

# Annual Report 2006



The Rice Food Experts



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## About This Report

SunRice's Full Year Report and Financial Report can be viewed or downloaded from SunRice's website, [www.sunrice.com.au](http://www.sunrice.com.au)

In this report, 'the year', 'this year', '2005/06', 'crop year 2005' and 'CY05' all refer to the Financial Year ended 30 April 2006.



Over the past five years significant advances have been made across the SunRice business. Milling operations have been rationalised, working culture has been substantially improved and in the face of three years of drought, a profitable global rice trading business has been established. In 2005, shareholders also voted overwhelmingly in favour of the restructure from a co-operative to a company, paving the way for an even more exciting future for SunRice.

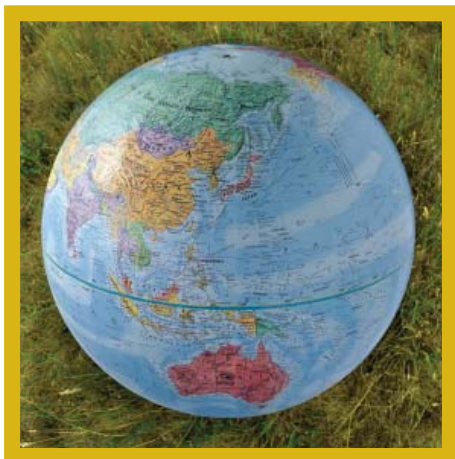
As a leaner and more dynamic rice food company SunRice is focused on delivering greater value for its shareholders. With its people sharing a commitment to operating excellence, initiative and innovation, SunRice is well positioned to achieve its vision to become The World's Favourite Rice Food Company.

(Below) Sharon Bailey, Receptionist





# About SunRice



SunRice is the world's fourth largest rice food company and one of Australia's largest exporters of processed branded-food products, exporting approximately 80 percent of Australia's total annual rice production, to more than 60 countries worldwide. Our history traces back to the establishment of Ricegrowers Co-operative Mills Limited in 1950.

As the Rice Food Experts SunRice delivers a daily promise of high quality and nutrition to consumers worldwide. What sets SunRice apart as a business is its portfolio of leading brands across the world.

SunRice is anchored in regional Australia with access to the best quality Australian grown rice.

SunRice operates three mills in Leeton, Deniliquin and Coleambally. SunRice also operates a flour mill, packing plant, speciality rice food plant, rice cake factory and three CopRice animal feed mills.

## Our Corporate Goals

- To deliver unbeatable products and services
- To have leadership that inspires and rewards excellence
- To have winning business relationships
- To grow through imagination and audacity
- To understand our responsibility to achieve financial targets
- To have simple and effective systems and processes
- To be responsible corporate citizens

Left to Right: Mark Robertson - Deputy Chairman, Gerry Lawson - Chairman, Gary Helou - CEO

## Our Corporate Values

- Integrity in all we do
- Passion for the business
- Learning and its rapid conversion to action
- Single minded commitment to achieve our stated goals

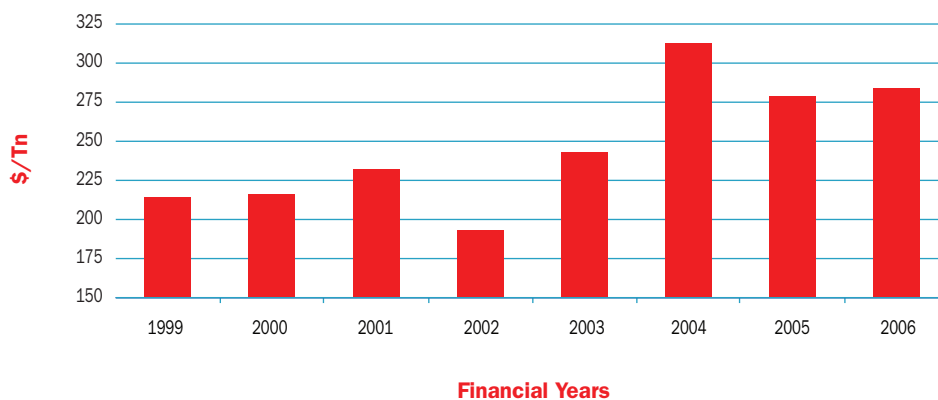
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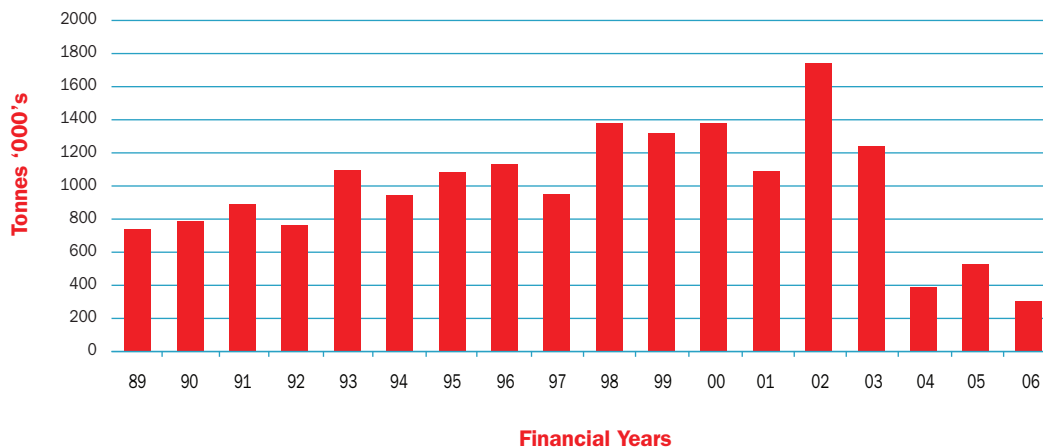
# Business Highlights

- Average Medium Grain Return to growers of \$284.13 per tonne for the 2005 crop
- Delivered excellent results despite the smallest rice crop harvested in 32 years
- Defended brand position in key international markets
- Successful conversion from a co-operative to a company
- Maintained profitability and continued the climb up the value-added chain
- Strong performance by subsidiary companies Riviana and Trukai
- Continued to successfully trade globally

**Average Medium Grain Return Per Tonne**



**Paddy Delivered**





## Chairman's Message



The 2005/06 year was one of momentous change for SunRice with the conversion to a company structure after many years of detailed preparation and consultation. Ricegrowers' Co-operative Limited officially converted to Ricegrowers Limited on 14 December 2005, paving the way to a stronger SunRice business.

We have made many strategic advances throughout our history, which have made us strong and prosperous, all whilst maintaining grower control and focusing on maximising returns to growers.

Our new structure provides the opportunity to recognise grower support and contributions to the development of the SunRice business whilst keeping control firmly in the hands of our grower shareholders. In addition, we have a more secure, permanent capital base, which would not have been possible under a co-operative structure.

SunRice members overwhelmingly supported the conversion to a company structure. Over 91% of members who voted in the special postal ballot supported the conversion resolution.

### Paddy Return

The company delivered a strong paddy return of \$284.13 per tonne, for medium grain, to growers in the Murray and Murrumbidgee Valleys of New South Wales. This was despite the smallest crop delivered in 32 years consisting of only 304,867 tonnes.

Achieving this excellent result, with an appreciating Australian dollar and a harvest 50,000 tonnes less than originally forecast, is a significant achievement. Credit must go to all involved across the organisation for the determined effort they made to maximise returns to Australia's rice growers and shareholders.

These results give us confidence in our ability to meet the challenges posed by drought. The continuation of the global trading program helped SunRice keep brands on supermarket shelves. Other strategies included the procurement of water from Snowy Hydro Limited which helped to mitigate the impact of low water allocations for our growers.

Fortunately the rice industry is rebuilding with a larger 2006 crop which produced 1,037,557 tonnes and SunRice is in a prime position to take advantage of the recovery. Throughout the year we maintained our financial strength and our strong customer relationships. In the coming year we look forward to promoting a 'comeback' of our high quality Australian grown rice in key markets around the world.



### Corporate Governance

SunRice has always taken its Corporate Governance responsibilities very seriously and there is a detailed statement relating to this later in the report.

As a company, The Corporations Act 2001 (Cth) now governs SunRice and imposes certain continuous disclosure obligations to ensure a timely and orderly release of information to shareholders and the Australian Securities and Investments Commission (ASIC).

SunRice has in place a Continuous Disclosure Policy that applies to its Directors and Employees. The Policy sets out a reporting system within the management structure of SunRice to identify information that must be disclosed, and the procedures relating to the disclosure of such information.

At the request of the Board, a whistle blower/protected disclosure clause was introduced for all employees at SunRice. This enables employees to make anonymous, confidential submissions regarding concerns about improper practices. This was rolled out through the business in February 2006.

### Deregulation

SunRice is well prepared for deregulation of the domestic rice market from 1 July 2006. Our people, brands, the quality and range of our products, our customer relationships and our operational efficiency give us a great edge over any new competitors. We have established a Deregulation Task Force, which will determine how we can best continue to serve our growers in a deregulated environment, how to maintain our customer base and maximise efficiency and competitiveness.

I am sure our growers know they have an enormous investment in SunRice, its infrastructure and brands, and will do all they can to continue its success.

SunRice will, of course, continue to be the sole exporter of New South Wales grown rice. In combination with our extensive domestic business, SunRice will continue to set the benchmark as the premier rice food company, anywhere in the world.

### Board of Directors

Over the past twelve months the SunRice Board has acted decisively on a number of important

issues. The spirit of co-operation and the united approach continue to be important in supporting the process of stability and consistency within the company.

In November 2005, the Board welcomed Russell Higgins as an external Director and Gillian Kirkup as the grower-elected Rice Marketing Board Director to the SunRice Board. The Board believes the collective and diverse experience of Russell and Gillian will further strengthen SunRice. Details of their experience can be found later in this report.

After twelve years of service Brian Vial decided to retire. Brian was first appointed a grower-elected Rice Marketing Board Director in 1993. We express our appreciation for his fine contribution to the SunRice Board.

### Sincere Appreciation

The Board would like to thank all of SunRice's stakeholders, including rice growers, customers, shareholders, employees and suppliers for their support and encouragement over the past 12 months.





## Chairman's Message Continued...

My sincere thanks to Ian Macdonald, NSW Minister for Primary Industries for securing a single export desk for NSW grown rice and to Mark Vaile, Deputy Prime Minister for his support in international trade. Thanks also to politicians Kay Hull MP (Federal Member for Riverina), Sussan Ley MP (Federal Member for Farrar), Adrian Piccoli MLA (NSW Member for Murrumbidgee), Peter Black MLA (NSW Member for Murray Darling) and Tony Catanzariti MLC. The excellent relationships we enjoy will continue to be critical as we face the opportunities and challenges of 2007.

I thank Dick Thompson, Chairman of Murrumbidgee Irrigation, for the valuable work he did to secure

additional Snowy Hydro Limited water. Thanks also to Murray Irrigation Limited, Coleambally Irrigation and Murrumbidgee Irrigation for their strong support in implementing and managing the Snowy Advance to increase rice production.

I acknowledge my fellow Board members, and in particular my Deputy Chairman Mark Robertson, for playing a critical role in probing the issues and defining the strategies to shape the future of SunRice.

I would like to thank other rice industry leaders, notably Noel Graham, Chairman of the Rice Marketing Board, and Laurie Arthur, President of the Ricegrowers' Association of Australia Inc., for their significant contribution to the industry.

I would like to place on record my thanks to our Chief Executive Officer, Gary Helou for his ability to share his vision for the future, and for his leadership of our management team and staff which has allowed the business to move ahead with confidence.

My final acknowledgement must go to the supreme effort of those who grew the 304,867 tonnes of rice as without their effort, we would not have the the successes of this crop year. They are our true heroes. We salute them.

As we move into a better crop year, we can be very confident about the future.



**Gerry Lawson**  
Chairman

SunCreations' rice and protein range of value-added meals continued to gain momentum in 2005/06







**Q. Why do so many people around the world love SunRice?**



# CEO's Message



SunRice was able to ride out the challenges of a third consecutive harsh drought year by adopting a multi-fronted strategy that focused on defending brands, preserving critical industry and business infrastructure, cost containment and corporate structure development.

The higher than projected 2005 crop year paddy return, the continued marketing success of our brands in Rice Food Categories around the globe and our successful conversion to a company structure, are some of the pleasing achievements of the 2005 crop year.

## Marketing

Global Trading, which saw us sourcing and marketing rice from a number of international suppliers for a third consecutive year, was a key strategic initiative deployed to mitigate the effects of the drought. Trading provided a strong platform to defend our brands around the globe as well as being a major contributor to SunRice's overall profitability.

In the domestic market, SunRice maintained a position of overall leadership through a program of ongoing product innovation, Rice Food Category development and marketing excellence. Our value-added programs in Table Rice, Snacks and Meals continued to deliver marketing innovations and business growth in an increasingly competitive and congested market environment.

In Asia, the Pacific and the Middle East, SunRice's trading activity was critical to ensuring a sustainable and profitable supply pipeline of quality rice to our many markets in these strategic geographies. Despite facing increasing international competition and a tough trading

environment, we were able to defend and maintain branded market leadership in our key markets. A series of innovative consumer promotions were rolled out in key markets to support our brand positioning and to build loyalty amongst customers and consumers.

Our subsidiary company, Trukai Industries Limited, maintained its strong rice market position in Papua New Guinea. Trukai continues to build a strong market franchise by delivering product and marketing innovations whilst remaining engaged with the wider population through a number of community based activities, including sports, social and agricultural development programs.

Riviana Foods Pty Ltd posted another growth year by cementing its Always Fresh flagship brand as a clear leader in the olive and pickled vegetable market. This growth was fuelled by expansion in the food service sector and the continued introduction of innovative lines of Mediterranean foods such as dolmades and tapenades.



## Operating Excellence

Our Operations Group faced a double challenge of downsizing and staffing infrastructure during the early part of the year ahead of receiving the smallest crop in recent years. However, it finished the year with the pleasing task of having to rebuild capacity and ability to process a return to a normal crop.

SunRice continued to adopt and implement best practice safety and quality management across its operations. This resulted in very pleasing achievements and improvements with several sites continuing to remain free of any lost time arising from injury.

The Operations Group was instrumental in ensuring the success of Global Trading by providing technical and logistical support to the complex task of buying, transporting and reprocessing several hundred thousand tonnes of rice products around the globe.

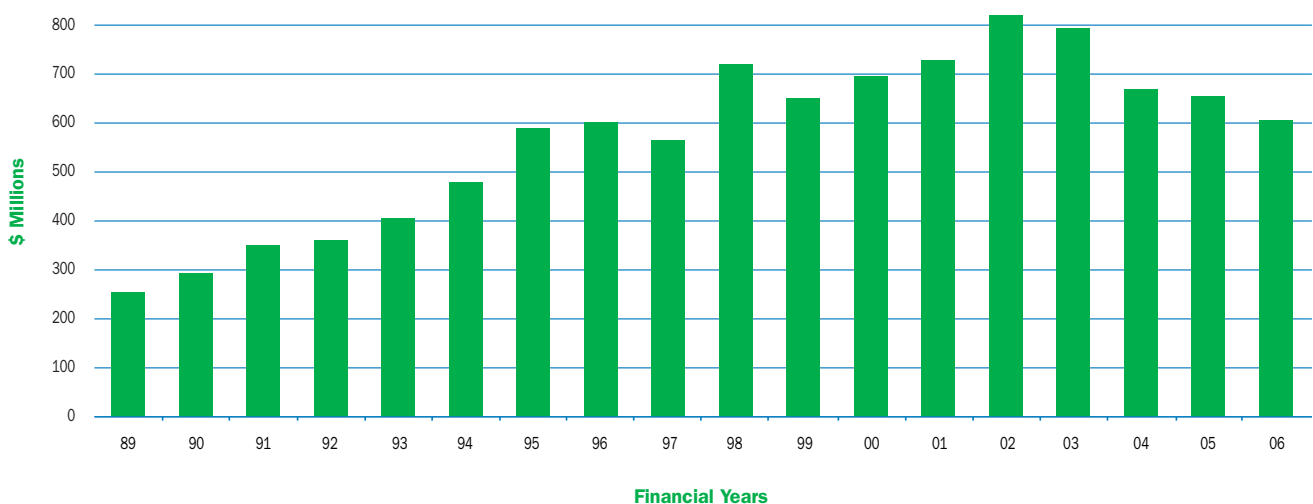
The Speciality Rice Food Group was able to improve capabilities to process a wide range of ultra convenient meals and rice cake snacks. This is a strategically important part of our business portfolio where SunRice continues to take a leading position in these important value-added categories.

## Focus On People

Our employees continue to respond admirably to the challenges of ongoing drought and tough trading conditions. The excellent business results during last year are a testament to their collective commitment and resilience in very challenging times.

Employees were recognised again this year for individual and team achievements through the SunRice Employee Awards. Very warm congratulations go to the overall winner Jan Cathcart, whose special services and contributions to our company and shareholders were recognised and celebrated.

Sales Revenue







## CEO's Message Continued..

### The Future

Despite the challenges posted by the three-year drought, SunRice remains one of the most exciting food businesses in Australia. The resilience of our brands and business relationships, and our capacity to successfully respond to the ever changing business environment, are examples of confidence and strength. The recent conversion from a co-operative to a company structure will further strengthen SunRice by securing a more permanent capital base from which to pursue the vision of becoming the World's Favourite Rice Food Company.

I sincerely thank my Chairman, Gerry Lawson and the Board of Directors for their continued leadership and support. I also thank my Corporate Management Team and all employees for their commitment and hard work. With the return to a normal crop and the collective dedication and talent of our people, SunRice can look to the future with a great deal of confidence and optimism.



**Gary Helou**  
Chief Executive Officer

The higher than projected 2005 crop year paddy return... and our successful conversion to a company structure, are some of the pleasing achievements of the 2005 crop year...







**A. Because SunRice are the Rice Food Experts.**







## SunRice Around the World

# Australia and New Zealand

Fresh and innovative ideas and the establishment of new relationships with customers kept SunRice in a dominant position this year and highlighted the importance of Australian and New Zealand business activities.

Despite a significant increase in competition from imported rice SunRice was able to defend and grow the core branded business with a continued push of the value-added program and a focus on the three areas of Table Rice, Snacks and Meals.

### Table Rice

During the year fragrant, long grain and hard cooking varieties were supplemented with imported rice to accommodate the shortfall in Australian rice production.

Despite a higher Australian dollar and favourable import pricing, we were able to maintain a dominant

position in all markets further reflecting the iconic nature of the SunRice brand.

We grew SunRice's branded market share using astute promotional programs to leverage our unique range of branded products.

In the Food Service channel we launched a new initiative aimed at delivering deeper market penetration, improved logistical service levels and more competitive pricing. The true benefits of the restructure will be further realised in 2006/07.

The Food Ingredients Group re-engineered product specifications to maximise supply and satisfy the needs of customers, this was particularly vital with the shortfall in Australian rice production.

Significant market share in the Australian and New Zealand

markets, coupled with marketing and product development expertise, provide for significant opportunities for growth within the branded rice food sector.

(Above) SunRice's 90 Second World Rices are meeting consumer needs by providing a convenient alternative to cooking rice

...we were able to maintain a dominant position in all markets further reflecting the iconic nature of the SunRice brand.





## Moving up the Value-added Chain

The ability to move up the value-added chain comes primarily from our Speciality Rice Foods Business and is a key driver of innovation at SunRice. Good progress was made in adapting existing products to meet the rapidly changing consumer needs.

### Snacks

The new range of 'thin' flavoured rice cakes, launched in 2004, enjoyed a full year of sales this year and market share grew from 43% at the beginning of the crop year to 60% at the close of the year. SunRice confidently holds a leading position in the rice cake market.

A number of rice cake innovations were launched to leverage SunRice's dominance in this category. These included new flavours in the 'thin' range of rice cakes and a 'triplet rice cake' product designed specifically as a healthy childrens snack.

### Meals

To meet consumer demand for convenience foods, whilst addressing the increased culinary expectations of consumers, SunRice extended its range of shelf-stable ready-to-eat meals.

SunRice launched quick cooking 'plain' rices in shelf-stable pouches in Jasmine, Arborio, White and Brown rice varieties. These 90-second World Rices are gaining momentum on supermarket shelves, demonstrating strong consumer acceptance for ultra-convenient foods.

A new SunCreations, 'On-the-Side' range of shelf-stable meals was also launched in 2005, replacing the dry range of Side Dishes previously available from SunRice. Sales forecasts are strong for 2006/07 with the roll out of a promotional marketing program.

The SunCreations range of 'heat and eat' products also gaining momentum in the food service area with the development of a new one kilogram shelf-stable cooked product.

New product development in the areas of 'snacks' and 'meals' are helping to build SunRice's reputation as an innovative food company, whilst accelerating our market share and delivering solid business returns.

(Above Left) SunRice thin flavoured rice cakes enjoyed a full year of sales this year

(Above right) 'Triplet rice cakes' - In line with the new 'green' school canteen criteria to address obesity in children, SunRice developed a healthy childrens snack



## SunRice Around the World

# Asia

This year saw strong sales in the diverse Asian market where our brand offering continues to grow. Focus has been on our branded sales and customer and consumer acceptance grew creditably during the year.

### Singapore

The Kangaroo Brand of Australian calrose rice continued to dominate the medium grain segment of the Singapore market and promotions in major retail stores maintained constant consumer awareness of the brand.

To capture the growing health consciousness of consumers in Singapore a number of SunRice branded products were launched, including the 'thick' and 'thin' plain flavoured rice cakes and Doongara 'Clever Rice'. This low Glycaemic Index (GI) rice has been particularly well received by diabetics and the successful positioning of this product has

enabled the expansion of distribution to pharmacies and health outlets. A launch of the SunRice Quick Cooking Brown Rice also proved successful in the health conscious segment of the market.

### Japan and Taiwan

At a time of historically high prices for Japonica rice, driven by our own reduced availability and a smaller Californian crop, SunRice's sales to Japan and Taiwan were limited this season. We successfully sold one cargo to Japan through tender whilst sales to Taiwan were limited to a few thousand tonnes of brown rice shipped in containers. As production returns to normal the SunRice Marketing Team will be focused on recovering market share.

### South Korea

During the year negotiations to obtain a country specific quota for Australia were successfully

concluded with South Korea. In coming years a minimum volume of 10,033 tonnes of Australian brown rice will be allocated for purchase through tender.

### Global Trading

In light of a third year of reduced availability from the Australian crop SunRice had to again rely heavily on foreign rice to maintain its brands in many markets around the globe.

During the year the volume of foreign rice packed into SunRice branded consumer packs expanded significantly. Building on the experience gained from sourcing rice to survive the drought the SunRice Global Trading Team extended the range of products sold into a number of markets in the past year.

As rice production recovers in Australia the trading team will continue to seek new opportunities to trade foreign rice that sensibly fit within SunRice's business and brand strategies to benefit our shareholder profitability.





## SunRice Around the World

# Middle East

SunRice defended the branded business platform in the Middle East region by ensuring key brands remained prominent within the retail sector despite facing difficult trading factors throughout the year due to the ongoing drought in Australia.

To meet the demand for our high quality Sunwhite branded products, Australian grown rice was supplemented with foreign rice. This kept our brands on supermarket shelves and maintained a strong retail presence in key markets.

A series of initiatives were instigated to support the branded business with a focus on maintaining loyalty within the trade sector and driving consumer awareness and allegiance. A major "Scratch and Win" promotion was

launched in Jordan in the third quarter of 2005, which delivered strong results.

SunRice faces ongoing competition against branded product lines in the Middle East yet with our extensive experience, sound customer relationships and well-known brands, SunRice remains in a dominant position in key markets in the region.

With a return to normal supply from Australia SunRice is well poised to continue growth in this important market.

# Pacific

Defending our markets across the Pacific was the highlight of the year ensuring a solid platform exists for future growth in this key region.

Promotional activities and closer working relationships with key distributors and importers underpinned activities in the Pacific. Major promotions took place in Vanuatu and Kiribati, which were successful in lifting sales, brand recognition and defending market share against new and aggressive competition in these two key markets.

Further integration of quality requirements were implemented in the Pacific, promoting more efficient operations and higher food safety and quality standards.

(Below Left) "Scratch and Win" billboard advertising in Jordan helped lift sales of Sunwhite branded rice







# Our Operations

It was a challenging year for SunRice operations. It began with the difficulties associated with receiving, processing, milling and packaging the smallest crop in over thirty years and finished with the opportunity of a much improved crop, boosting capability across SunRice operations.

## World Class Facilities

SunRice is committed to continuously improving its facilities to world class benchmarks through investment in technology and driving efficiencies through our core milling and packing processes.

In 2005/06, SunRice continued to achieve efficiency improvements despite lower volumes through our infrastructure. Food safety and quality standards remain a key focus for the business and further improvements to our already high standards will be made into the 2006 crop year.

## Speciality Rice Food Group

The Speciality Rice Food Group (SRFG) based in Leeton, manufactures a range of convenience rice products and ready-to-eat meals.

SRFG's performance continues to improve with several new products successfully processed and packed during the year.

In the Rice Cake Plant, further investment was made to increase capacity for the new variants of flavoured Rice Cakes that continue to stimulate demand.

## Best Practice

SunRice has continued its implementation of best practice safety and quality management across all its operations.

A behavioural-based safety program was highly successful in its first year of introduction across the business with improved injury prevention over the year resulting in several sites remaining Lost Time Injury (LTI) free.

During 2005/06 food safety and hygiene was a major focus of our quality systems and we achieved internationally recognised accreditation for our mills with Leeton, Coleambally and Deniliquin all achieving American Institute of Baking (AIB) certification. Our Rice Cake plant also achieved accreditation.

## Supply Chain Management

With the lower crop in 2005 a reconfigured supply chain was required to minimise costs and ensure efficient delivery of goods across both domestic and international channels. It is pleasing that despite the difficult year our customer delivery performance was at extremely high levels.

The Operations team established a number of key supply and service contracts throughout the year delivering cost savings for the business.

## Six Sigma

Originally introduced in 2003 as a pilot program, Six Sigma continues to deliver good results and efficiencies for SunRice.

This business improvement methodology was implemented internationally this year with impressive results. A number of staff were provided with tools and techniques to improve quality, business processes, cost reduction and waste minimisation.

## Grain Handling

The grain handling operations of SunRice demonstrated continued improvement in its key performance indicators and reduction of costs across its key functions. Due to the low 2005 crop the group achieved increased revenue from the storage of non-rice grains in the facilities.

(Right) State-of-the-art SunRice facilities allow SunRice to compete domestically and internationally as a low cost producer







## Our Growers



The year started with the 2005 harvest producing the smallest crop in 32 years but ended with relief as the 2006 harvest exceeded one million tonnes.

### The 2005 Crop

The 2005 crop was limited by very low water availability and severe cold weather damage at the early pollen microspore stage of development. The coincidence of two climatic events (drought and low night temperatures in January and February) caused production to drop to 304,867 tonnes from 45,200 hectares at an average yield of 6.7 tonnes per hectare. Yields that low had not been experienced since the cold damaged 1996 crop.

Growers' spirits were further dampened by damaging and inaccurate media coverage surrounding the release of CSIRO's Balancing Act report in late May. Growers and the whole rice industry were outraged by CSIRO's

incorrect publicity surrounding the report, which claimed rice used twelve times the amount of water actually used. While CSIRO corrected their mistake, enormous damage was done to the industry's reputation. High-level discussions with the CSIRO resulted in a range of reparations, including a commitment to undertake R&D of benefit to the rice industry.

### Water Procurement

After a dry autumn and early winter, good rains finally commenced in June and continued through spring. Dam recharge was not sufficient to provide good water allocation for the 2005/06 rice planting so SunRice, in conjunction with Murrumbidgee Irrigation and Murray Irrigation Limited, arranged another advance of future years' water. The price and repayment terms were more favourable than previous advances and uptake exceeded the volume initially available. After further negotiations

with Snowy Hydro Limited all applications were able to be met. Murrumbidgee Valley rice growers took up over 170,000 megalitres and Murray Valley rice growers over 90,000 megalitres.

### The 2006 Crop

With water availability improved by the snowy advance, growers planted 104,595 hectares of rice, including sufficient quantities of our important speciality varieties. After three small rice crops, growers were committed to achieve the best possible production. Crop and water management were excellent and combined with the superb weather conditions in January and February, the 2006 harvest produced 1,037,557 tonnes at an average yield of 9.9 tonnes per hectare. Growers were elated that, finally, they were back in business, especially after their winter crop returns were decimated by low wheat prices.





With dismal wheat prices forecast to continue, most growers are likely to restrict winter crop plantings to save as much water as possible for the 2006/07 rice crop. Rice has again demonstrated to growers that it is the preferred summer crop in our region - delivering high gross margins per hectare and per megalitre.

(Above) Enhanced by a disease free quarantine area rice growers achieved high yields in 2006

(Opposite Left) The industry is committed to breeding cold tolerant varieties of rice to avoid crops affected by low temperatures.

(Opposite Right) Rice Research Australia Pty Ltd (RRAPL) hosted the 2006 Rice Field Day and treated growers to an array of new technologies and innovations.

### Conversion to Ricegrowers Limited

While growers were preparing to sow the 2005/06 crop, they were considering the proposal to convert Ricegrowers' Co-operative Limited to a company. The co-operative structure was well regarded by growers given its success for over 55 years. The restructure proposal was presented to growers through a Members' Explanatory Booklet, a series of well attended restructure meetings and many one-on-one grower discussions through the Grower Services Restructure Hotline. Growers overwhelmingly accepted that the restructure was necessary for SunRice to grow and prosper and now look forward to supporting and supplying their new company, Ricegrowers Limited trading as SunRice.

### Rice Research Australia Pty Ltd

Over the past year, Rice Research Australia Pty Ltd (RRAPL) has expanded the focus of its Research and Development to include screening potential new rice varieties for cold tolerance. The results of the early assessments have been pleasing with signs of good cold tolerance whilst maintaining the attributes of high yield and good quality.

This past season has also seen:

- 8 rice varietal trials,
- 2 quality evaluation trials,
- a plot harvester evaluation trial,
- a MaNage rice trial
- evaluation of the mid season drainage system; and
- testing of Precision Ag equipment

The top yielding rice variety in all trials at RRAPL yielded an average 16.0 tonne per hectare across six repetitions demonstrating huge potential for yield increase relative to current varieties.







# Our People

Despite the difficulties posed by the drought for the third consecutive year SunRice employees have contributed to deliver an excellent business result. The resilience, commitment and adaptability of our employees must be commended.

## Performance

In order to maximise the efforts of all employees it is important to have an understanding of company goals and clear accountability for each role. To achieve this an employee appraisal process is undertaken in conjunction with scorecards that measure specific business deliverables.

As we began our recruitment drive for 2006, to accommodate a return to normal capability in our operations, we further defined the skills required in our operational roles and these became the benchmarks against which employees were recruited.

## Recognition

During the year service awards were given to recognise milestones of 5, 10, 15, 20, 25 and 30 years of employment. Fifty-nine people were recognised for 5 years service to SunRice, twenty-four people were recognised for 10 years service, twelve people for 15 years service, six for 20 years, three for 25 years and five for 30 years of service.

Employees were also recognised for both individual and team achievements through the SunRice Employee Awards, which reward initiative, innovation and operating excellence. A total of 89 individual and 39 team nominations were received from across the business. The site and team winners from each quarter were invited to the annual presentation dinner in Leeton in May where the overall site winners (listed below) were announced.

### Sydney Office

Alex Terrone

### Deniliquin Mill

Nick Bould

### Leeton Office/Engineering

Jan Cathcart

### Paddy

David Huchinson

### Leeton/Coleambally Mills

Henry Devent

Carl Kenmir

### Wamoon Ave

Lindsay Beukes

### CopRice

Dean Bradley

The Employee of the Year Award was awarded to Jan Cathcart for her outstanding contribution towards the project of restructuring the business from a co-operative to a company, known as Project Solar.

The cross functional "Woofbix" team of Alex Terrone, Frank Cuteri, Peter Newton and Lincoln Kelly was the overall team winner.

## Change

This year saw two major changes for SunRice, with the successful conversion from a co-operative to a company and the introduction of the WorkChoices legislation.

While the conversion to a company does not change the day-to-day role or activities of employees, it does establish a structure that will best position SunRice for long-term viability.

The introduction of the WorkChoices legislation provides the framework in which our next Workplace Improvement Agreement (WIA) will be negotiated, with the current agreement expiring in September 2006. The new agreement will provide ongoing flexibility for the business while continuing our current culture of positive employee relations.

(Opposite Above) Ron Burton, Production Manager, Milling and Flour Mill, Leeton.

(Below Left) Winner of the 2006 Employee Awards, Jan Cathcart (right) with CEO, Gary Helou (left).

(Below Right) Steven Olds, Production Manager, Packing, Leeton.





## Our Subsidiaries

# Trukai

Trukai Industries, Papua New Guinea's largest and most successful rice processor and marketer, concluded the year with an increase in market share.

### Promotional Activities

As a premium priced competitor, Trukai Industries needed to differentiate its major brand, Trukai Rice, in a manner that competitors could not easily replicate. Accordingly, Trukai took on delivering a better value proposition to customers through a range of promotional activities. These activities included the highly successful 'Umbrella' and 'Dartboard' promotions where consumers received gift incentives with their rice purchase.

### Operations

In the area of operations, systems in supply chain management dominated activity with an increased focus on fine-tuning systems to cater for the rising complexity in the delivery of raw materials.

The manufacturing division continued milling and packaging upgrades to improve pre-cleaning and final colour sorting of finished product, thus providing customers with superior quality and product specification options.

Trukai Industries agribusiness department continued to operate strongly as a leading agency in Papua New Guinea's agricultural landscape.

### Community

This year Trukai Industries supported a number of community-based sporting activities including the national fun run with over 45,000 runners, the PNG Sports Federation and a number of PNG weightlifters. Trukai employee and weightlifter, Dika Toua, went on to win a silver medal at the 2006 Commonwealth Games in Melbourne.

(Above) Female weightlifter Dika Toua, a Trukai employee, celebrates her silver medal success at the 2006 Commonwealth Games with the PNG flag.

**Trukai Industries, Papua New Guinea's largest and most successful rice processor and marketer...**



## Our Subsidiaries

# Riviana

Riviana Foods, is a manufacturing, distribution, sales and marketing enterprise focusing on the grocery and food service sectors.

The past year, although increasingly challenging, has seen the company deliver record revenue and earnings for the ninth consecutive year. This success is attributable to aggressive new product development, continued growth in existing categories, and an ongoing commitment to building strong relationships with major trading customers and suppliers.

### Always Fresh

The Retail business continued to gain strength, despite intensifying competition and an increasingly demanding trading environment. Always Fresh, the flagship brand within Riviana Foods, continued to build on its clear market-leading position by achieving a record share of 36.7% of the Pickled Vegetable market. The brand successfully launched a number of key initiatives, including the rollout of an Always Fresh website.

### Food Service

Riviana Foods further consolidated its solid position within the Food Service sector by building on its newly acquired Cerebos Food Service brands: Menu Master, Ocean Supreme, Garden Supreme and Regal Sea. Successful product launches across numerous segments of the catering industry have also grown the presence of the Riviana brand, further enhancing the company's already strong alliances with key food franchises.

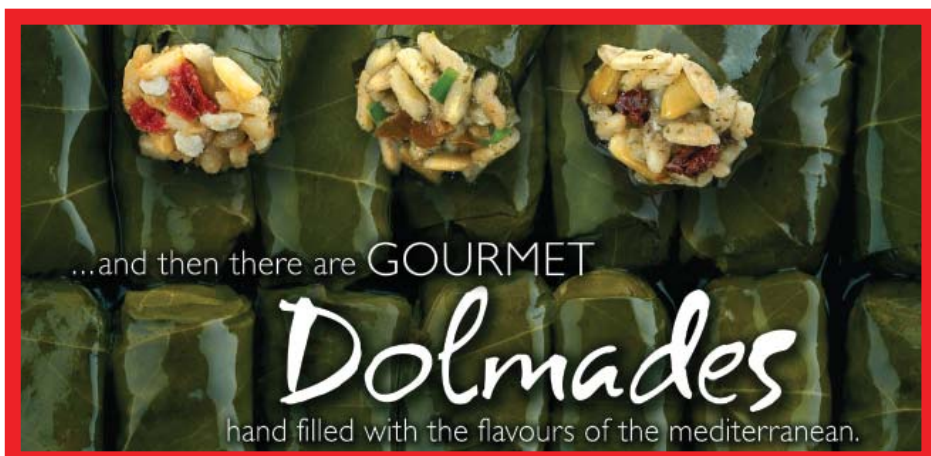
### Operations

Ongoing improvements to Riviana Foods' Victorian manufacturing plant delivered greater efficiencies through the maximisation of all resources, leading to improved earnings and better product quality management. Construction of a new head office premises will commence later this year, and will facilitate the growth of the company over the long term.

Strong leadership across all levels of the business, combined with an extremely committed employee base has, and will continue to drive Riviana Foods forward. With this in mind, Riviana continues to support a culture of self empowerment, where workplace excellence is rewarded across all levels of the business.

Moving forward, Riviana Foods has the people, resources and capability to ensure its growth projection and long term strategic objectives are realised.

(Below) As the key driver of growth in the rapidly evolving pickled vegetable market, Riviana introduced further flavour extensions to the Always Fresh Gourmet Greek Dolmades (Left) and launched the 'Fusions' range of Italian Tapenades (Right).







# CopRice Feeds

CopRice Feeds achieved significant sales growth during 2005, built upon a strong recovery in the dairy sector, growing use of CopRice Feeds for beef and sheep feed lotting and increased demand for CopRice specialty products.

This sales growth occurred against a backdrop of minimal availability of rice by-products.

At the Cobden and Tongala feed mills, the year commenced with low milk prices, potential water shortages and strong competition. Throughout the year, milk prices strengthened and coupled with lower grain prices, boosted overall industry confidence.

## Customer Sales

The CopRice Technical Sales Team continued to develop strong

relationships with customers by delivering high service levels, valued nutritional support and meeting CopRice's promise to be a "Partner in Production".

At the Leeton feed mill, significant sale increases in dry extruded pet and horse foods, coupled with solid performance in sales of Max's Cat & Pet Litter, have contributed to significant growth.

The outlook for 2006 is for further volume growth given ongoing improvement in the dairy sector and further opportunities in the companion animal business.

## Operations

CopRice achieved some major operational milestones during 2005. Most noteworthy was the achievement of one Lost Time

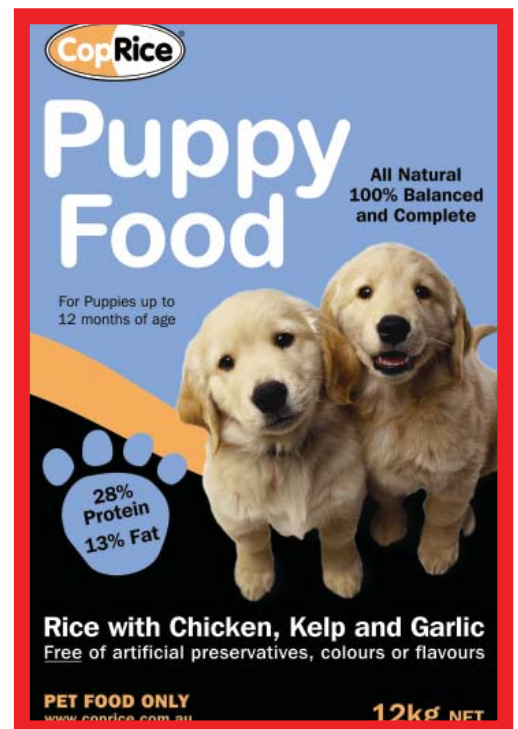
Injury (LTI) free year. Providing a safe working environment for all employees remains a priority for CopRice. CopRice Tongala reached a further milestone in February 2006 achieving five years without a LTI.

Negotiation of the Cobden Enterprise Agreement was also successfully completed during 2005 with employees, management and the union creating a productive operational platform within the business until 2008.

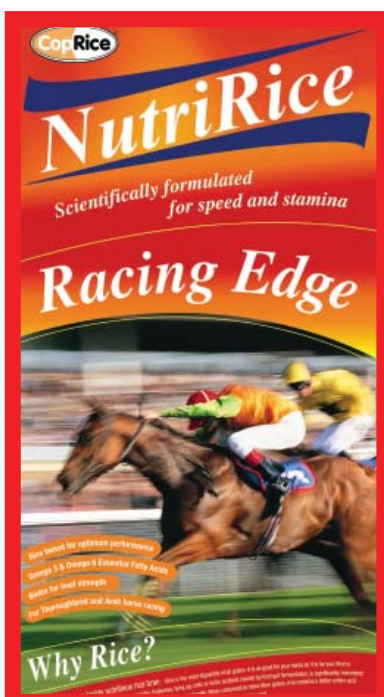
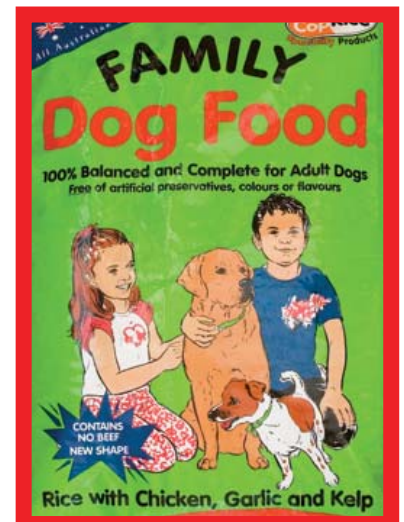
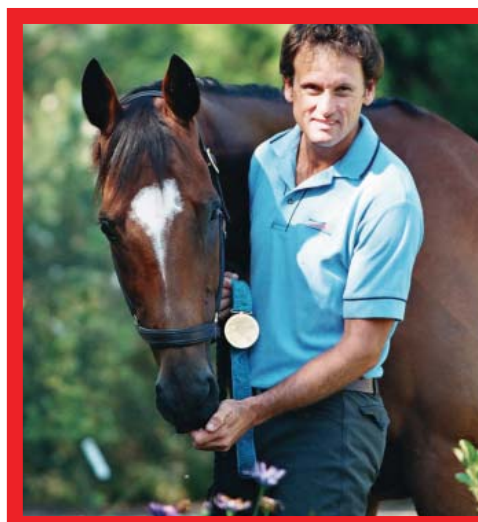
CopRice has the people and expertise to ensure the business continues to achieve its revenue and earnings growth objectives.







## CopRice Feeds - Partner in Production







# Our Community and Environment



SunRice is connected to a wide range of communities across Australia and internationally through employees, customers, consumers, government and community groups.

As a business, SunRice commits to performing as a good corporate citizen through:

- understanding and minimising any adverse environmental impacts of our milling, processing and marketing activities, recognising that our key impact areas are water and energy use, post customer and consumer packaging, and safety; and
- supporting social and environmental initiatives to ensure a sustainable future for communities in which we operate.

## Packaging and Waste

The business continues to support the National Packaging Covenant (NPC), which focuses on the reduction of product packaging and waste. Both SunRice and our subsidiary company Riviana have incorporated the NPC into their safety, health and environmental strategy framework.

Business units have sourced opportunities for the reuse and recycling of waste and packaging, which have resulted in a reduction of the cost and the amount of plastic and cardboard sent to landfill.

Other initiatives have included the identification of energy use and wastewater transfer across all areas of the business. These results are being used to create baseline data to identify where and how we are achieving savings.

## Occupational Health and Safety

The principle strategic emphasis for SunRice's workplace safety program is achieving best practice. This year SunRice successfully established Occupational Health and Safety (OHS) Management systems into all subsidiaries in Australia and overseas.

All business units continue to focus on the prevention of injuries resulting in a continual reduction in the Lost Time Injury (LTI) frequency rate over the last five years.

CopRice business units this year all achieved a LTI free year. CopRice Tongala has been outstanding with five years LTI free. Coleambally Mill has three years LTI free.

SunRice's safety prevention program has also resulted in a significant reduction in days lost due to injury and illness.





### Supporting Our Community

SunRice continued a 40-year tradition by supporting Leeton's largest bi-annual event, the Leeton SunRice Festival. The Festival raises awareness of the rice industry and supports philanthropic fundraising through the SunRice Ambassador event.

### Feeding the Hungry

As an active participant of Foodbank Australia, SunRice donated 50 tonnes of rice to Foodbank Australia this year.

Foodbank Australia provides food to a network of non-profit welfare agencies which prepare meals and provide food relief for the poor and hungry throughout the country.

Rice is one of Foodbank's top three most needed products.

### Environmental Champions Program

SunRice continued its support of the Ricegrowers' Association of Australia Inc Environmental Champions Program (ECP). The ECP is a five-level program developed in conjunction with rice farmers and regional organisations to assist farmers build their capacity to improve environmental and community sustainability. The program sets the bar for industry standards in environmental performance. Participation of level one of the ECP has more than tripled in the past twelve months to include over 200 farm businesses.

(Above) SunRice employees and their families and friends joined together to support the Leeton SunRice Festival

(Opposite Left) Building tree corridors is essential to maintaining biodiversity on rice farms

(Opposite Right) ECP participants Jim Maskus, Gary Knagge and Rob Houghton meet regularly as part of the Gogelderie ECP Cluster Group

**Rice is one of Foodbank's top three most needed products.**

# Board of Directors



## GERRY LAWSON LDA MAICD

Mayrung rice grower. Director since 1985. Chairman since 2001. Directors' Committees: Member, Remuneration Committee.

Chairman, Riviana Foods Pty Ltd; Director, Silica Resources Pty Ltd, SunRice Trading Pty Ltd, SunRice Australia Pty Ltd, Riviana (Australia) Pty Ltd, Sunarise Insurance Company Limited, Aqaba Processing Company Ltd (Jordan), Herto nv (Belgium); Sunshine Rice Inc (USA). Member of the Rice Marketing Board. SunRice representative to the Ricegrowers' Association of Australia Inc.

## MARK ROBERTSON MAICD

Berriquin rice grower. Director since 1996. Deputy Chairman since 2001. Directors' Committees: Chairman, Grower Services Committee; Member, Remuneration and Finance and Audit Committees.

Chairman and Director, Trukai Industries Limited; Director, Solomons Rice Company Limited (Solomon Islands), Riviana Pty Ltd (Australia), SunRice Australia Pty Ltd, SunRice Trading Pty Ltd. Member, Rice Industry Co-ordination Committee.

## GARY HELOU BE (Hons) MComm FAICD FAIM

Director since 2003. Director, Riviana Foods Pty Ltd, Trukai Industries Ltd (PNG), Solomons Rice Company Limited (Solomon Islands), Herto nv (Belgium), Aqaba Processing Company, and Sunshine Rice Inc (USA). Member, Asia Society AustralAsia Centre, Council for Australian-Arab Relations, Australian Homegrown Limited.

## BRUCE BARBER FAICD Cert Ag

Warrawidgee rice grower. Director since 1984. Directors' Committees: Member, Finance and Audit and Grower Services Committees.

Director, Rice Research Australia Pty Ltd, Stockfeed Manufacture and Distribution Pty Ltd, Trukai Industries Limited (PNG). Chairman, Solomons Rice Company Limited (Solomon Islands). Chairman, Benerembah Irrigation District Environment Protection Trust, Director, Abitibi Pty Ltd. Member, Rice Industry Co-ordination Committee.

## NOEL GRAHAM FAICD

Caldwell rice grower. Director since 2001. Directors' Committees: Member, Finance and Audit and Grower Services Committees. Chairman, Rice Marketing Board (RMB). RMB Representative to Ricegrowers' Association of Australia Inc.





Russell Higgins



Gillian Kirkup



Norm McAllister



Grant Latta



Alan Walsh

#### **RUSSELL HIGGINS AO** **B.Ec FAICD**

Director since 2005. Directors' Committees: Member, Finance and Audit and Due Diligence Committees.

Director, Australian Pipeline Trust; Australian Biodiesel Group; Chairman, CRC for Coal in Sustainable Development; Chairman, CSIRO Energy Transformed Flagship Advisory Committee. Former Chairman, Snowy Mountains Hydro-Electric Scheme.

#### **GILLIAN KIRKUP**

Yanco rice grower. Director since 2005. Directors' Committees: Grower Services Committee.

Member, Rice Marketing Board, RIRDC Rice Research & Development Committee. Central Executive Delegate to Ricegrowers' Association of Australia Inc. Secretary of Ricegrowers' Association of Australia Inc. (Yanco Branch). Director, Murrumbidgee Irrigation. Member, Riverina Agricultural Women Steering Committee.

#### **GRANT F LATTA AM** **FAICD FAIM ASA/CPA AAMI MBA DipBus DipEng**

Director since 1999. Directors' Committees: Chairman, Remuneration, Finance & Audit and Due Diligence Committees.

Executive Chairman, GCMCorp Pty Ltd; Chairman, Optiscan Imaging Ltd, Kailis and France Foods Pty Ltd, T P Health Pty Ltd; Deputy Chairman, Vision Systems Ltd; Director, Biota Holdings Ltd;. Member, Australian Competition Tribunal (Federal Court).

#### **NORM MCALLISTER** **Dip App Sc Ag FAICD**

Murray Valley rice grower. Director since 1997. Chairman and Director, Rice Research Australia Pty Ltd. Director, Riviana Foods Pty Ltd, Silica Resources Pty Ltd, Rural Industries Research and Development Corporation (RIRDC). Member, Rice Industry Co-ordination Committee.

#### **ALAN WALSH** **FAICD**

Berriquin & Coleambally rice grower. Director since 2000. Directors' Committees: Member, Grower Services Committee.

Director, Rice Research Australia Pty Ltd; Member, RIRDC Rice Research & Development Committee. Delegate to IREC. Central Executive Delegate to Ricegrowers' Association of Australia Inc. Secretary of Ricegrowers' Association of Australia Inc. (Deniliquin Branch). Member, Rice Industry Co-ordination Committee.



(CMT Biographies are in order of photograph Left to Right)

## Corporate Management Team

### **MIKE HEDDITCH BSc Agr Dip Ed ACI** **General Manager, Grower Services**

Joined SunRice in 1999 as General Manager, Grower Services following a thirteen-year term as Executive Director of The Ricegrowers' Association of Australia. Prior to a career in the rice industry, worked with NSW Agriculture for fourteen years as a District Agronomist. Director of Rice Research Australia Pty Ltd.

### **GAYLE PHILPOTTS BA, MBA, DBA** **General Manager,** **People and Culture**

Joined SunRice in 2003 as General Manager, People and Culture and has eighteen years experience in generalist human resources roles. Specific expertise in change management, performance management, industrial relations and HR strategy, gained primarily in fast moving consumer goods (FMCG) industries. Previous role was HR Director of George Weston Foods.

### **GRAHAM HARVEY BAppSc, MBA** **General Manager, Operations**

Joined SunRice in 2000 as General Manager, Operations and is responsible for all grain handling, milling and packing operations. Twenty-one years experience in broad manufacturing and supply chain roles in the fast moving consumer goods (FMCG) and grain-related industries. Previous roles were in operations management at Goodman Fielder.

### **GARY HELOU** **BE (Hons) M Comm, FAICD, FAIM** **Chief Executive Officer**

Joined SunRice in 1998 as General Manager, Marketing, and was appointed CEO in October 1999. Extensive experience in the food industry, including ten years experience in Asia holding Executive General Manager roles at Simplot, Indofood and Pacific Dunlop Limited. Director of Riviana Foods Pty Ltd, Trukai Industries Limited, Solomons Rice Company Limited, Herto nv, Aqaba Processing Company Ltd and Sunshine Rice Inc. Member of the Council for Australian-Arab Relations, the Board of Patrons of Australian HomeGrown Limited and the Advisory Council of the Asia Society's AustralAsia Centre.

### **CLAUDE CASSAR** **CA F DipBus Studies (Acct)** **Chief Financial Officer**

Joined SunRice in 1999 as Chief Financial Officer. A Chartered Accountant and has worked in the UK, the US and Asia in a number of senior financial and management positions with multinationals such as Dun and Bradstreet, Young and Rubicam Australia, Dentsu Young and Rubicam Group Singapore, and PricewaterhouseCoopers Australia.

### **MANDY DEL GIGANTE** **B Comm, CPA** **Company Secretary**

First joined SunRice in 1990 as a Financial Accountant and held a range of positions within the business including Financial Controller and Company

Secretary. Following three years as Secretary of the Rice Marketing Board, returned to SunRice in 2005. Prior to working in the rice industry, worked in the commercial and chartered accounting fields for international firms.

### **MILTON BAZLEY** **BAppSc, BBus, DipExMan** **General Manager, International** **Commodity and Trading**

Joined SunRice in 1994 as Regional Export Manager and became General Manager, International Commodity and Trading in 2002. Responsible for sales to unbranded markets including Japan, South Korea and Taiwan, as well as SunRice's foreign rice trading operations. Over eighteen years experience in bulk commodity-type sales, and has previously held marketing management roles with CSR Limited and P&O Container Lines.

### **DAVID KELDIE, BA,** **General Manager, Sales and** **Marketing, Domestic**

Joined SunRice in 2001 as National Sales Manager, Australasia. Appointed General Manager of the Domestic Business unit in 2003. Responsible for sales marketing, research and development and the Specialty Rice Food operations for the Australian and New Zealand markets. Seventeen years experience in the fast moving consumer goods (FMCG) industry. Last appointment was General Manager of the King Island Company.



# Corporate Governance

The Board is responsible for the direction and stewardship of the Company's business and has the responsibility to challenge, evaluate and adopt the best strategic approach for the business. Furthermore, it ensures there is rigorous analysis and validation of the strategy process and the measurement of implementation effectiveness.

The Board is also responsible for the establishment and maintenance of appropriate governance structures, including audit and compliance, the identification and appointment of the Chief Executive Officer, remuneration and appointments of other senior executives and identification of the powers reserved for the Board and those delegated to management.

In its role, the Board seeks to promote a code of ethical behaviour within the Company and in its relationship with stakeholders. The Board recognises the Company's legal and commercial obligations to all legitimate stakeholders. It is a clear objective of the Board to actively encourage and fairly review Board and management effectiveness.

The Board gains an understanding of the Company's businesses from regular reports, presentations and briefings from management on key issues and from site visits to Company's operations.

## Board Composition

The Board's composition is determined by the Company's Constitution and has been established as four directors who are A Class Shareholders, three elected members of the Rice Marketing Board (who are also A Class Shareholders), and up to three directors who are persons with appropriate experience to be appointed as a director (one of whom may be an employee of the company). This structure of 10 directors provides a mix of representation and skills that best serves the interests of shareholders and the needs of the Company in its globally competitive marketplace.

Particulars of each director's Board meeting attendance for the past 12 months are included in Point 17 of the directors' report.

## Compensation Arrangements

Shareholders determine directors' remuneration arrangements. All necessary expenses incurred by directors in the business of the Company are refunded to them. Directors' remuneration

details are included in Point 19 of the directors' report.

## Independent Professional Advice

The Board's policy is to enable directors to seek independent professional advice at the Company's expense, after first discussing such intentions with the Chairman. The Chairman determines if the estimated cost is reasonable, but without impeding the seeking of advice. In the case of Chairman-related issues, reference is made to the Deputy Chairman.

## The Remuneration Committee

The Remuneration Committee comprises the Chairman and two directors. The Committee meets regularly throughout the year to review and make recommendations to the Board on remuneration, incentive schemes and related matters to recognise and reward employee performance.

## Finance and Audit Committee

The Finance and Audit Committee, comprising five directors, oversees the Company's financial reporting and internal control systems, including compliance with the relevant legislation and the implementation of appropriate risk management strategies. The Chief Executive Officer, the Chief Financial Officer, the Internal Audit Manager and the representatives of the External Auditor are invited to attend the meetings.

The conduct, objectives and proceedings of this Committee are governed by a Charter approved by the Board. The Committee meets regularly with the internal and external auditors to review the scope and adequacy of their work and to consider the implementation of recommendations from the audit processes. The Committee reviews and advises the Board on financial information, including statutory accounts prior to the Board approving the release of the information to members and regulatory bodies.

## Auditors and the Provision of Non-audit Services

The Board has resolved that it is appropriate for the audit firm to provide ongoing taxation compliance and advisory services in addition to its normal audit function. However, as a broad guideline it is considered inappropriate for the audit firm to be involved in any assignment which would impair its professional independence.

A comprehensive policy dealing with this area is in place and approved by the Board. Adherence to the policy is closely monitored by the Finance and Audit Committee.

## Grower Services Committee

The Grower Services Committee comprises five directors. The Committee focuses on the relationship between the Company and its growers and aims to strengthen that relationship by providing appropriate services and information. The Committee is governed by a charter approved by the Board, which includes reviewing policies to improve on-farm production of rice, payment schemes to shareholders, communication with growers and developments in rice research.

## Risk Management

The Board recognises the wide spectrum of risk the Company faces in its daily operations. To manage these risks, designated management functions including treasury, taxation, human resources, information technology and internal audit, work closely with operational and executive management to identify and manage business risk. The formal recognition of risk is a fundamental part of the management process. The Company has implemented insurance arrangements and constantly evaluates the economic balance between self-insurance of risks and risk transfer.

## Internal Controls

The Company has established a well-documented system of internal controls that take account of key business exposures. The system is designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is timely and reliable.

The internal audit function plays a key role in providing an objective and continuing assessment of the effectiveness of the Company's internal control systems. It ensures information is reliable and has integrity, operations are efficient and effective and policies and regulations are adhered to. The Internal Audit Manager has direct access to the Finance and Audit Committee and to the Board.

## Code of Conduct

The Company requires directors, management and staff to observe the highest standard of ethics, through the SunRice Code of Conduct



## **Directors' Report and Financial Report**

The financial report covers both Ricegrowers Limited as an individual entity and the consolidated entity consisting of Ricegrowers Limited and its controlled entities.

The financial report is presented in Australian currency.

Ricegrowers Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Ricegrowers Limited  
NIP 37 Yanco Avenue  
LEETON NSW 2705

A description of the nature of the consolidated entity's operations and its principal activities is included within the annual report and in the directors' report, which is not part of the financial report.

The financial report was authorised for issue by the Directors' on 22 June 2006.



# Directors' Report

Your Directors present their report on the consolidated entity consisting of Ricegrowers Limited and the entities it controlled at the end of, or during the year ended, 30 April 2006.

## 1 Directors

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

GF Lawson  
DM Robertson  
BL Barber  
NG Graham  
G Helou  
RA Higgins (appointed 24/11/05)

GL Kirkup (appointed 24/11/05)  
GF Latta  
N McAllister  
BK Vial (resigned 27/10/05)  
AD Walsh

## 2 Principal activities

The principal activities of Ricegrowers Limited and its controlled entities consist of receival and storage of paddy rice, milling of rice, manufacture of rice based products, marketing of rice and grocery products, research and development into the growing of rice, and the processing of rice and related products.

## 3 Consolidated entity result

The net profit of the consolidated entity for the period after income tax and after minority interests was \$6,690,000 (2005: \$22,145,000).

## 4 Bonuses

As a result of the conversion to a company, the Paddy Bonus and Other Activities Bonus is now included within purchases of raw materials.

## 5 Dividends

The Directors have declared that a dividend of 21.5 cents per share be paid on fully paid shares as at 30 April 2006. Provision for this dividend has been made in the accounts. The dividend amounting to \$5,022,000 (2005: \$5,032,000) will be paid in July 2006.

## 6 Vesting

During the financial year the NSW Government has announced it has legislated that from 1 July 2006, the Rice Marketing Board must allow other entities to be registered as "authorised buyers" of rice in NSW. Whilst Ricegrowers Limited will compete with these entities in the domestic market it will, with the written approval of the RMB, retain its single export desk status.

## 7 Conversion to a company

On 4 October 2005, the members of the Co-operative voted in favour to convert our current legal structure from a co-operative under the Co-operatives Act 1992 to a company under the Corporations Act 2001. On 14 December 2005, the Co-operative was registered as Ricegrowers Limited.

## 8 Co-operative compliance review

The Company is subject to a Co-operative compliance review by the Australian Tax Office. On advice provided by our tax advisors, the Board does not believe there is any material exposure to the Company.

## 9 Review of operations

A review of operations of the consolidated entity during the financial year and the results of those operations is included in the Annual Report to shareholders.

# Directors' Report

## 10 Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial period under review, not otherwise disclosed in the Annual Report.

## 11 Events subsequent to the balance sheet date

The Directors are not aware of any matter or circumstance, since the end of the financial year, not otherwise dealt with in the report that has significantly, or may significantly, affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

## 12 Likely developments and expected results of operations

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it is likely to result in unreasonable prejudice to the consolidated entity.

## 13 Environmental regulation

The consolidated entity is subject to significant environmental regulation in respect of its land development, construction and manufacturing activities as set out below.

### Land Development Approvals

Planning approvals are required for the development of land under the *New South Wales Environmental Planning and Assessment Act 1979* and *Victorian Environmental Protection Act 1970*. To the best of the Directors' knowledge, all activities have been undertaken in compliance with the requirements of the planning approvals.

### Manufacturing

The consolidated entity holds licences and approvals for its manufacturing sites in New South Wales and Victoria. The licences require air, water and noise emissions to be below specified limits and solid wastes to be removed to an appropriate disposal facility. Ricegrowers Limited operates an environmental management system to ensure compliance.

All identified aspects are monitored and reported on to the EPA as required. Complaints received in relation to environmental issues are investigated and actions planned and implemented to reduce the impact of Ricegrowers Limited's activities.

Support for the National Packaging Covenant has been maintained by re-signing for the second round. An action plan signed off by the Chief Executive Officer has been submitted for a further 5 years.

## 14 Drought Impact

To minimise the impact of the drought on the results of the year ended 30 April 2006 the directors continued with a number of initiatives during the financial year. These included negotiating for additional water to be made available from Snowy Hydro Limited.

In addition, given the lower paddy volumes available for milling, from May 2005 the number of shifts being worked in the plants were reduced accordingly.

As a result of favourable water allocations, paddy availability for the 2006/2007 financial year has improved significantly, with supply expected to be higher than 1.0 million tonnes. This has resulted in an increase in shifts at all 3 rice mills from April 2006.

## 15 Directors' qualifications

Refer to page 28 of the Annual Report for details.



# Directors' Report

## 16 Directors' interests in shares

Director	Directors' interests in shares of Ricegrowers Limited	
	30 April 2006	30 April 2005
GF Lawson	92,617	71,723
DM Robertson	36,772	25,520
BL Barber	117,904	95,355
NG Graham	40,187	30,193
G Helou	-	-
RA Higgins	-	-
GL Kirkup	12,340	5,285
GF Latta	-	-
N McAllister	1,836	792
BK Vial	48,904	38,233
AD Walsh	48,627	32,473

The increase in director's shares is mainly due to the issue of shares under the share issue formula.

## 17 Directors' meetings

	RL Board		F & A Committee		Grower Services Committee		Remuneration Committee	
	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible
GF Lawson	12	12	-	-	-	-	2	3
DM Robertson	12	12	5	5	6	6	3	3
BL Barber	12	12	3	3	5	6	-	-
NG Graham	12	12	5	5	4	4	-	-
G Helou	12	12	-	-	-	-	-	-
RA Higgins	6	6	2	3	-	-	-	-
GL Kirkup	6	6	-	-	2	2	-	-
GF Latta	12	12	5	5	-	-	3	3
N McAllister	12	12	2	2	-	-	-	-
BK Vial	6	6	-	-	3	3	-	-
AD Walsh	12	12	-	-	6	6	-	-

## 18 Indemnification of officers

During the year, Directors and Executive officers of Ricegrowers Limited were insured as part of an insurance policy undertaken against a liability of a nature that is required to be disclosed under the Corporations Act. In accordance with the Corporations Act further details have not been disclosed due to confidentiality provisions in the insurance contract.

# Directors' Report

## 19 Remuneration Report

This report outlines Ricegrowers Limited remuneration policy for Directors and Key Management Personnel (KMP) in accordance with AASB124 *Related Party Disclosures*. Details of other transactions with Key Management Personnel are disclosed in Note 31 to the financial statements.

### (i) Principles used to determine the nature and amount of remuneration

In keeping with our vision to be truly world class in all aspects of our operations, our Remuneration is guided by the need to foster a high performance culture and maintain market competitiveness. CEO and Senior Executive Salary packages are based on the level of responsibility of the role and are linked to performance based Key Performance Indicators. Salaries are determined by the Remuneration Committee chaired by Grant Latta and approved by the Board after extensive consultation with Remuneration experts including Egan Associates Remuneration and Governance Consultants, Mercer Human Resource Consulting and Slade Group. In addition, remuneration surveys from Corporate Remuneration Advisors, Australian Institute of Management, Mercer Human Resource Consulting and Fast Moving Consumer Goods Careers are taken into consideration. This ensures that remuneration decisions are consistent with similar roles in comparable organisations. This reinforces our commitment to our Pay for Performance philosophy that attracts and retains quality employees.

### (ii) Non-executive directors

Ricegrowers Limited's constitution requires that the remuneration of directors for their services as directors be by fixed sum and not a commission or a percentage of profits or operating revenue. At the 2005 Annual General Meeting, shareholders determined the following Directors' fees and remuneration:

- a) A Director attending a duly convened meeting of the Board of Directors or a meeting of a Committee of the Board of Directors will receive a sitting fee of \$252.00 per meeting;
- b) A Director attending to the business of the Company under direction from the Board of Directors shall receive \$252.00 per day together with travelling and out-of-pocket expenses;
- c) The Chairman of Directors shall receive an additional allowance of \$58,400 per annum;
- d) The Deputy Chairman of Directors shall receive an additional allowance of \$36,150 per annum;
- e) External Directors shall receive an additional allowance of \$36,150 per annum;
- f) Each other member of the Board of Directors shall receive an additional allowance of \$25,030 per annum

The non-executive directors do not receive equity-based remuneration or performance-based remuneration. Statutory superannuation is paid.

The non-executive directors receive a retirement allowance as defined in the constitution which adopts the arrangements permissible under Section 237 of the Corporations Law.

### (iii) Retirement allowances for directors

For Directors leaving after less than 3 years service the SCG superannuation contribution is payable. The Directors retirement allowance is payable for directors who leave after 3 years service and is pro rated between 3 and 8 years. After 8 years of service the retirement benefit payable on leaving is equal to the last 3 years total emoluments. This is in accordance with the Corporations Act 2001 section 237.

### (iv) Executive pay

The executive pay and reward framework has three components:

- \* base pay and benefits
- \* other remuneration such as superannuation
- \* incentives

The combination of these comprises the executive's total remuneration.



# Directors' Report

## 19 Remuneration Report (continued)

### (v) Base pay

Structured as a Total Fixed Remuneration package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion. While there is an annual salary review process, increases are not guaranteed.

### (vi) Benefits

Executives are able to elect to take a range of benefits as part of their Total Fixed Remuneration package, including a company car, novated vehicle or car allowance; laptop, PDA or other work related equipment, remote housing subsidy or travel allowance.

### (vii) Retirement benefits

Retirement benefits are delivered under the relevant employers' superannuation fund. Ricegrowers Limited contributes the statutory 9% superannuation to an accumulation fund on behalf of all employees. Employees can elect to make additional contributions from their Total Fixed Remuneration, either pre or post tax.

### (viii) Incentives

The CEO participates in both a short and long term incentive plan. Both plans are contingent upon Ricegrowers Limited and the CEO achieving predetermined performance targets set by the Board. Should the agreed targets under each plan be achieved in full, the total maximum annual impact is estimated to be \$499,500 per annum.

For 2006 no formal management incentive scheme operated. A discretionary bonus, approved by the Remuneration Committee and the Board, was paid to selected key individuals.

## Key Management Personnel

### Summary of KMP Compensation

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short term employee benefits	<b>1,223,979</b>	1,414,845	<b>1,666,871</b>	1,842,879
Post-employment benefits	<b>79,095</b>	70,812	<b>112,255</b>	103,446
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	<b>1,303,074</b>	1,485,657	<b>1,779,126</b>	1,946,325

### Executives

The following persons were the executives having greatest authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

<b>Name</b>	<b>Position</b>	<b>Employer</b>
C. Cassar	Chief Financial Officer	Ricegrowers Limited
G. Harvey	General Manager, Operations	Ricegrowers Limited
M. Bazley	General Manager, International Commodity and Trading	Ricegrowers Limited
D. Keldie	General Manager, Domestic Marketing	Ricegrowers Limited
J. Lloyd	Chief Executive Officer	Riviana Foods Pty Ltd

All the above persons were also executives during the year ended 30 April 2005.

# Directors' Report

## 19 Remuneration Report (continued)

### (i) Remuneration for Directors of Ricegrowers Limited

	Short term benefits			Post employment benefits	Other long term benefits	Retirement benefits ##	Share Based	Total
Name	Cash Salary and fees	Cash Bonus	Non-Monetary Benefits	Super-annuation			Equity Options /others	
	\$	\$	\$	\$	\$	\$	\$	\$
<u>GF Lawson</u>								
2006	88,892	-		8,007	-	(11,240)		85,659
2005	89,648	-		8,069	-	22,457		120,174
<u>DM Robertson</u>								
2006	57,570	-		5,249	-	(3,567)		59,252
2005	59,838	-		5,385	-	11,116		76,339
<u>BL Barber</u>								
2006	36,622	-		3,296	-	(3,881)		36,037
2005	34,606	-		3,115	-	(6,040)		31,681
<u>NG Graham</u>								
2006	35,614	-		3,205	-	12,596		51,414
2005	35,110	-		3,160	-	38,300		76,570
<u>G Helou</u>								
2006	738,091	237,263		11,909	249,975	-		1,237,238
2005	738,879	208,194		11,121	249,975	-		1,208,169
<u>RA Higgins</u>								
2006	17,331	-		1,560	-	-		18,891
2005	-	-		-	-	-		-
<u>GL Kirkup</u>								
2006	12,949	-		1,644	-	-		14,593
2005	-	-		-	-	-		-
<u>GF Latta</u>								
2006	49,758	-		-	-	13,882		63,640
2005	45,726	-		-	-	21,768		67,494
<u>N McAllister</u>								
2006	41,410	-		3,727	-	4,304		49,441
2005	37,126	-		3,341	-	13,353		53,820
<u>B Buffier*</u>								
2006	-	-		-	-	-		-
2005	9,049	-		814	-	-		9,863
<u>BK Vial *</u>								
2006	18,311	-		1,648	-	-		19,959
2005	31,078	-		2,797	-	8,180		42,055
<u>AD Walsh</u>								
2006	33,850	-		3,047	-	11,668		48,565
2005	32,338	-		2,910	-	12,622		47,870

\*Further to the above:

\* B Buffier received a retirement payment of \$116,593.61 - June 04

\* B Vial received a retirement payment of \$78,895.05 - Nov 05

## Retirement benefits are based on 3 year average earnings. Directors enter into a deed whereby they agree that any superannuation entitlements will be netted off against the company's obligation. As a result, the company's retirement benefit obligation for a year may fluctuate based on the performance of each of the directors' superannuation investment mix. The performance of some superannuation funds' investment mix for the 2006 year has resulted in a higher increase in the value of the fund, which resulted in a lower obligation by the company.



# Directors' Report

## 19 Remuneration Report (continued)

### (ii) Remuneration for Key Management Personnel of Ricegrowers Limited Group

Name	Short term benefits			Post employment benefits	Other long term benefits	Termination benefits ##	Share Based	Total
	Cash Salary and fees	Cash Bonus	Non-Monetary Benefits	Super-annuation			Equity Options /others	
	\$	\$	\$	\$	\$	\$	\$	\$
<b><u>C Cassar</u></b>								
2006	329,297	30,000	-	12,048				371,345
2005	325,179	110,769	-	11,121				447,069
<b><u>G Harvey</u></b>								
2006	246,991	30,000	50,088	12,048				339,127
2005	232,197	102,725	45,956	11,488				392,366
<b><u>M Bazley</u></b>								
2006	206,160	70,000	-	27,958				304,118
2005	205,538	82,883	-	26,262				314,683
<b><u>D Keldie</u></b>								
2006	204,781	30,000	26,662	27,041				288,484
2005	205,330	83,250	21,018	21,941				331,539
<b><u>J Lloyd</u></b>								
2006	335,281	43,152	64,459	33,160				476,052
2005	329,965	41,895	56,174	32,634				460,668

### (iii) Service agreements

The CEO, Gary Helou, has a service agreement in force until 1 May 2007. This prescribes his Total Fixed Remuneration (currently \$750,000) with an annual salary review (no increase guaranteed). In addition, he has a Short Term Incentive (STI) of 33.33% which is payable annually based on achievement of specified criteria, and a Long Term Incentive (LTI) of 133.33%, payable on 1 May 2007 on his TFR at that time based on achievement of criteria over the whole period (4 years).

## 20 Directors' benefits

The Directors have direct dealings with the company on the same terms and conditions that apply to all members whether by contractual arrangements or otherwise.

No Director has received or become entitled to receive a benefit by reason of a contract made by the company or a controlled entity with the Director or a firm of which the Director has a substantial financial interest other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown above.

Several Directors sit on local Boards which serve the rice industry as disclosed in the Annual Report. The consolidated entity has dealings with these Boards and Committees whose purpose is to deal with issues that relate to the rice industry. The transactions involved are conducted on terms no more favourable than other bodies that affect the rice industry.

## 21 Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 41.

## 22 Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars or in certain cases, to the nearest dollar.

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

For and on behalf of the Board.



GF Lawson  
Chairman

Leeton  
22 June 2006



DM Robertson  
Deputy Chairman

# Directors' Declaration

In the directors' opinion :


- (a) the financial statements and notes set out on pages 42 to 82 are in accordance with the *Corporations Act 2001* and *Co-operatives Act 1992 (NSW)*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company and consolidated entity's financial position as at 30 April 2006 and of their performance, as represented by the results of their operations and their cash flows for the year ended on that date;
- (b) there are reasonable grounds to believe that Ricegrowers Limited will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out on pages 36 to 39 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

The declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board.



GF Lawson  
Chairman  
Leeton  
22 June 2006



DM Robertson  
Deputy Chairman

## Auditors' Independence Declaration

As lead auditor for the audit of Ricegrowers Limited for the year ended 30 April 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ricegrowers Limited and the entities it controlled during the period.



PJ Carney  
Partner  
PricewaterhouseCoopers

Sydney  
22 June 2006



# Income Statements

For the year ended 30 April 2006

	Note	Ricegrowers Limited		Consolidated	
		2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
Sales revenue	4	276,085	380,491	603,016	649,971
Other revenue	4	46,152	44,546	2,484	3,038
<b>Revenue from continuing operations</b>		<b>322,237</b>	<b>425,037</b>	<b>605,500</b>	<b>653,009</b>
Other income	5	1,171	119	1,406	123
Changes in inventories of finished goods		1,727	(11,912)	729	19,930
Raw materials and consumables used		(147,528)	(172,425)	(385,666)	(401,597)
Employee benefits expense		(52,778)	(59,780)	(65,282)	(71,667)
Depreciation & amortisation expense	6	(10,810)	(11,110)	(13,703)	(13,812)
Finance Costs		(14,751)	(14,045)	(15,829)	(14,958)
Other expenses	6	(94,246)	(126,971)	(120,466)	(148,023)
Share of net profit of associate accounted for using the equity method		-	-	390	319
<b>Profit before income tax*</b>		<b>5,022</b>	<b>28,913</b>	<b>7,079</b>	<b>23,324</b>
Income tax (expense)/benefit	7	(156)	4,593	(349)	(879)
<b>Profit for the year</b>		<b>4,866</b>	<b>33,506</b>	<b>6,730</b>	<b>22,445</b>
Profit attributable to minority interests	30	-	-	(40)	(300)
<b>Profit attributable to shareholders of Ricegrowers Limited</b>		<b>4,866</b>	<b>33,506</b>	<b>6,690</b>	<b>22,145</b>

\* The main reason for the reduction in profit before income tax from 2005 is that Other Activities and Shareholder bonuses are now included within raw materials and consumables used (2005: \$22,944,000).

The above income statements should be read in conjunction with the accompanying notes.

# Balance Sheets

As at 30 April 2006

	Note	Ricegrowers Limited		Consolidated	
		2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>Current assets</b>					
Cash and cash equivalents	8	661	738	3,519	2,811
Receivables	9	105,822	109,640	77,221	74,601
Inventories	10	303,202	108,248	384,577	193,811
Derivative financial instruments	13	2,054	-	2,054	-
Total current assets		411,739	218,626	467,371	271,223
<b>Non-current assets</b>					
Receivables	9	25,649	26,769	-	-
Available-for-sale financial assets	12	380	-	394	-
Inventories	10	-	1,052	-	1,052
Other financial assets	11	6,071	6,090	556	612
Property, plant and equipment	15	104,912	110,672	136,738	136,738
Investment properties	17	7,475	6,725	7,475	6,725
Intangible assets	16	3,324	3,283	5,772	5,854
Deferred tax assets	18	21,359	22,054	22,075	22,555
Investments accounted for using the equity method	14	3,588	3,588	4,287	3,897
Total non-current assets		172,758	180,233	177,297	177,433
<b>Total assets</b>		<b>584,497</b>	<b>398,859</b>	<b>644,668</b>	<b>448,656</b>
<b>Current liabilities</b>					
Payables	19	32,135	29,928	49,671	43,210
Grower payables	19	109,636	66,992	109,636	66,992
Borrowings	20	162,322	52,649	176,728	61,004
Provisions	21	7,859	8,971	8,855	11,417
Derivative financial instruments	13	-	-	186	-
Total current liabilities		311,952	158,540	345,076	182,623
<b>Non current liabilities</b>					
Payables	19	-	-	1,863	1,799
Grower payables	19	55,670	18,132	55,670	18,132
Borrowings	20	131,601	139,767	135,101	144,267
Deferred tax liabilities	22	6,303	4,985	6,933	6,594
Provisions	21	2,016	1,675	3,008	2,633
Total non-current liabilities		195,590	164,559	202,575	173,425
<b>Total liabilities</b>		<b>507,542</b>	<b>323,099</b>	<b>547,651</b>	<b>356,048</b>
<b>Net assets</b>		<b>76,955</b>	<b>75,760</b>	<b>97,017</b>	<b>92,608</b>
<b>Equity</b>					
Contributed equity	23	31,036	31,449	31,036	31,449
Reserves	24	20,421	18,657	22,602	19,929
Retained profits	24	25,498	25,654	38,261	36,593
Total parent entity interest		76,955	75,760	91,899	87,971
Minority interest	30	-	-	5,118	4,637
<b>Total equity</b>		<b>76,955</b>	<b>75,760</b>	<b>97,017</b>	<b>92,608</b>

The above balance sheets should be read in conjunction with the accompanying notes.

# Statements of Changes in Equity

For the year ended 30 April 2006

	Note	Ricegrowers Limited		Consolidated	
		2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>Total equity at the beginning of the financial year</b>		<b>75,760</b>	70,961	<b>92,608</b>	100,740
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:					
- Reserves	24	2,243	-	2,238	-
<b>Restated total equity at the beginning of the financial year</b>		<b>78,003</b>	70,961	<b>94,846</b>	100,740
Changes in the fair value of available-for-sale financial assets	24	(21)	-	(21)	-
Changes in the fair value of cash flow hedges, net of tax	24	(458)	-	(558)	-
Movement in minority interest in reserves		-	-	439	(909)
Exchange differences on translation of foreign operations	24	-	-	1,016	(961)
<b>Net income recognised directly in equity</b>		<b>(479)</b>	-	<b>876</b>	(1,870)
<b>Profit for the year</b>		<b>4,866</b>	33,506	<b>6,730</b>	22,445
<b>Total recognised income and expense for the year</b>		<b>4,387</b>	33,506	<b>7,606</b>	20,575
Transactions with equity holders in their capacity as equity holders:					
Redemptions of equity, net of transaction costs	23	(558)	(731)	(558)	(731)
Contributions of equity, net of transaction costs	23	145	-	145	-
Dividends provided or paid	25	(5,022)	(5,032)	(5,022)	(5,032)
Other appropriations		-	(22,944)	-	(22,944)
		<b>(5,435)</b>	(28,707)	<b>(5,435)</b>	(28,707)
<b>Total equity at the end of the financial year</b>		<b>76,955</b>	75,760	<b>97,017</b>	92,608

The above statement of changes in equity should be read in conjunction with the accompanying notes.



# Cash Flow Statement

For the year ended 30 April 2006

	Note	Ricegrowers Limited		Consolidated	
		2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		298,789	370,778	612,996	633,461
Payments to suppliers (inclusive of goods and services tax)		(170,848)	(219,006)	(421,431)	(419,450)
Payments of wages, salaries and on-costs		(53,558)	(59,132)	(65,908)	(70,958)
Dividends received		14,223	20,512	28	1,134
Interest received		1,723	321	513	159
Other charges reimbursed		1,814	5,919	205	455
Interest paid		(15,512)	(14,250)	(16,590)	(15,336)
Subsidiary performance fee income		30,012	14,863	-	-
Income taxes paid		-	-	(223)	(1,368)
		106,643	120,005	109,590	128,097
Payments to growers		(198,378)	(119,041)	(198,378)	(119,041)
<b>Net cash inflow (outflow) from operating activities</b>	32	(91,735)	964	(88,788)	9,056
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(5,450)	(7,366)	(12,329)	(12,919)
Proceeds from sale of property, plant and equipment		1,273	568	1,133	845
Payments for patents and brands		-	-	-	(1,252)
Payments for purchase of investments		-	-	(87)	-
Proceeds from sale of investments		-	53	-	53
<b>Net cash outflow from investing activities</b>		(4,177)	(6,745)	(11,283)	(13,273)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		443,000	318,301	449,097	318,529
Proceeds from issue of rice bonds		2,315	3,382	2,315	3,382
Proceeds from issue of shares		145	-	145	-
Redemption of shares		(558)	(731)	(558)	(731)
Repayment of rice bonds		(11,194)	(9,448)	(11,194)	(9,448)
Repayment of finance leases		(3)	(72)	(3)	(97)
Dividends paid to company's shareholders		(5,032)	(5,149)	(5,032)	(5,149)
Repayment of borrowings		(332,000)	(301,300)	(336,851)	(304,047)
Repayments of term deposits		(838)	(522)	(838)	(522)
<b>Net cash inflow from financing activities</b>		95,835	4,461	97,081	1,917
<b>Net decrease in cash and cash equivalents</b>		(77)	(1,320)	(2,990)	(2,300)
Cash and cash equivalents at the beginning of the financial year		738	2,058	2,506	4,825
Effect of exchange rate changes on cash and cash equivalents		-	-	(107)	(19)
<b>Cash and cash equivalents at end of year</b>	8	661	738	(591)	2,506

The above cash flow statements should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Ricegrowers Limited as an individual entity and the consolidated entity consisting of Ricegrowers Limited and its subsidiaries.

### (a) Basis of preparation of financial report

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS's), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### *Compliance with IFRS's*

Australian Accounting Standards include AIFRS's. Compliance with AIFRS's ensures that the consolidated financial statements and notes of Ricegrowers Limited comply with International Financial Reporting Standards (IFRS's).

#### *Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

These financial statements are the first annual Ricegrowers Limited financial report to be prepared in accordance with AIFRS's. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements. Financial statements of Ricegrowers Co-operative Limited until 30 April 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Ricegrowers Limited financial report for the year ended 30 April 2006, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 May 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 36.

#### *Issued standards applicable in future reporting periods*

The following standards and amendments were available for early adoption but have not been applied by the Group in these financial statements:

- (i) AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for accounting periods beginning on or after 1 January 2007; and
- (ii) AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, and AASB 1038 *Life Insurance Contracts*, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The Group plans to adopt AASB 7 and AASB 2005-10 in the financial year ending 30 April 2008. The effect of the initial application of AASB 7 and AASB 2005-10 has not been fully evaluated however it is not expected to have an impact on the financial results as the standard and the amendments only affect disclosures.

- (iii) AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) amending AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 132 *Financial Instruments: Presentation*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The impact of this standard has yet to be fully evaluated. Any new rules will be implemented retrospectively with a restatement of comparatives as required by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets (including derivative instruments) and investment property.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement are disclosed in note 3.

# Notes to the Financial Statements

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation

#### *(i) Subsidiaries and Associates*

The consolidated financial statements comprise the assets and liabilities of Ricegrowers Limited ("company" or "parent entity") as at 30 April 2006 and the results of all subsidiaries for the year then ended. Ricegrowers Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the consolidated entity's share of profit or loss of associates is recognised in the consolidated income statement, and its share of profit or loss movements in reserves is recognised in consolidated reserves. The cumulative profit or loss movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

### (c) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

Transactions denominated in a foreign currency are converted at the exchange rate achieved over the reporting period. Foreign currency receivables and payables at balance date are translated at exchange rates current at that date. Resulting exchange gains and losses are recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

The financial position of the Group entities is translated into Australian currency at exchange rates existing at balance date and the exchange gain or loss arising on translation is carried directly to a foreign currency translation reserve. Revenues and expenses are translated at the average rate ruling during the year.

### (d) Investments and other financial assets

Investments have been brought to account as follows:

#### *(i) Subsidiaries*

Investments in subsidiaries are valued in the company's accounts at cost less any amounts provided to recognise any diminution in value. Dividends are brought to account when proposed by the subsidiaries.

#### *(ii) Associates*

Investments in associated corporations, where significant influence exists, are accounted for in the consolidated financial statements using the equity method. This is further detailed in note 1(b).

#### *(iii) Other corporations*

Investments in listed corporations are accounted for as available-for-sale financial assets. Investments in unlisted corporations, other than subsidiaries and associates, are valued at cost. Dividends and interest are brought to account as they are received.

#### **AASB 132 and AASB 139 - from 1st May 2004 to 30 April 2005**

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 May 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP, investments in listed corporations were valued at cost.

#### **From 1st May 2005**

The Group has classified its investments as loans and receivables or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.



# Notes to the Financial Statements

## 1 Summary of significant accounting policies (continued)

### (d) Investments and other financial assets (continued)

#### *Available-for-sale financial assets*

Available-for-sale financial assets are comprised of principally marketable securities. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale financial assets revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities. The fair values of quoted investments are based on current bid prices. A prolonged and significant decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss, is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

#### *(iv) Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included within receivables in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

### (e) Investment property

Investment property comprises freehold land and buildings that were previously owner occupied. Owner occupation ceased and these properties are now classified as "Investment properties" as they are held for long term capital appreciation. These properties are carried at fair value representing open-market value determined by external valuers. Changes in fair values are recorded in the income statement as part of other income.

### (f) Inventory

Raw materials, finished goods, packaging materials and engineering and consumable stores have been valued on the basis of the lower of cost or net realisable value. Raw materials, finished goods, packaging materials and engineering and consumable stores inventory are determined from standard costs. Cost in relation to processed inventories comprises direct materials, direct labour and an appropriate allowance for milling, fixed and variable overheads less by-products recovery on the basis of normal operating capacity.

Livestock is valued at market value (less costs incurred to market).

### (g) Property, plant and equipment and leasehold improvements

Property, plant and equipment, other than freehold land, are stated at historical cost less depreciation and depreciated over their estimated useful lives using the straight line method. Freehold land is held at cost and not depreciated.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Buildings	25 to 50 years
Leasehold improvements	over the term of the lease
Plant and equipment	7 to 15 years

The profit or loss on disposal of property, plant and equipment in the normal course of business has been brought to account within operating profit.

### (h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Should there have been impairments in prior periods, assessment of trigger events will determine if a subsequent increase in value is required.

# Notes to the Financial Statements

## 1 Summary of significant accounting policies (continued)

### (i) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Patents and brands are deferred and amortised on a straight line basis over the periods of their expected benefit which varies from 5 to 20 years.

Capitalised software and re-engineered systems are amortised over 3 years.

### (j) Research and development costs

Research and development costs do not meet the relevant recognition and measurement criteria. As a result, such costs are charged as an expense in the year incurred.

### (k) Receivables and accounts payable

External trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for doubtful debts. Trade receivables are due for settlement within 30 days from date of recognition. Bad debts are written off in the period in which they are identified. Collectibility of trade receivables is reviewed on an ongoing basis. A provision of doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

Trade accounts payable including accounts not yet billed are recognised when the consolidated entity becomes obliged to make future payments as a result of provision of assets, goods or services. Trade accounts payable are unsecured and generally settled within 30 days.

### (l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (m) Employee benefits

#### *Wages and salaries, annual and sick leave*

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in accordance with the relevant awards 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.

#### *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. Expected future payments are discounted using interest rates on government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

#### *Termination benefits*

Termination benefits are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that those terminations will be carried out.

### (n) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

# Notes to the Financial Statements

## 1 Summary of significant accounting policies (continued)

### (n) Income tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Except where indicated, no provision has been made for any taxes on capital gains which could arise in the event of a sale of certain revalued non-current assets for the amounts at which they are stated in the financial statements as it is not expected that any such liability will crystallise.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Ricegrowers Limited and its wholly owned Australian controlled entities have adopted the tax consolidation legislation as of 1 May 2004. The stand-alone taxpayer approach has been adopted. Under this approach each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separate taxable entity in its own right.

Both the head entity and the subsidiaries will continue to recognise deferred tax balances. All current tax balances will be assumed by the head entity. Any deferred tax assets arising from unused tax losses and unused tax credits will also be recognised in the head entity.

### (o) Derivatives

Derivative financial instruments, principally interest rate swap contracts and forward foreign exchange contracts, are entered into mainly to hedge financial risks.

#### *From 1 May 2004 to 30 April 2005*

The company has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 May 2005.

The company has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under AGAAP, the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or gains.

#### *From 1 May 2005 - cash flow hedge accounting*

The Group has adopted hedge accounting as per AASB 132 and AASB 139 with effect from 1 May 2005. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity and in the hedging reserve. The gain or loss on the ineffective portion is immediately recognised in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

Derivatives that form part of the hedging transaction are initially recognised at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

### (p) Cash and cash equivalents

For the purpose of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### (q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue include returns, duties, trade allowances and taxes paid. Sales revenue is recognised when the risks and rewards of ownership pass to the customer. Revenue from the provision of services is recognised at full completion of the service. Dividends are recognised in revenue when the right to receive payment is established. Interest income is recognised on a time proportion basis at the effective interest rate. Subsidiary performance fees, grain storage income and other revenue is recognised on provision of the appropriate service.

### (r) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (note 15). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.



# Notes to the Financial Statements

## 1 Summary of significant accounting policies (continued)

### (r) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 28). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases are recognised in income on a straight-line basis over the lease term.

### (s) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1 (i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### (t) Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

### (u) Provisions

Provisions are recognised when the settlement of a future obligation is probable. Any change in the provision amount is recognised in the income statement.

### (v) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

### (w) Comparatives

The classification of certain comparative figures may be amended to reflect changes in the presentation of these financial statements.

### (x) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities & 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, to the nearest dollar.

### (y) Contributed equity

Contributed equity comprises B Class shares and is recognised when shares are fully paid for.

## 2 Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

# Notes to the Financial Statements

## 2 Financial Risk Management (continued)

Financial risk management is executed under guidance from the Treasury Management Committee in accordance with policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar and to a lesser extent to the Euro, Hong Kong Dollar, Japanese Yen, Papua New Guinea Kina, Solomon Islands Dollar and Jordanian Dollar.

Forward contracts are used to manage foreign exchange risk. Each subsidiary is responsible for managing exposures in each foreign currency by using external forward currency contracts.

The Group's risk management policy is to hedge up to 60% of its foreign currency denominated exposure for the subsequent 12 months.

#### (ii) Price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available-for-sale financial assets. Commodity price risk is limited to selling prices for rice that can be achieved in markets in any particular financial year.

### (b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, Treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

### (d) Cash flow and fair value interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. The group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps.

## 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Impairment of assets

The Group tests for impairment of assets and goodwill in accordance with note 1(h). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of assumptions. Refer to note 16 for the details of these assumptions and the potential impact of changes to the assumptions.

### (b) Critical judgements in applying the entity's accounting policies

#### (i) Raw material inventory and amounts payable to growers

Raw materials and amounts payable to growers in the parent entity are valued at the budgeted grower return expected for the forthcoming financial year.

# Notes to the Financial Statements

	Ricegrowers Limited		Consolidated	
	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>4 Revenue</b>				
Sale of goods	276,085	380,491	599,452	646,957
Services	-	-	3,564	3,014
<b>Sales revenue</b>	<b>276,085</b>	<b>380,491</b>	<b>603,016</b>	<b>649,971</b>
Interest received	1,723	321	513	159
Dividends received	2,339	25,956	28	1,134
Other sundry items	629	2,525	759	863
Grain storage fee income	1,184	882	1,184	882
Subsidiary performance fee income*	40,277	14,862	-	-
<b>Other revenue</b>	<b>46,152</b>	<b>44,546</b>	<b>2,484</b>	<b>3,038</b>
<b>Revenue from continuing operations</b>	<b>322,237</b>	<b>425,037</b>	<b>605,500</b>	<b>653,009</b>

\*Fee paid by Riviana Foods Pty Limited and Sunrice Trading Pty Limited to the parent entity.

	Ricegrowers Limited		Consolidated	
	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>5 Other income</b>				
Net gain on disposal of property, plant and equipment	421	-	524	-
Sale of investments	-	84	-	36
Fair value adjustment to investment properties	750	35	750	35
Foreign exchange gains	-	-	132	52
<b>Total other income</b>	<b>1,171</b>	<b>119</b>	<b>1,406</b>	<b>123</b>

	Ricegrowers Limited		Consolidated	
	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>6 Expenses</b>				
Profit before income tax includes the following expense items:				
Cost of sales of goods	157,158	190,221	396,294	387,551
Depreciation of property, plant and equipment:				
Buildings	1,178	1,395	1,395	1,589
Plant and equipment	9,383	9,398	11,877	11,687
Leasehold improvements	21	85	66	205
<b>Total depreciation</b>	<b>10,582</b>	<b>10,878</b>	<b>13,338</b>	<b>13,481</b>
Amortisation patents, brands and software	228	232	365	331
Other provisions				
Employee benefits	4,829	5,326	5,142	5,832
Directors' retirement benefits	117	83	117	83
Other charges against assets				
- stock obsolescence	124	450	35	2,675
- write down of inventory to net realisable value	-	-	151	-
Bad and doubtful debts - trade debtors	(161)	35	(205)	(212)
Mill infrastructure rationalisation expenses	-	2,387	-	2,387



# Notes to the Financial Statements

6 Expenses (continued)	Ricegrowers Limited		Consolidated	
	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
Contribution to employee superannuation plans	1,923	2,047	2,551	2,711
Net loss on disposal of property, plant and equipment	-	352	-	305
Other expenses				
- Freight and distribution costs	29,567	44,052	42,094	53,987
- RMB agency fee	5,190	5,219	5,190	5,219
- Energy	7,711	7,658	8,140	7,969
- Water procurement	7,289	17,480	7,289	17,480
- Contracted services	9,410	9,835	8,770	9,085
- Operating lease expenditure	3,317	3,451	5,127	4,948
- Research & development	1,373	2,047	771	1,455
- Advertising and artwork	2,689	3,889	6,100	8,082
- Other	27,700	33,340	36,985	39,798
Other expenses	94,246	126,971	120,466	148,023

7 Income tax expense	Ricegrowers Limited		Consolidated	
	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>(a) Income tax expense</b>				
Current tax	1,649	(1,449)	254	(5,799)
Deferred tax	(1,805)	6,042	(603)	4,920
Income tax (expense)/benefit attributable to profit from continuing operations	(156)	4,593	(349)	(879)
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (note 18)	1,112	(2,038)	946	(2,160)
(Decrease)/increase in deferred tax liabilities (note 22)	693	(4,004)	(343)	(2,760)
	1,805	(6,042)	603	(4,920)

## (b) Numerical reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before related income tax	5,022	28,913	7,079	23,324
Income tax expense calculated at the Australian rate of tax of 30% (2005:30%)	1,507	8,674	2,124	6,997
Tax effect of permanent differences which:				
<i>Increase tax payable -</i>				
Entertainment	24	38	24	-
Legal Fees	8	199	8	-
Attributable income from controlled foreign companies	195	187	195	-
Capital gain on investments tax	117	25	117	-
Sundry items	53	513	101	516
	397	962	445	516
<i>Decrease tax payable -</i>				
Tax offset for intercompany dividends	694	7,201	694	6,884
Research & development	438	180	438	225
Capital gain on investments accounts	214	55	214	-
Sundry items	431	7,606	442	-
	1,777	15,042	1,788	7,109

# Notes to the Financial Statements

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	\$000's	<b>\$000's</b>	\$000's
<b>7 Income tax expense (continued)</b>				
Income tax benefit/(expense) adjusted for permanent differences	(128)	5,406	(781)	(404)
Over/(under) provision in prior year	-	-	(41)	237
Effect of timing differences and tax losses (not booked)/recovered	(28)	(656)	473	(555)
Income tax benefit/(expense)	(156)	4,750	(349)	(722)
Add dividend withholding tax	-	(157)	-	(157)
Income tax benefit/(expense) attributable to profit from ordinary activities	(156)	4,593	(349)	(879)

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	\$000's	<b>\$000's</b>	\$000's
<b>(c) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity. Net deferred tax - debited (credited) directly to equity (note 18 and 22)	503	-	458	-
	503	-	458	-

## (d) Tax consolidation legislation

Ricegrowers Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as at 1 May 2004. The accounting policy in relation to this legislation is set out in note 1(n).

On adoption of the tax consolidation legislation, the entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate Ricegrowers Limited for any current tax payable assumed and are compensated by Ricegrowers Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Ricegrowers Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The funding amounts are recognised as current intercompany receivables or payables.

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	\$000's	<b>\$000's</b>	\$000's
<b>8 Cash and cash equivalents</b>				
Cash at bank and on hand	653	432	1,712	661
Deposits at call	8	306	1,807	2,150
	661	738	3,519	2,811

## (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	661	738	3,519	2,811
Less: Bank overdraft (note 20)	-	-	(4,110)	(305)
Balances per statement of cash flows	661	738	(591)	2,506

# Notes to the Financial Statements

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>9 Receivables</b>				
<b>Current</b>				
Trade receivables	33,263	48,653	62,275	67,565
Less provision for doubtful debts	(58)	(277)	(228)	(411)
	<b>33,205</b>	<b>48,376</b>	<b>62,047</b>	<b>67,154</b>
Other receivables	907	1,883	4,786	3,216
Owing by subsidiaries	62,408	55,969	-	-
GST Receivable	7,905	2,313	8,080	2,321
Prepayments	1,397	1,099	2,308	1,910
<b>Total current</b>	<b>105,822</b>	<b>109,640</b>	<b>77,221</b>	<b>74,601</b>
<b>Non-current</b>				
Owing by subsidiaries	25,649	26,769	-	-
<b>Total non-current</b>	<b>25,649</b>	<b>26,769</b>	<b>-</b>	<b>-</b>

## (a) Significant terms and conditions

Trade debtors generally are required to be settled within 30 days.

The terms and conditions of related party transactions with controlled entities during the year are detailed in Note 31.

## (b) Credit risk

The consolidated entity does not have any significant exposure to any individual customer or counterparty.

Major concentrations of credit risk (greater than 10%) that arise from the consolidated entity's receivables in relation to the industry categories and location of the customers by the percentage of the total receivables from customers are:

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>%</b>	<b>%</b>
Retail and food industry	100	100
Australia	62	62
Pacific Islands (incl PNG)	18	15
Middle East	17	20
Other	3	3

## (c) Fair values

The Directors consider the carrying amount of trade receivables and amounts owing by subsidiaries approximate their fair value.

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>10 Inventories</b>				
<b>Current</b>				
Raw materials at cost	275,036	82,265	290,149	100,665
Finished goods at cost	18,922	17,195	79,319	82,203
Finished goods at net realisable value	-	-	3,612	-
Packaging materials at cost	5,766	4,499	7,201	5,963
Engineering and consumable stores at cost	4,245	4,560	5,276	5,402
Inventory at cost	303,969	108,519	385,557	194,233
Less: provision for obsolescence	(767)	(271)	(980)	(422)
	<b>303,202</b>	<b>108,248</b>	<b>384,577</b>	<b>193,811</b>
<b>Non-current</b>				
Packaging materials at cost	-	1,424	-	1,424
Less: provision for obsolescence	-	(372)	-	(372)
<b>Total non-current</b>	<b>-</b>	<b>1,052</b>	<b>-</b>	<b>1,052</b>



# Notes to the Financial Statements

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	\$000's	<b>\$000's</b>	\$000's
<b>11 Other financial assets</b>				
Listed securities (at cost)	-	787	-	791
less: provision for diminution in value	-	(592)	-	(592)
Unlisted securities:				
Shares in subsidiaries (at cost)	<b>6,045</b>	5,872	-	-
Total securities	<b>6,045</b>	6,067	-	199
Shares in associates (at cost)	-	-	<b>1,037</b>	1,027
less: provision for diminution in value	-	-	<b>(697)</b>	(637)
Other unlisted securities	<b>26</b>	23	<b>216</b>	23
Total securities	<b>6,071</b>	6,090	<b>556</b>	612

These financial assets are carried at cost.

## (a) Diminution in value

The provisions for diminution in value have been recognised to write the listed securities down to their recoverable amounts based on the Director's assessment of their estimated realisable values in an open market to identify any permanent diminutions in the value of investment.

## (b) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 May 2005. At the date of transition to these standards on 1 May 2005 equity securities with a carrying value of \$194,984 for the parent entity and \$198,884 for the Group, under previous AGAAP, were designated and reclassified as available-for-sale financial assets and measured at fair value of \$410,070 for the parent entity and \$424,542 for the Group (refer to note 12). An amount of \$328,204, net of tax, for the parent entity and \$335,605, net of tax, for the Group was recognised in the available-for-sale financial assets reserve.

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	\$000's	<b>\$000's</b>	\$000's
<b>12 Available-for-sale financial assets</b>				
At beginning of year	<b>195</b>	-	<b>199</b>	-
Adjustment on adoption of AASB 132 and AASB 139	<b>215</b>	-	<b>226</b>	-
Reserves	<b>(30)</b>	-	<b>(31)</b>	-
At end of year	<b>380</b>	-	<b>394</b>	-
Listed securities:				
Equity securities	<b>380</b>	-	<b>394</b>	-
Total securities	<b>380</b>	-	<b>394</b>	-

Fair value is market value of these securities taken at the bid price at close of business on 28 April 2006.

# Notes to the Financial Statements

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>13 Derivative Financial Instruments</b>				
<b>Current Assets</b>				
Interest rate swaps (cash flow hedges)	133	-	133	-
Forward foreign exchange contracts (cash flow hedges)	1,921	-	1,921	-
	<b>2,054</b>	<b>-</b>	<b>2,054</b>	<b>-</b>
<b>Current liabilities</b>				
Forward foreign exchange contracts (cash flow hedges)	-	-	186	-
	<b>-</b>	<b>-</b>	<b>186</b>	<b>-</b>

## Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies as set out in note 2.

### (a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 May 2005.

At the date of transition to these standards of 1 May 2005, the parent entity recognised derivative financial instrument assets of \$2,716,242 in relation to foreign exchange contracts and \$19,585 in relation to interest rate swaps. The Group recognised derivative financial instrument assets of \$2,703,801 in relation to foreign exchange contracts and \$19,585 in relation to interest rate swaps. An amount of \$1,915,078, net of tax, for the parent entity and \$1,902,637, net of tax, for the Group was recognised in the hedging reserve (cash flow hedges).

For further information refer to note 1(o) and note 36 section 1(c).

### (b) Interest rate swaps - cash flow hedges

The consolidated entity has entered into interest rate swap contracts that entitle it to receive interest at floating rates on notional principal amounts, and oblige it to pay interest at fixed rates on the same amounts. The interest rate swaps allow the economic entity to raise long-term borrowings at floating rates and effectively swap them into fixed rates. Under the interest rate swaps, the entity agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

At 30 April 2006, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Less than 1 year	10,000	31,350	10,000	32,350
1-2 years	31,350	10,000	34,850	13,500
	<b>41,350</b>	<b>41,350</b>	<b>44,850</b>	<b>45,850</b>

Swaps currently in place cover 50% (2005: 53%) of the bank core debt loan principal outstanding. The fixed interest rates range between 5.51% - 5.835% (2005: 5.51%-6.27%) and the variable rates are between 5.6% and 5.89% for the 90 day bank bill term, which at balance date was 5.8% (2005: 6.24%).

### (c) Forward exchange contracts - cash flow hedges

The consolidated entity enters into forward foreign exchange contracts to buy and sell specified amounts of various foreign currencies in the future at a pre-determined exchange rate. The contracts are entered into to hedge certain firm purchase and sale commitments denominated in foreign currencies.

The settlement dates, dollar amounts to be received and contractual exchange rates of the consolidated entity's outstanding contracts at balance date are:

#### United States Dollars

Less than 1 year at rates averaging US\$0.7328 (2005: US\$0.7442)	<b>70,176</b>	71,732	<b>82,006</b>	94,368
	<b>70,176</b>	<b>71,732</b>	<b>82,006</b>	<b>94,368</b>

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date \$2,054,000 is receivable (Australian dollar equivalents) for the Group from interest rate swap contracts and forward foreign exchange contracts (2005: \$2,723,000).

The Group undertakes 100% of its transactions in foreign exchange and interest rate contracts with financial institutions.

# Notes to the Financial Statements

## 14 Investments accounted for using the equity method

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Shares in associates	<b>3,588</b>	3,588	<b>4,287</b>	3,897

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the associate is set out below.

<b>Name of company</b>	<b>Principal activity</b>	<b>Ownership interest</b>	<b>Consolidated carrying amount</b>	<b>Ricegrowers Limited carrying amount</b>
Herto NV (incorporated in Belgium)	Manufacturing	33% (2005: 33%)	4,287	3,588

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Movements in carrying amounts of investment in associate</b>		
Carrying amount at the beginning of the financial year	<b>3,897</b>	3,578
Share of profit after related income tax	<b>390</b>	319
Carrying amount at the end of the financial year	<b>4,287</b>	3,897
Share of associates' profits:		
Profit before related income tax	<b>594</b>	474
Income tax expense	<b>(204)</b>	(155)
Profits after related income tax	<b>390</b>	319
Retained profit/(loss) attributable to associate at the beginning of the financial year	<b>309</b>	(10)
Retained profit attributable to associate at the end of the financial year	<b>699</b>	309

### Summary of the performance and financial position of associate

The profits, assets and liabilities of associates are:

Profits after related income tax expense	<b>1,182</b>	966
Assets	<b>32,594</b>	36,147
Liabilities	<b>24,885</b>	28,872
Revenues	<b>31,663</b>	34,362

The associate operates on a non-coterminous year end. The directors believe that the financial effects of any events or transactions since year end have not materially affected the financial position or performance of the associate.

## 15 Property, plant and equipment

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Freehold land</b>				
At cost	<b>4,600</b>	4,600	<b>8,801</b>	6,826
<b>Buildings</b>				
At cost	<b>50,289</b>	48,963	<b>55,021</b>	53,215
Less accumulated depreciation	<b>(20,294)</b>	(19,217)	<b>(20,689)</b>	(19,459)
	<b>29,995</b>	29,746	<b>34,332</b>	33,756
<b>Leasehold improvements</b>				
At cost	<b>1,700</b>	1,700	<b>4,283</b>	3,978
Less accumulated depreciation	<b>(1,211)</b>	(1,190)	<b>(1,538)</b>	(1,462)
	<b>489</b>	510	<b>2,745</b>	2,516



# Notes to the Financial Statements

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>15 Property, plant and equipment (continued)</b>				
<b>Plant and equipment</b>				
At cost	153,162	156,958	184,831	184,845
Less accumulated depreciation	(85,249)	(82,106)	(98,098)	(92,629)
Under finance lease	227	-	227	-
Less accumulated depreciation	(5)	-	(5)	-
	<b>68,135</b>	<b>74,852</b>	<b>86,955</b>	<b>92,216</b>
<b>Capital works in progress</b>				
At cost	1,693	964	3,905	1,424
<b>Total property, plant and equipment</b>	<b>104,912</b>	<b>110,672</b>	<b>136,738</b>	<b>136,738</b>

## Reconciliations

Reconciliations 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.

	<b>Land &amp; Buildings</b>	<b>Leasehold Improvements</b>	<b>Plant &amp; Equipment</b>	<b>Capitalised WIP</b>	<b>Totals</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Consolidated</b>					
Carrying amount at 1 May 2005	40,582	2,516	92,216	1,424	136,738
Additions	2,233	144	1,123	8,829	12,329
Recognition of finance lease	-	-	227	-	227
Capital works in progress reclassifications	1,718	-	4,740	(6,458)	-
Transfers/disposals/scraping	(318)	(6)	(278)	(7)	(609)
Depreciation expense	(1,395)	(66)	(11,877)	-	(13,338)
Foreign currency differences	313	157	804	117	1,391
Carrying amount at 30 April 2006	43,133	2,745	86,955	3,905	136,738

	<b>Land &amp; Buildings</b>	<b>Leasehold Improvements</b>	<b>Plant &amp; Equipment</b>	<b>Capitalised WIP</b>	<b>Totals</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Ricegrowers Limited</b>					
Carrying amount at 1 May 2005	34,346	510	74,852	964	110,672
Additions	-	-	-	5,450	5,450
Recognition of finance lease	-	-	227	-	227
Capital works in progress reclassifications	1,640	-	3,081	(4,721)	-
Transfers/disposals/scraping	(213)	-	(642)	-	(855)
Depreciation expense	(1,178)	(21)	(9,383)	-	(10,582)
Carrying amount at 30 April 2006	34,595	489	68,135	1,693	104,912

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>16 Intangibles</b>				
Goodwill	185	185	1,328	1,325
Patents and brands	3,379	3,379	5,191	6,041
less: accumulated amortisation	(470)	(299)	(986)	(1,530)
	<b>2,909</b>	<b>3,080</b>	<b>4,205</b>	<b>4,511</b>
Software	2,433	2,164	2,444	2,180
less: accumulated amortisation	(2,203)	(2,146)	(2,205)	(2,162)
	<b>230</b>	<b>18</b>	<b>239</b>	<b>18</b>
	<b>3,324</b>	<b>3,283</b>	<b>5,772</b>	<b>5,854</b>

# Notes to the Financial Statements

## 16 Intangibles (continued)

	Ricegrowers Limited		Consolidated	
	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
Consolidated	Goodwill	Brands	Software	Total
<b>Year ended 30 April 2006</b>				
Opening net book amount	1,325	4,511	18	5,854
Additions	-	-	280	280
Amortisation charge	-	(306)	(59)	(365)
Foreign exchange difference on translation	3	-	-	3
Closing net book amount	1,328	4,205	239	5,772
<b>At 30 April 2006</b>				
Cost	2,916	5,191	2,444	10,551
Accumulated amortisation	(1,588)	(986)	(2,205)	(4,779)
Net book amount	1,328	4,205	239	5,772

Goodwill is specific to each cash generating unit and allocated as follows.

	2006 \$000's	2005 \$000's
Rice Milling and Marketing	38	35
CopRice	185	185
Specialty Products	1,105	1,105
	1,328	1,325

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management for the forthcoming year. Cash flows beyond the following 2007 financial year are extrapolated using the estimated growth rates stated below.

### Key Assumptions used for value in use calculations

CGU	Growth Rate		Discount Rate	
	2006 %	2005 %	2006 %	2005 %
Rice Milling and Marketing	2.7	2.7	9.0%	9.0%
CopRice	2.7	2.7	9.0%	9.0%
Specialty Products	4.6	7.9	9.0%	9.0%

The average growth rates used are consistent with industry forecasts. The growth rates for the Specialty Products CGU are the average growth rates used over the 5 year projection. The discount rates used are pre-tax and reflect risks relating to the CGU's.

## 17 Investment Properties

	Ricegrowers Limited		Consolidated	
	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>At Fair Value</b>				
Opening balance at 1 May 2005	6,725	6,675	6,725	6,675
Net gain from fair value adjustment	750	50	750	50
Closing balance at 30 April 2006	7,475	6,725	7,475	6,725

### Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2006 revaluations were based on independent assessments made by certified practising valuers.

# Notes to the Financial Statements

## 18 Deferred tax assets

The balance comprises temporary differences attributable to:

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Non-current assets</b>				
<i>Amounts recognised in profit or loss</i>				
Provisions	3,356	3,650	3,710	3,968
Accruals	798	810	839	922
Depreciation	-	-	72	71
Tax losses	16,260	15,964	16,260	15,964
Other	823	1,630	1,024	1,630
	<b>21,237</b>	<b>22,054</b>	<b>21,905</b>	<b>22,555</b>
<i>Amounts recognised directly in equity</i>				
Cash flow hedges	-	-	48	-
Available-for-sale financial assets	122	-	122	-
Net deferred tax assets	<b>21,359</b>	<b>22,054</b>	<b>22,075</b>	<b>22,555</b>
<b>Movements</b>				
Opening balance at 1 May 2005	22,054	25,815	22,555	26,194
Change on adoption of AASB 132 and AASB 139	65	-	65	-
Credited/(charged) to income statement	535	2,038	702	2,160
Utilisation of tax losses	(1,353)	(5,799)	(1,353)	(5,799)
Credited/(charged) to equity	58	-	106	-
Closing balance at 30 April 2006	<b>21,359</b>	<b>22,054</b>	<b>22,075</b>	<b>22,555</b>

There are no unrecognised tax losses.

The possible future tax savings attributable to tax losses will only be obtainable if;

- (a) Ricegrowers Limited and its controlled entities derive future assessable income of a nature, and of an amount, sufficient to enable the benefit from the deduction for the loss to be realised.
- (b) Ricegrowers Limited and its controlled entities continue to comply with the conditions for deductibility imposed by the law; and
- (c) No changes in the tax legislation adversely affect Ricegrowers Limited and its controlled entities in realising the benefit from the deductions of the loss.

## 19 Payables

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Current</b>				
Trade and other payables	25,649	24,330	44,649	38,178
Owing to subsidiaries	1,464	566	-	-
Amounts payable to growers	109,636	66,992	109,636	66,992
Dividends	5,022	5,032	5,022	5,032
	<b>141,771</b>	<b>96,920</b>	<b>159,307</b>	<b>110,202</b>
<b>Non-current</b>				
Amounts payable to growers	55,670	18,132	55,670	18,132
Other	-	-	1,863	1,799
	<b>55,670</b>	<b>18,132</b>	<b>57,533</b>	<b>19,931</b>

Trade accounts payable are unsecured and generally settled within 30 days

The Directors consider the carrying amounts of trade and other payables approximate their fair values.

# Notes to the Financial Statements

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>20 Borrowings</b>				
<b>Current</b>				
<b>Secured</b>				
Bank overdrafts	-	-	4,110	305
Bank loans	152,000	41,000	162,296	49,050
Lease liability (note 28)	20	-	20	-
<b>Unsecured</b>				
Shareholders term deposits	-	838	-	838
Rice bonds (note 27)	10,302	10,811	10,302	10,811
	<b>162,322</b>	<b>52,649</b>	<b>176,728</b>	<b>61,004</b>
<b>Non current</b>				
<b>Secured</b>				
Bank loans	82,700	82,700	86,200	87,200
Lease liability (note 28)	205	-	205	-
<b>Unsecured</b>				
Rice bonds (note 27)	48,696	57,067	48,696	57,067
<b>Total</b>	<b>131,601</b>	<b>139,767</b>	<b>135,101</b>	<b>144,267</b>

## (a) Significant terms and conditions of bank facilities

The bank loans, including overdrafts and facilities of the company, are secured by specific registered mortgages over property, registered equitable mortgages over all assets, and a cross-guarantee between Ricegrowers Limited and subsidiary, Riviana Foods Pty Ltd, all of which are held in trust on behalf of the company's banks by Commonwealth Custodial Services Limited. The liabilities associated with controlled entities are secured by way of registered first mortgages over property. In addition, debt covenants apply to the above bank loans.

## (b) Fair values

The Directors consider the carrying amounts of bank overdrafts and loans approximate their fair values.

## (c) Carrying amount of all assets pledged as security

There is a fixed and floating charge over all fixed assets disclosed in note 15.

## Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Total facilities</b>				
Bank overdrafts	2,659	2,562	8,408	6,619
Bank facilities	383,100	399,200	398,651	401,228
	<b>385,759</b>	<b>401,762</b>	<b>407,059</b>	<b>407,847</b>
<b>Used at balance date</b>				
Bank overdrafts	-	-	4,110	305
Bank facilities	241,583	130,297	257,104	142,847
	<b>241,583</b>	<b>130,297</b>	<b>261,214</b>	<b>143,152</b>
<b>Unused at balance date</b>				
Bank overdrafts	2,659	2,562	4,298	6,314
Bank facilities	141,517	268,903	141,547	258,381
	<b>144,176</b>	<b>271,465</b>	<b>145,845</b>	<b>264,695</b>



# Notes to the Financial Statements

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>21 Provisions</b>				
<b>Current</b>				
Employee benefits (note 29)	6,819	7,906	7,815	8,878
Employee allowances	241	141	241	141
Directors retirement benefits	799	761	799	761
Other	-	163	-	1,637
	<b>7,859</b>	<b>8,971</b>	<b>8,855</b>	<b>11,417</b>
<b>Non current</b>				
Employee benefits (note 29)	2,016	1,675	3,008	2,633
	<b>2,016</b>	<b>1,675</b>	<b>3,008</b>	<b>2,633</b>
<b>Total provisions</b>	<b>9,875</b>	<b>10,646</b>	<b>11,863</b>	<b>14,050</b>

## (a) Aggregate employee entitlement benefits

Aggregate employee entitlements include benefits measured at present values of future amounts expected to be paid based on projected weighted average increase in wage and salary rates over an average period of 10 years. Present values are calculated using a weighted average rate of 5.71% based on government guaranteed securities with similar maturity terms.

## (b) Fair values

The Directors consider the carrying amounts of provisions for employee entitlements, Directors' retirement benefits, and other provisions approximate their fair values.

## 22 Deferred tax liabilities

The balance comprises temporary differences attributable to:

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Non-current liabilities</b>				
<i>Amounts recognised in profit or loss</i>				
Prepayments	2,526	1,665	2,614	1,758
Inventories	1,274	1,368	1,274	1,368
Investment property	1,028	1,000	1,028	1,000
Depreciation	840	947	844	956
Other	10	5	545	1,512
	<b>5,678</b>	<b>4,985</b>	<b>6,305</b>	<b>6,594</b>
<i>Amounts recognised directly in equity</i>				
Cash flow hedges	625	-	625	-
Available-for-sale financial assets	-	-	3	-
Net deferred tax liabilities	<b>6,303</b>	<b>4,985</b>	<b>6,933</b>	<b>6,594</b>
<b>Movements</b>				
Opening balance at 1 May 2005	4,985	8,974	6,594	9,928
Change on adoption of AASB 132 and AASB 139	821	-	821	-
Charged/(credited) to profit and loss	693	(3,989)	(289)	(3,334)
Credited/(charged) to equity	(196)	-	(193)	-
Closing balance at 30 April 2006	<b>6,303</b>	<b>4,985</b>	<b>6,933</b>	<b>6,594</b>

# Notes to the Financial Statements

	Ricegrowers Limited		Consolidated	
23 Contributed equity	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>(a) Share capital</b>				
Fully paid Ordinary B Class Shares	31,036	31,449	31,036	31,449

## (b) Movements in ordinary share capital (B Class Shares):

Date	Details	Number of shares	Issue price	\$'000
1 May 2004	Opening balance	16,089,770	\$ 2.00	32,180
1 May 2004 to 30 April 2005	Redeemed shares	365,132	\$ 2.00	(731)
1 May 2005	Balance	15,724,638	\$ 2.00	31,449
1 May to 30 Nov 2005	Redeemed shares	279,165	\$ 2.00	(558)
21 December 2005	Share Issue Formula	7,845,932	\$ -	-
27 April 2006	Issue shares	68,000	\$ 2.14	145
30 April 2006	Balance	23,359,405		31,036

At 30 April 2006, 1,726 A Class shares were on issue.

On 27 April 2006, the Board further approved for 37,000 B Class shares to be purchased. At 30 April 2006, these shares have not been paid for.

B Class shares are non-voting shares with dividend rights but are not redeemable. A Class shares have no value but are voting shares held by active growers only.

	Ricegrowers Limited		Consolidated	
24 Reserves and retained profits	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>(a) Reserves</b>				
General reserve	18,657	18,657	28,450	28,452
Asset revaluation reserve	-	-	4,917	4,917
Foreign currency translation reserve	-	-	(12,424)	(13,440)
Hedging reserve - cash flow hedges	1,457	-	1,345	-
Available for sale financial assets revaluation reserve	307	-	314	-
	20,421	18,657	22,602	19,929

## Movements

### Asset revaluation reserve

Balance 1 May 2005 and 30 April 2006	-	-	4,917	4,917
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### Foreign currency translation reserve

Balance 1 May 2005	-	-	(13,440)	(12,479)
Net exchange difference on translation of overseas controlled entities	-	-	1,016	(961)
Balance 30 April 2006	-	-	(12,424)	(13,440)

### Hedging reserve - cash flow hedges

Balance 1 May 2005	-	-	-	-
Adjustment on adoption of AASB 132 and 139, net of tax	1,915	-	1,903	-
Revaluation - gross	(654)	-	(802)	-
Deferred tax	196	-	244	-
Balance 30 April 2006	1,457	-	1,345	-

# Notes to the Financial Statements

	Ricegrowers Limited		Consolidated	
24 Reserves and retained profits (continued)	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
<b>Available for sale financial assets</b>				
<b>revaluation reserve</b>				
Balance 1 May 2005	-	-	-	-
Adjustment on adoption of AASB 132 and 139, net of tax	328	-	335	-
Revaluation - gross	(30)	-	(17)	-
Deferred tax	9	-	(4)	-
Balance 30 April 2006	307	-	314	-
<b>(b) Retained profits</b>				
Balance 1 May 2005	25,654	20,124	36,593	42,425
Net profit attributable to members of Ricegrowers Limited	4,866	33,506	6,690	22,145
Other appropriations provided	-	(22,944)	-	(22,944)
Dividends provided for or paid	(5,022)	(5,032)	(5,022)	(5,032)
Balance 30 April 2006	25,498	25,654	38,261	36,593

## (c) Nature and purpose of reserves

### (i) Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

### (ii) General reserve

The general reserve has accumulated over prior periods with the purpose of retaining funds within the business.

### (iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(c). The reserve is recognised in profit and loss when the net investment is disposed of.

### (iv) Hedging reserve - cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

### (v) Available-for-sale financial assets revaluation reserve

Changes in the fair value of equities are taken to the available-for-sale financial assets revaluation reserve, as described in note 1(d). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

	Ricegrowers Limited		Consolidated	
25 Unfranked Dividends	2006 \$000's	2005 \$000's	2006 \$000's	2005 \$000's
Final dividend declared for the year ended 30 April 2006 of 21.5 cents (2005: 32 cents) per fully paid share	5,022	5,032	5,022	5,032
	5,022	5,032	5,022	5,032

# Notes to the Financial Statements

## 26 Contingencies

### (a) Contingent liabilities

The estimated maximum amounts of contingent liabilities not provided for in the accounts of Ricegrowers Limited and its controlled entities as at 30 April 2006 are:

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Discounted export bill proceeds (guarantees)	1,583	4,054	1,583	4,054
Guarantee of bank advances:				
- controlled entities	6,551	6,401	7,318	1,647
- other guarantees	337	1,070	337	1,070
<b>Total</b>	<b>8,471</b>	<b>11,525</b>	<b>9,238</b>	<b>6,771</b>

## 27 Rice bonds

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Due for repayment:				
Within one year	10,302	10,811	10,302	10,811
Within one to two years	14,212	10,369	14,212	10,369
Within three to five years	34,484	36,766	34,484	36,766
Within six to ten years	-	9,932	-	9,932
<b>Total</b>	<b>58,998</b>	<b>67,878</b>	<b>58,998</b>	<b>67,878</b>
Representing:				
Current (note 20)	10,302	10,811	10,302	10,811
Non current (note 20)	48,696	57,067	48,696	57,067
<b>Total</b>	<b>58,998</b>	<b>67,878</b>	<b>58,998</b>	<b>67,878</b>

Effective July 1997, Ricegrowers Limited has issued Rice Bonds as an alternative funding mechanism. The Rice Bonds are subordinated and amount to \$58,998,000 (2005: \$67,878,000). The bonds are repayable between 3 and 7 years. Interest is payable annually in arrears at an average rate of 8.6% (2005: 8.4%).

## 28 Commitments for expenditure

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>(a) Capital Commitments</b>				
<b>(property, plant and equipment)</b>				
Commitments for capital expenditure contracted for at reporting date but not recognised as liabilities payable	1,733	1,131	3,510	2,820

Contracted capital expenditure for purchase of fixed assets (all capital commitments contracted are payable within one year) includes commitments entered into on behalf of the Rice Marketing Board for the State of New South Wales at balance date (which will be reimbursed progressively over the duration of the project) amounting to \$9,000 (2005: \$73,000)

### (b) Lease commitments

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

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
Within one year	2,720	2,617	4,804	4,362
Later than one year but not later than five years	4,104	5,293	12,725	10,112
Later than five years	9	-	12,828	5,578
<b>Total</b>	<b>6,833</b>	<b>7,910</b>	<b>30,357</b>	<b>20,052</b>



# Notes to the Financial Statements

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
<b>28 Commitments for expenditure (continued)</b>	<b>2006 \$000's</b>	<b>2005 \$000's</b>	<b>2006 \$000's</b>	<b>2005 \$000's</b>
Representing:				
Cancellable operating leases	6,833	7,910	30,357	20,052
	<b>6,833</b>	<b>7,910</b>	<b>30,357</b>	<b>20,052</b>
Commitments in relation to finance leases are payable as follows:				
Within one year	34	-	34	-
Later than one year but not later than five years	247	-	247	-
Minimum lease payments	281	-	281	-
less: future finance charges	(56)	-	(56)	-
Recognised as a liability	<b>225</b>	<b>-</b>	<b>225</b>	<b>-</b>
Representing lease liabilities:				
Current (note 20)	20	-	20	-
Non current (note 20)	205	-	205	-
	<b>225</b>	<b>-</b>	<b>225</b>	<b>-</b>

Refer to note 15 for the carrying value of assets under finance lease.

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
<b>29 Employee benefits</b>	<b>2006 \$000's</b>	<b>2005 \$000's</b>	<b>2006 \$000's</b>	<b>2005 \$000's</b>
<b>(a) Employee benefits and related on cost liabilities</b>				
Provision for employee benefits (note 21)				
Current	6,819	7,906	7,815	8,878
Non-current	2,016	1,675	3,008	2,633
Aggregate employee entitlement benefits	<b>8,835</b>	<b>9,581</b>	<b>10,823</b>	<b>11,511</b>
Employee numbers	<b>Number</b>		<b>Number</b>	
Average number of employees during the year	<b>703</b>	<b>778</b>	<b>1,587</b>	<b>1,429</b>

## **(b) Superannuation plan/commitments**

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

Subsidiary Riviana Foods Pty Ltd, operates a defined benefit superannuation plan for 4 employees, Riviana Foods Superannuation Plan.

An actuarial valuation was performed as at 30 June 2005, which showed the plan was in surplus by \$124,964. At 30 April 2006, a revised estimate of the value of the plan was performed, which showed the plan was in surplus by \$163,000.

The following sets out the details for the defined benefit members of the Riviana Foods Superannuation plan.

	<b>Consolidated</b>	
	<b>2006 \$000's</b>	<b>2005 \$000's</b>
Net Assets	828	790
less: Vested Benefits	(665)	(665)
Surplus	<b>163</b>	<b>125</b>

# Notes to the Financial Statements

## 30 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

### Subsidiaries

Name of entity	Principal activities	Direct/indirect interest in ordinary shares/equity	
		2006 %	2005 %
(i) SunRice Trading Pty Ltd	Distribution of Rice	100	100
(i)@ Rice Research Australia Pty Ltd	Research into rice growing	100	100
(i)@ Riviana (Australia) Pty Ltd	Investment Co	100	100
(i)^ SunRice Australia Pty Ltd	Marketing	100	100
(i) Silica Resources Pty Ltd	Investment Co	100	100
(i)* Riviana Foods Pty Ltd	Importation /distribution of food products	100	100
(ii) (iii) * Trukai Industries Ltd	Distribution of rice	66.23	66.23
(iii)* Trukai (Wholesale) Ltd	Distribution of rice	66.23	66.23
(iii)* Rice Industries Ltd	Property	66.23	66.23
(iv)* Solomons Rice Company Ltd	Distribution of rice	100	100
(v)* SunArise Insurance Company Ltd	Insurance Co	100	100
(i) ^ Australian Rice Growers Co-operative Ltd	Marketing	100	100
(vi)* Aqaba Processing Company Ltd	Rice packing/storage	80	80
(i) ^ Hulltech Pty Ltd	Marketing	100	100
(i) Ricegrowers Superannuation Plan Pty Ltd	Superannuation Trust Co	100	100
(i) Seaside Pty Ltd	Distribution of rice	100	100
(vii)^ Sunshine Rice, Inc	Marketing	100	100
(i)^ Sunbridge Australia Pty Ltd	Marketing	100	100
(i)^ Stockfeed Manufacture & Distribution Pty Ltd	Distribution of rice	100	100

### Legend

- (i) Incorporated in Australia
- (ii) Ricegrowers Limited holds Ordinary "A" Class shares in Trukai Industries Ltd
- (iii) Incorporated in Papua New Guinea
- (iv) Incorporated in Solomon Islands
- (v) Incorporated in Bermuda
- (vi) Incorporated in Jordan
- (vii) Incorporated in USA
- \* Controlled entity audited by another PricewaterhouseCoopers firm
- @ Controlled entity not audited as it is a small proprietary company not required to prepare financial statements
- ^ Dormant

### Minority interests

Outside equity interests hold 540,320 Ordinary shares in Trukai Industries Pty Ltd, being 33.77% of the ordinary issued capital.

Outside equity interests hold 6,000 Ordinary shares in Aqaba Processing Company Limited, being 20% of the ordinary issued capital.

	Consolidated	
	2006 \$000's	2005 \$000's
Interest in:		
Contributed equity	359	359
Reserves	1,092	651
Retained profits	3,667	3,627
	<b>5,118</b>	<b>4,637</b>

# Notes to the Financial Statements

## 31 Related party transactions

### (a) Parent Entity

The ultimate parent entity and controlling party within the Group is Ricegrowers Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 30.

### (c) Directors and Director related entities

The Directors named in the Directors' Report each held office as a Director of Ricegrowers Limited during the year ended 30 April 2006.

### (d) Share transactions with Directors and Director related entities

The aggregate number of shares issued/(redeemed) to Directors of Ricegrowers Limited and their Director related entities during the year were:

Issuing entity	2006	2005
Ricegrowers Limited	99,613	-

All issues were made on terms and conditions no more favourable than those offered to other shareholders.

The aggregate number of shares held by Directors of Ricegrowers Limited and its related entities at balance date were:

Issuing entity	2006	2005
Ricegrowers Limited	399,187	299,574

Directors and their related entities received normal dividends on these ordinary shares.

### Transactions with related parties

During the year the company entered into the following transaction types with entities in the wholly owned group or key management personnel; sale of rice and other rice products, purchase of paddy rice; receipt of management fees and payment of licence and packaging fees; advancement of loans and receipt of loans. The transactions were made on negotiated terms and conditions and at market rates except for interest free loans between controlled entities.

	Ricegrowers Limited	
	2006 \$000's	2005 \$000's
<b>(i) Transaction type and class of other party</b>		
Sale of rice to:		
- controlled entities	9,097	32,863
Dividends received from:		
- controlled entities	2,312	24,822
Subsidiary performance fee income	40,277	14,862
Interest revenue from group entities	1,220	227
Purchases of rice from Directors	4,013	2,269
Purchases of grain from Directors	106	70
Sale of inputs to Directors	296	231
Purchase of assets from Directors	6	-

### (ii) Outstanding balances

Amounts receivable from and payable to entities in the wholly owned group

	Ricegrowers Limited	
	2006 \$000's	2005 \$000's
Aggregate amounts receivable at balance date from:		
- Current - controlled entities	62,408	55,969
- Non-current - controlled entities	25,649	26,769
	88,057	82,738
Aggregate amounts payable at balance date to:		
- Current - controlled entities	1,464	566
	1,464	566

# Notes to the Financial Statements

## 31 Related party transactions (continued)

No provisions for bad debts have been raised in relation to any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

	<b>Ricegrowers Limited</b>		<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>32 Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities</b>				
Profit for the year	<b>4,866</b>	33,506	<b>6,690</b>	22,145
Less grower bonuses	-	(22,944)	-	(22,944)
Depreciation and amortisation	<b>10,810</b>	11,110	<b>13,703</b>	13,812
(Profit)/Loss on sale/disposal of property, plant and equipment	<b>(421)</b>	352	<b>(524)</b>	305
Profit on sale of investments/controlled entities	-	(36)	-	(37)
Gain on fair value revaluation of investment property	<b>(750)</b>	(35)	<b>(750)</b>	(35)
Loss on fair value adjustment to derivatives	<b>28</b>	-	<b>54</b>	-
Reversal of tax expense (non-cash)	<b>156</b>	(4,593)	<b>307</b>	110
<b>Changes in operating assets and liabilities</b>				
(Increase)/decrease in trade and other receivables	<b>12,010</b>	(72,831)	<b>3,421</b>	(21,590)
(Increase)/decrease in prepayments and other assets	<b>(6,159)</b>	13,291	<b>(6,040)</b>	14,422
(Increase)/decrease in inventories	<b>(193,902)</b>	68,072	<b>(189,714)</b>	26,839
Increase/(decrease) in amounts payable to growers	<b>103,127</b>	(35,040)	<b>103,127</b>	(35,040)
Increase/(decrease) in provision for grower bonuses	<b>(22,945)</b>	8,661	<b>(22,945)</b>	8,661
Increase/(decrease) in trade and other creditors and employee entitlements	<b>1,445</b>	1,451	<b>3,883</b>	2,408
<b>Net cash inflows/(outflows) from operating activities</b>	<b>(91,735)</b>	964	<b>(88,788)</b>	9,056

## 33 Financial instruments

### (a) Financial instruments

The company uses financial instruments to reduce its exposure to foreign currency and interest rate movements as disclosed in note 13.

(i) Trade accounts receivable and payable at 30 April 2006 include aggregate net receivables of USD24,162,140 and HKD1,884,774 in respect of sales proceeds and purchases due in foreign currencies.

(ii) At 30 April 2006, the net deferred unrealised gain on the USD forward foreign exchange contracts was \$1,921,435 AUD (2005: \$2,703,801).

### (b) Credit risk exposures

The carrying amounts of financial assets included in the consolidated balance sheet represents the consolidated entity's maximum exposure to credit risk in relation to these assets. Where entities have a right of set-off and intend to settle on a net basis, this set-off has been reflected in the financial statements in accordance with accounting standards.

The credit exposure of interest rate swaps and forward foreign exchange contracts is represented by the net fair values of the contracts, as disclosed.



# Notes to the Financial Statements

## 33 Financial instruments (continued)

### (c) Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective interest rates on financial instruments at balance date are:

	Weighted Average Effective Int Rate	Floating Interest Rate	Fixed Interest Rate			Non Interest Bearing	Total
			1 year or less	1 - 5 years	Over 5 years		
30 April 2006	%	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Assets</b>							
Cash	5.4	3,519	-	-	-	-	3,519
Trade debtors and receivables	-	-	-	-	-	77,221	77,221
Other financial assets - investments	-	-	-	-	-	4,843	4,843
<b>Total financial assets</b>		<b>3,519</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,064</b>	<b>85,583</b>
<b>Liabilities</b>							
Trade and other accounts payable	-	-	-	-	-	46,512	46,512
Grower payables and bonuses	-	-	-	-	-	165,306	165,306
Bank overdrafts	9.4	4,110	-	-	-	-	4,110
Bank and other loans	6.1	162,296	-	86,200	-	-	248,496
Interest rate swaps	5.7	(41,350)	-	41,350	-	-	-
Lease liabilities	5.7	-	20	205	-	-	225
Rice Bonds	8.6	-	10,302	48,696	-	-	58,998
<b>Total financial liabilities</b>		<b>125,056</b>	<b>10,322</b>	<b>176,451</b>	<b>-</b>	<b>211,818</b>	<b>523,647</b>
<b>Net financial liabilities</b>		<b>121,537</b>	<b>10,322</b>	<b>176,451</b>	<b>-</b>	<b>129,754</b>	<b>438,064</b>

	Weighted Average Effective Int Rate	Floating Interest Rate	Fixed Interest Rate			Non Interest Bearing	Total
			1 year or less	1 - 5 years	Over 5 years		
30 April 2005	%	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Assets</b>							
Cash	4.9	2,811	-	-	-	-	2,811
Trade debtors and receivables	-	-	-	-	-	74,601	74,601
Other financial assets - investments	-	-	-	-	-	4,509	4,509
<b>Total financial assets</b>		<b>2,811</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79,110</b>	<b>81,921</b>
<b>Liabilities</b>							
Trade and other accounts payable	-	-	-	-	-	39,977	39,977
Grower payables and bonuses	-	-	-	-	-	85,124	85,124
Bank overdrafts	8.9	305	-	-	-	-	305
Bank and other loans	5.9	49,050	-	87,200	-	-	136,250
Interest rate swaps	5.9	(45,850)	-	45,850	-	-	-
Term deposits	5.7	-	838	-	-	-	838
Rice Bonds	8.4	-	10,811	47,135	9,932	-	67,878
<b>Total financial liabilities</b>		<b>3,505</b>	<b>11,649</b>	<b>180,185</b>	<b>9,932</b>	<b>125,101</b>	<b>330,372</b>
<b>Net financial liabilities</b>		<b>694</b>	<b>11,649</b>	<b>180,185</b>	<b>9,932</b>	<b>45,991</b>	<b>248,451</b>

### Fair value of financial assets and liabilities

The Directors consider the carrying amount of financial assets and liabilities to approximate their fair values.

# Notes to the Financial Statements

## 34 Segment Information

### (a) Description of segments

#### Business Segments

The business is organised on a global basis into the following divisions by product and service type.

#### Rice Milling & Marketing

The main entity (Ricegrowers Limited less CopRice division, Rice Flour, Rice Cakes and Specialty) and SunRice Trading.

#### Complementary Businesses

This includes Riviana, Solrice, Trukai and the divisions of CopRice, Rice Flour, Rice Cakes and Specialty businesses. The principal activities of the subsidiaries are outlined in note 30.

#### Other

Businesses included are Aqaba Processing Company - packaging plant, SunArise - insurance company, RRAPL - research into rice growing and development of new varieties for RL, Silica - investment company, Herto nv (associate company), Seatide and Sunshine Rice.

#### Geographical Segments

Although the company's divisions are primarily managed in Australia, they operate in the following geographical areas:

#### Australia

The home country of the company which is also the main operating entity. The areas of operation are principally the receipt and storage of paddy rice, milling of rice, manufacture of rice based products, marketing of rice, research and development into the growing of rice, and the processing of rice and related products.

#### Pacific

Comprises operations carried on in Papua New Guinea, the Solomon Islands and other Pacific Islands.

#### Other

Comprises operations carried on in Jordan (the operation packages, stores, processes and distributes rice), Herto nv (associate company) and Sunshine Rice.

### (b) Primary reporting - business segments

	Rice Milling & Marketing \$'000's	Complementary Businesses \$'000's	Other \$'000's	Intersegment Eliminations /Unallocated \$'000's	Total \$'000's
<b>2006</b>					
Sales to External Customers	235,501	363,034	4,481	-	603,016
Intersegment sales	113,148	1,618	9,068	(123,834)	-
Other revenue	35,761	12,329	65	(45,671)	2,484
Total segment revenue	384,410	376,981	13,614	(169,505)	605,500
Segment result before paddy price supplement	(12,604)	18,091	1,009	583	7,079
Paddy price supplement	12,604	(12,604)	-	-	-
Segment result	-	5,487	1,009	583	7,079
Profit from ordinary activities before income tax expense					7,079
Income tax expense					(349)
Net profit after tax					6,730
Segment assets	564,102	170,468	20,101	(132,078)	622,593
Unallocated assets					22,075
Total assets					644,668

# Notes to the Financial Statements

## 34 Segment Information (continued)

	Rice Milling & Marketing \$'000's	Complementary Businesses \$'000's	Other \$'000's	Intersegment Eliminations /Unallocated \$'000's	Total \$'000's
Segment liabilities	553,557	91,319	14,555	(118,713)	540,718
Unallocated liabilities					6,933
Total liabilities					547,651
Acquisitions of property plant and equipment, intangibles and other non-current segment assets	3,172	8,833	324	-	12,329
Depreciation & amortisation expense	7,651	5,594	458	-	13,703
	Rice Milling & Marketing \$'000's	Complementary Businesses \$'000's	Other \$'000's	Intersegment Eliminations /Unallocated \$'000's	Total \$'000's
<b>2005</b>					
Sales to External					
Customers	321,744	324,934	3,294	-	649,971
Intersegment sales	125,025	1,809	2,743	(129,577)	-
Other revenue #	29,184	17,564	15,391	(59,101)	3,038
Total segment revenue	475,953	344,307	21,428	(188,678)	653,009
Segment result before paddy price supplement	18,047	31,560	16,227	(42,510)	23,324
Paddy price supplement	-	-	-	-	-
Segment result	18,047	31,560	16,227	(42,510)	23,324
Profit from ordinary activities before income tax expense					23,324
Income tax expense					(879)
Net profit after tax					22,445
Segment assets	385,713	147,913	20,384	(127,909)	426,101
Unallocated assets					22,555
Total assets					448,656
Segment liabilities	370,976	79,782	15,770	(117,074)	349,454
Unallocated liabilities					6,594
Total liabilities					356,048
Acquisitions of property plant and equipment, intangibles and other non-current segment assets	4,431	8,114	374	-	12,919
Depreciation & amortisation expense	8,061	5,267	484	-	13,812

# Included within 'Other' segment revenue of \$15.4m is a dividend from Riviana Foods Pty Ltd to its parent Silica Resources Pty Limited of \$15.3m.

# Notes to the Financial Statements

## 34 Segment Information (continued)

### (c) Secondary reporting - geographical segments

	Total Sales Revenue		Segment assets		Acquisitions property, plant & equipment, intangibles and other non-current segment assets	
	2006 \$'000's	2005 \$'000's	2006 \$'000's	2005 \$'000's	2006 \$'000's	2005 \$'000's
Australia	450,233	510,080	557,392	363,058	6,770	11,024
Pacific	154,507	142,802	54,171	53,058	5,367	1,693
Other Countries	760	127	11,030	9,985	192	202
	<b>605,500</b>	653,009	<b>622,593</b>	426,101	<b>12,329</b>	12,919
Unallocated	-	-	22,075	22,555	-	-
Total assets	<b>605,500</b>	653,009	<b>644,668</b>	448,656	<b>12,329</b>	12,919

### (d) Notes to and forming part of the segment information

#### (i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors and employee benefits.

#### (ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arms-length" basis and are eliminated on consolidation.



# Notes to the Financial Statements

## 35 Remuneration of auditors

During the year the following services were paid or payable to the auditor of the parent entity, its related practices and non-related audit firms :

### a) Assurance Services

	Ricegrowers Limited		Consolidated	
	2006	2005	2006	2005
Audit Services	\$	\$	\$	\$
Fees paid to PricewaterhouseCoopers Australian firm	322,700	245,030	427,020	359,177
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	-	104,313	85,278
<b>Total remuneration for audit services</b>	<b>322,700</b>	<b>245,030</b>	<b>531,333</b>	<b>444,455</b>
<b>(b) Other assurance services</b>				
Fees paid to PricewaterhouseCoopers Australian firm	181,227	88,500	188,648	88,500
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	-	-	2,229
<b>Total remuneration for other assurance services</b>	<b>181,227</b>	<b>88,500</b>	<b>188,648</b>	<b>90,729</b>
<b>Total remuneration for assurance services</b>	<b>503,927</b>	<b>333,530</b>	<b>719,981</b>	<b>535,184</b>
<b>(c) Taxation Services</b>				
Fees paid to PricewaterhouseCoopers Australian firm	710,602	506,119	734,414	532,517
Fees paid to related practices of PricewaterhouseCoopers Australian firm	-	-	-	-
<b>Total remuneration for taxation services</b>	<b>710,602</b>	<b>506,119</b>	<b>734,414</b>	<b>532,517</b>

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

# Notes to the Financial Statements

## 36 Explanation of transition to Australian equivalent to IFRS's

### 1) Reconciliation of Equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS's (AIFRS)

a) At the date of transition to AIFRS : 1 May 2004

Balance Sheet		Ricegrowers Limited			Consolidated			
		Notes	Previous AGAAP \$000's	Effect of transition to AIFRS \$000's	AIFRS \$000's	Previous AIFRS \$000's	Effect of transition to AIFRS \$000's	AIFRS \$000's
Current assets								
Cash			2,058	-	2,058	4,992	-	4,992
Receivables	a		78,234	(1,500)	76,734	74,881	(1,983)	72,898
Inventories			177,372	-	177,372	221,702	-	221,702
Total current assets			257,664	(1,500)	256,164	301,575	(1,983)	299,592
Non-current assets								
Receivables			7,270	-	7,270	-	-	-
Other financial assets			946	-	946	713	-	713
Property, plant and equipment	a,f		117,077	(1,971)	115,106	141,903	(1,971)	139,932
Investment properties	a,f		-	6,675	6,675	-	6,675	6,675
Intangible assets	f		3,438	78	3,516	4,906	78	4,984
Deferred tax assets	e		-	25,816	25,816	-	26,194	26,194
Investments accounted for using the equity method			3,588	-	3,588	3,578	-	3,578
Total non-current assets			132,319	30,598	162,917	151,100	30,976	182,076
Total assets			389,983	29,098	419,081	452,675	28,993	481,668
Current liabilities								
Payables			118,148	-	118,148	127,626	-	127,627
Borrowings			34,714	-	34,714	49,866	-	49,866
Current tax liabilities	e		-	-	-	2,039	(51)	1,988
Provisions			7,672	-	7,672	10,177	-	10,177
Total current liabilities			160,534	-	160,534	189,708	(51)	189,658
Non-current liabilities								
Payables			30,322	-	30,322	32,272	-	32,272
Borrowings			147,362	-	147,362	147,362	-	147,362
Deferred tax liabilities	a,g		-	8,974	8,974	137	9,791	9,928
Provisions			928	-	928	1,709	-	1,709
Total non-current liabilities			178,612	8,974	187,586	181,480	9,791	191,271
Total liabilities			339,146	8,974	348,120	371,188	9,740	380,928
Net assets			50,837	20,124	70,961	81,487	19,253	100,740
Equity								
Contributed equity			32,180	-	32,180	32,180	-	32,180
Reserves			18,657	-	18,657	20,878	-	20,878
Retained profits	a,e		-	20,124	20,124	23,172	19,253	42,425
Total parent entity interest			50,837	20,124	70,961	76,230	19,253	95,483
Minority interest			-	-	-	5,257	-	5,257
Total equity			50,837	20,124	70,961	81,487	19,253	100,740

# Notes to the Financial Statements

## 36 Explanation of transition to Australian equivalent to IFRS's (continued)

b) At the end of last reporting period under previous AGAAP : 30 April 2005

Balance Sheet		Ricegrowers Limited			Consolidated			
		Notes	Previous AGAAP \$000's	Effect of transition to AIFRS \$000's	AIFRS \$000's	Previous AIFRS \$000's	Effect of transition to AIFRS \$000's	AIFRS \$000's
Current assets								
Cash		738	-	738	2,811	-	2,811	
Receivables	a	111,140	(1,500)	109,640	76,533	(1,933)	74,601	
Inventories		108,248	-	108,248	193,811	-	193,81	
Total current assets		220,126	(1,500)	218,626	273,155	(1,933)	271,223	
Non-current assets								
Receivables		26,769	-	26,769	-	-	-	
Inventories		1,052	-	1,052	1,052	-	1,052	
Other financial assets		898	5,192	6,090	612	-	612	
Property, plant and equipment	a,f	112,547	(1,875)	110,672	138,613	(1,875)	136,738	
Investment properties	a		6,725	6,725		6,725	6,725	
Intangible assets	b,f	3,240	43	3,283	5,650	204	5,854	
Deferred tax assets	e	-	22,054	22,054	-	22,555	22,555	
Investments accounted for using the equity method		3,588	-	3,588	3,897	-	3,897	
Total non-current assets		148,094	32,139	180,233	149,824	27,609	177,433	
Total assets								
		368,220	30,639	398,859	422,979	25,677	448,656	
Current liabilities								
Payables		96,920	-	96,920	110,202	-	110,202	
Borrowings		52,649	-	52,649	61,004	-	61,004	
Provisions		8,971	-	8,971	11,417	-	11,417	
Total current liabilities		158,540	-	158,540	182,623	-	182,623	
Non-current liabilities								
Payables		18,132	-	18,132	19,931	-	19,931	
Borrowings		139,767	-	139,767	144,267	-	144,267	
Deferred tax liabilities	a,g	-	4,985	4,985	439	6,155	6,594	
Provisions		1,675	-	1,675	2,633	-	2,633	
Total non-current liabilities		159,574	4,985	164,559	167,270	6,155	173,425	
Total liabilities								
		318,114	4,985	323,099	349,893	6,155	356,048	
Net assets								
		50,106	25,654	75,760	73,085	19,522	92,608	
Equity								
Contributed equity		31,449	-	31,449	31,449	-	31,449	
Reserves		18,657	-	18,657	19,929	-	19,929	
Retained profits	a,b,e	-	25,654	25,654	17,070	19,522	36,593	
Total parent entity interest		50,106	25,654	75,760	68,448	19,522	87,971	
Minority Interest		-	-	-	4,637	-	4,637	
Total equity		50,106	25,654	75,760	73,085	19,522	92,608	

# Notes to the Financial Statements

## 36 Explanation of transition to Australian equivalent to IFRS's (continued)

### c) Adjustments on transition to AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: 1 May 2005

<b>Ricegrowers Limited</b> <b>Balance Sheet</b>	<b>Consolidated</b>					
	30 April 2005 \$000's	Adjustment \$000's	1 May 2005 \$000's	30 April 2005 \$000's	Adjustment \$000's	1 May 2005 \$000's
<b>Current assets</b>						
Cash	738	-	738	2,811	-	2,811
Receivables	109,640	-	109,640	74,601	-	74,601
Inventories	108,248	-	108,248	193,811	-	193,811
Derivative financial instruments	-	2,736	2,736	-	2,723	2,723
<b>Total current assets</b>	<b>218,626</b>	<b>2,736</b>	<b>221,362</b>	<b>271,223</b>	<b>2,723</b>	<b>273,946</b>
<b>Non-current assets</b>						
Receivables	26,769	-	26,769	-	-	-
Inventories	1,052	-	1,052	1,052	-	1,052
Other financial assets	6,090	(195)	5,895	612	(199)	413
Available-for-sale financial assets	-	410	410	-	425	425
Property, plant and equipment	110,672	-	110,672	136,738	-	136,738
Investment properties	6,725	-	6,725	6,725	-	6,725
Intangible assets	3,283	-	3,283	5,854	-	5,854
Deferred tax assets	22,054	-	22,054	22,555	-	22,555
Investments accounted for using the equity method	3,588	-	3,588	3,897	-	3,897
<b>Total non-current assets</b>	<b>180,233</b>	<b>215</b>	<b>180,448</b>	<b>177,433</b>	<b>226</b>	<b>177,659</b>
<b>Total assets</b>	<b>398,859</b>	<b>2,951</b>	<b>401,810</b>	<b>448,656</b>	<b>2,949</b>	<b>451,605</b>
<b>Current liabilities</b>						
Payables	96,920	-	96,920	110,202	-	110,202
Borrowings	52,649	-	52,649	61,004	-	61,004
Provisions	8,971	-	8,971	11,417	-	11,417
<b>Total current liabilities</b>	<b>158,540</b>	<b>-</b>	<b>158,540</b>	<b>182,623</b>	<b>-</b>	<b>182,623</b>
<b>Non-current liabilities</b>						
Payables	18,132	-	18,132	19,931	-	19,931
Borrowings	139,767	-	139,767	144,267	-	144,267
Deferred tax liabilities	4,985	708	5,693	6,594	711	7,305
Provisions	1,675	-	1,675	2,633	-	2,633
<b>Total non-current liabilities</b>	<b>164,559</b>	<b>708</b>	<b>165,267</b>	<b>173,425</b>	<b>711</b>	<b>174,136</b>
<b>Total liabilities</b>	<b>323,099</b>	<b>708</b>	<b>323,807</b>	<b>356,048</b>	<b>711</b>	<b>356,759</b>
<b>Net assets</b>	<b>75,760</b>	<b>2,243</b>	<b>78,003</b>	<b>92,608</b>	<b>2,238</b>	<b>94,846</b>
<b>Equity</b>						
Contributed equity	31,449	-	31,449	31,449	-	31,449
Reserves	18,657	2,243	20,900	19,929	2,238	22,167
Retained profits	25,654	-	25,654	36,593	-	36,593
Total parent entity interest	75,760	2,243	78,003	87,971	2,238	90,209
Minority Interest	-	-	-	4,637	-	4,637
<b>Total equity</b>	<b>75,760</b>	<b>2,243</b>	<b>78,003</b>	<b>92,608</b>	<b>2,238</b>	<b>94,846</b>

Refer to notes 1(d), 1(o), 11,13, and 24 for further information on transition to AASB 132 *Financial Instruments: Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on 1 May 2005.



# Notes to the Financial Statements

## 36 Explanation of transition to Australian equivalent to IFRS's (continued)

### 2) Reconciliation of profit under previous (AGAAP) to profit under AIFRS

#### a) Reconciliation of Profit for the year ended 30 April 2005

Income Statement	Notes	Ricegrowers Limited			Consolidated		
		Previous AGAAP \$000's	Effect of transition to AIFRS \$000's	AIFRS \$000's	Previous AIFRS \$000's	Effect of transition to AIFRS \$000's	AIFRS \$000's
<b>Revenue</b>	<b>c</b>	425,688	(651)	425,037	653,943	(934)	653,009
Other income	<b>a,c</b>	-	119	119	-	123	123
Changes in inventories of finished goods		(11,912)		(11,912)	19,930		19,930
Raw materials and consumables used		(172,425)		(172,425)	(401,597)		(401,597)
Employee benefits expense		(59,780)		(59,780)	(71,667)		(71,667)
Depreciation & amortisation expenses	<b>a,b,f</b>	(11,171)	61	(11,110)	(14,034)	222	(13,812)
Finance Costs		(14,045)		(14,045)	(14,958)		(14,958)
Share of net profit of associate accounted using the equity method		-		-	319		319
Other expenses	<b>c</b>	(127,539)	568	(126,971)	(148,868)	845	(148,023)
<b>Profit from ordinary activities before income tax</b>		<b>28,816</b>	<b>96</b>	<b>28,913</b>	<b>23,068</b>	<b>257</b>	<b>23,324</b>
Income tax benefit/(expense)		(842)	5,435	4,593	(892)	13	(879)
<b>Profit for the year</b>		<b>27,974</b>	<b>5,530</b>	<b>33,506</b>	<b>22,176</b>	<b>269</b>	<b>22,445</b>
Profit attributable to minority interests		-		-	(300)		(300)
<b>Profit attributable to members of Ricegrowers Limited</b>		<b>27,974</b>	<b>5,530</b>	<b>33,506</b>	<b>21,876</b>	<b>269</b>	<b>22,145</b>

### 3) Reconciliation of Equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS's (AIFRS)

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement

#### 4) Notes to the reconciliations

##### (a) Investment property

Under previous AGAAP the Group measured investment property on a cost basis within property, plant and equipment. At the date of transition the Group made the decision to recognise investment property at fair value in accordance with AASB140 *Investment Property*. The effect of this is:

##### (i) At 1 May 2004

For the Group there has been a reclassification between property, plant and equipment and investment property of \$1,892,532. There is a further increase in the value of investment property of \$4,782,468 and retained earnings of \$2,297,727. Deferred tax liabilities have increased by \$984,740. Other assets have reduced by \$1,500,000 as deferred revenue has been offset against the fair value revaluation. The effect is the same for the parent entity.

##### (ii) At 30 April 2005

For the Group there has been a reclassification between property, plant and equipment and investment property of \$1,857,320. There is a further increase in the value of investment property of \$4,867,680 and retained earnings of \$2,297,727. Deferred tax liabilities have increased by \$999,740. Other assets have reduced by \$1,500,000 as deferred revenue has been offset against the fair value revaluation. The effect is the same for the parent entity.

##### (iii) For the year ended 30 April 2005

For the Group and the parent entity depreciation expense has decreased by \$35,212. Other income has increased by \$35,000.

# Notes to the Financial Statements

## 36 Explanation of transition to Australian equivalent to IFRS's (continued)

### 4) Notes to the reconciliations (continued)

#### (b) Goodwill

With reference to Note 1(i), goodwill is no longer to be amortised. The effect of this is:

##### (i) At 1 May 2004

There is no effect for the Group or the parent entity.

##### (ii) At 30 April 2005

For the Group intangibles have increased by \$186,345 and retained earnings increased by the corresponding amount. For the parent entity intangibles have increased by \$25,347 and retained earnings increased by the corresponding amount.

##### (iii) For the year ended 30 April 2005

For the Group amortisation expense has decreased by \$186,345. For the parent entity amortisation expense has decreased by \$25,347.

#### (c) Revenue

Under previous AGAAP, AASB1004 contained a broader definition of revenue which included all of the entity's inflows. Under AIFRS, AASB118 Revenue income comprises revenue and gains. Proceeds from the sale of fixed assets and investments were previously recognised as revenue. Under AASB118 gains, rather than proceeds, from the sale of fixed assets and investments are shown as other income. The effect of this is:

##### (i) For the year ended 30 April 2005

For the group revenue has decreased by \$933,768, other income has increased by \$88,288 and other expenses have decreased by \$845,480. For the parent entity revenue has decreased by \$651,350, other income has increased by \$83,795 and other expenses have decreased by \$567,555.

#### (d) Financial instruments

The Group has elected to apply the exemption from restatement of comparatives for AASB132 *Financial Instruments: Presentation* and AASB139 *Financial Instruments: Recognition and Measurement*. It has therefore continued to apply the previous AGAAP rules to derivatives, financial assets and financial liabilities and also to hedge relationships for the year ended 30 April 2005. The adjustments required for differences between previous AGAAP and AASB132 and AASB139 have been determined and recognised at 1 May 2005.

#### (e) Deferred tax assets

Due to a change in recognition criteria from 'virtually certain' under AGAAP to 'probable' under AIFRS the Group has recognised unused tax losses held by the parent entity. The effect of this is:

##### (i) At 1 May 2004

For the Group deferred tax assets have increased by \$21,763,100 and retained earnings have increased by the corresponding amount. The effect on the parent entity is the same.

##### (ii) At 30 April 2005

For the Group deferred tax assets have increased by \$15,963,893 and retained earnings have increased by the corresponding amount. The effect on the parent entity is the same.

As a consequence of the recognition of tax losses, the Group was required to recognise tax timing differences for the first time. The effect of this is:

##### (i) At 1 May 2004

For the Group deferred tax assets have increased by \$4,430,969, deferred tax liabilities have increased by \$8,806,143, current tax liabilities have decreased by \$50,746, receivables have decreased by \$483,277 and retained earnings have decreased by \$4,807,705 due to timing differences. For the parent entity, deferred tax assets have increased by \$4,052,476, deferred tax liabilities have increased by \$7,989,464 and retained earnings have decreased by \$3,936,988.

##### (ii) At 30 April 2005

For the Group deferred tax assets have increased by \$792,013 (an increase of \$6,591,220 due to timing differences offset by the utilisation of tax losses from current tax expense of \$5,799,207), deferred tax liabilities have increased by \$5,154,477, receivables have decreased by \$432,531 and retained earnings have decreased by \$4,794,995. For the parent entity, deferred tax assets have increased by \$290,445 (an increase of \$6,089,652 due to timing differences offset by the utilisation of tax losses from the Group's current tax expense of \$5,799,207), other financial assets have increased by \$5,192,466, deferred tax liabilities have increased by \$3,985,231 and retained earnings have increased by \$1,497,680.

##### (iii) For the year ended 30 April 2005

For the Group tax expense has decreased by \$12,710. For the parent entity tax expense has decreased by \$5,434,668.

# Notes to the Financial Statements

## 36 Explanation of transition to Australian equivalent to IFRS's (continued)

### 4) Notes to the reconciliations (continued)

#### (f) Capitalised software

In accordance with AASB116 *Property, Plant and Equipment* and AASB138 *Intangible Assets* capitalised software is now classified as an intangible asset. The effect of this is:

##### (i) At 1 May 2004

For the Group intangible assets have increased by \$78,147 and property, plant and equipment has decreased by the corresponding amount. The effect on the parent entity is the same.

##### (ii) At 30 April 2005

For the Group intangible assets have increased by \$17,219 and property, plant and equipment has decreased by the corresponding amount. The effect on the parent entity is the same.

#### (g) Deferred tax liability

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. In addition to this, as outlined in note 36 4(e), tax timing differences have been recognised for the first time.

##### (i) At 1 May 2004 and 30 April 2005

The effects on the deferred tax liability of the adoption of AIFRS are as follows (tax rate of 30%):

		1 May 2004		30 April 2005	
	Notes	Parent Entity \$000's	Consolidated \$000's	Parent Entity \$000's	Consolidated \$000's
Adjustments arising from adoption of AASB 112	e	7,989	8,806	3,985	5,155
Application of AASB 112 to adjustments arising from adoption of other AASB's:					
- Investment Property	a	985	985	1,000	1,000
Increase in deferred tax liability		8,974	9,791	4,985	6,155

#### (h) Retained earnings

The effect on retained earnings of the changes set out above are as follows:

		1 May 2004		30 April 2005	
	Notes	Parent Entity \$000's	Consolidated \$000's	Parent Entity \$000's	Consolidated \$000's
Investment Property	a	2,298	2,298	2,368	2,368
Reversal of goodwill amortisation	b	-	-	25	186
Unused tax losses	e	21,763	21,763	15,964	15,964
Adoption of AASB 112	e	(3,937)	(4,808)	7,297	1,004
Total adjustment		20,124	19,253	25,654	19,522
Attributable to:					
Equity holders of the parent		20,124	19,253	25,654	19,522
Minority interest		-	-	-	-
		20,124	19,253	25,654	19,522

## Independent audit report to the members of Ricegrowers Limited

### Audit opinion

In our opinion:

1. the financial report of Ricegrowers Limited:
  - gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Ricegrowers Limited and the Ricegrowers Limited Group (defined below) as at 30 April 2006, 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*.
2. the remunerations disclosures that are contained in pages 36 to 39 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) and Class Order 06/50 issued by the Australian Securities and Investments Commission.

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

### Scope

#### The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Ricegrowers Limited (the company) and the Ricegrowers Limited Group (the consolidated entity), for the year ended 30 April 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 36 to 39 of the directors' report, as permitted by Class Order 06/50.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with AASB 124 and Class Order 06/50. 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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and Class Order 06/50.

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 remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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



PJ Carney  
Partner

Sydney  
22 June 2006

# Statistical Summary

	Crop \$000's					\$ / paddy tonne delivered				
	2005	2004	2003	2002	2001	2005	2004	2003	2002	2001
<b>Consolidated Results</b>										
Gross Revenue	568,073	690,200	705,573	793,484	821,204	1863.35	1304.77	1808.79	639.03	470.86
Net Profit after income tax **	6,690	22,186	24,145	44,566	37,517	21.94	41.94	61.92	35.89	21.51
<b>Ricegrowers Company Results</b>										
Gross Revenue - Total	297,188	404,145	494,064	663,916	718,931	974.81	764.00	1266.57	534.68	412.22
- Rice only	175,169	296,012	348,545	496,196	540,544	574.58	559.59	893.52	399.61	309.93
<b>Results</b>										
Net profit before income tax **	5,022	28,913	16,079	32,756	33,818	16.47	54.66	41.22	26.38	19.39
Income tax benefit/(expense)	(156)	4,593	4,913	3,686	2,178	(0.51)	8.68	12.59	2.97	1.25
Net profit after income tax **	4,866	33,506	20,992	36,442	35,996	15.96	63.34	53.81	29.35	20.64
<b>Major Costs Included</b>										
Grower payments and dividends	94,672	158,058	128,159	318,050	355,818	310.54	298.80	328.55	256.14	204.02
Payroll, incl. redundancies and oncosts	52,778	59,780	57,028	84,944	85,417	173.12	113.01	146.20	68.41	48.98
Inland/ocean freight & stevedoring	29,567	44,052	50,182	86,945	103,965	96.98	83.28	133.18	70.02	59.61
Interest on external debt & debentures	14,751	14,045	14,608	18,032	18,089	48.39	26.55	37.45	14.52	10.37
Depreciation & amortisation	10,810	11,110	11,524	16,330	14,461	35.46	21.00	29.54	13.15	8.29
<b>Returns to growers and shareholders</b>										
Paddy pool return	77,046	141,990	117,385	302,951	347,392	252.72	268.42	300.93	243.98	199.19
Paddy Price Supplement	12,604	11,036	5,626	9,898	3,526	41.34	20.86	14.42	7.97	2.02
Dividends	5,022	5,032	5,148	5,201	4,900	16.47	9.51	13.20	4.19	2.81
<b>Total distributed</b>	<b>94,672</b>	<b>158,058</b>	<b>128,159</b>	<b>318,050</b>	<b>355,818</b>	<b>310.54</b>	<b>298.80</b>	<b>328.55</b>	<b>256.14</b>	<b>204.02</b>
<b>Paid as</b>										
Average cash return	82,353	140,463	116,680	275,273	300,675	270.13	265.53	299.12	221.69	172.40
plus RL rice bonds	-	-	-	9,934	13,953	0.00	0.00	0.00	8.00	8.00
plus RMB equity	4,268	7,406	5,461	17,383	22,673	14.00	14.00	14.00	14.00	13.00
<b>Average Medium Grain Return</b>	<b>86,621</b>	<b>147,868</b>	<b>122,142</b>	<b>302,590</b>	<b>337,300</b>	<b>284.13</b>	<b>279.53</b>	<b>313.12</b>	<b>243.69</b>	<b>193.40</b>
plus Varietal premiums	3,029	5,158	870	10,259	13,618	9.93	9.75	2.23	8.26	7.81
plus Dividends	5,022	5,032	5,148	5,201	4,900	16.47	9.51	13.20	4.19	2.81
<b>Total Distributed</b>	<b>94,672</b>	<b>158,058</b>	<b>128,159</b>	<b>318,050</b>	<b>355,818</b>	<b>310.54</b>	<b>298.80</b>	<b>328.55</b>	<b>256.14</b>	<b>204.02</b>
Distribution as a % of rice only revenue	54.0%	53.4%	36.8%	64.1%	65.8%					
- Adjusted for Crop Carryover	54.4%	54.5%	53.6%	56.4%	60.2%					
Average payment per shareholder (\$)	54,850	90,838	69,994	170,995	185,129					
<b>Crop Statistics</b>										
Paddy tonnes delivered	304,867	528,984	390,079	1,241,710	1,744,066					
Paddy tonnes milled	328,447	506,969	622,927	1,010,245	1,306,505					
No of employees @ 30/04 - full time	656	635	700	904	1,013					
- part time / seasonal	207	117	143	72	237					
No of A class shareholders	1,726	1,740	1,831	1,860	1,922					

\*\* 2005 excludes shareholder bonus and other activity bonus, which is now included in purchases of raw materials.

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### **RICE MILLS**

Coleambally, Deniliquin, Leeton, Lae and Aqaba

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### **COPRICE FEEDS**

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### **COPRICE FEED MILLS**

Leeton, Tongala, Cobden

## **SUBSIDIARIES**

#### **Riviana Foods Pty Ltd**

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#### **Trukai Industries Limited**

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## Annual Report 2006



The Rice Food Experts