
Annual Report 2012
Innovative. Dynamic. Global.


# Contents



SunRice's Annual Report covers Ricegrowers Limited ABN 55007481156 and subsidiaries. The Report can be viewed or downloaded from SunRice's website, www.sunrice.com.au. In this report, 'the year', 'this year', '2011/12', 'crop year 2011', 'CY11' all refer to the Financial Year ended 30 April 2012. The '2012 harvest' refers to the rice crop grown in 2011/12 and processed in the Financial Year ended 30 April 2013.

# About SunRice

Our company was built by the Australian rice industry over many decades, and today it's strengthened by a broad portfolio of subsidiary and complementary businesses.

2100 employees. 60 countries. 29 brands. Nine businesses. Together, we're SunRice; one of the largest rice food companies in the world and one of Australia's leading branded food exporters.

Our proud history dates back to the establishment of a single rice mill in the Riverina region of New South Wales in 1950. Today we have operations – including state-of-the-art processing, packing and value added food plants – across Australia, the Pacific, the USA, the Middle East and Papua New Guinea.

We supply close to 60 countries with diverse, innovative and nutritious rice food products, and through our successful food ingredients and foodservice divisions, contribute to thousands of other brands and businesses the world over. We're a major player in the domestic market as well, supplying a staple food for households around Australia.

Our company was built by the Australian rice industry over many decades, and today it's strengthened by a broad portfolio of subsidiary and complementary businesses.

We're an Australian supermarket leader in olives, condiments and more, through Riviana Foods and their "Always Fresh" flagship brand. We're a major business in Papua New Guinea, where Trukai Industries employs more than 900 people and has operated for more than 40 years. We're the preferred rice supplier of tens of millions of people in the Middle East. And we're part of the convenience rice foods market in America, where our subsidiary SunFoods' HINODE brand can be found in retail giants like Walmart and Kroger.

Added to this, is our enviable position in the pet and livestock industries via our animal feeds division CopRice; our own dedicated rice research company; Solomon Islands' operation; and sophisticated local grain storage network.

We're SunRice. Innovative. Dynamic. Australian owned. Globally focused.



# Business Highlights



The full year results have enabled us to provide a strong paddy price to encourage growers, and a dividend to reward investors, while strengthening our balance sheet and better preparing us to exploit growth opportunities

– Rob Gordon, CEO.

**Net profit after tax of $33.9 million**
up 158.9% on last year

**Record revenue of $1 billion**
up 23.6% on last year

**A fully franked dividend of 18 cents per B Class Share**

**Paddy pool price of $255 per tonne for Medium Grain**

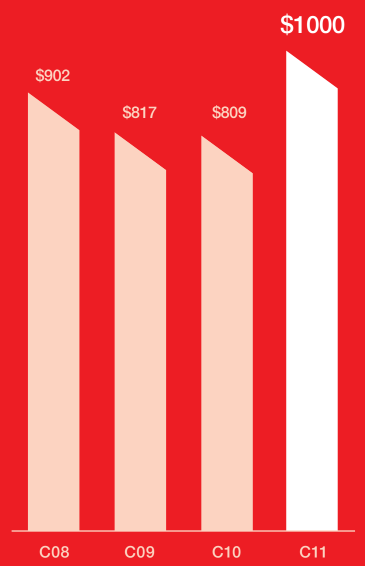
**Strong financial performances by Trukai Industries and CopRice**

**Significant reduction in gearing following retentions of $21.8 million**

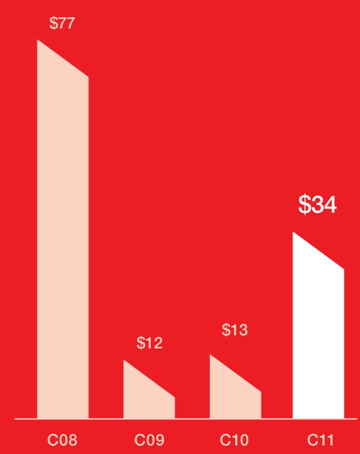
**SunFoods secures ranging in American retail giants**
Walmart and Kroger

**Australian rice returns to the world**
allowing SunRice to reclaim leadership in key international markets and explore opportunities for new growth

**Another strong year of innovation**
enhances our leading domestic market share across the Table Rice, Microwave Rice, Ready-To-Go Meals, Rice Cakes and Pickled Vegetables categories



Revenue (millions)



Net Profit After Tax (millions)

Square cakes. Quick cups.
New microwave meals.
SunRice continues to lead value added innovation in our industry.

# Chairman's Message

This year's harvest of more than 960,000 tonnes of rice will feed at least 23 million people around the world every day for the next year. This is a wonderful example of how we are turning water into food for the world.

The recovery of the Australian rice industry in 2011/12 has been an incredible achievement for our growers, shareholders and our company. Last financial year, we were poised to reclaim our markets and capture new customers. We have done so with outstanding results in 2011/12, including achieving a record turnover of $1 billion.

It was a sound decision during the drought to maintain our markets and source rice from around the world for our SunRice brands. The foresight and tremendous effort of our people to ensure our products remained on supermarket shelves and in important markets, is the reason why our company remains on a secure footing today.

It is also a testament to the magnificent product we grow and manufacture in Australia, that our brands are sought-after around the globe. As soon as the world was aware we had Australian rice to sell again, there was immediate demand for our product. Ours is the best rice, grown in the best part of the world, by the best growers – a claim supported by our ability to recapture markets lost during the drought.

## Strong financial results

SunRice's financial performance for 2011/12 was outstanding, particularly in the second half of the year which produced stronger than expected results.

Consolidated revenue for the year increased by 23.6% to reach $1,000.4 million for the first time. Profit after tax was $33.9 million, up 158.9% on the $13.1 million achieved in 2010/11.

The Board was pleased to pay a fully franked dividend of 18.0 cents to our B Class shareholders, in line with last year's payment. We also delivered a medium grain paddy price for the 2011 crop of $255 per tonne.

Successful international trading was one of the key contributing factors to the 2011/12 result. The decision to sell often and early into tender markets was a credit to all of those involved, and meant we were largely unaffected when world prices began to soften. The performance of our subsidiary and complementary businesses also had a key role to play in the exceptional results achieved.

## Retentions and gearing

The Board's major focus in the past year has been to address the company's debt levels and re-establish our business post-drought. Our 2011/12 business performance has enabled us to retain $21.8 million to assist with the company's debt levels. This, coupled with reductions in working capital and an improvement in the group's overall equity value from overseas entities due to the weaker A$, led to a gearing result of 66% at year end.

As communicated recently to shareholders, achieving our goal of 70% gearing is a significant milestone for a company which recorded 118% gearing in October 2010. However given local conditions, market volatility and financial constraints in Europe, it is prudent that we reduce our debt even further, with the view to consolidating a firm financial position for SunRice.

## Capital structure review

As many of you will be aware, the drought and the external bid made for SunRice last year highlighted some shortcomings in our company's structure.

We will be conducting a review of our governance and capital structure in the coming months to consider the objectives we set on our conversion to a company in 2005, and whether SunRice is well positioned for the future and meeting the needs of our shareholders.

We expect this could take considerable time and while the review is taking place it is prudent that no new A and B Class shares are issued. B Class shares can of course still be bought and sold on the NSX.

We will continue to update all shareholders on the review's progress and seek both your input and feedback as part of this journey.

## A challenging but successful harvest

After a decade of drought, it was difficult to comprehend the scale of the floodwaters which surged through our region in March 2012. While much of the industry wasn't adversely impacted, some growing areas sustained severe damage. It has been an extremely difficult time for these growers.

We were fortunate that much of our SunRice operations were unaffected, and we were able to receive rice at most of our depots when harvest commenced.

At time of writing, our depots housed more than 960,000 tonnes – a wonderful result given the circumstances. Despite significant challenges faced by our growers during both crop establishment and harvest, yields were pleasing.

## Food security and water

Food security is an issue which has been at the top of our agenda for some time and we were pleased to see it continue to gain momentum in 2011/12. The first steps were taken towards establishing a National Food Plan and we were pleased to participate in several industry and Government roundtables to discuss what food instability would mean for our region and the world.

SunRice supports The Global Foundation's view that Australia has the ability to feed up to 200 million people in Asia and beyond. It is undoubtedly one of greatest challenges we face as an industry, but also an important opportunity.

As producers of high quality, clean and nutritious food, our rice growers have a wonderful future. The world wants our product and we are fortunate to currently be in a position to provide it.

This year's harvest of more than 960,000 tonnes of rice will feed at least 23 million people around the world every day for the next year. This is a wonderful example of how we are turning water into food for the world.

While the correlation between water and food security is clear to so many of us, we can only hope that the eventual Murray Darling Basin Plan will reflect this. It would be regrettable if we did not use as much of our productive water as possible to help feed millions of people around the globe.

## Sincere appreciation

A sincere thank you to my fellow Board members and particularly my Deputy Chairman, Mark Robertson. They show unfailing commitment to our company, and are tremendous ambassadors for SunRice.

Thank you also to General Manager – Consumer Markets, David Keldie, for his energy and passion during his five months as Acting CEO, and our Corporate Management Team and employees, who have displayed incredible dedication to our company to produce such wonderful results.

I would like to acknowledge our new Chief Executive Officer, Rob Gordon, who has demonstrated great commitment to understanding the potential of our business since his tenure began. Rob has joined SunRice at an important time and we look forward to the results he will deliver for our company, our growers and our shareholders in the future.

Our rice industry has benefited from the tireless work of Les Gordon, President, and Ruth Wade, Executive Director of the Ricegrowers' Association of Australia Inc., who have championed many causes for our growers this year.

My sincere thanks also to NSW Minister for Primary Industries, the Hon. Katrina Hodgkinson MP; Federal Minister for Agriculture, Fisheries and Forestry, Senator, the Hon. Joe Ludwig; NSW Member for Murrumbidgee and Minister for Education, the Hon. Adrian Piccoli MP; NSW Member for Murray-Darling, John Williams MP; Federal Member for Farrar, the Hon. Sussan Ley MP; and Federal Member for Riverina, Michael McCormack MP.

## Farewell to Russell Higgins

I wish to make special mention of my fellow Director, Russell Higgins AO, who has decided to retire from the SunRice Board in August of this year.

We have been privileged to have Russell serve as an External Director for seven magnificent years. He has been instrumental in guiding SunRice through the depths of the drought to the strong position we hold today. We have benefited greatly from Russell's experience, insight and counsel and he has truly given our company and the rice industry a wonderful gift. He will be greatly missed and we wish him the very best for the future.

## On a final note

It has been a significant year for SunRice, and the turnaround in our business is a wonderful result for our industry.

It can be directly attributed to the global sourcing and drought management strategies which kept SunRice afloat during those lean rice years, and those programs are now reaping rewards for our growers and shareholders.

Although flooding has brought its challenges to our industry, it has also refreshed our rivers and storages and provided a bright outlook for 2012/13. We look forward to increasing demand for our high-quality Australian rice in markets around the globe.

**Gerry Lawson AM**
Chairman

SunFoods experienced a breakthrough year, with US retail giants Walmart and Kroger secured as new distributors for the HINODE brand.

# CEO's Message

Now that these difficult times are behind us, the focus for SunRice must be on building a comprehensive strategy for future growth.

SunRice is a dynamic global food business, with a determination and drive that speaks powerfully to its 62 year heritage. Joining the company at the start of 2012, I was very pleased to discover a business with the resilience to have sustained such trying climatic circumstances, yet with an enthusiasm to pursue the next stage of growth. I look forward to contributing to the future development and profitability of a great Australian company.

While I was not here for SunRice's drought years, I am acutely aware that it was a period marked by both difficult and bold decisions, as well as substantial and ongoing change. To see the company rapidly recover its position in so many of our offshore markets in the space of 12 months is a credit to all involved.

Now that these difficult times are behind us, the focus for SunRice must be on building a comprehensive strategy for future growth. Working with the Board, the Corporate Management Team and the heads of our subsidiary companies, our objective for the coming year is to ensure SunRice has the necessary vision, focus, and strength in its balance sheet to capitalise on the opportunities ahead.

## 2011/12 financial results

The results for 2011/12 reflect the strength of our operations. As outlined in the Chairman's Message, SunRice has made significant headway in its financial performance, with trading in the second half of the year stronger than expected.

Consolidated revenue was $1,000.4 million, up 23.6% on the $809 million recorded in 2010/11. Profit after tax was $33.9 million, up 158.9% on the previous year's $13.1 million. Gearing at year end was 66%, exceeding the initial target set by the Board in 2009.

These results have enabled us to provide a strong paddy price to encourage growers and a dividend to reward investors, while also affording a retention to strengthen our balance sheet. This is a significant set of achievements.

The retentions made in 2011/12 – while substantial – take us only to the high end of the gearing ratios of comparable companies. With softer international markets we will need to ensure that all opportunities to further reduce SunRice's debt are seized in the year ahead. The business faces the combined challenge of reinvestment in capital expenditure for productivity and organic growth, while also providing balance sheet capacity to be able to prudently pursue strategic growth opportunities as they arise. To achieve this we must reduce our gearing further in the short term.

## The return of Australian rice

In international markets, the return of Australian rice led to substantial share gains. In 2011/12 we reclaimed leadership in our key Middle Eastern markets, successfully re-entered the international tender market, and established new markets in Indonesia and Malaysia. Despite intense competition, our Pacific business also traded strongly, with significant inroads made in the North Pacific, Kiribati, Micronesia and the Marshall Islands.

Access to a full Australian crop also delivered strong results for SunRice's domestic rice business, particularly in the Table Rice category. In an increasingly concentrated environment, our product innovation and relationships with retailers continued to serve us well. We will strengthen this in the year ahead with reinvestment in our SunRice brand.

## Category innovation

Value added innovation continued to contribute to growth in 2011/12, with SunRice achieving more than 60% market share of the Ready-To-Go Meals category following the launch of new Chinese-styled meals. Extensions to the popular Quick Cups range also generated growth in the Microwave Rice Category for the seventh year running, and new Square Cakes were added to our Rice Cakes portfolio.

At year end, SunRice had added noodles to its Ready-To-Go Meals line up – another first for the segment.

## Strength of our subsidiaries

Together, SunRice's subsidiary and complementary businesses delivered excellent results for shareholders in 2011/12, often against a backdrop of change and difficult market conditions.

Trukai Industries achieved an exceptional result during a turbulent year, surpassing last year's sales volumes and earnings. Our offshore business remains one of the leading rice brands in Papua New Guinea and a long-term partner to local community, health, education and sports organisations.

Despite a recessionary economy and intense competition, Riviana Foods recorded a successful year, with the Always Fresh brand maintaining its category leading position in the retail sector. Standout results were achieved by Riviana's Foodservice division, with record revenue and earnings for the ninth consecutive year.

Stockfeed and companion animal feed division, CopRice, experienced growth across its entire operations, with increases recorded in both revenue and earnings for the second year running. CopRice benefited from the addition of new domestic and international trading partners and product development, as well as improved conditions in the livestock industry. A strong emphasis on quality and nutritional support coupled with a thriving dairy market also led to double digit growth in this important channel.

Against a backdrop of a large and difficult marketplace, our USA subsidiary SunFoods secured new business in North Africa and Eastern Europe, and gained distribution for the HINODE brand in two of the biggest retail chains in the world – Walmart and Kroger. During the drought SunFoods fulfilled a strategic role in supplying SunRice's international markets and has now successfully redirected its focus and sought new opportunities.

## Operational challenges

The reestablishment of our Deniliquin Mill, brought on by the 800,000 tonne harvest in 2010/11, was a significant undertaking. More than 200 employees were recruited and trained within a matter of months and in addition to the recommissioning of the mill; storage, rail and road transport and stevedoring operations all required attention after a substantial, drought-led hiatus.

Alongside this achievement, our people have faced significant operational challenges. With the process of re-establishing our base operations now complete, our focus will turn to reducing costs, strengthening our processes and fine-tuning our global supply chain to optimise efficiency and competiveness in the year ahead.

## Regional investment

As a significant manufacturing business with extensive operations in regional Australia, we are also proud to be a major regional employer.

We welcome the Australian Government's recent focus on regional manufacturing and our role as food producers for this nation and many others. Accessing a well-integrated and effective supply chain network spanning road, rail and ports infrastructure is critical for an export-focused regional business like ours. It is also one way we can help offset the effects of rising electricity costs and the Carbon Tax on our business.

We look forward to continued dialogue with Governments on transport infrastructure and other investment and policy designed to strengthen Australia's regional manufacturing base and the communities that rely upon it.

## Opportunities for growth

The theme for this year's Annual Report is Dynamic, Innovative and Global – a fitting description for SunRice and its associated businesses.

A dynamic approach combined with consistent innovation has allowed SunRice to emerge from the toughest of times. It is now important to identify and pursue both organic and strategic growth opportunities and to this end I've undertaken an assessment of the core parts of the business, visiting SunFoods and Riviana, and spending time in our Riverina operations. This has given me an appreciation for not only the journey the company has taken, but also the inherent future potential of the group.

With such a positive outlook for SunRice, the Board is keen to capitalise on opportunities to expand the business, which is part of my remit. I am now working closely with the Directors and senior managers across the SunRice group on a strategy for growth to guide SunRice over the next five years.

## Thank you

Finally, I would like to thank the Chairman, Mr. Gerry Lawson, and the Board for the opportunity to play an important part in the company's future.

I have enjoyed meeting many shareholders, growers and employees over the past few months and look forward to getting to know the business and its people even better in the coming year.

There are great things ahead for SunRice and I am very pleased to be a part of the team that will deliver them.

Rob Gordon

**Rob Gordon**
Chief Executive Officer

Riviana Foods recorded a successful year, with its flagship brand Always Fresh maintaining its category leading position in the retail sector.


05

# SunRice Around the World

The return of Australian rice in 2011/12 led to solid market share gains across all domestic channels, and opportunities for growth re-emerged in our core rice business.

In 2011/12, SunRice experienced growth across all markets, with access to a full Riverina crop and product innovation underpinning our success. Our global team continued its strong focus on meeting market requirements – from new products and flavours, to re-establishing ourselves in the international tender market – with outstanding results.

## Australia and New Zealand

### Table Rice

2011/12 marked the first complete trading year since 2006, in which all retail, foodservice and food ingredients channels were supplied with a full Riverina crop. Our domestic markets benefited significantly from the return of Australian rice. We experienced solid market share gains across all channels, and opportunities for growth re-emerged in our core rice business.

### Ready-To-Go Meals

In 2011/12, SunRice achieved more than 60% of the market share in the Ready-To-Go Meals category – a remarkable result. Following the success of our Indian and Thai ranges, we launched two new Chinese-styled meals – Mongolian Beef, and Beef and Black Bean. As the year drew to a close, three new shelf-stable noodle meals were added to our portfolio – Beef and Oyster Sauce, Teriyaki Chicken, and Thai Basil and Chilli Chicken. After another strong year of innovation, SunRice currently produces the only ambient meals range delivering retail growth in this exciting category.

### Microwave Rice

SunRice led the market in Microwave Rice again in 2011/12, generating growth in this category for the seventh consecutive year. Following the success of our two plain Quick Cups products launched last year, a further two plain rice and three flavoured rice variants were launched in 2011/12. The Quick Cups range has driven growth, contributing to our leadership position in this category.

### Rice Cakes

SunRice's key product launch for 2011/12 in the growing Rice Cakes category was the release of plain square cakes in a roll pack format. Positioned as a gluten-free bread alternative, sales have been strong and delivered good results. The full SunRice Rice Cakes range was also launched in New Zealand and has already experienced convincing share gains, with retailers showing promising support for our brand.

### Marketing

In 2011/12, triple Olympic Gold Medallist and SunRice Brand Ambassador, Stephanie Rice, played an integral role in our marketing campaigns. She featured in a series of television advertisements promoting our products and was also part of a 12-week initiative involving Rice Cakes, which appeared in The Sunday Telegraph lift-out, Body and Soul.

"Steph's SunRice Swim Squad" was launched online and included advice on swimming and nutrition, along with SunRice products and recipes. As part of this program, 10 young swimmers were selected to be personally mentored by Stephanie in the lead up to the London Olympics, generating much excitement among the swimming and school communities.

In New Zealand, we again leveraged our sponsorship of television cooking program, MasterChef New Zealand, to strengthen the SunRice brand and drive market share. This was a key initiative in the launch of our Rice Cakes into the New Zealand market and ignited growth in the category.

## Middle East

Our Sunwhite brand achieved outstanding results in 2011/12, returning to market leadership in key Middle Eastern markets.

The Levant markets of Jordan, Syria and Lebanon enjoyed strong trading in the face of fierce competition. The Gulf co-operation states of Saudi, Kuwait, Qatar and the UAE benefited from the return of competitively priced Australian Sunwhite rice and have regained market share lost during the drought.

The Middle East team also launched Sunwhite Jasmine in the Gulf States with encouraging results.

## Asia

2011/12 delivered significant improvements in the Hong Kong and Singapore markets for SunRice. Our Kangaroo and Double Ram brands appeared regularly in all supermarket chains across these countries.

Good Australian rice supply also allowed us to participate in competitive promotional events and focus on distribution gains. We were successful in establishing markets in Indonesia and Malaysia, and expect to extend our footprint in these markets in the coming year.

## Pacific

The reintroduction of Australian rice resulted in a strong performance in the Pacific too, including the Sunwhite and Island Sun brands. Despite competition, solid progress was made in the markets of the North Pacific, Kiribati, Micronesia and the Marshall Islands. The Pacific business traded strongly in Vanuatu, Fiji, New Caledonia and Samoa.

Our international brands were supported by innovative promotional events and improvements in packaging design. We also extended our product offering across other varieties and introduced value added ranges into new markets.

Sunwhite reclaimed leadership in key Middle Eastern markets in 2011/12.


Left: Rice storage facility, Deniliquin Mill. Above: Quality Assurance Manager Jacqui Oakroot, Leeton Rice Flour Mill. Right: Riviana Arborio packaging line.

06

# Our Operations

2011/12 marked the completion of the recommissioning of SunRice's largest mill and associated logistical infrastructure, allowing us to take advantage of early sales into international tender markets.

2011/12 marked the completion of the recommissioning of SunRice's largest mill and associated logistical infrastructure, allowing us to take advantage of early sales into international tender markets.

Despite the challenges faced by the Operations group, important milestones were achieved in the safety and quality systems across our global network. Improvements in our supply chain also underpinned better levels of performance and customer satisfaction.

## Manufacturing

The early part of 2011/12 provided a challenging environment for SunRice's Operations team. Reactivating our largest mill, recruiting and training a new workforce, and re-establishing the complex logistics infrastructure to meet the demand of early tender markets placed intense pressure on our people, who successfully met the challenge.

The larger crop and increased demand from both domestic and international customers required both our Deniliquin and Leeton Mills to operate around the clock for most of the year. More than 200 people were recruited and trained to support the additional demand – a move welcomed by our regional communities.

We were also pleased to re-open Coleambally Mill for a short period to help take advantage of demand in the international tender market.

Our employee engagement programs were a vital element in the successful ramp up of operations and have underpinned our results in safety, quality and delivery. Our mills were well positioned for the 2012 crop, with all of the elements in place to ensure another successful milling year.

## Safety

SunRice's world-class safety systems were further developed in 2011/12 across all sites in our global manufacturing network.

Our Lost Time Injury Frequency Rate remained low, due to our ongoing rigour with risk assessments and reporting, as well as our proactive approach with return-to-work programs.

External Australian Standards Certification, AS4801, was achieved by SunRice's Leeton Mill and the Speciality Rice Food plants in recognition of the application of our Safety System. Successful audits were also conducted at our three CopRice sites, which have set the foundation for AS4801 certification for the SunRice Operations Group.

## Quality

SunRice's quality systems were strengthened again in 2011/12 to ensure the ongoing compliance of new and existing products with both our customers' requirements and our own strict internal standards.

Robust training and documented quality systems were implemented at Deniliquin Mill to ensure all products were manufactured to specification, including a number of significant tenders bound for Japan, Taiwan and other markets. In addition, our vendors successfully completed rigorous assurance programs.

SunRice's domestic and international operations were also subject to key quality initiatives. All of our sites were successful in gaining re-certification of the internationally accepted HACCP Food Safety Program. Our adoption of the AIB Consolidated Food Safety Standard continues to drive improvements in all of our food safety and quality programs.

Our focus on developing quality systems across the group resulted in increased consumer satisfaction levels, with complaints again being reduced in 2011/12.

## Supply Chain

Our supply chain team made significant inroads in distributing our products and servicing customers in 2011/12.

A stronger working collaboration with the major retailers has resulted in improvements in shelf availability for our products.

Warehousing and distribution operations were successfully set up in New Zealand – in Auckland and Christchurch – to support the increasing sales of value added products such as Ready-To-Go Meals, Microwave Rice and Rice Cakes.

The Riverina floods in March 2012 proved a significant challenge for our supply chain team. Despite numerous road and rail closures, our people ensured the mills remained operational and customer orders were filled – a testament to both their efforts and commitment.

## Continuous Improvement Program

The Riverina Operations teams reinvigorated the SunRice Continuous Improvement Program in 2011/12, delivering sustainable improvements within our plants, systems and processes.

Having successfully re-activated substantial logistical infrastructure over the past 12 months, our continuous improvement team will now focus on streamlining operations to ensure we are able to service our markets as efficiently as possible. This will include a project to optimise our end-to-end global supply chain.


Left: Leeton rice grower Peter Draper. Above: Third generation rice growers, the Puntoriero family.

07

# Our Growers

In 2011/12 our growers showed their resilience and commitment to our industry during a tough season, and rice displayed its attributes as a crop that can tolerate difficult conditions.

The 2011/12 rice season brought a unique set of challenges to our growers, who managed to deliver a 963,074 tonne crop despite low initial water availability, crop establishment and flooding issues. This was a significant achievement and marked the second consecutive season of full production in the Riverina, with the outlook for the year ahead similarly strong.

## Murray Darling Basin Plan

It was a significant year for the development of the Murray Darling Basin Plan, with the Draft Plan released in November 2011. Although our rice growers and regional communities provided valuable input to the Draft Plan, there was widespread disappointment when it failed to address the shortcomings of the 2010 Guide to the Draft Basin Plan.

SunRice, the Ricegrowers' Association of Australia and the Rice Marketing Board for the State of New South Wales continue to press for a more balanced plan, with greater focus on water recovery through infrastructure investment and efficient water management, rather than entitlement buyback.

## Rice variety rationalisation

In 2011/12 our growers responded well to a market-driven price signal about the importance of medium grain variety Reiziq.

Customer demand for Reiziq led to the withdrawal of longstanding varieties Amaroo and Jarrah in the 2011/12 crop. Our medium grain return for growers applied strictly to Reiziq, with other medium grain varieties (Sherpa and Quest) priced at a $15 per tonne discount to Reiziq.

As a result, Reiziq made up 60% of the total crop harvested and 68% of the medium grain component at year end.

It is imporant that we continue to grow the varieties best suited to our markets.

## Rice establishment challenges

Rice sowing began in late September for the 2011/12 year, in response to our Early Sowing / Early Harvest Program. The program offered a premium for specific tonnages of Reiziq and Sherpa required to be delivered, dried and milled earlier than usual. By mid-October, water allocations and carryover allowed normal sowing to take place, with 108,850 hectares of rice planted.

The combination of variable temperatures, wind, snails and ducks caused major rice establishment difficulties and significant re-sowing, particularly in the Murray Valley. Severe duck damage was the main reason more than 4,500 hectares of crop was abandoned.

A period of cold night temperatures in early January – when a portion of the early planted crop was at the cold sensitive microspore stage of development – also caused concern. Despite these challenges, the rice crop was progressing well by late February, although significant flooding caused further issues late in the season.

## Rainfall and flooding create havoc

Record rainfall of between 150 and 350mm fell across most of the Riverina in late February and early March. The rain occurred at a critical time, when most of the crop had been drained and was drying down for harvest.

In the northern Riverina the situation was made more serious by floodwater from dryland farming areas north of the MIA's main canal, causing it to breach and flood areas around Yenda, Murrami, Yanco, Widgelli and along Mirrool Creek.

In mid-March, flooding of the Murrumbidgee River affected the communities of Narrandera, Darlington Point, Carrathool and Hay in our region. Up to 3,000 hectares of rice was seriously inundated by floodwater and many more crops were impacted by the prolonged wet conditions.

SunRice implemented arrangements to segregate impacted grain and were fortunate that much of the rice crop was unaffected by the flooding.

The 2012 Rice Field Day, to be hosted by our subsidiary Rice Research Australia Pty Ltd (RRAPL), regrettably had to be cancelled due to the wet conditions.

## Technology in the field

Growers are fast embracing the latest in agricultural technology; helping to make farming systems more efficient than ever. The use of computer-aided geographic information system (GIS) devices to manage operations with accuracy are now widely used across our growing regions.

Many growers are embracing precision agriculture in order to improve crop performance and quality. Yield mapping is one tool which is being incorporated into harvest machinery, allowing growers to identify and then manage rice yield variability across the paddock. Advances in technology continue to have a positive impact on our ability to meet supply demands both in Australia and internationally.

## A good finish to a difficult season

By the end of the season 963,074 tonnes of paddy had been harvested – exceeding last year's crop of 799,941 tonnes. Yields were pleasing given the challenging season, averaging 9.3 tonnes per hectare over all varieties/all regions.

This was another excellent result and while it is a given within our industry, we are always proud to share with others the fact that Australian medium grain rice growers achieve the highest yields on the planet using less water than any other country, and 50 per cent less than the global average.

Our growers are of course still in drought recovery mode, and optimism about the future is an important part of the resilience needed to deal with farm business recovery. In 2011/12 our growers showed their resilience and commitment to our industry during a tough season, and rice displayed its attributes as a crop that can tolerate difficult conditions.


08

# Our Subsidiaries – Trukai Industries

## Trukai achieved significant operational milestones in 2011/12 and our Lae site now ranks as one of the best in the SunRice Operations Group.

Trukai Industries delivered an impressive result for 2011/12, exceeding last year's sales volume by 12%. This was achieved despite a difficult period of operation in a price sensitive market during most of the year.

### Marketing initiatives

Trukai maintained its position as one of the strongest and most recognised brands in Papua New Guinea in 2011/12. Our association with a healthy lifestyle and our work with communities across the country also ensured we remained Papua New Guinea's leading supplier of quality rice.

This position was further strengthened by the introduction of a new communication initiative, which promotes our Trukai brand as truly Papua New Guinean. In 2011/12 we introduced the Pidgin term "Bilong yumi" to all advertising and communication materials. "Bilong yumi" means "our rice" and its use shows the people of Papua New Guinea that our brand truly belongs to them – in their homes, in their communities and across all regions of the country.

Trukai has a 42-year heritage in Papua New Guinea and our customers have responded positively to the introduction of the term and our connection to the country.

### Supporting our community

Trukai employs 900 people in Papua New Guinea and has a strong track record of supporting the local community. In 2011/12 we continued this work, sponsoring local youth, health and sporting programs.

This included partnering with PSI Malaria to distribute more than 17 million jigsaw pieces nationwide in a campaign designed to eradicate the disease. This was leveraged using Trukai's association with the North Queensland Cowboys, with the completed jigsaw making a poster of the Cowboys on one side, and each individual piece containing a unique malaria message on the other side.

We also continued our community activities through our links with charities, schools and sports. Most notably, we were involved with the Trukai Olympic Day Fun Run – the largest event of its kind in the Pacific. The Fun Run is held in over 14 centres across Papua New Guinea and involves nearly 67,000 people. The event raised K500,000 for Papua New Guinea's Olympic Team, while also promoting awareness of HIV and AIDS via messaging on 80,000 Fun Run Shirts.

### Strengthening our operations

Trukai achieved significant milestones across our operations in 2011/12. The efficiency of our mill has improved substantially, with sound leadership, better scheduling and exceptional equipment reliability – and we now rank as one of the best in the SunRice Operations Group.

In addition, we launched a structured leadership training program in 2011/12, which will form the cornerstone of continued operational improvements.

### A stronger future

Renewed confidence in Trukai and the return of Australian product, combined with the strengthening of our brand, has put us in a strong position in Papua New Guinea.

Our new "Bilong yumi" positioning paves the way for a fresh direction for the business – one which is expected to produce growth and market leadership in the next financial year.


# Our Subsidiaries – Riviana Foods

09

## Riviana's Foodservice business performed exceptionally well in 2011/12, delivering record revenue and earnings for the ninth consecutive year.

Despite challenging market conditions, Riviana Foods delivered another successful performance in 2011/12, with the Always Fresh brand remaining a key player in the retail sector.

A difficult economy resulted in a challenging start to the year, however Riviana Foods finished strongly. Cost reduction, targeted marketing initiatives and significant contracts won by the foodservice division produced an impressive result for our subsidiary.

### Retail expansion and development

Riviana's Always Fresh brand demonstrated innovation and market leadership in the face of intense pressure from branded and private label competition in 2011/12. Always Fresh maintained a market lead in the key sectors of Pickled Vegetables and Premium Crackers, highlighting a strength and resilience that sets our brand apart from our competitors.

Following an aggressive product launch program in 2010/11, we consolidated the Always Fresh range in 2011/12 with product line extensions including Chilli Kalamata Olives, Colossal Olives, Pitted Sicilian Olives, Baby Gherkins, Tomato and Olive Relish and a Tandoori Chicken Sandwich Filler.

Two major retail marketing activities dominated 2011/12. We completed the roll out of our new Always Fresh label design, which reinforced the brand's premium positioning with a stylish and unified look. A television advertising campaign promoted our extended product range and updated packs.

In-store marketing initiatives and sampling activities at the Sydney Royal Easter Show and Good Food and Wine Show also successfully increased trials of new Riviana product lines – including Sandwich Fillers and Pizza Partners.

### Foodservice growth

Riviana's Foodservice business performed exceptionally well in 2011/12, delivering record revenue and earnings for the ninth consecutive year. The company is considered a major competitor within the catering industry, creating a solid platform for future expansion into new markets.

Several new contracts with the mining, quick service restaurants, and health sectors have been a key contributor to company profit. The launch of new products within the categories of canned vegetables, fruit and pasta have further bolstered our position within the industry.

### Our operations and outlook

The efforts of our supply chain team in lowering costs had a significant impact on business performance in 2011/12. Our focus on improving sales forecasting and purchasing methods assisted in maintaining a two-year trend of reduced inventory levels. We have also optimised our shipping, which has resulted in improved customer service performance.

Continued focus on SHE (Safety, Health and Environment) Management has seen safety performance improve in the past year, based on Lost Time Injury performance. We have further developed our reporting, communication and training processes across all manufacturing sites.

We have confidence in the continued strong performance of Riviana Foods, and the delivery of future sales, marketing initiatives and improved operational excellence that will enhance the long-term viability of our business.





# Our Subsidiaries – SunFoods

2011/12 was a breakthrough year for SunFoods, following significant expansion of our HINODE brand through two US retail giants – Walmart and Kroger.

Strong results were achieved throughout the year, despite the challenges of new production and logistics demand cycles. SunFoods was also successful in securing new export market business in North Africa and Eastern Europe.

### US domestic sales growth

It has been an exciting year for SunFoods, with significant expansion of our HINODE brand across the US.

After considerable brand development work by both the SunFoods and SunRice teams, the two largest US corporate retailers – Walmart and Kroger – have accepted products from the HINODE range, with Kroger taking them nationwide. This growth was led by strong interest in our value added microwave lines and the launch of HINODE Black Rice; an exotic grain often referred to as a “natural super food” by many nutritionists due to its high levels of antioxidants, iron and fibre. In addition, our existing table rice range received an expanded distribution.

In total, HINODE increased year-over-year store distribution by an incredible 317% in 2011/12.

### Supporting our brand

HINODE’s brown rice products were the focus of a targeted media campaign in 2011/12, developed to support new distribution, growth, and to communicate the health and convenience benefits of our rice to US consumers.

The campaign was launched into 10 US West Coast markets and included television, online, social media, coupons and public relations. Our campaign activities recorded more than 10 million consumer views in our target markets by year end.

### Operational excellence

SunFoods adapted quickly to the supply chain and logistics complexity of the major US retailers in 2011/12. At the same time our operations team continued to support a large volume of containerised export tenders and increased demand for rice from the newly liberated Libyan population.

We also drove operational improvements through the development of plant statistical process and control programs. This resulted in increased milling and production yields and improved efficiency in our manufacturing processes.

An outstanding safety achievement for our business was zero Lost Time Injuries in 2011/12.

### Support from the grower community

2011/12 saw strong support from our Californian grower base, with an increasing number of growers choosing our company to competitively market their crop. This has been the result of our value added brand approach, combined with the proven new product development strength of SunRice.

Growers contracted to our 2010/11 paddy pool were rewarded with the best Californian Medium Grain pool return for the 2010 US crop.

In a significant move for our SunFoods business, we have been able to grow the size of the 2011/12 crop paddy pool by 50%, which is critical to support future business growth.

### Our outlook

We have developed a strong platform across all SunFoods functions to propel the business forward. The 2012/13 year will be critical to sustaining our success in the US national retail chains, with the potential to grow the business in the future.

# CopRice



This year’s strong result builds on CopRice’s performance in 2010/11 and places our brand in a strong position for future growth.

Significant growth was experienced across CopRice’s entire operations in 2011/12, following improved conditions in the dairy and livestock industries. Revenue and earnings grew substantially for the second year running, buoyed by a 37% increase in sales volumes.

A focus on quality, innovation and service contributed to the success of our range, as well as national recognition of our operational excellence

### Specialty sales performance

Sales of specialty packaged goods delivered firm growth for CopRice throughout 2011/12. The addition of several new trading partners within domestic and export markets has ensured the development of our distribution footprint both locally and abroad, particularly in the New Zealand and Pacific markets. This was supported by a strong year of product development, including the launch of a new range of packaged livestock products for poultry, dairy, beef and sheep.

CopRice’s range of All Natural Dry Dog Food was a standout performer for 2011/12, with significant returns throughout the pet trade and agri-retail channels. This was complemented by good sales results in our grocery business across the Dry Dog Food and Cat Litter categories.

### Bulk sales performance

CopRice’s bulk sales delivered another strong result in 2011/12, building on growth from the previous year. Dairy conditions remained buoyant throughout the year with reasonable milk prices encouraging additional feeding for increased yields. Our Cobden Mill was kept busy with a wet winter in the western districts; and with improved dairy conditions returning to northern Victoria, there was an increase in demand for our stock feed at the Tongala Mill. Increased sales volumes for sheep and pig feed also produced a positive result for our CopRice brand.

Our efforts to increase levels of on-farm nutritional service were well received, with widespread benefits for CopRice customers. We continued to build volumes outside our geographic footprint, with an ongoing focus on improving our supply chain and associated resources.

### Innovation and operational excellence

In 2011/12 CopRice was named a finalist in the SAI Global Systems Excellence Awards – an outstanding result that acknowledged our operational excellence. The national awards recognise best practice management systems, with CopRice Leeton named a finalist in the Food Safety Management Systems category.

The hygiene in CopRice’s feed plants was again recognised as food grade standard. All plants are AS/NZS ISO 9001:2008, Feedsafe and HACCP accredited, and Our Good Management Practices are rated against the American Institute of Bakers Food Safety Standards. In 2011/12, CopRice Leeton also achieved Safe Quality Food (SQF) 2000 Level 3 accreditation, giving us a clear competitive advantage in our industry.

### CopRice people

Our people have put in an extraordinary performance throughout the year across all facets of the business, and demonstrated a strong work ethic and culture.

Our operations team has achieved significant volume increases while meeting all benchmarks, and our sales people and nutritionists have driven growth and improved customer service.

With plants in Leeton, Tongala and Cobden, CopRice is a leading supplier of high quality animal feeds and products.


Left: Local children enjoy the Stephanie Rice Swim Clinic, Leeton. Above: CopRice-sponsored Olympic Gold Medallist event rider, Stuart Tinney OAM. Right: Country music star Adam Brand, Leeton SunRice Festival.

12

# Our Community and Environment

SunRice has strong ties with our local and international communities, and in 2011/12 we provided support and assistance on many fronts.

SunRice has strong ties with our local and international communities, and in 2011/12, we provided support and assistance on many fronts. Our commitment to improved environmental management was also reflected in several new projects.

## Providing aid in times of need

In 2011/12 we strengthened our association with FoodBank Australia to provide both Riviana and SunRice products to welfare agencies across the country.

In our SunFoods business, the HINODE Hawaii team supported disaster relief efforts by donating rice to local flood victims, as well as providing ongoing donations of rice throughout the year to the local food bank. Our Trukai and Solrice subsidiaries also provided rice products and financial aid to international communities.

## Leeton SunRice Festival

Our proud tradition of sponsoring the Leeton SunRice Festival continued in 2011/12. The Easter festival recognises the important role the rice industry plays in the region, and we have been involved in this fantastic event for approximately four decades.

We were pleased to secure country music star, Adam Brand, for this year's festival and he joined our growers and staff in a tribute to the 2012 Year of the Farmer, before playing to the 10,000-strong crowd. CopRice also participated in the event, with staff in the parade and on hand to give out product samples.

## Stephanie Rice visit

Triple Olympic Gold Medallist and SunRice Brand Ambassador Stephanie Rice took time out from her preparation for the London Olympics to visit Leeton in 2011/12, meeting with local school students and touring a rice farm. She visited St Joseph's Primary School in Leeton, where she spent time with Josh Thomas – one of 10 swimmers from around the country selected to join SunRice's online mentoring program, Steph's Swim Squad. More than 300 children from across the region turned out at the Leeton Pool to meet the swimming champion, where she mentored local swim squads during a training clinic.

Our growers, employees and their families were also delighted to join Stephanie at a special reception. Her two-day visit was a major success, with both local and national media focusing on her connection with our brand.

## CopRice sponsorships

CopRice continued its support of equine riders across a range of disciplines and levels in 2011/12. This included sponsoring Olympic Gold Medallist event rider Stuart Tinney, as well as Australian show jumper Julia Hargreaves and New Zealand dressage star Louisa Hill; both bound for the London Olympics.

A range of other events aligned with the CopRice brand also received support, including International Dairy Week; the Tongala Lamb Finishing and Sheep Production Field Day; and the All Breeds Youth Challenge competition. We were also pleased to sponsor local working dog trial events throughout regional Australia and help raise the profile of this competitive international sport.

## Regional activities

Many community, industry, school and sporting organisations, both local and abroad, benefited from our support in 2011/12.

In Australia, we sponsored a range of events, including the SunRice Family Centre at the Deniliquin Ute Muster; the Ricegrowers' Association of Australia's Annual Conference; and the Murrumbidgee Irrigation Area Centenary of Irrigation – a year-long program that recognises the heritage of our region and the importance of water to our communities.

In Papua New Guinea, Trukai Industries supported the Trukai Olympic Day Fun Run for the 12th consecutive year, bringing together more than 67,000 people and helping to raise funds for the development of local athletes. Trukai also continued important work with not-for-profit partners in the health, sport, community and education sectors, providing product, sponsorship and in-kind support.

In America, SunFoods assisted local communities at the grass roots level, with sponsorship of high school sporting teams in the Sacramento and Hawaii regions. SunFoods also supported the Los Angeles Marathon and San Francisco Earth Day events, where staff provided participants with free product samples, discount coupons, and recipe and nutritional information.

## Environmental management

SunRice has an ongoing commitment to implementing environmental protection and sustainability initiatives through our global corporate strategies.

In 2011/12 we began work towards SAI Global certification to the standard ISO 14001 for each of our major sites, in recognition of our environmental management systems.

As a signatory to the Australian Packaging Covenant, SunRice also submitted a Five Year Action Plan in 2011/12, which expanded our reuse and recycling program in our Australian businesses. As part of this, we began implementing Sustainable Packaging Guideline requirements into new product development projects, where appropriate.

2011/12 also marked the submission of SunRice's first National Greenhouse and Energy Report in compliance with the NGER Act 2007. Our major domestic manufacturing sites are now working towards the preparation of Energy Saving Action Plan reports for the NSW Office of Environment and Heritage.

SunRice Brand Ambassador and Triple Olympic Gold Medallist Stephanie Rice took time out from training for the London Olympics to delight hundreds of school children during a special visit to Leeton.

Left: CopRice Territory Sales Manager – Southern NSW / ACT, Gail Campbell. Above: Leeton Mill Electrician Tyler Boller. Right: Contracts and Compliance Manager Erin Nash.

13

# Our People and Culture

Our people have taken pride in going beyond our expectations in 2011/12, showing that they are our most valuable resource.

Our people have pulled through the difficult drought years, to face the challenges of 2011/12 with optimism and single minded commitment. They have shown dedication to research and development, to sharing knowledge between our companies and business units, and to their personal health and safety.

## A global workforce

Across our global business, consumer and climatic conditions delivered staffing changes at every location in 2011/12.

Employee numbers grew to more than 2,100 across the SunRice group – with Trukai Industries in Papua New Guinea being our largest employer with approximately 1000 people.

Regional Australia – serving our Riviana Foods, CopRice, SunRice and AGS businesses – employed 900 people at our seasonal harvest peak, and the capital cities of Sydney and Melbourne were workplaces for approximately 200 of our finance, sales, marketing, logistics and transport experts. Each of these businesses recruited staff in 2011/12 to deliver the large Australian crop to our customers.

In the USA and Middle East, conditions were more challenging in 2011/12. Economic and political situations created volatility for our Aqaba Processing Company and SunFoods subsidiaries, which forced a resizing of both workforces during the course of the year.

## Fit for Work

In 2011/12 SunRice implemented a 'Fit for Work' program across our Australian operations, with high levels of employee engagement and success.

The program was based on a shared commitment with employees to their personal health and safety, and included a proactive health strategy, related to diet and exercise choices.

More than 300 of our employees participated in the site-based or global challenge exercise programs of achieving 10,000 steps a day. Our own 'SunRice Biggest Loser' personal challenge aimed to reduce the risk of Type 2 Diabetes, coronary heart disease, high blood pressure and muscle and joint problems across our workforce.

Our 'SunRice Biggest Loser' contestants achieved a collective weight loss of 217.9 kilograms – a significant achievement for our employees and our company.

## Nurturing leadership and skills

Across our operations, employees were encouraged and supported to take on training opportunities that built skills and confidence, including dedicated front line leadership programs in SunRice, Riviana Foods and Trukai Industries.

The first 19 graduates in Trukai's Certificate III in Frontline Management program celebrated their achievement in November 2011. A second group of Trukai employees studying Certificate III was expected to graduate in May 2012.

At SunRice, 15 front line leaders from all business areas worked together on our leadership program. Involving employees from each aspect of our 'value chain', the program provided them with the opportunity to learn from each other, as well as learn each others' businesses.

Individual learning opportunities were also supported in 2011/12, including our business representative in the Middle East, Khaldoun Hallak's participation in sales leadership training at the prestigious INSEAD business school in France.

## Recognising our employees

In 2011/12 we recognised 14 SunRice employees who have served our company for 30 to 40 years.

Their combined 491 years of experience in rice growing, grain handling, rice appraisal, finished product despatch, procurement, manufacturing maintenance and people-focused business services were celebrated by our company. They have contributed significantly to our success and sustainability.

Jan Cathcart, the backbone of our Grower Services team, and Robert Hermes from Australian Grain Storage (AGS), have each celebrated 40 years with our Riverina operations.

In Papua New Guinea, employees at our Lae Mill paused to celebrate service milestones ranging from 15 to 30 years. Amongst those acknowledged was Trukai's Human Resources Coordinator Anne Kewe. Trukai was Anne's first employer and with a career spanning 30 years, she is also Trukai's longest serving employee.

## Our people exceeding expectations

Our people have taken pride in going beyond our expectations in 2011/12, showing that they are our most valuable resource.

With nine businesses across our group and operations and sales offices in the Pacific, Asia, North America and the Middle East, many of our employees took the opportunity to travel internationally to apply their skills in our subsidiaries in 2011/12. This included both short and long term assignments in our Papua New Guinean business for operations, sales and research staff. Our people excelled closer to home too, supporting significant research projects and the Ord Rice Project in Western Australia.


Trukai Industries employs 900 people in Papua New Guinea and was proud to support tens of thousands more through family networks, sponsorship and aid in 2011/12.

# Board of Directors

**Gerry Lawson**
AM LDA MAICD

Mayrung rice grower. Director since 1985. Chairman since 2001. Directors' Committees: Member, Remuneration. Chairman, Riviana Foods Pty Ltd; SunFoods LLC (USA). Director, Silica Resources Pty Ltd; SunRice Trading Pty Ltd; SunRice Australia Pty Ltd; Australian Grain Storage Pty Ltd; SunArise Insurance Company Limited; Aqaba Processing Company Ltd (Jordan); Sunshine Rice Inc. (USA). Member of the Rice Marketing Board for the State of NSW. SunRice representative to the Ricegrowers' Association of Australia Inc.

**Mark Robertson**
MAICD

Berriquin rice grower. Director since 1996. Deputy Chairman since 2001. Directors' Committees: Member, Remuneration, Finance and Audit. Chairman, Trukai Industries Limited (PNG). Director, Solomons Rice Company Ltd (Solomon Islands); Australian Grain Storage Pty Ltd; SunRice Australia Pty Ltd; SunRice Trading Pty Ltd; SunFoods LLC (USA). Deputy Chairman, Murray Irrigation Ltd. Member, Rice Industry Co-ordination Committee.

**Glen Andreazza**
AdvDipAgr AAICD

Willbriggie rice grower. Director since 2011. Directors' Committees: Member, Grower Services. Director, Rice Research Australia Pty Ltd. Mirrool Branch President and Delegate, Ricegrowers' Association of Australia Inc.

**Laurie Arthur**
BAgSc GAICD

Moulamein and Barham rice grower. Director since 2007. Directors' Committees: Member, Finance and Audit, Grower Services. Director, Riviana Foods Pty Ltd; Trukai Industries Ltd (PNG). Commissioner of the National Water Commission. Former President, Ricegrowers' Association of Australia Inc.

**Rob Gordon**
BSc (Hons) CEng MIEE

Director since 2012. Director, Riviana Foods Pty Ltd; Aqaba Processing Company Ltd (Jordan); Sunshine Rice Inc. (USA); Trukai Industries Ltd (PNG); SunFoods LLC (USA). Governor, World Wildlife Fund. Former: Director and Deputy Chair, Australian Food and Grocery Council; Director, Dairy Farmers Ltd; Director, Bread Research Institute of Australia Ltd; Advisory Board Member, Gresham Private Equity.

**Noel Graham**
FAICD

Caldwell rice grower. Director since 2001. Directors' Committees: Member, Finance and Audit. Chairman, Solomons Rice Company Ltd (Solomon Islands). Member, Rice Marketing Board for the State of NSW. Rice Marketing Board representative to Ricegrowers' Association of Australia Inc. Chairman, Murray Irrigation Limited.

**Russell Higgins**
AO BEc FAICD

Director since 2005. Directors' Committees: Member, Finance and Audit. Director, Telstra Corporation Ltd; APA Group (formerly Australian Pipeline Trust); Argo Investments Ltd; St James Ethics Centre Foundation. Chairman, Global Carbon Capture and Storage Institute. Chairman, CSIRO Energy Transformed Flagship Advisory Committee. Former Chairman, Snowy Mountains Hydro-Electric Scheme.

**Gillian Kirkup**
MAICD

Yanco rice grower. Director since 2005. Directors' Committees: Chairperson, Grower Services. Director, Rice Research Australia Pty Ltd. Member, Rice Marketing Board for the State of NSW. Member, RIRDC Rice Research and Development Committee; Reference Panel for the Prime Minister's Working Group on Soil, Water and Food. Chairman, Murrumbidgee Irrigation Ltd. Director, Basin Community Association.

**Grant F Latta**
AM MBA BBus FAICD FAIM FAMI CPA

Director since 1999. Directors' Committees: Chairman, Remuneration, Finance and Audit. Executive Chairman, GCM Corp Pty Ltd. Chairman, Australian Capital Strategies Pty Ltd. Director, Coleambally Irrigation Co-operative Ltd; McWilliam's Wines Group Ltd; Sealy Australia. Member, Australian Competition Tribunal (Federal Court). Member, Regional Australia Institute.

**Alan Walsh**
FAICD

Berriquin and Coleambally rice grower. Director since 2000. Directors' Committees: Member, Grower Services. Director, Riviana Foods Pty Ltd. Chairman, Rice Research Australia Pty Ltd. Member, RIRDC Rice Research and Development Committee. Delegate, and Deniliquin Branch Secretary, Ricegrowers' Association of Australia Inc. Delegate, Irrigation Research and Extension Committee. Chairman, Rice Industry Co-ordination Committee.

# Corporate Management Team

**Rob Gordon**
BSc (Hons) CEng MIEE
Chief Executive Officer

Joined SunRice in February 2012 as CEO. Rob has more than 25 years of senior strategic experience and most recently was President South-East Asia and Senior Vice President of Viterra Inc. He has previously worked as CEO and Managing Director of Dairy Farmers Ltd, and held senior executive positions with Goodman Fielder and Unilever, leading marketing, sales, strategy and supply chain functions. Rob started his career in operations and has more than 10 years' experience in production and site management. Director of Riviana Foods Pty Ltd; Trukai Industries Ltd (PNG); Aqaba Processing Company Ltd (Jordan); Sunshine Rice Inc. (USA); SunFoods LLC (USA). Governor, World Wildlife Fund. Former: Director and Deputy Chair, Australian Food and Grocery Council; Director, Bread Research Institute of Australia Ltd; Advisory Board Member, Gresham Private Equity.

**Brad Hingle**
Chief Financial Officer

Joined SunRice in 1999 as Financial Controller and was appointed General Manager, Finance in 2006, and Chief Financial Officer in 2009. Brad has studied Cost and Management Accounting. Prior to joining SunRice, he held finance and management positions at Deloitte Consulting Australia, Dunlop Tyres (South Africa) and Mondi Ltd (South Africa). Director, SunArise Insurance Company.

**Milton Bazley**
BAppSc BBus DipExMan
General Manager, International Commodity

Joined SunRice in 1994 as Regional Export Manager and became General Manager, Global Commodity in 2002. Milton is responsible for sales to unbranded markets including Japan, South Korea, Taiwan, Papua New Guinea and the Solomon Islands, as well as SunRice's foreign rice trading operations. He has over 20 years' experience in bulk commodity-type sales, and has previously held marketing management roles with CSR Ltd and P&O Container Lines. Director, Solomons Rice Company Ltd.

**Sharyn Brown**
MComm GradDip (Adult Education)
DipTeach (Technical)
General Manager, People and Culture

Joined SunRice in 2006 as People and Culture Manager in Leeton, before being appointed to the Sydney-based position in 2008, and General Manager, People and Culture in 2010. Sharyn's FMCG food industry experience spans employee relations, industrial relations and organisation development. She has previously worked for Coca-Cola Amatil, Goodman Fielder and Visy.

**Mandy Del Gigante**
BComm 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 for the State of New South Wales, Mandy returned to SunRice in 2005. Prior to working in the rice industry, she worked in the commercial and chartered accounting fields for international firms.

**Mike Hedditch**
BSc (Ag) DipEd ACI
General Manager, Grower Services

Joined SunRice in 1999 as General Manager, Grower Services. Mike has extensive experience in agricultural technology, policy development, communication and government relations. Before joining SunRice, he was Executive Director of the Ricegrowers' Association of Australia Inc. for a 13-year term, and prior to that worked as a District Agronomist with NSW Agriculture. Director, Rice Research Australia Pty Ltd.

**David Keldie**
BA
General Manager, Consumer Markets

Joined SunRice in 2001 and was appointed General Manager, Consumer Markets in 2005. David is responsible for the Middle East, Asia, the Pacific and Australia / New Zealand, as well as New Product Development, and the Aqaba processing facility in Jordan. David is involved with the Sales and Marketing teams at SunFoods (USA) and Trukai (PNG), and assists with their growth strategies and provides business development support. David has 25 years' experience in the FMCG industry. Director, Aqaba Processing Company Ltd.

**Gerard Woods**
BAppSc MBA
General Manager, CopRice and AGS

Joined SunRice in November 2009 as General Manager, AGS and was appointed General Manager, CopRice in May 2010. Gerard has extensive experience in the food, agriculture and commodity risk management fields. Prior to joining SunRice, he worked for Goodman Fielder.

**Patrick Youil**
BE
General Manager, Operations

Joined SunRice in 2010 as General Manager, Operations. Patrick is responsible for driving best practice in manufacturing, supply chain, quality and safety. He has over 25 years' experience across food and FMCG industries in Australia and Asia, and previously held senior management roles at Kraft Foods International.

# Subsidiary Company Heads

**Matt Alonso**
BSc (AgEngr) MBA
Chief Executive Officer, SunFoods LLC

Joined SunFoods LLC in 2010 as Chief Operating Officer and was appointed CEO in 2011. Matt is responsible for all aspects of the US business, from raw material procurement and plant operations, to domestic sales and marketing. Matt has over 20 years' experience in the US agriculture and rice industries. Before joining the SunRice Group, Matt was previously employed by Pacific International Rice Mills, an agricultural subsidiary of Anheuser-Busch Inbev. Board member, California Rice Commission; USA Rice Federation.

**Marc Denovan**
BBus (Acc)
Chief Executive Officer, Trukai Industries Limited

Joined Trukai in 2007 as General Manager, Finance, and appointed Chief Operating Officer in October 2009. Promoted to Chief Executive Officer in September 2010. Before joining Trukai, Marc was a Director at KPMG where he spent 11 years specialising in Business Advisory and Taxation. Member, Institute of Chartered Accountants Australia (ICAA); Certified Practicing Accountants (CPA) Papua New Guinea. Director, Manufacturers Council of Papua New Guinea. Company Secretary, Trukai Industries Limited.

**John Lloyd**
FAIDC
Chief Executive Officer, Riviana Foods Pty Ltd

Joined SunRice in 1993 upon the Group's acquisition of Riviana Australia Pty Ltd. John has more than 40 years' experience in FMCG senior management roles in sales, marketing and supply chain, and was Australian Director of Operations for the New Zealand Dairy Board prior to managing the divestiture of Riviana to SunRice. Director, Riviana Foods Pty Ltd. Former: Managing Director, Dairy Enterprises Pty Ltd; Director, Riviana Australia Pty Ltd.



# Corporate Governance Statement



## Role of the Board

The Board is responsible for the governance of the company, and oversees its operational and financial performance. It sets strategic direction, establishes goals for management and assesses the achievement of those goals, determines the appropriate risk profile and monitors compliance, in terms of regulatory and ethical standards.

The Board has adopted formal written charters detailing the roles and responsibilities of the Board, and each Committee, and management through the Chief Executive Officer, to ensure these roles are clearly defined, separated and enable an effective process of evaluation.

Corporate governance is of vital importance to the company, and is undertaken with due regard to all the company's stakeholders. The main corporate governance practices employed during the year are described in this section.

## Composition of the Board

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 reflects the company's ongoing commitment to active growers and the needs of its large global business.

Elections are held for the four Directors, who are A Class Shareholders, each four years. A retiring Director is eligible for re-election.

Prior to the election of any Director, candidate information, with appropriate detail to support an informed decision, is provided to shareholders.

The three elected members of the Rice Marketing Board are appointed to the Board on their election to the Rice Marketing Board. This appointment is confirmed by shareholders at the next Annual General Meeting of the company for the period of their term on the Rice Marketing Board, which is currently four years.

The relevant skills, experience and expertise held by each Director in office at the date of the Annual Report, are provided in the Annual Report section titled "Board of Directors".

## Board Operations

Board Meetings are structured to review the company's strategy and to provide the Board with an overview of the company's performance by monthly analysis of financial and operating results and an evaluation of performance against targets and forecasts.

Directors also read and analyse reports and receive regular presentations and briefings from management on key issues. Senior management routinely attend Board and Committee meetings to report on particular matters. Board members also attend site visits to the company's operations.

Particulars of each Director's Board Meeting attendance for the past 12 months are included in the Directors' Report of the company's Annual Report.

## Director Performance Evaluation

The Board acknowledges the importance of regular review of Board performance and ongoing communication between Directors and the Chairman. An annual review of the requirements and performance of all Directors is conducted. The performance of Directors is continually monitored by the Chairman and peers.

## Access to Information

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.

All Directors have access to the Company Secretary. The Company Secretary has accountability to the Board, through the Chairman, on all governance matters including compliance with applicable statutes and regulations.

## Finance and Audit Committee

The role of the Finance and Audit Committee is to provide the Board with additional assurance regarding the quality and reliability of both the financial information prepared for the Board, and the internal control and risk management systems of the company.

The conduct, objectives and proceedings of this Committee are governed by a Charter approved by the Board. All members of the Committee must be non executive Directors and the Chairman of the Board cannot be the Chairman of the Committee. The Chief Executive Officer, the Chief Financial Officer and representatives of the internal auditor and external auditor are invited to attend the meetings.

The Committee meets regularly with the internal and external auditors, without senior management, to review the scope and adequacy of their work and to consider the implementation of recommendations from the audit processes.

The Chief Executive Officer and the Chief Financial Officer annually declare, in writing to the Board, that the company's financial reports present a true and fair view, in all material respects, of the company's financial position and operational results are in accordance with the relevant accounting standards.

The Committee conducts a formal assessment of the external auditor's performance annually and reports the outcome to the Board. The Committee also meets with the external auditor to discuss audit planning matters, statutory reporting and, as required, for any special reviews or investigations deemed necessary by the Board. The company's external auditor has a policy for the rotation of lead audit partners.

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.

The Committee is also responsible for the internal audit program of the company, which is totally independent of the external audit function. The Committee reviews and monitors the program and reviews internal audit reports. The internal audit function has been outsourced to KPMG for a period of three years at which time the appointment will be reviewed.

The names, qualifications and attendance at the meetings of the Committee are included in the Directors' Report of the company's Annual Report.

### Grower Services Committee

The role of the Grower Services Committee is to optimise the interdependent relationship between the company and rice growers to achieve alignment and integration of activities and business plans. The Committee reviews and makes recommendations to the Board on policies in relation to on farm production of rice and services to growers.

The conduct, objectives and proceedings of this Committee are governed by a charter, approved by the Board. All members of the Committee are non executive Directors and the Chairman of the Board is not the Chairman of the Committee.

The names, qualifications and attendance at the meetings of the Committee are included in the Directors' Report of the company's Annual Report.

### Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on the company's approach to remuneration and related matters to recognise and reward performance. The Committee also specifically considers the packages and policies applicable to Directors, the Chief Executive Officer and senior management and serves a role in the evaluation of the performance of the Chief Executive Officer.

Remuneration policies are competitively set to attract and retain qualified and experienced employees. The Committee obtains independent advice on remuneration packages and trends in comparative companies.

The conduct, objectives and proceedings of this Committee are governed by a charter, approved by the Board. All members of the Committee are non executive Directors and the Chairman of the Board is not the Chairman of the Committee.

The names, qualifications and attendance at the meetings of the Committee are included in the Directors' Report of the company's Annual Report.

### Remuneration Report

The Remuneration Report is included in the Directors' Report of the company's Annual Report.

### Risk Management

The Board oversees the establishment, implementation and review of the company's risk management systems, which have been established by management to assess, monitor and manage operational, financial and compliance risks. The responsibility for ongoing review of risk management has been delegated to the Finance and Audit Committee who conduct formal reviews at least twice a year.

The Board's risk strategy is to minimise risk to the extent that it does not inhibit the company from pursuing its goals and objectives. The Chief Executive Officer has responsibility for the establishment and maintenance of effective risk management strategies and for the reinforcement of a risk management culture throughout the company.

The Board recognises the wide spectrum of risk the company faces in its daily operations and designated management functions, including treasury, taxation, information technology and internal audit work closely with operational and executive management to identify and manage business risk.

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 auditor has direct access to the Finance and Audit Committee and to the Board.

The company has implemented insurance arrangements and constantly evaluates the economic balance between self insurance of risks and risk transfer.

### Ethical Standards

All Directors, senior management and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company. The Board has approved a Code of Conduct and Share Trading Policy.

### Code of Conduct

The Board recognises the company's legal and commercial obligations to all legitimate stakeholders, and this is formally recognised in the company's Code of Conduct which addresses its commitment to compliance with its legal obligations to stakeholders.

### Trading in Company Securities

The Board has adopted a Share Trading Policy, which applies to all Directors. The policy specifies the periods during which the purchase and sale of the securities may occur and sets out a notification procedure concerning any such transactions.

### Continuous Disclosure to the NSX

As the company's B class shares are quoted on the National Stock Exchange (NSX), the company complies with the continuous disclosure requirements of the NSX Listing Rules.

In particular, the NSX Listing Rules oblige the company to disclose any information that is necessary to enable an appraisal of SunRice's financial position and information that a reasonable person would expect to have a material effect on the price or value of the company's securities.

The Board has established policies and procedures that are overseen by the Company Secretary to ensure that the company complies with its continuous disclosure obligations.

### Communication with Shareholders

The company has a communication strategy to promote effective communication with all stakeholders, including shareholders, to assist them in making informed decisions and to encourage effective participation. Communication initiatives undertaken by the company include regular business updates, grower briefings, media announcements, and the company website (www.sunrice.com.au).

When any stakeholders are updated on material aspects of the company's operations, the information is provided to shareholders and posted on the company's website, and disclosed to the NSX. All recent company announcements, media releases, details of company meetings and annual reports are also available on the company's website.

Any other information disclosed to the NSX is posted on the company's website as soon as it is disclosed to the NSX.

Access to price sensitive information is rigorously controlled and procedures have been established to ensure that any such information is immediately released to the market, should it be inadvertently disclosed.

All Board members and the external auditor attend the Annual General Meeting (AGM) and are available to answer questions.

Notice of the AGM, and related papers, are sent to all Shareholders at least 28 days before the meeting. Resolutions are proposed on each substantially separate issue, including in relation to the Annual Accounts and the Directors' Remuneration Report.

# Directors' Report & Financial Report

This financial report covers 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 18 June 2012.



# Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Ricegrowers Limited and the entities it controlled at the end of, or during the year ended, 30 April 2012.

## 1 Directors

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

GF Lawson AM
DM Robertson
G Andreazza (appointed 25 August 2011)
LJ Arthur
R Gordon (executive, appointed 23 February 2012)
NG Graham
G Helou (executive, resigned 14 September 2011)
RA Higgins AO
GL Kirkup
GF Latta AM
N McAllister (retired 25 August 2011)
AD Walsh

## 2 Company Secretary

Mandy Del Gigante

## 3 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.

## 4 Consolidated entity result

The net profit of the Group for the period after income tax and after non-controlling interests was $31,783,000 (2011: $12,691,000).

## 5 Review of operations

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

## 6 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 Group that occurred during the financial period under review, not otherwise disclosed in the Annual Report.

## 7 Events subsequent to the balance sheet date

On 18 June 2012 the Directors declared a fully franked final dividend of 18.0 cents per share.

The Directors are not aware of any other 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 Group, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

## 8 Likely developments and expected results of operations

Further information on likely developments in the operations of the Group 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 Group.

## 9 Environmental regulation

The Group 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 Group holds licences and approvals for its manufacturing sites in New South Wales and Victoria. The licences require air, water and noise emissions to be maintained below specified limits and solid wastes to be removed to an appropriate disposal facility. To the best of the Directors' knowledge there have been no breaches of these licences.

Ricegrowers Limited operates an environmental management system to ensure compliance with the requirements of the *Protection of the Environment Operations Act 1997*, the *Environmentally Hazardous Chemicals Act 1985* and the *Waste Avoidance and Resource Recovery Act 2001*. Any complaints received in relation to environmental issues are investigated and actions planned and implemented to reduce the impact of Ricegrowers Limited's activities.

The Australian Packaging Covenant Action Plan report for Year 1 of the Five Year Action Plan has been submitted and accepted by the Australian Packaging Covenant.

The focus on reducing volume of packaging waste sent to landfill is being maintained where possible. The management of trade waste water is an ongoing process being undertaken at the Specialty Rice Foods Plant. This water treatment facility is functioning well and outgoing water quality continues to be monitored regularly by Ricegrowers Limited as well as Leeton Shire Council personnel.

**Greenhouse gas and energy data reporting requirements**
The Group is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007* if consumption levels exceed thresholds.

Ricegrowers Limited has assessed its energy usage. The assessment has determined that Ricegrowers Limited did not exceed the energy consumption thresholds set by the *Energy Efficiency Opportunities Act 2006* and consequently are not subject to the reporting requirements. However, Ricegrowers Limited did exceed the threshold for the *National Greenhouse and Energy Reporting Act 2007* for the period 1/7/2010 to 30/6/2011, which required the reporting of direct and indirect emissions of 73,606 tonnes of $CO_2$ and consumption of 394,542 gigajoules of energy for that period.

## 10 Paddy supply

The paddy supply for 2012/2013 from Australian ricegrowers has exceeded 960k tonnes. Prior year supply in 2011/2012 of 800k tonnes was a return to normal paddy supply as a result of favourable water availability after years of drought conditions (2010/2011 receipts of 205k tonnes and 2009/2010 receipts of 66k tonnes).

## 11 Top Ten Shareholders

The following table represents the top ten shareholders as at 30th April 2012.

| Rank | Shareholder | No. of B Class Shares |
|---|---|---|
| 1 | Menegazzo Enterprises Pty Ltd | 2,787,748 |
| 2 | Burrabogie Pastoral Co Pty Ltd | 2,371,086 |
| 3 | Dellapool Nominees Pty Ltd | 904,809 |
| 4 | Germanico Super Pty Ltd | 810,625 |
| 5 | Mr Alan David Walsh | 492,285 |
| 6 | Industry Designs Pty Ltd | 467,290 |
| 7 | Taurian Pty Ltd | 402,529 |
| 8 | Indara Holdings Pty Ltd | 401,137 |
| 9 | GF & SB Lawson Pty Ltd | 330,139 |
| 10 | RM & AM Brain | 311,970 |

The above table reflects the shareholdings of individual entities in their own right.

## 12 Directors' and company secretary qualifications

Refer to the Annual Report for details.

## 13 Directors' interests in shares

**Directors' interests in A and B Class shares of Ricegrowers Limited**

| | 2012 | | 2011 | |
|---|---|---|---|---|
| **Director** | **A Class Shares** | **B Class Shares** | **A Class Shares** | **B Class Shares** |
| GF Lawson AM | **1** | **330,139** | 1 | 330,139 |
| DM Robertson | **1** | **224,539** | 1 | 224,539 |
| GA Andreazza (appointed 25 August 2011) | **1** | **80,279** | – | – |
| LJ Arthur | **1** | **233,818** | 1 | 234,818 |
| NG Graham | **1** | **100,897** | 1 | 100,897 |
| RA Higgins AO | **–** | **31,436** | – | 29,838 |
| GL Kirkup | **1** | **67,424** | 1 | 67,424 |
| GF Latta AM | **–** | **29,838** | – | 29,838 |
| AD Walsh | **3** | **500,350** | 4 | 473,319 |
| **Former director** | | | | |
| G Helou (executive, resigned 14 September 2011) | **–** | **–** | – | 54,000 |
| N McAllister (retired 25 August 2011) | **–** | **–** | 2 | 319,084 |

## 14 Directors' meetings

| | RL Board | | F & A Committee | | Grower Services Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|
| | Attended | Possible | Attended | Possible | Attended | Possible | Attended | Possible |
| GF Lawson AM | 15 | 15 | – | – | 3 | – | 4 | 4 |
| DM Robertson | 15 | 15 | 4 | 5 | – | – | 4 | 4 |
| GA Andreazza | 8 | 8 | – | – | 2 | 2 | – | – |
| LJ Arthur | 15 | 15 | 5 | 5 | 4 | 4 | – | – |
| R Gordon | 3 | 3 | 2 | – | 1 | – | 1 | – |
| NG Graham | 14 | 15 | 5 | 5 | – | – | – | – |
| G Helou | 5 | 5 | 2 | – | – | – | 1 | – |
| RA Higgins AO | 15 | 15 | 5 | 5 | – | – | – | – |
| GL Kirkup | 15 | 15 | – | – | 4 | 4 | – | – |
| GF Latta AM | 15 | 15 | 5 | 5 | – | – | 4 | 4 |
| N McAllister | 7 | 7 | – | – | 1 | 2 | – | – |
| AD Walsh | 15 | 15 | – | – | 4 | 4 | – | – |

In certain circumstances, Directors may be invited to attend and contribute to meetings of committees of which they are not members.

### 15 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 2001* further details have not been disclosed due to confidentiality provisions in the insurance contract.

### 16 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 Group 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.

### 17 Remuneration report (audited)

This report outlines Ricegrowers Limited's remuneration policy for Directors and other Key Management Personnel (KMP) in accordance with requirements of the *Corporations Act 2001* and Corporations Regulations.

*(i) Principles used to determine the nature and amount of remuneration*
Our remuneration strategy is designed to attract and retain skilled and experienced people at all levels. Our approach balances market driven benchmarks relating to the remuneration of the CEO and Senior Executives to comparable Fast Moving Consumer Goods (FMCG) and Agri-business organisations with similar performance levers. Our remuneration approach for the CEO and Senior Executives offers a market midpoint for base salary combined with 'at risk' components of Short and Long Term Incentives which combine to deliver stability and a competitive and motivating alignment between remuneration and business strategies. CEO and Senior Executive Salary packages (in relation to base and incentive arrangements) are aligned with the grade for the role (defined by an accountability, judgement and expertise matrix) and linked to an evaluation of performance against Key Performance Indicators. Merit based reviews of all salaries, incentives and any non cash benefits are determined by the Remuneration Committee chaired by Mr Grant Latta and approved by the Board. Remuneration reviews are informed by extensive consultation with remuneration experts and reference to remuneration surveys produced independently by Newton Consulting, FMCG Careers, Mercer Human Resource Consulting, Corporate Remuneration Advisors and Australian Institute of Management. This ensures that remuneration decisions are generally consistent with similar roles in comparable organisations.

*(ii) Non-executive directors*
Non-executive directors' fees are determined within an aggregate Non-Executive Directors' fee pool limit, which is periodically recommended to shareholders for approval. The maximum currently stands at $750,000 as approved at the 2010 Annual General Meeting. This includes any superannuation contributions made for the benefit of the Directors' under the *Superannuation Guarantee (Administration) Act 1992 (Cth).*

The following fees have applied from 1 May 2010

| **Base Fees** | **$** |
|---|---|
| Chair | 135,000 |
| Deputy Chair | 70,000 |
| Other non-executive directors | 60,000 |

### 17 Remuneration report (audited) (continued)

*(ii) Non-executive directors (continued)*

| **Additional Fees** | |
|---|---|
| F&A Committee – Chair | 12,000 |
| F&A Committee – Member | 6,000 |
| Remuneration Committee – Chair | 6,000 |
| Remuneration Committee – Member | 3,000 |
| Grower Services Committee – Chair | 6,000 |
| Grower Services Committee – Member | 3,000 |

In addition to the above fees:

Ricegrowers Limited contributes the statutory 9% superannuation to an accumulation fund on behalf of all Directors.

Directors attending to the business of the Company under direction of the Board of Directors shall receive travelling and out of pocket expenses.

Non Executive Directors of Ricegrowers Limited who are directors of Trukai Industries Limited also receive annual director fees.

*(iii) Retirement allowances for directors*
At the 2010 Annual General Meeting, shareholders approved the termination of the retirement allowance scheme. Directors' accrued entitlements at 30 April 2010 were frozen and will be paid when they retire.

*(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 employee reward.

*(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, remote housing subsidy or travel allowance.

*(vii) Retirement benefits*
Retirement benefits are delivered under the relevant employers'/employees' 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/Bonuses*
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.

A structured Short Term Incentive Program was established in 2012 for the Corporate Management Team and other Management personnel who were expected to affect business performance. The final value of the Short Term Incentive has been specifically determined by the Remuneration Committee and the Board.

## 17 Remuneration report (audited) (continued)

*(viii) Incentives/Bonuses* *(continued)*

Key Management Personnel of Ricegrowers Limited have a target short term incentive opportunity of 30% of their Total Employment Cost. Short term incentive awards for the 2012 financial year for Key Management Personnel were based on the measures and weightings disclosed below.

| **Metric** | **Weighting** |
|---|---|
| Group Consolidated Net Profit Before Tax | 50% |
| Business unit performance | 25% |
| Personal performance | 25% |

## 18 Details of remuneration (audited)

**Key Management Personnel**

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

| Name | Position | Employer |
|---|---|---|
| R. Gordon | Executive Director and Chief Executive Officer | Ricegrowers Limited |
| M. Bazley | General Manager, Global Procurement | Ricegrowers Limited |
| B. Hingle | Chief Financial Officer | Ricegrowers Limited |
| D. Keldie | General Manager, Consumer Markets | Ricegrowers Limited |
| J. Lloyd | Chief Executive Officer | Riviana Foods Pty Ltd |
| G. Woods | General Manager, CopRice & Australian Grain Storage Pty Ltd | Ricegrowers Limited |

All the above persons were also executives during the year ended 30 April 2011 with the exception of R Gordon who commenced 6 February 2012. The Chief Executive Officer role was previously held by G Helou who resigned 14 September 2011.

*(i) Remuneration for Executive Key Management Personnel of Ricegrowers Limited and the Group*

| | **Short term benefits** | | | **Post employment benefits** | | **Long term benefits*** | | **Total** |
|---|---|---|---|---|---|---|---|---|
| | Cash Salary and fees $ | Bonus $ | Non-Monetary Benefits $ | Super-annuation $ | Retirement benefits $ | Bonus $ | Retention benefit $ | $ |
| R Gordon *(Commenced 06.02.2012)* | | | | | | | | |
| **2012** | **214,286** | **–** | **–** | **–** | **–** | **–** | **–** | **214,286** |
| 2011 | – | – | – | – | – | – | – | – |
| *M Bazley*^# | | | | | | | | |
| **2012** | **348,085** | **111,926** | **–** | **25,000** | **–** | **–** | **66,196** | **551,207** |
| 2011 | 330,319 | 20,000 | – | 25,000 | – | 73,660 | – | 448,979 |
| *G Helou*^#2 *(Resigned 14.09.2011)* | | | | | | | | |
| **2012** | **305,715** | **400,000** | **–** | **4,166** | **–** | **–** | **–** | **709,881** |
| 2011 | 817,000 | 200,000 | 8,000 | 25,000 | – | – | – | 1,050,000 |
| *B Hingle*^# | | | | | | | | |
| **2012** | **334,816** | **113,452** | **27,937** | **21,180** | **–** | **–** | **68,121** | **565,506** |
| 2011 | 316,533 | 20,000 | 27,937 | 21,180 | – | 131,706 | – | 517,356 |
| *D Keldie*^#1 | | | | | | | | |
| **2012** | **355,336** | **318,114** | **1,285** | **17,800** | **–** | **–** | **66,433** | **758,968** |
| 2011 | 336,721 | 20,000 | 1,970 | 17,900 | – | 105,011 | – | 481,602 |

## 18 Details of remuneration (audited) (continued)

| | **Short term benefits** | | | **Post employment benefits** | | **Long term benefits*** | | **Total** |
|---|---|---|---|---|---|---|---|---|
| | Cash Salary and fees $ | Bonus $ | Non-Monetary Benefits $ | Super-annuation $ | Retirement benefits $ | Bonus $ | Retention benefit $ | $ |
| *J Lloyd*^ | | | | | | | | |
| **2012** | **492,591** | **–** | **49,437** | **40,980** | **–** | **249,838** | **–** | **832,846** |
| 2011 | 414,353 | 201,908 | 49,437 | 40,980 | – | 42,064 | – | 748,742 |
| *G Woods*# | | | | | | | | |
| **2012** | **229,794** | **96,118** | **98,971** | **24,210** | **–** | **–** | **–** | **449,093** |
| 2011 | 229,138 | 15,000 | 83,873 | 22,662 | – | – | – | 350,673 |

* In 2011 long term benefits for M.Bazley, B.Hingle and D.Keldie represented the final amount to be accrued under the long term incentive plan which operated to 30 April 2011. This plan was contingent on the achievement of predetermined performance targets set by the Board. Performance was based on a scorecard of 'financial', 'customer', 'governance', 'quality', 'safety' and 'operational' metrics. No Long Term Incentive scheme was initiated in 2012.

^,# denotes one of the five highest paid executives of the Group (^) and/or Ricegrowers Limited (#) as required to be disclosed under the *Corporations Act 2001.*

1 David Keldie received $210,000 as cash bonus for acting CEO for 6 months until the appointment of Rob Gordon on 6 February 2012.

2 G Helou previously held the roles of Executive Director and Chief Executive Officer.

*(ii) Service agreements*

The CEO, Rob Gordon, has a service agreement in force until 6 February 2017. This prescribes his remuneration including short and long term incentives. Mr Gordon's remuneration is made up of total fixed remuneration of $900,000, potential short term incentive up to $700,000 (for substantial above budget performance in profit and/or paddy price paid) and potential long term incentive up to $450,000 per annum. Payments made under the incentive arrangements and program are based on the achievement of specified Board criteria. The CEO's service agreement may be terminated by either party. The employer may terminate the CEO's employment by giving the lesser of 12 months notice or the period remaining to the end of the service agreement. The CEO may terminate employment by giving the lesser of 6 months notice or the period remaining to the end of the service agreement. Termination benefits are paid on early termination for the period of notice. Any variation to these terms may be mutually agreed.

The CEO of Riviana Foods Pty Ltd, John Lloyd, has a service agreement in force until 30 April 2014. This prescribes his remuneration including short term incentive and deferred bonus. The short term incentive is based on the achievement of specified criteria. The deferred bonus was awarded on the CEO's agreement to extend his term of employment and consists of 2 months total employment cost (TEC) and one month's TEC for each year or part thereof service with the company commencing 20 September 1993 to termination date payable on termination. The service agreement may be terminated by either party. The employer may terminate the employment by giving 3 months notice. The CEO of Riviana Foods Pty Ltd may terminate his employment by giving 2 months notice.

The remaining key management personnel have standard permanent employment contracts in place with notice periods of 1 to 3 months. Termination benefits are paid on early termination for the period of notice. These employment contracts set out the terms and conditions of employment and prescribes how the remuneration and incentive program will operate.

The key management personnel Brad Hingle, David Keldie and Milton Bazley have a retention arrangement in place for 15 months ending 31 October 2012.

## 18 Details of remuneration (continued)

*(iii) Remuneration for Non-Executive Directors of Ricegrowers Limited*
The Non-Executive Directors named in the Directors' Report each held office as a Director of Ricegrowers Limited during the year ended 30 April 2012.

Following a review by expert remuneration consultants, at the Annual General Meeting held on 27 August 2010, shareholders approved a change to the structure of Directors remuneration which included the termination of the Retirement Benefit Scheme. Annual Non-Executive Director fees were increased to a fixed annual fee pool of $750,000 with the Retirement Benefits Scheme "grandfathered" and paid on retirement at Board discretion. Prior to that, Directors remuneration had not increased since 2002.

| | Short term benefits | | | | Post employment benefits | | Other long term benefits | Share based payments | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Cash Salary and fees Rice-growers Limited $ | Cash Salary and fees Other Controlled Entities $ | Bonus $ | Non-Monetary Benefits $ | Super-annuation $ | Retirement benefits^^ $ | Bonus $ | Equity options / others $ | $ |
| *GF Lawson AM* | | | | | | | | | |
| **2012** | **138,000** | **–** | **–** | **–** | **12,420** | **–** | **–** | **–** | **150,420** |
| 2011 | 138,000 | – | – | – | 12,420 | (21,563) | – | – | 128,857 |
| *DM Robertson** | | | | | | | | | |
| **2012** | **79,000** | **10,614** | **–** | **–** | **7,110** | **–** | **–** | **–** | **96,724** |
| 2011 | 79,000 | 1,880 | – | – | 7,110 | (6,686) | – | – | 81,304 |
| *GA Andreazza (Commenced 25.08.2011)* | | | | | | | | | |
| **2012** | **42,913** | **–** | **–** | **–** | **3,862** | **–** | **–** | **–** | **46,775** |
| 2011 | – | – | – | – | – | – | – | – | – |
| *LJ Arthur* | | | | | | | | | |
| **2012** | **69,000** | **–** | **–** | **–** | **6,210** | **–** | **–** | **–** | **75,210** |
| 2011 | 69,000 | – | – | – | 6,210 | 25,642 | – | – | 100,852 |
| *NG Graham** | | | | | | | | | |
| **2012** | **66,000** | **6,368** | **–** | **–** | **5,940** | **–** | **–** | **–** | **78,308** |
| 2011 | 66,000 | 1,880 | – | – | 5,940 | 883 | – | – | 74,703 |
| *RA Higgins AO* | | | | | | | | | |
| **2012** | **66,000** | **–** | **–** | **–** | **5,940** | **–** | **–** | **–** | **71,940** |
| 2011 | 66,000 | – | – | – | 5,940 | (9,003) | – | – | 62,937 |
| *GL Kirkup* | | | | | | | | | |
| **2012** | **66,000** | **–** | **–** | **–** | **5,940** | **–** | **–** | **–** | **71,940** |
| 2011 | 66,000 | – | – | – | 5,940 | (5,992) | – | – | 65,948 |
| *GF Latta AM* | | | | | | | | | |
| **2012** | **78,000** | **–** | **–** | **–** | **7,020** | **–** | **–** | **–** | **85,020** |
| 2011 | 78,000 | – | – | – | 7,020 | – | – | – | 85,020 |
| *N McAllister (Retired 25.08.2011)* | | | | | | | | | |
| **2012** | **20,087** | **–** | **–** | **–** | **1,808** | **–** | **–** | **–** | **21,895** |
| 2011 | 63,000 | – | – | – | 5,670 | (10,210) | – | – | 58,460 |
| *AD Walsh* | | | | | | | | | |
| **2012** | **63,000** | **–** | **–** | **–** | **5,670** | **–** | **–** | **–** | **68,670** |
| 2011 | 63,000 | – | – | – | 5,670 | (8,520) | – | – | 60,150 |

^^ The amounts for 2011 are for comparative purposes only. Any amounts owing under the previous Retirement Benefits Scheme have been "grandfathered" and will be paid on retirement at the board's discretion. The retirement benefits have been frozen and will no longer fluctuate. No interest is to apply on the "grandfathered" amount.

* M Robertson and N Graham as directors of Trukai Industries Limited receive directors fees from Trukai Industries Limited.

## 19 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 57.

## 20 Rounding of amounts

The company is of a kind referred to in Class Order 98/100 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 Statements 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 AM
Chairman

DM Robertson
Deputy Chairman

18 June 2012

# Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 58 to 101 are in accordance with the *Corporations Act 2001*, 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 consolidated entity's financial position as at 30 April 2012 and of its performance for the financial year ended on that date, and

(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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

For and on behalf of the Board.

GF Lawson AM
Director

DM Robertson
Director

18 June 2012

**Auditor's Independence Declaration**

As lead auditor for the audit of Ricegrowers Limited for the year ended 30 April 2012, 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 during the period.

S J Bourke
Partner

Sydney
18 June 2012

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*DX 77 Sydney, Australia*
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# Consolidated income statement

For the year ended 30 April 2012

| | Note | 2012 $000's | 2011 $000's |
|---|---|---|---|
| Sales revenue | 4 | **996,942** | 806,942 |
| Other revenue | 4 | **3,428** | 2,407 |
| **Revenue from continuing operations** | | **1,000,370** | 809,349 |
| Other income | 5 | **907** | 1,615 |
| Impairment of assets | | **(7,799)** | 1,029 |
| Changes in inventories of finished goods | | **(7,658)** | (54,230) |
| Raw materials and consumables used | | **(550,011)** | (479,292) |
| Employee benefits expense | | **(99,268)** | (73,333) |
| Depreciation and amortisation expense | 6 | **(21,649)** | (21,392) |
| Finance costs | | **(17,381)** | (24,435) |
| Other expenses | 6 | **(242,791)** | (141,515) |
| Share of net profit of associate accounted for using the equity method | 14 | **(85)** | (296) |
| **Profit before income tax** | | **54,635** | 17,500 |
| Income tax expense | 7 | **(20,724)** | (4,401) |
| **Profit for the year** | | **33,911** | 13,099 |
| Profit for the year is attributable to: | | | |
| Non-controlling interests | | **2,128** | 408 |
| Ricegrowers Limited shareholders | | **31,783** | 12,691 |
| | | **33,911** | 13,099 |
| **Earnings per share for profit attributable to B Class Shareholders** | | | |
| Basic and diluted earnings (cents per share) | 32 | **57.3** | 23.3 |

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



# Consolidated statement of comprehensive income

For the year ended 30 April 2012

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **Profit for the year** | **33,911** | 13,099 |
| **Other comprehensive income** | | |
| Changes in fair value of cash flow hedges | **(5,453)** | 8,123 |
| Exchange differences on translation of foreign operations | **3,392** | (4,052) |
| Income tax relating to items of other comprehensive income | **1,636** | (2,437) |
| **Other comprehensive income for the year, net of tax** | **(425)** | 1,634 |
| **Total comprehensive income for the year** | **33,486** | 14,733 |
| Total comprehensive income for the year is attributable to: | | |
| Non-controlling interests | **3,188** | (741) |
| Ricegrowers Limited shareholders | **30,298** | 15,474 |
| | **33,486** | 14,733 |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated balance sheet

As at 30 April 2012

| | Note | 2012 $000's | 2011 $000's |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 8 | **29,170** | 15,820 |
| Receivables | 9 | **124,277** | 126,023 |
| Inventories | 10 | **378,637** | 355,384 |
| Current tax receivable | | **–** | 65 |
| Derivative financial instruments | 13 | **4,745** | 10,214 |
| Total current assets | | **536,829** | 507,506 |
| **Non-current assets** | | | |
| Receivables | 9 | **–** | 1,000 |
| Other financial assets | 11 | **76** | 91 |
| Property, plant and equipment | 15 | **196,728** | 206,304 |
| Investment properties | 17 | **1,200** | 2,700 |
| Intangible assets | 16 | **7,532** | 9,711 |
| Deferred tax assets | 18 | **13,580** | 16,888 |
| Investments accounted for using the equity method | 14 | **834** | 785 |
| Total non-current assets | | **219,950** | 237,479 |
| **Total assets** | | **756,779** | 744,985 |
| **Current liabilities** | | | |
| Payables | 19 | **80,178** | 66,191 |
| Grower payables | 19 | **107,649** | 86,170 |
| Borrowings | 20 | **61,928** | 172,958 |
| Current tax liabilities | | **17,680** | 1,221 |
| Provisions | 21 | **12,511** | 10,026 |
| Derivative financial instruments | 13 | **1,227** | 2,077 |
| Total current liabilities | | **281,173** | 338,643 |
| **Non-current liabilities** | | | |
| Payables | 19 | **12,230** | 20,152 |
| Grower payables | 19 | **25,368** | 26,574 |
| Borrowings | 20 | **141,498** | 84,254 |
| Deferred tax liabilities | 22 | **–** | 6,895 |
| Provisions | 21 | **3,586** | 2,913 |
| Total non-current liabilities | | **182,682** | 140,788 |
| **Total liabilities** | | **463,855** | 479,431 |
| **Net assets** | | **292,924** | 265,554 |
| **Equity** | | | |
| Contributed equity | 23 | **107,819** | 104,256 |
| Reserves | 24 | **19,118** | 20,603 |
| Retained profits | 24 | **152,310** | 130,373 |
| Total parent entity interest | | **279,247** | 255,232 |
| Non-controlling interests | | **13,677** | 10,322 |
| **Total equity** | | **292,924** | 265,554 |

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



# Statement of changes in equity

For the year ended 30 April 2012

| | Contributed equity $000's | Reserves $000's | Retained earnings $000's | Total $000's | Non-controlling interests $000's | Total $000's |
|---|---|---|---|---|---|---|
| Balance as at 1 May 2011 | **104,256** | **20,603** | **130,373** | **255,232** | **10,322** | **265,554** |
| Profit for the year | **–** | **–** | **31,783** | **31,783** | **2,128** | **33,911** |
| Other comprehensive income | **–** | **(1,485)** | **–** | **(1,485)** | **1,060** | **(425)** |
| Total comprehensive income for the year | **–** | **(1,485)** | **31,783** | **30,298** | **3,188** | **33,486** |
| Transactions with owners in their capacity as owners: | | | | | | |
| Distribution reversed | **–** | **–** | **–** | **–** | **167** | **167** |
| Contributions of equity, net of transaction costs | **3,563** | **–** | **–** | **3,563** | **–** | **3,563** |
| Dividends paid | **–** | **–** | **(9,846)** | **(9,846)** | **–** | **(9,846)** |
| | **3,563** | **–** | **(9,846)** | **(6,283)** | **167** | **(6,116)** |
| Balance as at 30 April 2012 | **107,819** | **19,118** | **152,310** | **279,247** | **13,677** | **292,924** |

| | Contributed equity $000's | Reserves $000's | Retained earnings $000's | Total $000's | Non-controlling interests $000's | Total $000's |
|---|---|---|---|---|---|---|
| Balance as at 1 May 2010 | 101,017 | 17,820 | 129,682 | 248,519 | 11,482 | 260,001 |
| Profit for the year | – | – | 12,691 | 12,691 | 408 | 13,099 |
| Other comprehensive income | – | 2,783 | – | 2,783 | (1,149) | 1,634 |
| Total comprehensive income for the year | – | 2,783 | 12,691 | 15,474 | (741) | 14,733 |
| Transactions with owners in their capacity as owners: | | | | | | |
| Contributions of equity, net of transaction costs | 3,239 | – | – | 3,239 | – | 3,239 |
| Dividends paid | – | – | (12,000) | (12,000) | (419) | (12,419) |
| | 3,239 | – | (12,000) | (8,761) | (419) | (9,180) |
| Balance as at 30 April 2011 | 104,256 | 20,603 | 130,373 | 255,232 | 10,322 | 265,554 |

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

# Consolidated cash flow statement

For the year ended 30 April 2012

| | Note | 2012 $000's | 2011 $000's |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | **1,015,106** | 802,872 |
| Payments to suppliers (inclusive of goods and services tax) | | **(550,572)** | (521,823) |
| Payments of wages, salaries and on-costs | | **(96,041)** | (73,007) |
| Dividends received | | **2** | 2 |
| Interest received | | **1,420** | 584 |
| Other revenue | | **2,031** | 1,546 |
| Interest paid | | **(15,721)** | (24,036) |
| Income taxes paid | | **(6,338)** | (4,760) |
| | | **349,887** | 181,378 |
| Payments to growers | | **(249,406)** | (129,390) |
| **Net cash inflow from operating activities** | 31 | **100,481** | 51,988 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(14,311)** | (7,978) |
| Proceeds from sale of property, plant and equipment | | **196** | 434 |
| Payments for intangibles | | **(1,002)** | (968) |
| Proceeds from sale of investment properties and investments | | **–** | 812 |
| **Net cash outflow from investing activities** | | **(15,117)** | (7,700) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | **938,883** | 196,153 |
| Repayment of borrowings | | **(1,009,752)** | (208,990) |
| Proceeds from issue of shares | | **892** | – |
| Repayment of loan by RMB | | **1,000** | – |
| Repayment of rice bonds | | **–** | (6,862) |
| Repayment of finance leases | | **(719)** | (623) |
| RMB equity redemptions | 19 | **(11,882)** | (5,766) |
| Dividends paid to company's shareholders | | **(7,175)** | (8,761) |
| **Net cash outflow from financing activities** | | **(88,753)** | (34,849) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(3,389)** | 9,439 |
| Cash and cash equivalents at the beginning of the financial year | | **14,460** | 5,241 |
| Effect of exchange rate changes on cash and cash equivalents | | **(68)** | (220) |
| **Cash and cash equivalents at end of year** | 8 | **11,003** | 14,460 |

The above cash flow statement 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 statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity consisting of Ricegrowers Limited and its subsidiaries.

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Ricegrowers Limited is a for-profit entity for the purpose of preparing financial statements.

*Compliance with IFRS's*

These financial statements of Ricegrowers Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*New and amended standards adopted by the Group*

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 May 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

*Early adoption of standards*

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 May 2011.

*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 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, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### (b) Principles of consolidation

*(i) Subsidiaries*

The consolidated financial statements comprise the assets and liabilities of Ricegrowers Limited ("company" or "parent entity") as at 30 April 2012 and the results of all subsidiaries for the year then ended. Ricegrowers Limited and its subsidiaries together are referred to in these financial statements 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

# Notes to the financial statements continued

## 1 Summary of significant accounting policies (continued)

### (b) Principles of consolidation (continued)

*(ii) Associates*
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% voting rights. Investments in associates are accounted for using the equity method of accounting.

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 is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (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. Inventory purchased in a foreign currency is translated at the underlying hedge rate achieved over the 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.

Assets and liabilities of the Group entities that have a functional currency other than Australian dollars are translated into Australian currency at exchange rates existing at balance date. Income and expenses are translated at the average rate ruling during the year. The exchange gain or loss arising on translation is recognised in other comprehensive income and presented in a foreign currency translation reserve.

### (d) 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. They are carried at amortised cost using the effective interest method.

### (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 value are recorded in the income statement as part of other income or expense.

### (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. Inventory purchased in a foreign currency is translated at the underlying hedge rate achieved over the reporting period. Raw materials, finished goods, packaging materials and engineering and consumable stores inventory are determined from a combination of weighted average purchase price and 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. Net realisable value is the estimated selling price in the normal course of business less the estimated costs of completion and estimated costs necessary to make the sale.





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

Property, plant and equipment, other than freehold land, are stated at historical cost less depreciation and are 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 |
| Leased plant and equipment | 3 to 10 years |
| Plant and equipment | 7 to 15 years |

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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. Other assets 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 flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill, that have previously suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

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 to be capitalised. As a result, such costs are charged as an expense in the year incurred.

## 1 Summary of significant accounting policies (continued)

### (k) Trade receivables and accounts payable
External trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. 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. Collectability of trade receivables is reviewed on an ongoing basis. A provision for impairment of 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 within other expenses. When a trade receivable for which a provision has been recognised becomes uncollectible in a subsequent period, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against other expenses 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 45 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan and deferred until the draw down occurs.

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) Grower payables
Grower payables comprise the balance of pool payments owed to growers for the current and next financial year's paddy rice where this is received before the balance date. The portion of the payable in respect of the current financial year is based on the final paddy price for the year, with a portion in respect of paddy rice received for the next financial year based on that year's budgeted paddy price.

### (n) Employee benefits
*Wages and salaries, annual and sick leave*
Liabilities for wages and salaries and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in the provision for employee benefits 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.

The obligations are presented as current liabilities if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

*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.

## 1 Summary of significant accounting policies (continued)

### (o) Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised in full 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.

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.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised in other comprehensive income or directly in equity.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Ricegrowers Limited and its wholly owned Australian controlled entities have adopted the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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.

### (p) Derivatives
Derivative financial instruments, principally interest rate swap contracts and forward foreign exchange contracts, are entered into to hedge financial risks.

The Group designates derivatives as hedges. 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 other comprehensive income and in the hedging reserve. The gain or loss on the ineffective portion is immediately recognised in the income statement. Amounts accumulated in the hedging reserve are

# Notes to the financial statements continued

## 1 Summary of significant accounting policies (continued)

**(p) Derivatives** (continued)
recycled in the income statement in the periods when the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward exchange contracts hedging export sales is recognised in profit or loss within sales revenue.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amount are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

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.

**(q) 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.

**(r) Revenue recognition**
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, duties, trade allowances and taxes paid. Sales revenue is recognised when the amount of revenue can be measured reliably, risks and rewards of ownership pass to the customer and it is probable that future economic benefits will flow to the entity. Revenue from the provision of grain storage and other services is recognised in the accounting period in which the service is performed. 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.

**(s) 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.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 27). 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 is recognised in income on a straight-line basis over the lease term.

**(t) 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. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs in business combinations are expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.



**(t) Acquisition of assets** (continued)
Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling 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.

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.

**(u) Segment reporting**
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Corporate Management Team.

**(v) Provisions**
Provisions are recognised when the settlement of a present obligation is probable and measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Any change in the provision amount is recognised in the income statement.

**(w) 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.

**(x) Comparatives**
The classification of certain comparative figures may be amended to reflect changes in the presentation of these financial statements.

**(y) Contributed equity**
Contributed equity comprises B Class shares and is recognised when shares are fully paid for.

**(z) Government assistance**
Government assistance relating to costs is deferred and recognised in the income statement over the period necessary to match it with the costs that they are intended to compensate. Government assistance in the form of non interest bearing loans received before 1 May 2009 are stated at face value not fair value in accordance with AASB120 *Accounting for Government Grants and Disclosure of Government Assistance*.

**(aa) Earnings per share**
Basic and diluted earnings per share is calculated by dividing the profit attributable to B Class shareholders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of B Class shares outstanding during the financial year, adjusted for bonus elements in shares issued during the year.

**(ab) Rounding of amounts**
The company is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

# Notes to the financial statements continued

## 1 Summary of significant accounting policies (continued)

### (ac) New accounting standards and interpretations

*(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015)*
*AASB 9 Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The standard will have no material affect on the Group's accounting for financial instruments.

*(ii) AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interest in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures (effective 1 January 2013).*
AASB10 replaces all of the guidance on control and consolidation in AASB127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect that this standard will have a significant impact on its financial statements.

AASB12 sets out the required disclosures for entities reporting under the two new standards AASB10 and AASB11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements but may impact the type of information disclosed in relation to the Group's investments.

*(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*
AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (ad) Parent entity information

The financial information for the parent entity, Ricegrowers Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below:

*(i) Investments in subsidiaries*
Investments in subsidiaries are accounted for at cost in the financial statements of Ricegrowers Limited.

*(ii) Tax consolidation legislation*
Ricegrowers Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Ricegrowers Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Ricegrowers Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also 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.



## 1 Summary of significant accounting policies (continued)

### (ad) Parent entity information (continued)

*(ii) Tax consolidation legislation (continued)*
Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

## 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. Derivatives are mainly used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates and foreign exchange and ageing analysis for credit risk.

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*
The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures mainly to the US dollar (USD).

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 risk is measured using cash flow forecasting. Translation related risks are not included in the assessment of the group's exposure to foreign currency risk.

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 its US dollar foreign currency denominated exposure arising from forecast sales and purchases for the subsequent 12 months at various levels depending on the period to anticipated sales and purchases.

The table below sets out the Group's main exposure to foreign currency risk at the reporting date denominated in USD.

| | **2012 USD 000's** | 2011 USD 000's |
|---|---|---|
| Cash | **2,202** | 3,502 |
| Trade receivables | **78,435** | 107,106 |
| Trade payables | **(43,262)** | (77,014) |
| Forward exchange contracts: | | |
| – selling foreign currency | **(203,500)** | (210,100) |
| – buying foreign currency | **31,700** | 59,079 |
| Net exposure – selling currency/(buying currency) | **(134,425)** | (117,427) |

# Notes to the financial statements continued

## 2 Financial risk management (continued)

### (a) Market risk (continued)

*(i) Foreign exchange risk (continued)*

*Sensitivity analysis*

At 30 April 2012, had the US dollar increased by 10 cents to the Australian dollar with all other variables held constant, the Group's post tax profit for the year would have been $642,000 lower (2011 – a change of 10 cents: $184,000 higher) and other equity would have been $8,506,000 higher (2011: $6,160,000 higher) mainly as a result of foreign exchange gain/loss on translation of the US dollar.

At 30 April 2012, had the US dollar decreased by 10 cents to the Australian dollar with all other variables held constant, the Group's post tax profit for the year would have been $778,000 higher (2011 – a change of 10 cents: $221,000 lower) and other equity would have been $10,307,000 lower (2011: $7,405,000 lower) mainly as a result of foreign exchange gain/loss on translation of the US dollar.

The Group's exposure to other foreign exchange movements other than USD is not considered material.

*(ii) Cash flow and fair value interest rate risk*

The Group's main interest rate risk arises from borrowings and cash at bank. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps.

The Group had the following variable rate borrowings and interest rate swap contracts outstanding:

| **30 April 2012** | **Weighted average interest rate %** | **Balance $000's** |
|---|---|---|
| Cash at bank | **3.9** | **29,170** |
| Bank loans and bank overdrafts | **6.0** | **202,078** |
| Interest rate swap (notional principal amount) | **5.2** | **(62,000)** |
| Net exposure to cash flow interest rate risk | | **110,908** |

| **30 April 2011** | Weighted average interest rate % | Balance $000's |
|---|---|---|
| Cash at bank | 4.4 | 15,820 |
| Bank loans and bank overdrafts | 6.7 | 255,299 |
| Interest rate swap (notional principal amount) | 5.9 | (46,000) |
| Net exposure to cash flow interest rate risk | | 193,479 |

An analysis by maturities is provided in (c) below.

*Sensitivity analysis*

At 30 April 2012, if interest rates had changed by +/– 25 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $194,000 lower/higher (2011: $339,000 lower/higher) mainly as a result of higher/lower interest expense on variable borrowings.



## 2 Financial risk management (continued)

### (b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments with banks and financial institutions, as well as credit exposures to domestic and export customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of Moody's A3 or Standard and Poor's A minus are accepted. Domestic customers are assessed for credit quality taking into account their financial position, past experience, trade references, ASIC searches and other factors. Export customers trading terms are secured by letter of credit, telegraphic transfer, cash against documents or documentary collection and prepayment. Individual risk limits are set in accordance with the limits set by the Board. Compliance with credit limits is regularly monitored by management. Further information about the quality of receivables is set out in note 9.

### (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.

*Financing arrangements*

The Group had access to the following undrawn borrowing facilities at the reporting date:

| | **2012 $000's** | 2011 $000's |
|---|---|---|
| **Floating rate:** | | |
| Bank overdraft – expiring within one year | **3,672** | 9,507 |
| Bank loans – expiring within one year | **200,392** | 142,871 |
| Bank loans – expiring beyond one year | **12,000** | 2,500 |
| | **216,064** | 154,878 |

For additional information on significant terms and conditions of bank facilities refer to note 20.

*Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at reporting date.

| **30 April 2012** | **Less than 12 months $000's** | **Between 1 and 2 years $000's** | **Between 2 and 5 years $000's** | **Over 5 years $000's** | **Total contractual cash flows $000's** | **Total carrying amount $000's** |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Non-interest bearing | **205,507** | **27,710** | **8,544** | **1,344** | **243,105** | **243,105** |
| Variable rate | **63,142** | **13,530** | **124,950** | **2,028** | **203,650** | **201,212** |
| Fixed rate | **1,085** | **1,042** | **928** | **–** | **3,055** | **2,214** |
| Total non-derivatives | **269,734** | **42,282** | **134,422** | **3,372** | **449,810** | **446,531** |
| **Derivatives** | | | | | | |
| Interest rate swaps – net settled | **1,007** | **–** | **–** | **–** | **1,007** | **1,007** |
| Foreign currency contracts – gross settled | | | | | | |
| (inflow) | **(211,872)** | **–** | **–** | **–** | **(211,872)** | **(4,745)** |
| outflow | **207,347** | **–** | **–** | **–** | **207,347** | **220** |
| Total derivatives | **(3,518)** | **–** | **–** | **–** | **(3,518)** | **(3,518)** |

## 2 Financial risk management (continued)

**(c) Liquidity risk** (continued)

*Maturities of financial liabilities* (continued)

| 30 April 2011 | Less than 12 months $000's | Between 1 and 2 years $000's | Between 2 and 5 years $000's | Over 5 years $000's | Total contractual cash flows $000's | Total carrying amount $000's |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Non-interest bearing | 153,582 | 34,489 | 6,457 | 5,780 | 200,308 | 200,308 |
| Variable rate | 175,786 | 77,377 | 994 | 2,024 | 256,181 | 252,119 |
| Fixed rate | 1,293 | 3,548 | 1,166 | – | 6,007 | 5,093 |
| Total non-derivatives | 330,661 | 115,414 | 8,617 | 7,804 | 462,496 | 457,520 |
| **Derivatives** | | | | | | |
| Interest rate swaps – net settled | 87 | 218 | – | – | 305 | 305 |
| Foreign currency contracts – gross settled | | | | | | |
| (inflow) | (244,317) | – | – | – | (244,317) | (10,214) |
| outflow | 235,875 | – | – | – | 235,875 | 1,772 |
| Total derivatives | (8,355) | 218 | – | – | (8,137) | (8,137) |

## 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.

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 goodwill and other assets 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.

*(ii) Raw material inventory and amounts payable to growers*
Raw materials and amounts payable to growers in the parent entity are valued in accordance with the accounting policies in note 1(f) and (m). These values require an assumption as to the paddy price for the relevant pool. This assumption is based on the Director's most recent estimate of the final paddy price.

## 4 Revenue

| | **2012 $000's** | 2011 $000's |
|---|---|---|
| **Sales revenue** | | |
| Sale of goods | **991,426** | 804,279 |
| Services | **5,516** | 2,663 |
| | **996,942** | 806,942 |
| **Other revenue** | | |
| Interest received | **1,420** | 584 |
| Dividends received | **2** | 2 |
| Other sundry items | **2,006** | 1,821 |
| | **3,428** | 2,407 |
| | **1,000,370** | 809,349 |

## 5 Other income

| | | |
|---|---|---|
| Fair value adjustment to investment properties | **–** | 50 |
| Net gain on disposal of property, plant and equipment | **–** | 188 |
| Foreign exchange gains | **907** | 1,377 |
| | **907** | 1,615 |

## 6 Expenses

Profit before income tax includes the following specific expenses:

| | | |
|---|---|---|
| Contributions to employee superannuation plans | **3,424** | 2,346 |
| **Depreciation and amortisation** | | |
| Buildings | **7,534** | 7,550 |
| Plant and equipment | **12,429** | 12,332 |
| Leasehold improvements | **615** | 533 |
| Patents/brands and software | **1,071** | 977 |
| Total depreciation and amortisation expense | **21,649** | 21,392 |
| **Other expenses** | | |
| Freight and distribution costs | **133,590** | 59,923 |
| Energy | **16,783** | 10,554 |
| Contracted services | **14,479** | 13,245 |
| Operating lease expenditure | **7,990** | 8,361 |
| Research and development | **2,670** | 904 |
| Advertising and artwork | **15,932** | 12,143 |
| Scheme of arrangement expenses* | **260** | 3,471 |
| Fair value adjustment to investment properties | **1,500** | – |
| Net loss on disposal of property, plant and equipment | **1,039** | – |
| Other | **48,548** | 32,914 |
| Total other expenses | **242,791** | 141,515 |

*In 2011 the business incurred significant one off expenditure associated with the Proposed Scheme of Arrangement whereby Ebro Puleva SA made an unsolicited offer to acquire Ricegrowers Limited.

# Notes to the financial statements continued

## 7 Income tax expense

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **(a) Income tax expense** | | |
| Current tax expense | **(23,757)** | (5,080) |
| Deferred tax benefit/(expense) | **1,999** | (2,639) |
| Adjustments for current tax of prior periods | **1,034** | 3,318 |
| Income tax expense attributable to profit from continuing operations | **(20,724)** | (4,401) |
| Deferred income benefit/(expense) included in income tax expense comprises: | | |
| Increase/(decrease) in deferred tax assets (note 18) | **(116)** | (512) |
| (Increase)/decrease in deferred tax liabilities (note 22) | **2,115** | (2,127) |
| | **1,999** | (2,639) |

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Profit from continuing operations before related income tax | **54,635** | 17,500 |
| Income tax expense calculated at the Australian rate of tax of 30% (2011: 30%) | **(16,391)** | (5,250) |
| Tax effect of amounts which are not taxable/(deductible) in calculating taxable income: | | |
| Entertainment | **(45)** | (34) |
| Research & development | **109** | 85 |
| Sundry items | **(142)** | (174) |
| | **(78)** | (123) |
| Tax effect of tax losses not recognised | **(3,771)** | – |
| Difference in overseas tax rates | **(40)** | 849 |
| Adjustments for prior periods | **(444)** | 123 |
| Income tax expense | **(20,724)** | (4,401) |

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **(c) Tax expense relating to items of other comprehensive income** | | |
| Cashflow hedges | **(1,636)** | 2,437 |
| | **(1,636)** | 2,437 |

**(d) Tax consolidation legislation**

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

On adoption of the tax consolidation legislation as at 1 May 2004, 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.

## 8 Cash and cash equivalents

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Cash at bank and on hand | **29,170** | 15,820 |
| | **29,170** | 15,820 |

**(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:

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Cash and cash equivalents | **29,170** | 15,820 |
| Less: Bank overdraft (note 20) | **(18,167)** | (1,360) |
| Balances per statement of cash flows | **11,003** | 14,460 |

**(b) Risk exposure**

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

## 9 Receivables

| | 2012 | 2011 |
|---|---|---|
| **Current** | | |
| Trade receivables | **98,939** | 100,145 |
| Provision for impairment of receivables (note a) | **(347)** | (105) |
| | **98,592** | 100,040 |
| Other receivables | **4,904** | 3,040 |
| GST receivable | **12,729** | 6,599 |
| Prepayments | **8,052** | 16,344 |
| | **124,277** | 126,023 |
| **Non-current** | | |
| Loan receivable | **–** | 1,000 |
| | **–** | 1,000 |

**(a) Impaired trade receivables**

Nominal value of impaired trade receivables is as follows:

| | 2012 | 2011 |
|---|---|---|
| 1 to 3 months | **50** | 15 |
| 3 to 6 months | **48** | 104 |
| Over 6 months | **258** | 82 |
| | **356** | 201 |

Impaired receivables mainly relate to customers that are in unexpectedly difficult economic situations.

## 9 Receivables (continued)

### (a) Impaired trade receivables (continued)

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Movements in the provision for impairment of trade receivables are as follows: | | |
| At 1 May | **105** | 64 |
| Provision for impairment recognised during the year | **245** | 57 |
| Receivables written off during the year as uncollectible | **(15)** | (7) |
| Foreign currency difference on translation | **12** | (9) |
| At 30 April | **347** | 105 |

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

### (b) Past due but not impaired

The ageing of trade receivables past due and not impaired is as follows:

| | 2012 | 2011 |
|---|---|---|
| Up to 3 months | **19,821** | 13,504 |
| 3 to 6 months | **800** | 546 |
| | **20,621** | 14,050 |

The other classes within receivables do not contain impaired assets and are not past due.

### (c) Fair values

The Directors consider the carrying amount of trade receivables approximate their fair value.

### (d) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

## 10 Inventories

| | 2012 | 2011 |
|---|---|---|
| Raw materials | **252,202** | 212,669 |
| Finished goods | **110,399** | 126,680 |
| Packaging materials | **10,091** | 10,129 |
| Engineering and consumable stores | **5,945** | 5,906 |
| | **378,637** | 355,384 |

## 11 Other financial assets

| | 2012 | 2011 |
|---|---|---|
| Other unlisted securities | **76** | 91 |
| | **76** | 91 |

## 12 Available-for-sale financial assets

| | 2012 $000's | 2011 $000's |
|---|---|---|
| At beginning of year | **–** | 3 |
| Revaluation | **–** | (2) |
| Disposal | **–** | (1) |
| At end of year | **–** | – |
| Listed securities | **–** | – |

The available-for-sale financial assets were sold in the 2011 year.

## 13 Derivative financial instruments

| | 2012 | 2011 |
|---|---|---|
| **Current assets** | | |
| Forward foreign exchange contracts (cash flow hedges) | **4,745** | 10,214 |
| | **4,745** | 10,214 |
| **Current liabilities** | | |
| Interest rate swaps (cash flow hedges) | **1,007** | 305 |
| Forward foreign exchange contracts (cash flow hedges) | **220** | 1,772 |
| | **1,227** | 2,077 |

### (a) 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.

*(i) Interest rate swaps – cash flow hedges*

The Group 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 Group 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. The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

Swaps currently in place cover 43.7% (2011: 38%) of the core debt and AGS bank loans. The fixed interest rates range between 4.02% – 6.01% (2011: 5.03% – 7.895%) and the variable rates are between 4.42% and 7.5% (2011: 4.94% and 7.95%).

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. There was no hedge ineffectiveness in the current or prior period.

## 13 Derivative financial instruments (continued)

### (a) Instruments used by the Group (continued)

*(ii) Forward exchange contracts – cash flow hedges*
The Group 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 for the ensuing year denominated in foreign currencies.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity.

### (b) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of derivative financial assets mentioned above.

### (c) Fair value measurements

The fair value of derivative financial instruments are determined based on dealer quotes for similar instruments.

## 14 Investments accounted for using the equity method

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Shares in associates | **834** | 785 |

Information relating to the associate is set out below.

| Name of company | Principal activity | Ownership interest 2012 | Ownership interest 2011 |
|---|---|---|---|
| Pagini Transport (incorporated in Papua New Guinea) | Transport | **31.56%** | 31.56% |

| | Consolidated 2012 $000's | Consolidated 2011 $000's |
|---|---|---|
| **(a) Movements in carrying amounts** | | |
| Carrying amount at the beginning of the financial year | **785** | 1,106 |
| Share of loss after related income tax | **(85)** | (296) |
| Foreign currency difference | **134** | (25) |
| Carrying amount at the end of the financial year | **834** | 785 |
| **(b) Share of associates' losses** | | |
| Loss before related income tax | **(85)** | (296) |
| Income tax benefit | **–** | – |
| Loss after related income tax | **(85)** | (296) |

## 14 Investments accounted for using the equity method (continued)

### (c) Summarised financial information of Pagini Transport (100%)

| | Assets $000's | Liabilities $000's | Revenues $000's | Profits $000's |
|---|---|---|---|---|
| **2012** | **10,110** | **7,650** | **1,371** | **(269)** |
| 2011 | 7,884 | 5,396 | 1,581 | (938) |

The associate operates on a non-coterminous year end of 31 December. 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

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **Freehold land** | | |
| At cost | **15,034** | 10,887 |
| | **15,034** | 10,887 |
| **Buildings** | | |
| At cost | **184,397** | 181,521 |
| Less accumulated depreciation | **(62,661)** | (54,160) |
| | **121,736** | 127,361 |
| **Leasehold improvements** | | |
| At cost | **10,974** | 9,546 |
| Less accumulated depreciation | **(3,659)** | (2,849) |
| | **7,315** | 6,697 |
| **Plant and equipment** | | |
| At cost | **184,841** | 183,000 |
| Less accumulated depreciation | **(135,432)** | (123,599) |
| Under finance lease | **2,285** | 2,381 |
| Less accumulated depreciation | **(1,431)** | (1,128) |
| | **50,263** | 60,654 |
| **Capital works in progress** | | |
| At cost | **2,380** | 705 |
| | **196,728** | 206,304 |

## 15 Property, plant and equipment (continued)

**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.

| **Consolidated** | **Land & Buildings** | **Leasehold Improvements** | **Plant & Equipment** | **Capitalised WIP** | **Totals** |
|---|---|---|---|---|---|
| | **$000's** | **$000's** | **$000's** | **$000's** | **$000's** |
| Carrying amount at 1 May 2011 | **138,248** | **6,697** | **60,654** | **705** | **206,304** |
| Additions | **5,153** | **25** | **2,855** | **6,278** | **14,311** |
| Recognition of finance lease | **–** | **–** | **150** | **–** | **150** |
| Capital works in progress reclassifications | **799** | **314** | **3,310** | **(4,423)** | **–** |
| Impairment | **(843)** | **–** | **(4,722)** | **–** | **(5,565)** |
| Transfers/disposals/scrapping | **–** | **–** | **(1,016)** | **(219)** | **(1,235)** |
| Depreciation expense | **(7,534)** | **(615)** | **(12,429)** | **–** | **(20,578)** |
| Foreign currency differences | **947** | **894** | **1,461** | **39** | **3,341** |
| Carrying amount at 30 April 2012 | **136,770** | **7,315** | **50,263** | **2,380** | **196,728** |

| Consolidated | Land & Buildings | Leasehold Improvements | Plant & Equipment | Capitalised WIP | Totals |
|---|---|---|---|---|---|
| | $000's | $000's | $000's | $000's | $000's |
| Carrying amount at 1 May 2010 | 146,209 | 7,209 | 66,688 | 1,553 | 221,659 |
| Additions | – | 195 | 3,125 | 4,658 | 7,978 |
| Recognition of finance lease | – | – | 293 | – | 293 |
| Capital works in progress reclassifications | 821 | 88 | 4,542 | (5,481) | (30) |
| Reversal of impairment | 130 | – | 899 | – | 1,029 |
| Transfers/disposals/scrapping | – | (19) | (227) | – | (246) |
| Depreciation expense | (7,550) | (533) | (12,332) | – | (20,415) |
| Foreign currency differences | (1,362) | (243) | (2,334) | (25) | (3,964) |
| Carrying amount at 30 April 2011 | 138,248 | 6,697 | 60,654 | 705 | 206,304 |

The impairment in 2012 relates to fixed assets at the Aqaba Processing Company packing plant in Jordan, Ricegrowers Limited Specialty Rice Foods Plant at Leeton and the Riviana Foods Pty Ltd Rubens plant at Nerang. In 2011 the impairment reversal related to Ricegrowers Limited's Deniliquin Mill #2 as it returned to production as a result of normal paddy supply and a favourable outlook for future crops.

**Purchase of Rice Storage Assets**

On 30 June 2006, Australian Grain Storage Pty Ltd, a controlled entity of Ricegrowers Limited, acquired the Rice Marketing Board's ("RMB's") network of rice receival and storage facilities for consideration of $125,771,312. Components of this purchase price are payable over a ten year period to assume the RMB's previous commitment to pay amounts owing to growers under the Capital Equity Rollover Scheme. The assets are pledged as security.

Repayment of the Capital Equity Rollover Scheme is interest free and is accounted for as government assistance with the face value of the scheme being matched against the unwinding of the interest expense.

**Assets pledged as security**

There are fixed and floating charges over fixed assets as disclosed in note 20.



## 16 Intangibles

| | **2012** | 2011 |
|---|---|---|
| | **$000's** | $000's |
| Goodwill | **2,819** | 3,169 |
| Patents and brands | **8,252** | 8,128 |
| Less accumulated amortisation | **(5,143)** | (2,802) |
| | **3,109** | 5,326 |
| Software | **3,811** | 3,787 |
| Less accumulated amortisation | **(3,040)** | (2,604) |
| | **771** | 1,183 |
| Other | **1,000** | 1,000 |
| Less accumulated amortisation | **(167)** | (967) |
| | **833** | 33 |
| | **7,532** | 9,711 |

| **Consolidated** | **Goodwill** | **Brands** | **Software** | **Other** | **Total** |
|---|---|---|---|---|---|
| | **$000's** | **$000's** | **$000's** | **$000's** | **$000's** |
| Carrying amount at 1 May 2011 | **3,169** | **5,326** | **1,183** | **33** | **9,711** |
| Additions | **–** | **–** | **2** | **1,000** | **1,002** |
| Amortisation charge | **–** | **(438)** | **(433)** | **(200)** | **(1,071)** |
| Impairment | **(352)** | **(1,882)** | **–** | **–** | **(2,234)** |
| Foreign exchange difference on translation | **2** | **103** | **19** | **–** | **124** |
| Carrying amount at 30 April 2012 | **2,819** | **3,109** | **771** | **833** | **7,532** |

The impairment relates to goodwill associated with the Rubens business and the Harvest/Hassad brands.

| Consolidated | Goodwill | Brands | Software | Other | Total |
|---|---|---|---|---|---|
| | $000's | $000's | $000's | $000's | $000's |
| Carrying amount at 1 May 2010 | 2,820 | 6,207 | 914 | 233 | 10,174 |
| Additions | 352 | – | 647 | – | 999 |
| Amortisation charge | – | (457) | (320) | (200) | (977) |
| Foreign exchange difference on translation | (3) | (424) | (58) | – | (485) |
| Carrying amount at 30 April 2011 | 3,169 | 5,326 | 1,183 | 33 | 9,711 |

## 16 Intangibles (continued)

Goodwill is specific to each cash generating unit (CGU) and allocated as follows:

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Rice Milling and Marketing Global | **29** | 27 |
| Riviana Foods | **2,605** | 2,957 |
| CopRice | **185** | 185 |
| | **2,819** | 3,169 |

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 2012 financial year are extrapolated using the estimated growth rates stated below.

Key assumptions used for value in use calculations

| | Growth Rate | | Discount Rate | |
|---|---|---|---|---|
| **CGU** | **2012 %** | 2011 % | **2012 %** | 2011 % |
| Rice Milling and Marketing Global | **1.0** | 1.0 | **10.0** | 10.0 |
| Riviana Foods | **1.0** | 1.0 | **10.0** | 10.0 |
| CopRice | **1.0** | 1.0 | **10.0** | 10.0 |

The discount rates used are pre-tax and reflect risks relating to the CGU's.

## 17 Investment properties

| | Consolidated | |
|---|---|---|
| | **2012 $000's** | 2011 $000's |
| At fair value | | |
| Opening balance at 1 May | **2,700** | 3,458 |
| Disposal | **–** | (808) |
| Net (loss)/gain from fair value adjustment | **(1,500)** | 50 |
| Closing balance at 30 April | **1,200** | 2,700 |

**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 sole investment property, the Griffith site, was valued in 2012 by a certified practising valuer.

## 18 Deferred tax assets

| | 2012 $000's | 2011 $000's |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Provisions | **5,057** | 4,354 |
| Accruals | **254** | 317 |
| Depreciation | **6,191** | 5,197 |
| Foreign exchange | **2,243** | 4,396 |
| Inventories | **2,344** | 1,073 |
| Other | **650** | 1,224 |
| | **16,739** | 16,561 |
| Cash flow hedges | **560** | 235 |
| Interest rate swaps | **137** | 92 |
| Total deferred tax assets | **17,436** | 16,888 |
| Set-off of deferred tax liabilities pursuant to set-off provisions (note 22) | **(3,856)** | |
| Net deferred tax assets | **13,580** | |
| **Movements** | | |
| Opening balance at 1 May | **16,888** | 17,663 |
| Credited/(charged) to income statement | **(116)** | (512) |
| Foreign exchange differences on translation | **293** | (357) |
| (Charged)/credited to other comprehensive income | **371** | 94 |
| Closing balance at 30 April | **17,436** | 16,888 |

## 19 Payables

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **Current** | | |
| Trade and other payables | **72,305** | 54,412 |
| Amounts owing to the Rice Marketing Board (RMB) for RMB Equity Certificates | **7,873** | 11,779 |
| Total external trade payables | **80,178** | 66,191 |
| Amounts payable to Australian ricegrowers | **107,649** | 86,170 |
| | **187,827** | 152,361 |
| **Non-current** | | |
| Trade and other payables | **1,344** | 1,290 |
| Amounts owing to the Rice Marketing Board (RMB) for RMB Equity Certificates | **10,886** | 18,862 |
| Total external trade payables | **12,230** | 20,152 |
| Amounts payable to Australian ricegrowers | **25,368** | 26,574 |
| | **37,598** | 46,726 |

The RMB equity certificates are non-interest bearing and are repayable by 2016.

# Notes to the financial statements continued

## 19 Payables (continued)

### (a) Fair values
The Directors consider the carrying amounts of trade and other payables approximate their fair values.

### (b) Risk exposure
Information about the Group's exposure to foreign exchange risk is provided in note 2.

## 20 Borrowings

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **Current** | | |
| *Secured* | | |
| Bank overdrafts | **18,167** | 1,360 |
| Bank loans | **42,963** | 170,921 |
| Lease liability (note 27) | **798** | 677 |
| | **61,928** | 172,958 |
| **Non current** | | |
| *Secured* | | |
| Bank loans | **140,949** | 83,018 |
| Lease liability (note 27) | **549** | 1,236 |
| | **141,498** | 84,254 |

### (a) Significant terms and conditions of bank facilities
During the 2012 financial year, Ricegrowers Limited renegotiated its seasonal syndicated banking facility. The seasonal debt facility was decreased to $240m from $265m and the maturity date was extended to 31 March 2013. The core debt facility was increased from $56.5m to $80.0m (maturity date 15 December 2014). The total facility is $320.0m compared to $321.5m in the prior year.

Riviana Foods Pty Ltd refinanced its seasonal and core debt facility with $10m seasonal debt maturing in December 2012 and $25m core debt maturing in June 2014. The facilities are secured by real property mortgages.

The bank loans, including overdrafts and other facilities, are secured by registered mortgages over all property, registered equitable mortgages over all assets of the Obligor Group, and a cross-guarantee between Ricegrowers Limited and Riviana Foods Pty Ltd. In addition, debt covenants apply to the above bank loans.

The Trukai banking facilities are secured by registered mortgages over real property and a registered equitable mortgage over all Trukai assets.

### (b) Fair values
The Directors consider the carrying amounts of bank overdrafts and loans approximate their fair values based on cashflows discounted at a weighted average interest rate of 6% (2011: 6.7%).

### (c) Carrying amount of all assets pledged as security
There is a fixed and floating charge over all fixed assets as described above.

### (d) Risk exposure
Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

## 20 Borrowings (continued)

| | 2012 $000's | 2011 $000's |
|---|---|---|
| The Group's bank loans are categorised as follows: | | |
| Seasonal debt | **42,173** | 133,751 |
| Core debt | **97,739** | 84,188 |
| AGS debt | **44,000** | 36,000 |
| | **183,912** | 253,939 |
| **Representing:** | | |
| Current bank loans | **42,963** | 170,921 |
| Non-current bank loans | **140,949** | 83,018 |
| | **183,912** | 253,939 |

### Seasonal debt
Seasonal debt represents borrowings used for the purpose of funding working capital requirements.

### Core debt
Core debt represents borrowings used to fund fixed assets and investments.

### AGS debt
The AGS debt represents loans to Australian Grain Storage Pty Ltd to pay the Rice Marketing Board annually as part of the acquisition of the RMB storage assets. This facility of $44m has a maturity date of 30 June 2014.

## 21 Provisions

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **Current** | | |
| Employee benefits (note 28) | **11,715** | 9,189 |
| Employee allowances | **78** | 50 |
| Directors' retirement benefits | **718** | 787 |
| | **12,511** | 10,026 |
| **Non current** | | |
| Employee benefits (note 28) | **3,586** | 2,913 |
| | **3,586** | 2,913 |

### (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 3.672% 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.

# Notes to the financial statements continued

## 22 Deferred tax liabilities

| | 2012 $000's | 2011 $000's |
|---|---|---|
| The balance comprises temporary differences attributable to: | | |
| Prepayments | **54** | 369 |
| Inventories | **1,356** | 1,651 |
| Investment property | **–** | 15 |
| Depreciation | **647** | 793 |
| Foreign exchange | **–** | 958 |
| Other | **–** | 45 |
| | **2,057** | 3,831 |
| Cash flow hedges | **1,799** | 3,064 |
| Total deferred tax liabilities | **3,856** | 6,895 |
| Set-off of deferred tax liabilities pursuant to set-off provisions (note 18) | **(3,856)** | |
| Net deferred tax liabilities | **–** | |

| Movements | | |
|---|---|---|
| Opening balance at 1 May | **6,895** | 2,503 |
| (Credited)/charged to income statement | **(2,115)** | 2,127 |
| Foreign exchange difference on translation | **341** | (265) |
| Charged/(credited) to other comprehensive income | **(1,265)** | 2,530 |
| Closing balance at 30 April | **3,856** | 6,895 |

## 23 Contributed equity

**(a) Share capital**

| | 2012 | 2011 |
|---|---|---|
| Fully paid Ordinary B Class Shares | **107,819** | 104,256 |

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

| Date | Details | Number of shares | Issue price | $000's |
|---|---|---|---|---|
| 1 May 2010 | Balance | 53,332,341 | | 101,017 |
| 30 July 2010 | Dividend Reinvestment | 1,369,647 | $2.37 | 3,239 |
| **30 April 2011** | **Balance** | **54,701,988** | | **104,256** |
| 29 July 2011 | Dividend Reinvestment (i) | 795,048 | $3.36 | 2,671 |
| 5 August 2011 | Share issue offer (ii) | 265,356 | $3.36 | 892 |
| **30 April 2012** | **Balance** | **55,762,392** | | **107,819** |

## 23 Contributed equity (continued)

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

**B Class shares**
B Class shares are non-voting shares with dividend rights.

*(i) Dividend reinvestment*
The Company has established a dividend reinvestment plan under which holders of B Class shares may elect to have all or part of their dividend entitlements satisfied by the issue of new B Class shares rather than by being paid in cash.

*(ii) Share Issue Offer*
On 6 July 2011, Ricegrowers Limited issued a prospectus for the issue of B Class shares to existing shareholders and RMB Equity holders. As at 27 July 2011 this resulted in 265,356 fully paid shares being issued at a price of $3.36. 190,960 ($641,627) were paid for from the conversion of RMB Equity and 74,396 shares ($249,970) were paid in cash.

**A Class shares**
A Class shares have no nominal value but are voting shares held by active growers only.

At 30 April 2012, 889 (2011: 794) A Class shares were on issue.

**(c) Capital risk management**
The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, continue to grow the business, provide returns for shareholders and to maintain an optimal capital structure.

The objective of the Board is to continue to reduce Ricegrowers Limited's gearing ratio to around 30% within the next four years. The Board has not determined how to raise the capital to achieve the lower gearing ratio, however it is considering using one or more of the following options; paddy price reductions, retained earnings, reduction in future dividends on B Class shares, raising external capital and reducing working capital.

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'borrowings' and 'RMB equity certificates' as shown in the balance sheet) less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the balance sheet (including non-controlling interests).

The gearing ratios at 30 April 2012 and 30 April 2011 were as follows:

| | Notes | 2012 $000's | 2011 $000's |
|---|---|---|---|
| Total borrowings | 20 | **203,426** | 257,212 |
| Add: amounts owing to the RMB for equity certificates | 19 | **18,759** | 30,641 |
| Less: cash and cash equivalents | 8 | **(29,170)** | (15,820) |
| Net debt | | **193,015** | 272,033 |
| Total equity | | **292,924** | 265,554 |
| Gearing ratio | | **66%** | 102% |

The gearing ratio at 30 April 2012 is at 66% compared to 102% at April 2011. The reduction is mainly due to lower working capital and an increase in equity driven by higher profits.

# Notes to the financial statements continued

## 24 Reserves and retained profits

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **Reserves** | | |
| General reserve | **28,453** | 28,453 |
| Asset revaluation reserve | **4,917** | 4,917 |
| Foreign currency translation reserve | **(16,825)** | (19,157) |
| Hedging reserve – cash flow hedges | **2,573** | 6,390 |
| | **19,118** | 20,603 |

(a) Movements

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **Foreign currency translation reserve** | | |
| Balance 1 May | **(19,157)** | (16,254) |
| Net exchange difference on translation of overseas controlled entities | **2,332** | (2,903) |
| Balance 30 April | **(16,825)** | (19,157) |
| **Hedging reserve – cash flow hedges** | | |
| Balance 1 May | **6,390** | 704 |
| Revaluation and transfer to profit and loss – gross | **(5,453)** | 8,123 |
| Deferred tax | **1,636** | (2,437) |
| Balance 30 April | **2,573** | 6,390 |
| **Retained profits** | | |
| Balance 1 May | **130,373** | 129,682 |
| Net profit for the year | **31,783** | 12,691 |
| Dividends provided for or paid | **(9,846)** | (12,000) |
| Balance 30 April | **152,310** | 130,373 |

(b) 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 entities 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(p). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

## 25 Franked dividends

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Dividend declared during the year ended 30 April 2012 of 18.0 cents (2011: 22.5 cents) per fully paid share | **9,846** | 12,000 |

The dividend of $9,846,358 (2011: $11,999,782) relates to a dividend declared and paid in respect of the 2011 (2011: 2010) financial year and was fully franked.

The franked portions of the final dividend recommended after 30 April 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 April 2013:

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2011 – 30%) | **46,837** | 35,822 |

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax,

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $4,301,670 (2011 – $4,219,868).

## 26 Contingencies

**Contingent liabilities**
The estimated maximum amounts of contingent liabilities not provided for in the financial statements of the Group as at 30 April 2012 are:

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Letters of credit | **649** | 701 |
| Guarantee of bank advances | **1,586** | 1,512 |
| | **2,235** | 2,213 |

# Notes to the financial statements continued

## 27 Commitments for expenditure

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **(a) Capital commitments (property, plant and equipment)** | | |
| Commitments for capital expenditure contracted for at reporting date but not recognised as liabilities payable | **2,804** | 2,187 |
| **(b) Lease commitments** | | |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities payable: | | |
| Within one year | **8,357** | 8,618 |
| Later than one year but not later than five years | **18,672** | 15,213 |
| Later than five years | **6,524** | 6,055 |
| | **33,553** | 29,886 |
| Representing: | | |
| Cancellable operating leases | **33,553** | 29,886 |
| Commitments in relation to finance leases are payable as follows: | | |
| Within one year | **909** | 859 |
| Later than one year but not later than five years | **581** | 1,361 |
| Minimum lease payments | **1,490** | 2,220 |
| less: future finance charges | **(143)** | (307) |
| Recognised as a liability | **1,347** | 1,913 |
| Representing lease liabilities: | | |
| Current (note 20) | **798** | 677 |
| Non current (note 20) | **549** | 1,236 |
| | **1,347** | 1,913 |

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

## 28 Employee benefits

**(a) Employee benefits and related on cost liabilities**

| | 2012 | 2011 |
|---|---|---|
| Provision for employee benefits (note 21) | | |
| Current | **11,715** | 9,189 |
| Non-current | **3,586** | 2,913 |
| Aggregate employee entitlement benefits | **15,301** | 12,102 |
| **Employee numbers** | **Number** | Number |
| Average number of employees during the year | **1,858** | 1,784 |

## 28 Employee benefits (continued)

**(b) Superannuation plan/commitments**

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

## 29 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 | Country of Incorporation | Principal activities | Direct/indirect interest in ordinary shares/equity 2012 % | 2011 % |
|---|---|---|---|---|
| SunRice Trading Pty Ltd | Australia | Distribution of rice | **100** | 100 |
| SunFoods LLC | USA | Processing and distribution of rice | **65** | 65 |
| Rice Research Australia Pty Ltd | Australia | Research into rice growing | **100** | 100 |
| Australian Grain Storage Pty Ltd | Australia | Grain Storage Assets | **100** | 100 |
| SunRice Australia Pty Ltd | Australia | Marketing | **100** | 100 |
| Silica Resources Pty Ltd | Australia | Investment | **100** | 100 |
| Riviana Foods Pty Ltd | Australia | Importation/distribution of food products | **100** | 100 |
| Trukai Industries Limited | PNG | Distribution of rice | **66.23** | 66.23 |
| Trukai (Wholesale) Limited | PNG | Distribution of rice | **66.23** | 66.23 |
| Rice Industries Limited | PNG | Property | **66.23** | 66.23 |
| Solomons Rice Company Limited | Solomon Islands | Distribution of rice | **100** | 100 |
| SunArise Insurance Company Ltd | Bermuda | Insurance | **100** | 100 |
| Aqaba Processing Company Ltd | Jordan | Rice packing/storage | **80** | 80 |
| Sunshine Rice, Inc | USA | Marketing | **100** | 100 |

**Non-controlling 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.

Outside equity interests hold 35,000 units in SunFoods LLC, being 35% of the operation.

## 30 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 29.

**(c) Directors and other Key Management Personnel**
*(i) Directors and other Key Management Personnel compensation*

| | 2012 $ | 2011 $ |
|---|---|---|
| Short term employee benefits | **4,202,845** | 3,455,937 |
| Post-employment benefits | **195,256** | 156,531 |
| Other long-term benefits | **450,588** | 352,441 |
| Share-based payments | **–** | – |
| | **4,848,689** | 3,964,909 |

Detailed remuneration disclosures are provided in note 17 and 18 of the Directors report.

*(ii) Share holdings*

| Director | Directors' and other KMP interests in A and B Class shares of Ricegrowers Limited 2012 A Class Shares | 2012 B Class Shares | 2011 A Class Shares | 2011 B Class Shares |
|---|---|---|---|---|
| GF Lawson AM | **1** | **330,139** | 1 | 330,139 |
| DM Robertson | **1** | **224,539** | 1 | 224,539 |
| GA Andreazza (appointed 25 August 2011) | **1** | **80,279** | – | – |
| LJ Arthur | **1** | **233,818** | 1 | 234,818 |
| NG Graham | **1** | **100,897** | 1 | 100,897 |
| RA Higgins AO | **–** | **31,436** | – | 29,838 |
| GL Kirkup | **1** | **67,424** | 1 | 67,424 |
| GF Latta AM | **–** | **29,838** | – | 29,838 |
| AD Walsh | **3** | **500,350** | 4 | 473,319 |
| **Former director** | | | | |
| G Helou (resigned 14 September 2011) | **–** | **–** | – | 54,000 |
| N McAllister (retired 25 August 2011) | **–** | **–** | 2 | 319,084 |
| **Other Key Management Personnel** | | | | |
| M Bazley | **–** | **19,491** | – | 18,500 |
| B Hingle | **–** | **11,000** | – | 11,000 |
| D Keldie | **–** | **14,784** | – | 14,784 |



## 30 Related party transactions (continued)

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

| *Issuing entity* | 2012 | 2011 |
|---|---|---|
| Ricegrowers Limited | **28,619** | 1,284 |

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, their related entities and other Key Management Personnel at balance date were:

| *Issuing entity* | 2012 | 2011 |
|---|---|---|
| Ricegrowers Limited | **1,644,004** | 1,908,191 |

Directors, their related entities and other Key Management Personnel received normal dividends on these ordinary shares.

*(iii) Transactions with Directors and other Key Management Personnel*

| | 2012 $000's | 2011 $000's |
|---|---|---|
| *Transaction type and class of other party* | | |
| Purchases of rice from Directors | **4,533** | 3,200 |
| Purchases of grain from Directors | **93** | 282 |
| Sale of inputs to Directors | **196** | 159 |
| Sale of stockfeed to Directors | **30** | 22 |

There were no transactions with other Key Management Personnel.

## 31 Reconciliation of profit after income tax to net cash inflow/(outflow) from operating activities

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Profit for the year | **33,911** | 13,099 |
| Depreciation and amortisation | **21,648** | 21,392 |
| Loss/(gain) on sale/disposal of property, plant and equipment | **1,039** | (188) |
| Fair value revaluation of investment property | **1,500** | (50) |
| Impairment of non-current assets | **7,799** | (1,029) |
| Share of associate's net loss | **85** | 296 |
| **Changes in operating assets and liabilities, net of effect of acquisition of business** | | |
| (Increase) in trade and other receivables | **(1,379)** | (4,700) |
| (Increase) in inventories | **(22,163)** | (21,988) |
| Increase in amounts payable to growers | **20,274** | 51,163 |
| Increase/(decrease) in trade and other creditors and employee entitlements | **23,193** | (5,795) |
| Increase/(decrease) in provision for income taxes payable | **16,524** | (2,941) |
| (Increase)/decrease in deferred tax balances | **(1,950)** | 2,729 |
| Net cash inflows from operating activities | **100,481** | 51,988 |

# Notes to the financial statements continued

## 32 Earnings per share

### (a) Basic and diluted earnings per share

| | 2012 Cents | 2011 Cents |
|---|---|---|
| Basic and diluted earnings per share | **57.3** | 23.3 |

### (b) Reconciliation of earnings per share

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Profit for the year | **31,783** | 12,691 |

### (c) Weighted average number of shares used as a denominator

| | 2012 000's | 2011 000's |
|---|---|---|
| Weighted average number of B Class shares | **55,499** | 54,364 |

## 33 Subsequent events

On 18 June 2012 the Directors declared a fully franked final dividend of 18.0 cents per share. The financial impact of this dividend will be recognised in the 2013 financial statements.

The Directors are not aware of any other 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.

## 34 Parent entity information

### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

| | 2012 $000's | 2011 $000's |
|---|---|---|
| **Balance sheet** | | |
| Current assets | **458,394** | 439,529 |
| Total assets | **561,407** | 560,557 |
| Current liabilities | **226,199** | 262,954 |
| Total liabilities | **336,077** | 353,321 |
| Shareholders equity | | |
| Issued capital | **107,819** | 104,256 |
| Reserves | | |
| General reserve | **18,657** | 18,657 |
| Hedging reserve – cash flow hedges | **2,979** | 6,749 |
| Retained earnings | **95,875** | 77,574 |
| | **225,330** | 207,236 |
| **Profit for the year** | **28,145** | 3,118 |
| **Total comprehensive income** | **24,377** | 8,970 |

## 34 Parent entity information (continued)

### (b) Guarantees entered into by the parent entity

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Carrying amount included in current liabilities | **–** | – |

The parent entity has entered into cross guarantees in respect of all banking facilities, including bank loans, foreign exchange facilities and bank overdrafts for the following subsidiaries which comprise the Obligor Group:

- Riviana Pty Ltd
- Rice Research Australia Pty Limited
- Solomons Rice Company Limited
- Sunshine Rice Inc.

No liability has been recognised at balance date.

### (c) Contingent liabilities of the parent entity

| | 2012 $000's | 2011 $000's |
|---|---|---|
| Letters of credit | **–** | 701 |
| Guarantee of bank advances | **692** | 692 |
| | **692** | 1,393 |

### (d) Contractual commitments for the acquisition of property, plant and equipment

As at 30 April 2012, the parent entity had contractual commitments for the acquisition of property, plant or equipment totalling $846,000 (30 April 2011 – $420,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

## 35 Segment information

### Business segments

The following reportable segments have been identified based on a product/service perspective determined by the Corporate Management Team.

*Rice Milling & Marketing Australian Rice (RM&M Au Rice)*
The milling, marketing and distribution of rice from Australian sources through intermediaries to consumers and directly to food service and processing customers where the supply of Australian rice is a key driver of the economies of the business.

*Rice Milling & Marketing Global (RM&M Global)*
The milling, marketing and distribution of rice from all other sources through intermediaries to consumers, food services and processing customers where the economics of the business reflects profit generated as a result of managing supply and demand.

*Riviana Foods (Riviana)*
The importation, manufacture, distribution and sales of consumer food products to intermediaries.

*Australian Grain Storage (AGS)*
The receival and storage of paddy rice and non-rice grain in Australia.

## 35 Segment information (continued)

**Business segments** (continued)

*CopRice*
The manufacture, distribution and sales of petfood and stock feed products through intermediaries to consumers and primary producers.

*All other segments.*
Segments that do not meet the quantitative thresholds set by AASB 8.

The Corporate Management Team evaluates results based on NPBT which is defined as net profit before tax and intersegment eliminations.

Interest allocations to CopRice, RM&M Global, RM&M Au Rice and the 'other' segment are based on a computation of working capital and fixed capital employed multiplied by Ricegrowers Limited's variable interest rate on seasonal borrowings. The finance charge is designed to reflect the true cost of capital employed in each segment.

Sales between segments are carried out at arms length and are eliminated on consolidation. The revenue from external customers, assets and liabilities are measured in a manner consistent with that of the financial statements. Other revenue refers to management fees, dividends and sale of corporate assets.The segment result includes an asset financing charge that is allocated to the appropriate segment.

**Changes from prior periods**
The Corporate Management Team has changed the measure for segment results from contributed EBIT to NPBT. The change in this measure has resulted in a lower result from each segment as these results now include an allocation for financing expense, centralised corporate services and one off expenses and income. Prior year numbers have been restated.

The Corporate Management Team has determined that the RM&M Au Rice segment has different economic characteristics from the other businesses in the RM&M Global segment. The RM&M Au Rice segment therefore warrants dis-aggregation from the RM&M segment presented in prior years. The 2011 crop is the first crop since the introduction of segment reporting to be of a significant size and, as a result, the nature of the business and the decisions required to be made have changed due to the obligation RM&M Au Rice has as the sole buyer of the last resort. This obligation does not exist in any of the other businesses in the RM&M Global segment. Prior year numbers have been restated to reflect this change.

The CopRice segment has been disclosed this year due to it meeting the quantitative thresholds prescribed by AASB 8. Prior year numbers have been restated and include the CopRice segment.

## 35 Segment information (continued)

The following table sets forth the segment results for the year ended 30 April 2012.

| | RM&M Au Rice | RM&M Global | Riviana | AGS | CopRice | All other segments | Total |
|---|---|---|---|---|---|---|---|
| | $000's | $000's | $000's | $000's | $000's | $000's | $000's |
| Total segment revenue | 452,108 | 356,375 | 146,109 | 60,164 | 97,997 | 77,768 | 1,190,521 |
| Inter-segment revenue | (131,464) | (6,300) | – | (55,417) | – | (398) | (193,579) |
| Revenue from external customers | 320,644 | 350,075 | 146,109 | 4,747 | 97,997 | 77,370 | 996,942 |
| Other revenue | | | | | | | 3,428 |
| **Total revenue from continuing operations** | | | | | | | **1,000,370** |
| Contributed EBIT | 38,300 | 31,013 | 16,324 | 13,224 | 14,647 | 7,239 | 120,747 |
| Finance expense (net) | (5,661) | (2,900) | (1,848) | (1,993) | (1,627) | (1,758) | (15,787) |
| Centralised corporate services | (18,454) | (12,668) | (4,157) | – | (4,350) | (1,865) | (41,494) |
| Impairment of assets | (3,542) | (1,882) | (570) | – | – | (1,805) | (7,799) |
| Fair value adjustment | (1,500) | – | – | – | – | – | (1,500) |
| Other (expenses)/income | 6,858 | (240) | (139) | (7,732) | (18) | (1,213) | (2,484) |
| Contributed NPBT | 16,001 | 13,323 | 9,610 | 3,499 | 8,652 | 598 | 51,683 |
| Intersegment eliminations | | | | | | | 2,952 |
| **Profit before income tax** | | | | | | | **54,635** |
| Depreciation and amortisation | (5,949) | (3,408) | (1,628) | (6,922) | (1,384) | (2,358) | (21,649) |
| Acquisitions of property, plant and equipment | 3,419 | 2,262 | 6,268 | 1,016 | 538 | 808 | 14,311 |
| Segment assets | 459,805 | 96,549 | 89,091 | 111,858 | 31,837 | 45,990 | 835,130 |
| Intersegment eliminations | | | | | | | (91,931) |
| Deferred tax assets | | | | | | | 13,580 |
| **Total assets** | | | | | | | **756,779** |
| Segment liabilities | 202,705 | 26,031 | 27,360 | 55,748 | 3,607 | 16,553 | 332,004 |
| Intersegment eliminations | | | | | | | (89,255) |
| Current tax liability | | | | | | | 17,680 |
| Deferred tax liabilities | | | | | | | – |
| Borrowings | | | | | | | 203,426 |
| **Total liabilities** | | | | | | | **463,855** |

Revenues of approximately $121,070,000 (2011: $101,871,000) are derived from a single external customer. These revenues are attributable to the RM&M Au Rice, RM&M Global and Riviana segments.

# Notes to the financial statements continued

## 35 Segment information (continued)

The following table sets forth the segment results for the year ended 30 April 2011.

| | RM&M Au Rice | RM&M Global | Riviana | AGS | CopRice | All other segments | Total |
|---|---|---|---|---|---|---|---|
| | $000's | $000's | $000's | $000's | $000's | $000's | $000's |
| Total segment revenue | 145,466 | 612,127 | 143,405 | 23,051 | 76,117 | 73,036 | 1,073,203 |
| Inter-segment revenue | (9,412) | (237,339) | – | (19,298) | – | (214) | (266,261) |
| Revenue from external customers | 136,054 | 374,789 | 143,405 | 3,753 | 76,117 | 72,823 | 806,942 |
| Other revenue | | | | | | | 2,407 |
| Total revenue from continuing operations | | | | | | | 809,349 |
| Contributed EBIT | (8,427) | 34,391 | 19,436 | 5,451 | 9,289 | 10,932 | 77,997 |
| Finance expense (net) | (6,014) | (9,947) | (1,791) | (1,944) | (1,700) | (2,031) | (23,427) |
| Centralised corporate services | (9,279) | (15,713) | (4,021) | – | (4,284) | (2,000) | (35,296) |
| Impairment reversal | 1,029 | – | – | – | – | – | 1,029 |
| Other (expenses)/income | (18) | 1,196 | (169) | – | (25) | – | 984 |
| Contributed NPBT | (22,709) | 9,927 | 13,455 | 3,507 | 3,280 | 6,901 | 21,287 |
| Intersegment eliminations | | | | | | | 6,608 |
| Ebro scheme costs | | | | | | | (3,471) |
| Profit before income tax | | | | | | | 17,500 |
| Depreciation and amortisation | (5,721) | (3,248) | (1,500) | (7,055) | (1,411) | (2,457) | (21,392) |
| Acquisitions of property, plant and equipment | 2,306 | 1,806 | 2,100 | 136 | 410 | 1,220 | 7,978 |
| Segment assets | 382,344 | 150,045 | 89,033 | 109,210 | 29,653 | 46,769 | 807,054 |
| Intersegment eliminations | | | | | | | (78,957) |
| Deferred tax assets | | | | | | | 16,888 |
| Total assets | | | | | | | 744,985 |
| Segment liabilities | 155,274 | 22,392 | 30,174 | 63,533 | 3,174 | 13,143 | 287,690 |
| Intersegment eliminations | | | | | | | (73,588) |
| Deferred tax liability | | | | | | | 6,895 |
| Current tax liability | | | | | | | 1,221 |
| Borrowings | | | | | | | 257,213 |
| Total liabilities | | | | | | | 479,431 |



## 35 Segment information (continued)

**Other segment information – geographical areas**

| | **Australia** | **PNG** | **Other** | **Total** |
|---|---|---|---|---|
| **2012** | **$000's** | **$000's** | **$000's** | **$000's** |
| Revenues from external customers | **343,638** | **241,506** | **411,798** | **996,942** |

| | Australia | PNG | Other | Total |
|---|---|---|---|---|
| **2011** | $000's | $000's | $000's | $000's |
| Revenues from external customers | 368,200 | 211,617 | 227,125 | 806,942 |

Segment revenues are allocated based on the country in which the customer is located.

The total of non-current assets other than deferred tax assets located in Australia is $189,654,000 (2011: $182,401,000) and the total of these non-current assets located in other countries is $16,716,000 (2011: $38,191,000). Segment assets are allocated to countries based on where the assets are located.

## 36 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

| | **2012** | 2011 |
|---|---|---|
| | **$** | $ |
| **Audit services** | | |
| Fees paid to PricewaterhouseCoopers Australian firm | **265,500** | 263,500 |
| Fees paid to related practices of PricewaterhouseCoopers Australian firm | **137,422** | 120,095 |
| Fees paid to non-PricewaterhouseCoopers audit firm | **13,107** | 13,145 |
| **Total remuneration for audit services** | **416,029** | 396,740 |
| **(b) Other assurance services** | | |
| Fees paid to PricewaterhouseCoopers Australian firm | **5,000** | 102,800 |
| Fees paid to related practices of PricewaterhouseCoopers Australian firm | **–** | 10,894 |
| **Total remuneration for other assurance services** | **5,000** | 113,694 |
| **Total remuneration for assurance services** | **421,029** | 510,434 |
| (c) Taxation services | | |
| Fees paid to PricewaterhouseCoopers Australian firm | **200,885** | 542,339 |
| Fees paid to related practices of PricewaterhouseCoopers Australian firm | **38,003** | 16,721 |
| **Total remuneration for taxation services** | **238,888** | 559,060 |

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.

# Independent auditor's report to the members of Ricegrowers Limited

## Report on the financial report

We have audited the accompanying financial report, of Ricegrowers Limited (the company), which comprises the balance sheet as at 30 April 2012, the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Ricegrowers Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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*T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au*



### Auditor's opinion

In our opinion:

(a) the financial report of Ricegrowers Limited Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 April 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

## Report on the Remuneration Report

We have audited the remuneration report included in pages 50 to 54 of the directors' report for the year ended 30 April 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion

In our opinion, the remuneration report of Ricegrowers Limited Group for the year ended 30 April 2012, complies with section 300A of the Corporations Act 2001.

### Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report and remuneration report of Ricegrowers Limited Group (the consolidated entity) for the year ended 30 April 2012 included on Ricegrowers Limited web site. The company's directors are responsible for the integrity of the Ricegrowers Limited web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report or the remuneration report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information included in the audited financial report and remuneration report presented on this web site.

PricewaterhouseCoopers

18 June 2012

S J Bourke
Partner

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# Corporate Directory

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**RICE MILLS**
Coleambally, Deniliquin, Leeton, Lae and Aqaba

**MARKETING OFFICES**
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Tel 02 9268 2000  Fax 02 8916 8360

**Jordan**
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**Singapore**
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**Japan**
Australian Ricegrowers
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**COPRICE FEEDS**
Railway Avenue, Leeton NSW 2705
Locked Bag 2, Leeton NSW 2705
Tel 02 6953 0422  Fax 02 6953 2776

**COPRICE FEED MILLS**
Leeton, Tongala, Cobden

## SUBSIDIARIES

**Riviana Foods Pty Ltd**
8 Lakeview Drive, Scoresby VIC  3179
PO Box 1600, Ferntree Gully VIC 3156
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**Trukai Industries Limited**
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**Solomons Rice Company Limited**
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**SunFoods LLC**
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**Aqaba Processing Company**
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Ricegrowers Limited
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