3,690	4,501	-	-
Trading stock	5,403	4,087	-	-
Commodities inventory at net realisable value (secured by interest bearing liabilities – note 17)	14,877	-	-	-
Commodities inventory at cost (secured by interest bearing liabilities – note 17)	8,686	57,944	-	-
	32,656	66,532	-	-

Commodities inventory balances (as above) and the associated interest bearing liabilities (note 17) have been brought to account during the financial year along with prior year comparatives. The facility for funding commodities inventory is provided by a financial institution, however, as GrainCorp bears the significant risks and rewards of this arrangement, the inventory and associated interest bearing liabilities have been included in the statement of financial position.

9. Other Assets (current)

Prepayments	3,447	5,541	288	-
Other assets	4,937	2,450	-	-
	8,384	7,991	288	-

10. Receivables (non - current)

Loans to associate entities	51,741	-	47,280	-
Less: Provision for loan recovery	(2,246)	-	-	-
	49,495	-	-	-
Trade debtors	59	83	-	-
	49,554	83	47,280	-

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
11. Investments Accounted for using the Equity Method (non - current)				
Shares in associated companies (note 35)	73,711	500	72,815	-
	73,711	500	72,815	-
Shares in associates				
Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.				
12. Other Financial Assets (non - current)				
Investments traded on organised markets				
Shares at cost (refer (a) below)	-	25,195	-	-
Other (non-traded) investments				
Shares in controlled entities at cost (note 28)	-	-	162,360	162,359
	-	25,195	162,360	162,359
(a) The market value at 30 September 2002 was \$31.1 million.				
13. Property, Plant & Equipment (non - current)				
Land, Buildings and Improvements				
Freehold land, at cost	16,408	16,277	-	-
Freehold building and structures, at cost	55,747	33,518	-	-
Less: Provision for accumulated depreciation	(11,969)	(5,998)	-	-
	43,778	27,520	-	-
Leasehold improvements, at cost	3,394	3,400	-	-
Less: Provision for accumulated depreciation	(591)	(438)	-	-
	2,803	2,962	-	-
Total land, buildings and improvements	62,989	46,759	-	-
Plant and Equipment				
Leased Plant and equipment	2,989	6,945	-	-
Less: Provision for accumulated depreciation	(1,203)	(3,063)	-	-
	1,786	3,882	-	-
Other plant and equipment, at cost	504,479	512,212	-	-
Less: Provision for accumulated depreciation	(189,474)	(162,086)	-	-
	315,005	350,126	-	-
Total Plant and equipment	316,791	354,008	-	-
Capital works in progress, at cost	4,123	15,635	-	-
	383,903	416,402	-	-

As at 30 September 2003, the directors' valuation of land and buildings was \$83 million (includes \$13 million for asset reclassifications from plant & equipment to land & buildings) compared to book values of \$63 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. The valuation was carried out in September 2001 using fair value as the basis and performed by members of the Australian Property Institute through Edward Rushton Australia Pty Ltd.

13. 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 Improve- ments	Leased Plant & Equip- ment	Plant & Equip- ment	Capital Works In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated							
Balance at 1 October 2002	16,277	27,520	2,962	3,882	350,126	15,635	416,402
Reclassifications	-	13,006	-	(1,177)	(11,829)	-	-
Additions	136	6,688	-	-	14,802	(11,512)	10,114
Disposals	(5)	(1,032)	(2)	-	(1,123)	-	(2,162)
Depreciation / amortisation	-	(2,404)	(157)	(919)	(36,971)	-	(40,451)
Balance at 30 September 2003	16,408	43,778	2,803	1,786	315,005	4,123	383,903

The balance at 30 September 2003 for the parent entity is zero.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

14. Deferred Tax Assets (non - current)

Future income tax benefit	5,401	6,381	2,775	1,708
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15. Intangible Assets (non - current)

Goodwill, at cost	13,135	9,025	-	-
Less: Accumulated amortisation	(1,784)	(978)	-	-
	11,351	8,047	-	-

16. Payables (current)

Trade creditors	23,474	27,308	1,797	64
Other creditors	3,715	793	486	793
Income received in advance	944	1,368	-	-
	28,133	29,469	2,283	857

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
17. Interest Bearing Liabilities (current)				
Bank overdraft	2,778	8,606	13,257	6,429
Bills payable	10,250	33,200	10,250	-
Loans (note 8)	23,563	57,944	-	-
Other loans	400	400	-	-
Leases	723	195	-	-
Other related parties (note 32) - Operations	-	-	48,430	39,228
	37,714	100,345	71,937	45,657

Note: Leases are secured by the underlying assets; Loans are secured against related inventory; the remaining liabilities are all unsecured.

18. Tax Liabilities (current)

Provision for income tax	-	5,274	-	-
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19. Provisions (current)

Claims and disputes	3,172	2,037	-	-
Workers compensation	700	1,030	-	-
Employee entitlements	4,002	7,774	991	2,274
	7,874	10,841*	991	2,274*

* Refer to Note 1 (t) for details of change in accounting policy.

Movements in Provisions

Consolidated – 2003	Claims & Disputes \$'000	Workers' Compensation \$'000	Employee Entitlements \$'000	Total \$'000
Carrying amount at beginning of year	2,037	1,030	7,774	10,841
Additional provisions recognised/(released)	1,135	20	-	1,155
Payments made	-	(350)	(1,065)	(1,415)
Provisions transferred in/(out) through changes in group structure	-	-	(682)	(682)
Reclassification from current to non-current	-	-	(2,025)	(2,025)
Carrying amount at end of year	3,172	700	4,002	7,874

Parent entity – 2003	Claims & Disputes \$'000	Workers' Compensation \$'000	Employee Entitlements \$'000	Total \$'000
Carrying amount at beginning of year	-	-	2,274	2,274
Additional provisions recognised/(released)	-	-	-	-
Payments made	-	-	(623)	(623)
Provisions transferred in/(out) through changes in group structure	-	-	-	-
Reclassification from current to non-current	-	-	(660)	(660)
Carrying amount at end of year	-	-	991	991

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
20. Interest Bearing Liabilities (non - current)				
Bills payable	221,800	142,900	104,200	-
Other loans	-	400	-	-
Leases	1,234	1,911	-	-
	223,034	145,211	104,200	-

Note: Apart from leases, which are secured by the underlying assets, the remaining liabilities are all unsecured.

21. Deferred Tax Liabilities (non - current)

Deferred income tax liability	11,607	15,884	-	-
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22. Provisions (non - current)

Restoration	5,000	-	-	-
Workers' compensation	2,190	3,680	-	-
Employee entitlements	15,331	11,457	3,946	2,408
	22,521	15,137	3,946	2,408

Movements in Provisions

Consolidated – 2003	Restor- ation*	Workers' Compensation	Employee Entitlements	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of year	-	3,680	11,457	15,137
Additional provisions recognised/(released)	5,000	(1,490)	2,550	6,060
Payments made	-	-	-	-
Provisions transferred in/(out) through changes in group structure	-	-	(701)	(701)
Reclassification from current to non-current	-	-	2,025	2,025
Carrying amount at end of year	5,000	2,190	15,331	22,521

Parent entity – 2003	Restor- ation	Workers' Compensation	Employee Entitlements	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning of year	-	-	2,408	2,408
Additional provisions recognised/(released)	-	-	878	878
Payments made	-	-	-	-
Provisions transferred in/(out) through changes in group structure	-	-	-	-
Reclassification from current to non-current	-	-	660	660
Carrying amount at end of year	-	-	3,946	3,946

* This provision was made to satisfy requirements to remove redundant plant and equipment from one of the port facilities by 2005.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

23. Contributed Equity

	Parent Entity	
	2003	2002
	\$'000	\$'000
Paid up capital	102,591	96,524

Share Capital at 30 September 2003 and 30 September 2002 consisted of the following fully paid shares:

	Number	Number
GGA Foundation share	1	1
Ordinary shares (previously Class A Ordinary)	40,867,232	40,073,664

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

Date	Details	Total Number of Shares	\$'000
30 September 2001	Opening balance	40,236,898	99,531
27 May 2002	Share options exercised	68,000	425
June 2002	Issued under employee share acquisition plan*	60,200	-
Various 2002	Shares bought back on-market	(291,434)	(3,432)
30 September 2002	Sub-total	40,073,664	96,524
26 November 2002	Share options exercised	24,000	150
3 December 2002	Share options exercised	64,000	400
6 January 2003	Dividends reinvested	694,618	6,385
July 2003	Issued under employee share acquisition plan*	10,950	-
September 2003	Issue related costs – Reset Preference Shares	-	(868)
30 September 2003	Closing Balance	40,867,232	102,591

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

Share Options

A total of 88,000 Ordinary shares of GrainCorp Limited were issued during the year ended 30 September 2003 on the 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.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000

24. Reserves & Retained Profits

Asset revaluation	18,430	18,430	13,510	13,510
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Note: During the financial year, there was no movement in the reserve.

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.

Retained Profits

Retained profits at the beginning of the financial year	189,965	166,642*	47,322	41,201*
Net profit/(loss) attributable to members of GrainCorp Limited	(18,218)	48,696	474	31,494
Dividends provided for or paid	(17,671)	(25,373)*	(17,671)	(25,373)*
Closing balance	154,076	189,965*	30,125	47,322*

* Refer to Note 1 (t) for details of change in accounting policy.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
25. Expenditure Commitments				
Capital Expenditure Commitments				
Total capital expenditure contracted for at the reporting date but not provided for in payables:				
- Not later than one year	3,913	2,622	-	-
- Later than one year but not later than five years	-	696	-	-
	3,913	3,318	-	-
Lease Expenditure Commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:				
- Not later than one year	4,759	2,941	-	-
- Later than one year and not later than five years	5,745	10,070	-	-
- Later than five years	31,342	33,181	-	-
	41,846	46,192	-	-
Representing:				
Cancellable operating leases	29,020	25,588	-	-
Non-cancellable operating leases	12,826	20,604	-	-
	41,846	46,192	-	-
Operating Leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
- Not later than one year	3,092	2,510	-	-
- Later than one year but not later than five years	2,280	8,347	-	-
- Later than five years	7,454	9,747	-	-
	12,826	20,604	-	-
Finance Leases				
Commitments in relation to finance leases are payable as follows:				
- Not later than one year	723	195	-	-
- Later than one year but not later than five years	1,234	1,911	-	-
Total lease liabilities	1,957	2,106	-	-
Commodity Forward Contracts *				
Commitments in relation to forward purchases #	67,307	98,487	-	-
Commitments in relation to forward sales	98,905	107,796	-	-

* The consolidated entity hedges these transactions. Refer Note 38 (a).

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

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

26. Employee Benefits

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Aggregate liability for employee benefits, including on-costs, recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (note 19)	4,002	7,774	991	2,274
Non-current (note 22)	15,331	11,457	3,946	2,408
	19,333	19,231	4,937	4,682
Employee Numbers				
Number of employees at balance date	698	778	99	109

Employee Share Plans

Employee Share Acquisition 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. 10,950 shares have been issued to employees this financial year when market value was \$10.20 per share for a total benefit of \$111,690. The total number of shares acquired under the plan to date is 444,749 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.

During the financial year GrainCorp implemented two new employee share plans as described below.

Employee Exempt Share Plan

This plan enables eligible employees (including the executive director) to acquire shares as part of their remuneration. Shares will be held in the plan by the plan trustee for the benefit of participating employees and will be subject to the plan rules.

On the first acquisition date (expected to be in December 2003), the plan trustee will acquire as close as possible to (but no more than) \$1,000 worth of shares (as calculated under the tax rules). Employees are eligible to participate in the plan if they are a permanent full or part time employee with 24 months of continuous service as at 1 May 2003 and if they are also a resident of Australia and pay tax in Australia.

No cash payment for the shares is required, however, the employee's future cash salary or wages will be reduced by \$1,000 spread evenly over a one-year period. The number of shares will be calculated on the volume weighted average price which shares are traded in the week up to and including the date of acquisition, rounded down to the nearest whole share.

Deferred Employee and Directors' Share Plans

The deferred share plans operate with the same eligibility criteria for employees but has a minimum contribution requirement of \$1,000 and a maximum of up to 50% of the employee's pre-tax base wage or salary. The plan trustee, CPU Share Plans Pty Ltd, acquires shares on the ASX each month, at the prevailing market price over a period of up to 5 days, commencing 23rd day of each month (or on the next business day) starting July 2003. The shares will then be allocated and held on trust under the terms and conditions of the plan. Contributions and eligibility criteria are different for directors. At the balance date, 6,013 shares had been acquired under the plan.

26. Employee Benefits (continued)**Share Options**

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

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

In the above executive option plans, 50% of the options are subject to a total shareholder return (TSR) performance hurdle (Hurdle 1). The TSR performance comparison is calculated over the period from 1 October 2001 to 30 September 2004. The other 50% of options are subject to an earnings per share (EPS) performance hurdle (Hurdle 2). No option holder has any right under the options to participate in another share issue of the company.

A total of 88,000 Ordinary shares of GrainCorp Limited were issued during the year ended 30 September 2003 on the 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.

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.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

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 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 \$3,172,322 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 \$5,616,000 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.

28. Investments in Controlled Entities

Name of Entity	Place of Incorporation	Class of Shares	Equity Holdings	
			2003	2002
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%

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.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

29. Remuneration of Directors

	Directors of Entities in the Consolidated Entity		Directors of the Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
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	2,283,427	1,376,009	2,283,427	1,376,009

Note: Includes retirement benefits and share options.

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:

\$	2003	2002
30,000 - 39,999	-	1
50,000 - 59,999	-	3
60,000 - 69,999	1	4
90,000 - 99,999	1	1
110,000 - 119,999	1	1
120,000 - 129,999	2	-
130,000 - 139,999	2	-
140,000 - 149,999	1	1
150,000 - 159,999	1	-
270,000 - 279,999	1	-
560,000 - 569,999	-	1
900,000 - 909,999	1	-

Note: Includes retirement benefits and share options.

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

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

30. Remuneration of Executives

	Executives of Entities in the Consolidated Entity		Executives of the Parent Entity	
	2003 \$	2002 \$	2003 \$	2002 \$
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	3,610,020	3,003,760	3,610,020	3,003,760

Note: Includes redundancy and retirement payments and share options.

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	
	2003	2002
130,000 - 139,999	-	1
140,000 - 149,999	-	2
160,000 - 169,999	-	2
180,000 - 189,999	-	3
190,000 - 199,999	-	2
200,000 - 209,999	1	-
220,000 - 229,999	2	-
230,000 - 239,999	1	-
240,000 - 249,999	1	-
250,000 - 259,999	1	-
270,000 - 279,999	2	-
290,000 - 299,999	1	-
350,000 - 359,999	-	1
380,000 - 389,999	-	1
470,000 - 479,999	1	-
560,000 - 569,999	-	1
900,000 - 909,999	1	-

Note: Includes redundancy and retirement payments and share options.

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.

31. Remuneration of Auditors

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity of the consolidated entity:				
Audit or review of financial reports	304,000	288,000	66,000	60,000
Other assurance services	36,261	50,350	-	-
Total audit and other assurance services	340,261	338,350	66,000	60,000
Remuneration for other services:				
- Due diligence fees (Grainco & Allied Mills)	567,500	370,662	-	-
- Taxation (Indirect)	-	51,309	-	-
- Risk Management & Consulting	23,500	57,880	-	-
Total remuneration	931,261	818,201	66,000	60,000

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

32. 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 AM
 R.R. Flanery
 R.G. Freeman
 D. Groves
 D.G. McGauchie (Retired 31/7/03)
 J.A. Menegazzo
 D.B. Trebeck

Aggregate number of Ordinary and Reset Preference Shares held by directors, or their director-related entities, in GrainCorp Limited were as follows:

	2003 Number of Ordinary shares	2002 Number of Ordinary shares	2003 Number of RPS	2002 Number of RPS
Aggregate number of shares held at beginning of year	5,553,991	5,543,640	-	-
Shares purchased during year	110,004	85,458	16,333	-
Shares sold during year	(3,000)	(64,274)	-	-
Shares held prior to appointment	-	-	-	-
Shares held by directors who retired during the year	(93,543)	(10,833)	-	-
Aggregate number of shares held at end of year	5,567,452	5,553,991	16,333	-

As at 30 September 2003, GGA owned 1 Foundation share and 8,648,024 Ordinary shares in GrainCorp.

Messrs Greentree, McCallum, Barron, Flanery and Freeman are directors of GGA at 30 September 2003 and are members of GGA. As at 30 September 2003, 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 29.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

32. Related Party Transactions (continued)

	Consolidated	
	2003	2002
	\$	\$
Other transactions in aggregate between directors and the consolidated entity comprised:		
Lease of storage and other facilities from director on commercial terms	-	91,800

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	
	2003	2002	2003	2002
	\$	\$	\$	\$
Current receivables				
- directors	21,563	212	-	-
- director-related entities	1,335,797	4,231,025	-	-
Current payables				
- directors	3,184	6,377	-	-
- director-related entities	-	-	-	-

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.

(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 2003 and 2002 consisted of:

- loans advanced within the consolidated entity;
- loans repaid within the consolidated entity;
- payment of dividends to GrainCorp;
- management fees for administrative services paid to GrainCorp;
- sale of goods; and
- reimbursement of expenses.

32. Related Party Transactions (continued)

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	
	2003 \$'000	2002 \$'000
Management fees for administrative services	14,823	15,402
Dividend revenue	-	30,000

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

	Parent Entity	
	2003 \$'000	2002 \$'000
Current receivables (note 7)	42,601	42,600
Current interest bearing liabilities (note 17)	48,430	39,228

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.

iii) Transactions with other related parties

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax:				
Management fees for administrative services provided to GGA	-	34	-	-
Rental income from GGA	-	24	-	-
Rental charge from GGA	28	33	-	-
Management fees for administrative services provided to Sunprime	-	143	-	-
Licence fees received from Sunprime	-	20	-	-
Wheat supplied by Sunprime	590	426	-	-
Grading income from Sunprime	20	75	-	-
Storage, testing and seconds income from Sunprime	18	25	-	-
Training provided by Advance Trading	-	28	-	-
Consulting fees paid to Advance Trading	186	104	-	-
Rental income from Advance Trading	8	-	-	-
Rental and lease income from BTA	7,297	*	-	-
Management fees for administrative services provided to BTA	434	*	-	-

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

Transport and storage charges provided by BTA	5,098	*	-	-
Engineering services provided by Bulkeast	172	*	-	-
Rental income from Bulkeast	12	*	-	-
Freight income from Allied Mills	783	*	-	-
Rental charge from Allied Mills	14	*	-	-
Interest received from Allied Mills	2,794	*	-	-
Storage income from Allied Mills	5,258	*	-	-
Sales income from Allied Mills	20,924	*	-	-
Testing income from Nugrain	-	1	-	-

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

32. Related Party Transactions (continued)

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Aggregate amounts receivable from and payable to other related parties at balance sheet date were as follows:				
Loan to Sunprime (note 7)	125	125	-	-
Loan to Nugrain (note 7)	712	454	-	-
Loan to BTA (notes 7 & 10)	4,780	*	-	-
Loan to Allied Mills (notes 7 & 10)	47,280	1,133*	47,280	-

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

GrainCorp has a 33% interest in Sunprime, a 50% interest in Bulk Terminals Australia Ltd "BTA", a 25% interest in 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.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

33. Segment Information

2003	Storage & Handling \$'000	Marketing \$'000	Other \$'000	Intersegment Eliminations \$'000	Consolidation \$'000
Sales to customers outside consolidated entity	102,327	310,977	50,022	-	463,326
Intersegment sales	-	5,581	-	(5,581)	-
Total sales revenue	102,327	316,558	50,022	(5,581)	463,326
Share of net profit / (loss) of associates					1,783
Other revenue	3,196	3,291	-	-	6,487
Unallocated revenue					43,064
Total segment revenue	105,523	319,849	50,022	(5,581)	514,660
Segment result	(8,058)	13,140	(4,794)	-	288
Unallocated revenue less unallocated expenses					(26,195)
Profit / (loss) from ordinary activities before income tax					(25,907)
Income tax benefit / (expense)					7,689
Profit / (loss) from ordinary activities after income tax					(18,218)
Segment assets	372,806	48,699	19,748	-	441,253
Unallocated assets					164,727
Total assets	372,806	48,699	19,748	-	605,980
Segment liabilities	25,505	36,420	9,511	-	71,436
Unallocated liabilities					259,447
Total liabilities	25,505	36,420	9,511	-	330,883
Investments in associates	-	-	-	-	-
Unallocated investments in associates					73,711
Total investments in associates	-	-	-	-	73,711
Acquisitions of property, plant and equipment and other non-current segment assets	10,114	-	-	-	10,114
Depreciation and amortisation expense	41,995	3	-	-	41,998

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

33. Segment Information (continued)

	Storage & Handling \$'000	Marketing \$'000	Other \$'000	Intersegment Eliminations \$'000	Consolidation \$'000
2002					
Sales to customers outside consolidated entity	263,011	379,977	45,296	-	688,284
Intersegment sales	14,397	1,144	484	(16,025)	-
Total sales revenue	277,408	381,121	45,780	(16,025)	688,284
Share of net profit / (loss) of associates					(90)
Other revenue	2,229	1,784	-	-	4,013
Unallocated revenue					7,709
Total segment revenue	279,637	382,905	45,780	(16,025)	699,916
Segment result	99,192	5,724	(1,384)	-	103,532
Unallocated revenue less unallocated expenses					(35,740)
Profit / (loss) from ordinary activities before income tax					67,792
Income tax benefit / (expense)					(19,189)
Profit / (loss) from ordinary activities after income tax					48,603
Segment assets	419,594	106,607	25,708	-	551,909
Unallocated assets					75,171
Total assets	419,594	106,607	25,708	-	627,080
Segment liabilities	22,211	73,008	6,484	-	101,703
Unallocated liabilities					220,458
Total liabilities	22,211	73,008	6,484	-	322,161
Investments in associates	-	-	-	-	-
Unallocated investments in associates					500
Total investments in associates	-	-	-	-	500
Acquisitions of property, plant and equipment and other non-current segment assets	46,855	-	70	-	46,925
Depreciation and amortisation expense	40,541	7	543	-	41,091

Notes to and forming part of the segment information:

- 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 of grain and agricultural products and the operation of grain pools.
Other: sale of farm inputs and fees for transportation of commodities.
- Intersegment pricing is on an "arm's length" basis.
- The consolidated entity only operates in one geographical segment - Australia.

34. Reconciliation of Statements of Cash Flows

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities.				
Profit / (loss) from ordinary activities after income tax	(18,218)	48,603	474	31,494
Add / (less) items classified as investing/financing activities:				
Net (profit) / loss on sale of investments	(6,933)	-	-	-
Net (profit) / loss on sale of non-current assets	(775)	816	-	-
Dividends received	(958)	(1,917)	-	(30,000)
Net (profit) / loss on sale of investment in controlled entity	-	(169)	-	-
Share buy-back transaction costs	-	-	-	-
Add / (less) non-cash items:				
Share of (profit) / loss of associate not received as dividends	(1,783)	90	(1,895)	-
Depreciation / amortisation	41,998	41,091	-	-
Provision for employee entitlements	(1,718)	580	254	822
Net cash provided by operating activities before change in assets and liabilities	11,613	89,094	(1,167)	2,316
Changes in assets and liabilities net of effects from deconsolidation of previously controlled entity:				
(Increase) / decrease in inventories	33,875	536	-	-
(Increase) / decrease in other assets	(392)	581	(288)	-
(Increase) / decrease in future income tax benefit	980	(3,063)	(1,067)	49
Increase / (decrease) in receivables	58,464	(34,278)	420	3,866
Increase / (decrease) in trade creditors	(912)	4,512	1,426	276
Increase / (decrease) in provision for income tax	(5,274)	2,994	-	(190)
Increase / (decrease) in provision for deferred tax	(4,277)	958	-	-
Increase / (decrease) in income received in advance	(424)	(525)	-	-
Increase / (decrease) in provision for claims	(3,864)	1,518	-	-
Net cash provided by operating activities	89,789	62,327	(676)	6,317

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

35. Investment in Associated Companies

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

Company	Principal Activity	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2003	2002	2003	2002	2003	2002
				\$'000	\$'000	\$'000	\$'000
Nugrain Pty Limited	Research	25%	25%	50	50	-	-
Advance Trading (Australia) Pty Limited	Risk Management	25%	25%	19	26	-	-
Sunprime Seeds Pty Limited	Research	33%	33%	327	424	-	-
National Grower Register Pty Limited	Register Management	33%	33%	-	-	-	-
Allied Mills Australia Pty Limited *	Mixing & Milling	60%	60%	72,815	-	72,815	-
Bulkeast Engineering Pty Ltd	Engineering Services	50%	-	500	-	-	-
Bulk Terminals Australia Pty Ltd	Ports Operation	50%	-	-	-	-	-
Australian Grain Accumulation Services Pty Ltd	Grain Accumulators	50%	-	-	-	-	-
				73,711	500	72,815	-

* Equity interest in Allied Mills was 60%, however, voting rights were only 50%.

	Consolidated	
	Financial year to 30 September 2003 \$'000	Financial year to 30 September 2002 \$'000
Movements in Carrying Amount of Investments in Associates		
Carrying amount at the beginning of the financial year	500	-
Investment in associates	71,428	124
Deconsolidation of Sunprime	-	466
Dividends received	-	-
Share of operating profit / (loss) after income tax	1,783	(90)
Reduction due to dividend and share buy back	-	-
	73,711	500
Results Attributable to Associated Companies:		
Operating profits / (losses) before income tax	2,547	(90)
Income tax expense	(764)	-
Share of associates' operating profits / (losses) after income tax	1,783	(90)
Retained profits / (losses) attributable to associates at the beginning of the financial year	(90)	-
Retained profits / (losses) attributable to associates at the end of the financial year.	1,693	(90)

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

35. Investment in Associated Company (continued)

	Consolidated	
	Financial year to 30 September 2003 \$'000	Financial year to 30 September 2002 \$'000
Reserves Attributable to Associated Company		
Asset revaluation reserve		
Balance at the beginning of the financial year	-	-
Increment/(decrement) on revaluation during the year	-	-
Control of previous associate as discussed above	-	-
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 profits / (losses) after income tax	(1,547)	(800)
Assets	340,810	3,437
Liabilities	224,004	3,215
Share of associate's expenditure commitments are:		
Capital commitments	-	-
Lease liabilities	-	-
Contingent liabilities	-	-

	Consolidated		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000

36. Non Cash Financing and Investing Activities

Acquisition of plant and machinery by means of finance leases	-	665	-	-
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37. Earnings Per Share

	Consolidated	
	2003 Cents	2002 Cents
Basic earnings per share	(44.8)	121.2
Diluted earnings per share	(43.8)	118.2

Weighted average number of Ordinary shares used as the denominator in the calculation of basic earnings per share.	40,673,036	40,174,806
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Weighted average number of Ordinary shares and potential Ordinary shares used as the denominator in the calculation of diluted earnings per share.	41,613,036	41,202,806
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38. 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 \$73,779,763 (2002: \$189,122,792) with various maturities up to January 2005. If settled at balance date, these contracts would have resulted in a gain of \$504,469 (2002: loss of \$10,279,000) which is offset by an unrecognised loss 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 February 2004, if closed out at balance date, would have resulted in a net gain of \$20,145 (2002: gain of \$1,088,873) which may be offset by an unrecognised 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.

38. Financial Instruments (continued)

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

	2003 A\$'000	2003 Average Exchange Rate	2002 A\$'000	2002 Average Exchange Rate
Buy US Dollars / Sell Australian Dollars				
0 - 6 months	25,200	0.6753	41,527	0.5419
6 - 12 months	620	0.6360	955	0.5016
Buy Australian Dollars / Sell US Dollars				
0 - 6 months	31,070	0.6026	86,038	0.5396
6 - 12 months	8,420	0.6271	8,008	0.5370
12 - 18 months	250	0.6158	458	0.5459
Buy Canadian Dollars / Sell Australian Dollars				
0 - 6 months	4,200	0.8794	349	0.8596
6 - 12 months	350	0.8923	-	-
Buy Australian Dollars / Sell Canadian Dollars				
0 - 6 months	12,900	0.8905	31,128	0.8327
Buy Euros / Sell Australian Dollars				
0 - 6 months	-	-	1,805	0.5540
Buy Australian Dollars / Sell Euros				
0 - 6 months	2,000	0.5791	-	-

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.

	2003 \$'000	2002 \$'000
Unrealised gains	4,413	1,614
Unrealised losses	(1,390)	(936)
Net gain (loss)	3,023	678

38. Financial Instruments (continued)**(c) Interest Rate Swap Contracts**

Bank loans of the consolidated entity currently bear an average variable interest rate of 5.75% (2002: 5.42%). 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 39% (2002: 37%) of the total borrowings outstanding. The average fixed interest rate is 5.39% (2002: 6.81%) and the variable rates are between 0.50% and 1.00% (2002: 0.30% and 0.50% respectively) above 90 or 180 day bank bill rate.

At 30 September 2003, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2003 \$'000	2002 \$'000
0-1 years	25,000	25,000
2-3 years	5,000	40,000
4+ years	62,280*	-
Total	92,280	65,000

* Includes \$47.28 million which is a natural hedge through subordinated debt.

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 \$261,728 (2002: financial liability of \$1,325,133).

(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:

2003	Average	Floating	Fixed interest maturing in:			Non	Total
	interest	interest	1 year	over 1 year	more than	interest	
	rate	rate	or less	to 5 years	5 years	bearing	
	%	\$'000	\$'000	\$'000	\$'000	\$'000	
<u>Financial assets</u>							
Investments							-
Cash and deposits							-
Receivables						41,020	41,020
Loan to associate	5.93	47,280					47,280
Interest rate swaps*	4.90	92,280					92,280
		139,560	-	-	-	41,020	180,580
<u>Financial liabilities</u>							
Bank overdrafts	8.45	2,778					2,778
Trade and other creditors						28,133	28,133
Bills payable	5.90	232,050					232,050
Other loans	5.30	23,563				400	23,963
Finance Leases	7.13		723	1,234			1,957
Interest rate swaps*	5.39	47,280	25,000	20,000			92,280
		305,671	25,723	21,234	-	28,533	381,161
Net financial assets (liabilities)							(200,581)

* notional principal

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

38. Financial Instruments (continued)

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						25,195	25,195
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	-	-	121,144	187,644
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	6.62	57,944				800	58,744
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
		242,650	26,695	41,911	-	30,269	341,525
Net financial assets (liabilities)							(153,881)

* notional principal

Reconciliation of Net Financial Assets to Net Assets

	2003 \$'000	2002 \$'000
Net financial assets (liabilities) as above	(200,581)	(153,881)
Non-financial assets and liabilities		
Inventories	32,656	66,532
Property, plant and equipment	383,903	416,402
Intangibles	11,351	8,047
Other assets	89,770	14,955
Provisions	(42,002)	(47,136)
Other liabilities	-	-
Net assets per balance sheet	275,097	304,919

(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.

GRAINCORP LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2003

39. 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	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(i) Working Capital & Multi Option Facilities (a)				
Available (b)	143,696	249,456	-	-
Used	28,696	102,656	-	-
Unused credit available	115,000	146,800	-	-
(ii) Term Facilities				
Available	232,050	142,900	114,450	-
Used†	232,050	142,900	114,450	-
Unused credit available	-	-	-	-
Total Facilities at year end				
Available	375,746	392,356	114,450	-
Used	260,746	245,556	114,450	-
Unused credit available	115,000	146,800	-	-

(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.

40. Subsequent Events

Merger with Grainco Australia Limited

GrainCorp and Grainco merged on 1 October 2003 and the new combined entity will continue as GrainCorp Limited. The total cost of the merger was approximately \$117.6 million. It included \$105 million payable to Grainco shareholders (equivalent to \$1.39 per Grainco Ordinary Share), \$11.1 million payable to the ConAgra Trade Group ("ConAgra") for its 25% interest in MarketLink (Aust) Pty Ltd ("MarketLink") and \$1.5 million in acquisition costs. The agreement gave Grainco shareholders a choice of cash and/or Reset Preference Shares (RPS) in GrainCorp and provided them with the option of continuing as a shareholder in the merged entity. The merger required a change to the constitution of GrainCorp to allow for RPS to be issued and to create an additional Board position for a Queensland representative until the 2004 AGM.

MarketLink was a joint venture between Grainco and ConAgra with Grainco holding 75% equity interest and ConAgra 25%. As part of the merger agreement, Grainco purchased the remaining 25% equity from ConAgra for approximately \$11.1 million. This further purchase made MarketLink a wholly-owned subsidiary of Grainco. Therefore, GrainCorp became the ultimate holding company of MarketLink. Also, as a consequence of the merger, BTA will become wholly-owned by GrainCorp.

As part of the conditions of the merger, as agreed with the ACCC, GrainCorp has an undertaking to dispose of its interest in Australian Bulk Alliance Pty Ltd ("ABA") as soon as commercially possible.

40. Subsequent Events (continued)

Reset Preference Shares

To fulfil the terms of the merger with Grainco, GrainCorp offered RPS at \$100 each. The offer was structured in two parts: a priority offer to Grainco and GrainCorp shareholders and a subsequent offer to the public. GrainCorp set the maximum amount to be issued at \$120 million which was over-subscribed. All priority and broker firm applications were satisfied in full, while applications made under the public offer were subject to a scale-back process. The RPS commenced trading on the ASX on a deferred settlement basis on 2 October 2003 and on a normal settlement basis on 8 October 2003.

RPS are non-cumulative preference shares quoted on the Australian Stock Exchange. Key features of RPS include:

- Preferred dividend: each RPS carries a preferred dividend fixed until 30 September 2006 at a rate of 6.5% which is expected to be fully franked;
- Reset mechanism: GrainCorp may reset certain terms of RPS on a Reset Date including the applicable dividend rate. The first Reset Date is 30 September 2006; and
- Conversion rights: in certain circumstances (including on a Reset Date) a holder of RPS may receive Ordinary shares in GrainCorp for their RPS at a discount of 2.5% to the relevant volume weighted average price of those Ordinary shares.

Tax Consolidation

Tax consolidation legislation became substantively enacted during the year when the *New Business Tax System (Consolidation, Value Shifting, Demergers and Other Measures) Bill 2002* was passed by the Senate.

At present, it is expected that there will be no material financial effect on the financial statements and at the date of this report, the directors have not made a decision whether or not to elect to be taxed as a single entity. 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*.

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

The directors declare that the financial statements and notes set out on pages 10 to 53:

- (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 2003 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 will be able to meet any obligation or liabilities to which they are, or may become, subject to by virtue of a deed of cross guarantee.

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



R.L. Greentree
Chairman

Sydney
25 November, 2003

Independent audit report to the members of GrainCorp Limited and controlled entities

Audit opinion

In our opinion, the financial report of GrainCorp Limited:

- gives 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 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both GrainCorp Limited (the company) and the GrainCorp Group (the consolidated entity), for the year ended 30 September 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

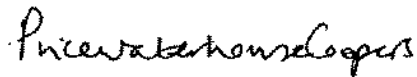
When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



P J Carney
Partner

Sydney
25 November 2003