

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

Directors

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

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

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

Principal Activities

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

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

Review of Operations

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

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

Significant Changes in State of Affairs

Merger

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

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

Cancellation of Class B Shares

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

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

Borrowing Facilities

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

Share Buy Back

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

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